

**Date and Time:** Monday 9 September 2024 17:28:00 CEST

**Job Number:** 233033491

**Documents (100)**

1. [*Future of NI farm support up for grabs*](https://advance.lexis.com/api/document?id=urn:contentItem:5SYF-DBD1-F15K-20GF-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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2. [*Programme summary of Iranian TV news 1030 gmt 24 Feb 18*](https://advance.lexis.com/api/document?id=urn:contentItem:5RR5-1921-DYRV-30N1-00000-00&idtype=PID&context=1516831)

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3. [*Register of Commission documents: Commission Delegated Regulation amending Regulation (EC) No 138/2004 of the European Parliament and of the Council as regards references to the European system of national and regional accounts in the European Union Document date: 2018-12-03 COM\_ADL(2018)07910 Delegated acts*](https://advance.lexis.com/api/document?id=urn:contentItem:5RWJ-R201-F0YC-N002-00000-00&idtype=PID&context=1516831)

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4. [*Quebec Election Looms but a Traditional Issue Doesn't: Independence*](https://advance.lexis.com/api/document?id=urn:contentItem:5TB5-WR01-JC85-N1XC-00000-00&idtype=PID&context=1516831)

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5. [*Programme summary of Iranian TV news 1030 gmt 24 Feb 18*](https://advance.lexis.com/api/document?id=urn:contentItem:5S64-BSB1-DYRV-30P0-00000-00&idtype=PID&context=1516831)

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6. [*Ghana's construction sector to rebound in 2018 as oil prices improve*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4X1-DXYV-7442-00000-00&idtype=PID&context=1516831)

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7. [*Washington: Fortune 500*](https://advance.lexis.com/api/document?id=urn:contentItem:5S2H-CX81-JDG9-Y4SH-00000-00&idtype=PID&context=1516831)

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8. [*Airtel Africa - 2018*](https://advance.lexis.com/api/document?id=urn:contentItem:5RB0-8SG1-F0J5-84CN-00000-00&idtype=PID&context=1516831)

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9. [*BRIEF NEWS BULLETIN NO. 10549*](https://advance.lexis.com/api/document?id=urn:contentItem:5T7S-YNY1-F12K-R07T-00000-00&idtype=PID&context=1516831)

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10. [*PROVIDING FOR CONGRESSIONAL DISAPPROVAL UNDER CHAPTER 8 OF TITLE 5, UNITED STATES CODE, OF THE RULE SUBMITTED BY THE SECRETARY OF THE TREASURY, SECRETARY OF LABOR, AND SECRETARY OF HEALTH AND HUMAN... (Senate - October 10, 2018)*](https://advance.lexis.com/api/document?id=urn:contentItem:5TG5-B6N1-F0YC-N10K-00000-00&idtype=PID&context=1516831)

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11. [*Oman 's diversification drive supports industrial growth*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4X1-DXYV-74DB-00000-00&idtype=PID&context=1516831)

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12. [*Website sees Ukraine 's coalition impeding cooperation with EU*](https://advance.lexis.com/api/document?id=urn:contentItem:5R67-WF91-DYRV-31RY-00000-00&idtype=PID&context=1516831)

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13. [*BRIEF NEWS BULLETIN NO. 10495*](https://advance.lexis.com/api/document?id=urn:contentItem:5SV8-JN21-JDKJ-14D0-00000-00&idtype=PID&context=1516831)

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14. [*Tunisia 's new budget law builds on existing tax and legal investment framework*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4X1-DXYV-751R-00000-00&idtype=PID&context=1516831)

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15. [*Airtel Africa - Q1 2018*](https://advance.lexis.com/api/document?id=urn:contentItem:5RB6-81M1-F0J5-84XJ-00000-00&idtype=PID&context=1516831)

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16. [*Top news from Polish politics, economy, business & financial markets - 16:00 BUSINESS & EQUITY MARKET NEWS*](https://advance.lexis.com/api/document?id=urn:contentItem:64R9-6WR1-JCG5-H2JH-00000-00&idtype=PID&context=1516831)

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17. [*Top news from Polish politics, economy, business & financial markets - 18:30 BUSINESS & EQUITY MARKET NEWS*](https://advance.lexis.com/api/document?id=urn:contentItem:64R9-6WR1-JCG5-H2JS-00000-00&idtype=PID&context=1516831)

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18. [*A global nexus: Regulatory reform and an ambitious national development programme further connect the country with global trade flows*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4Y1-DXYV-711H-00000-00&idtype=PID&context=1516831)

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19. [*Banking - Côte D'Ivoire - Q3 2018*](https://advance.lexis.com/api/document?id=urn:contentItem:5SD0-0311-F0J5-841X-00000-00&idtype=PID&context=1516831)

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20. [*Kosovo : Staff Concluding Statement of the 2017 Article IV Mission*](https://advance.lexis.com/api/document?id=urn:contentItem:5R65-4NS1-F0YC-N2BN-00000-00&idtype=PID&context=1516831)

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21. [*EXECUTIVE SESSION (Senate - October 11, 2018)*](https://advance.lexis.com/api/document?id=urn:contentItem:5SGN-0TR1-JDG9-Y4C8-00000-00&idtype=PID&context=1516831)

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22. [*Banking - Côte d'Ivoire - Q2 2018*](https://advance.lexis.com/api/document?id=urn:contentItem:5RH3-K3M1-JD33-J0TR-00000-00&idtype=PID&context=1516831)

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23. [*Ukraine : Donetsk Region media highlights 21-27 Jul 18*](https://advance.lexis.com/api/document?id=urn:contentItem:5SYH-4TX1-JC8S-C534-00000-00&idtype=PID&context=1516831)

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24. [*Argentina media highlights 1 August 2018*](https://advance.lexis.com/api/document?id=urn:contentItem:5SY1-JJ21-JC8S-C18Y-00000-00&idtype=PID&context=1516831)

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25. [*Meta Financial Group announces Q1 fiscal 2018 financial results*](https://advance.lexis.com/api/document?id=urn:contentItem:5RJ8-T1X1-JC0X-H4GS-00000-00&idtype=PID&context=1516831)

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26. [*A growing population creates obstacles to improving health care access in Egypt*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4X1-DXYV-74HM-00000-00&idtype=PID&context=1516831)

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27. [*Register of Commission documents: Economic Dialogue and Exchange of Views with the Presidents of the Council (ECOFIN) Document date: 2018-01-23 IPOL\_IDA(2018)614488 In-Depth Analysis*](https://advance.lexis.com/api/document?id=urn:contentItem:5RJD-DBS1-JDG9-Y2DF-00000-00&idtype=PID&context=1516831)

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28. [*Week Ahead: Southern African Inflation Tempered By Lower Food Prices*](https://advance.lexis.com/api/document?id=urn:contentItem:5R58-XMV1-F0J5-81PY-00000-00&idtype=PID&context=1516831)

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29. [*Washington: RAPID DNA ACT OF 2017--Continued*](https://advance.lexis.com/api/document?id=urn:contentItem:5RFG-21T1-JDG9-Y44B-00000-00&idtype=PID&context=1516831)

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30. [*Ukraine : Luhansk Region media highlights 12-18 May 18*](https://advance.lexis.com/api/document?id=urn:contentItem:5SG8-YGP1-DYRV-33T6-00000-00&idtype=PID&context=1516831)

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31. [*Coca-Cola European Partners Reports Preliminary*](https://advance.lexis.com/api/document?id=urn:contentItem:5RNC-58C1-JCBD-Y0NC-00000-00&idtype=PID&context=1516831)

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32. [*Pakistan PM says will bring funds, technology from China*](https://advance.lexis.com/api/document?id=urn:contentItem:5TK5-34M1-JC8S-C1Y8-00000-00&idtype=PID&context=1516831)

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33. [*Bank of Cyprus Holdings PLC Half-year Report -63-*](https://advance.lexis.com/api/document?id=urn:contentItem:5T4R-B951-JCXB-21RT-00000-00&idtype=PID&context=1516831)

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34. [*EM Reform Tracker: Populist Electoral Successes Entrench Challenges To Growth*](https://advance.lexis.com/api/document?id=urn:contentItem:5SWV-30X1-F0J5-8018-00000-00&idtype=PID&context=1516831)

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35. [*Top news from Polish politics, economy, business & financial markets - 19:20 BUSINESS & EQUITY MARKET NEWS*](https://advance.lexis.com/api/document?id=urn:contentItem:64R9-6WR1-JCG5-H2FM-00000-00&idtype=PID&context=1516831)

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36. [*IMF Executive Board Concludes 2017 Article IV Consultation with Dominica*](https://advance.lexis.com/api/document?id=urn:contentItem:5R78-1ND1-F0YC-N3GR-00000-00&idtype=PID&context=1516831)

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37. [*Ukraine : Donetsk Region media highlights 25-31 Aug 18*](https://advance.lexis.com/api/document?id=urn:contentItem:5T7C-7NX1-JC8S-C0D5-00000-00&idtype=PID&context=1516831)

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38. [*Washington: DEPARTMENT OF THE INTERIOR, ENVIRONMENT, AND RELATED AGENCIES APPROPRIATIONS ACT, 2019 (House of Representatives - July 18, 2018)*](https://advance.lexis.com/api/document?id=urn:contentItem:5SV7-NH41-JDG9-Y21R-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

39. [*Register of Commission documents:REPORT containing a motion for a non-legislative resolution on the draft Council decision on the conclusion, on behalf of the Union, of the Enhanced Partnership and Cooperation Agreement between the European Union and its Member States, of the one part, and the Republic of Kazakhstan , of the other part Document date: 2017-10-26 P8\_A(2017)0335 Reports*](https://advance.lexis.com/api/document?id=urn:contentItem:5R5J-9J41-JDG9-Y346-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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40. [*Overseas Business Risk - Cuba*](https://advance.lexis.com/api/document?id=urn:contentItem:5RJ1-4S21-JDG9-Y2F8-00000-00&idtype=PID&context=1516831)

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41. [*Defra's senior officials' expenses, October to December 2017*](https://advance.lexis.com/api/document?id=urn:contentItem:5RYY-3V91-F0YC-N2K7-00000-00&idtype=PID&context=1516831)

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42. [*Federal Register: United States v. GS Caltex Corp. et al.; Proposed Final Judgments and Competitive Impact Statement Pages 60306 - 60327 [FR DOC # 2018-25461]*](https://advance.lexis.com/api/document?id=urn:contentItem:5TTC-3XJ1-JDG9-Y4B5-00000-00&idtype=PID&context=1516831)

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43. [*Register of Commission documents: European Parliament non-legislative resolution of 12 December 2017 on the draft Council decision on the conclusion, on behalf of the Union, of the Enhanced Partnership and Cooperation Agreement between the European Union and its Member States, of the one part, and the Republic of Kazakhstan , of the other part (12409/2016 – C8-0469/2016 – 2016/0166(NLE) – 2017/2035(INI)) Document date: 2017-12-12 P8\_TA-PROV(2017)0485 Texts adopted (provisional edition*](https://advance.lexis.com/api/document?id=urn:contentItem:5R8Y-T851-JDG9-Y55K-00000-00&idtype=PID&context=1516831)

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44. [*Brexit White Paper Offers Slight Respite To Agribusiness Sector*](https://advance.lexis.com/api/document?id=urn:contentItem:5T4W-43T1-JD33-J3SH-00000-00&idtype=PID&context=1516831)

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45. [*Central America media highlights 12 June 2018*](https://advance.lexis.com/api/document?id=urn:contentItem:5SJK-0J61-DYRV-34XX-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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46. [*Washington: EXECUTIVE SESSION*](https://advance.lexis.com/api/document?id=urn:contentItem:5R72-3W41-JDG9-Y2KM-00000-00&idtype=PID&context=1516831)

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47. [*China- Kazakhstan border woes dent Silk Road ambitions*](https://advance.lexis.com/api/document?id=urn:contentItem:5R77-WTF1-F039-639H-00000-00&idtype=PID&context=1516831)

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48. [*Federal Register: Department Regulatory and Deregulatory Agenda; Semiannual Summary Pages 58051 - 58070 [FR DOC # 2018-24091]*](https://advance.lexis.com/api/document?id=urn:contentItem:5TRV-7SG1-F0YC-N37T-00000-00&idtype=PID&context=1516831)

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49. [*Irish companies build up a head of steam in Myanmar Irish entrepreneurs are among the foreign businesses establishing a solid foothold in Yangon*](https://advance.lexis.com/api/document?id=urn:contentItem:5RWJ-TK51-DYS1-02GV-00000-00&idtype=PID&context=1516831)

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50. [*Myanmar addresses challenges to transform agriculture sector into engine of growth*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4X1-DXYV-74VB-00000-00&idtype=PID&context=1516831)

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51. [*The Vicious Circle: How Financing From IMF And Other Financial Institutes Feeds Corruption In # Ukrainian Agricultural Sector*](https://advance.lexis.com/api/document?id=urn:contentItem:5SJ1-2761-JCMN-Y3N7-00000-00&idtype=PID&context=1516831)

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52. [*Leveraging FinTech Innovation Proving to be Critically Valuable for Growing Number of Industries MarketNewsUpdates.com News Commentary*](https://advance.lexis.com/api/document?id=urn:contentItem:5RV2-HBB1-DXP3-R0T6-00000-00&idtype=PID&context=1516831)

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53. [*BASF Q3 2018 sales up 8% at EUR15.6bn*](https://advance.lexis.com/api/document?id=urn:contentItem:5TM5-GWC1-JDNW-40KX-00000-00&idtype=PID&context=1516831)

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54. [*Washington: PUBLIC BILLS AND RESOLUTIONS*](https://advance.lexis.com/api/document?id=urn:contentItem:5R8R-X2Y1-JDG9-Y03D-00000-00&idtype=PID&context=1516831)

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55. [*FEDERAL REGISTER: Regulatory Relief: Aviation Training Devices; Pilot Certification, Training, and Pilot Schools; and Other Provisions Pages 30232 - 30284 [FR DOC # 2018-12800]*](https://advance.lexis.com/api/document?id=urn:contentItem:5SNJ-F391-F0YC-N31J-00000-00&idtype=PID&context=1516831)

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56. [*African economy: the limits of ‘leapfrogging’*](https://advance.lexis.com/api/document?id=urn:contentItem:5T1C-HR61-F039-607M-00000-00&idtype=PID&context=1516831)

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57. [*BRIEF NEWS BULLETIN NO. 10447*](https://advance.lexis.com/api/document?id=urn:contentItem:5SG0-DJ41-F12K-R1SV-00000-00&idtype=PID&context=1516831)

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58. [*In the 3rd quarter, GDP grew by 4.7 %*](https://advance.lexis.com/api/document?id=urn:contentItem:5TVW-2N41-F0YC-N4VN-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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59. [*Register of Commission documents: COMMISSION DELEGATED DECISION amending Annex III to Decision No 466/2014/EU of the European Parliament and of the Council granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union, as regards Iran Document date: 2018-06-06 COM\_ADL(2018)03730 Delegated acts*](https://advance.lexis.com/api/document?id=urn:contentItem:5ST1-0CF1-F0YC-N2V6-00000-00&idtype=PID&context=1516831)

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60. [*Putin chairs state council meeting on regional development - transcript*](https://advance.lexis.com/api/document?id=urn:contentItem:5RDV-5381-DYRV-3170-00000-00&idtype=PID&context=1516831)

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61. [*Register of Commission documents: Towards the CAP after 2020: The Future of Food and Farming Document date: 2018-04-17 IPOL\_PERI(2018)618961 Periodicals*](https://advance.lexis.com/api/document?id=urn:contentItem:5S7V-RG71-JDG9-Y1M9-00000-00&idtype=PID&context=1516831)

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62. [*Aberdeen Latin American Inc Fd Ltd Annual Financial Report*](https://advance.lexis.com/api/document?id=urn:contentItem:5TK3-MYS1-F0CC-S3VN-00000-00&idtype=PID&context=1516831)

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63. [*Washington: TAX CUTS AND JOBS ACT*](https://advance.lexis.com/api/document?id=urn:contentItem:5R7G-CX01-JDG9-Y527-00000-00&idtype=PID&context=1516831)

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64. [*Global Bio-Chem 2018 First Half Revenue Increased By 45.5% to HK$2,933.9 Million, Gross Profit Down by 52.9% with Increased Corn Cost*](https://advance.lexis.com/api/document?id=urn:contentItem:5T57-SHF1-F19S-P1BT-00000-00&idtype=PID&context=1516831)

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65. [*India Enters the Era of Sanatan Socialism*](https://advance.lexis.com/api/document?id=urn:contentItem:5V7P-NTX1-JB5M-W0JY-00000-00&idtype=PID&context=1516831)

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66. [*Aberdeen Latin American Inc Fd Ltd Replacement Annual Financial Report*](https://advance.lexis.com/api/document?id=urn:contentItem:5TR5-81K1-JCXB-24RF-00000-00&idtype=PID&context=1516831)

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67. [*Trade Finance Survey 2019: Asia finds a block in blockchain*](https://advance.lexis.com/api/document?id=urn:contentItem:5V66-TX71-JD1P-T20W-00000-00&idtype=PID&context=1516831)

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68. [*Transcript of Asia and Pacfic Department Press Briefing*](https://advance.lexis.com/api/document?id=urn:contentItem:5S5P-8Y01-JDG9-Y51X-00000-00&idtype=PID&context=1516831)

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69. [*Guide for applicants: Water Environment Grant (Up Dated 14-05-2018)*](https://advance.lexis.com/api/document?id=urn:contentItem:5SBK-P4X1-F0YC-N1N2-00000-00&idtype=PID&context=1516831)

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70. [*Unanimously Adopting Resolution 2444 (2018), Security Council Lifts Sanctions on Eritrea , Renews Arms Embargo against Somalia*](https://advance.lexis.com/api/document?id=urn:contentItem:5TRN-8HB1-JDG9-Y0W5-00000-00&idtype=PID&context=1516831)

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71. [*M and A Navigator: Deal pipeline ""25 June*](https://advance.lexis.com/api/document?id=urn:contentItem:5SN3-M2T1-F0K1-N1K9-00000-00&idtype=PID&context=1516831)

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72. [*Unanimously Adopting Resolution 2444 (2018), Security Council Lifts Sanctions on Eritrea , Renews Arms Embargo against Somalia*](https://advance.lexis.com/api/document?id=urn:contentItem:5TRN-7T21-JDG9-Y289-00000-00&idtype=PID&context=1516831)

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73. [*Bisichi reports financial results for year ended December 31, 2017*](https://advance.lexis.com/api/document?id=urn:contentItem:5S5S-7K01-DYG0-71V7-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

74. [*Fearing New Atomic Arms Race, First Committee Delegates Call for International Law to Settle Missile Treaty Dispute between Nuclear‑Weapon States*](https://advance.lexis.com/api/document?id=urn:contentItem:5SJJ-V371-F0YC-N3MK-00000-00&idtype=PID&context=1516831)

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75. [*M and A Navigator: Deal pipeline -25 June*](https://advance.lexis.com/api/document?id=urn:contentItem:5SN3-M2V1-F0K1-N24X-00000-00&idtype=PID&context=1516831)

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76. [*Historical Context of Agricultural Commercialisation in Ghana : Changes in Land and Labour Relations*](https://advance.lexis.com/api/document?id=urn:contentItem:6BH2-VXY1-JBMY-H40T-00000-00&idtype=PID&context=1516831)

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77. [*DEFINITIVE ADOPTION (EU, Euratom) 2017/30 of amending budget No 5 of the European Union for the financial year 2017*](https://advance.lexis.com/api/document?id=urn:contentItem:5RHK-RWR1-JDG9-Y3XP-00000-00&idtype=PID&context=1516831)

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78. [*Register of Commission documents: on the political crisis in Moldova following the invalidation of the mayoral elections in Chisinau Document date: 2018-07-02 P8\_B(2018)0330 Motions for resolutions/decisions*](https://advance.lexis.com/api/document?id=urn:contentItem:5S2R-9JV1-F0YC-N439-00000-00&idtype=PID&context=1516831)

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79. [*R.E.A. Holdings plc : Half yearly results*](https://advance.lexis.com/api/document?id=urn:contentItem:5T9P-9GT1-F022-H0SM-00000-00&idtype=PID&context=1516831)

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80. [*Washington: Testimony of Chairman J. Christopher Giancarlo before the Senate Committee On Appropriations Subcommittee on Financial Services and General Government, Washington, D.C*](https://advance.lexis.com/api/document?id=urn:contentItem:5SH4-YYF1-F0YC-N0WS-00000-00&idtype=PID&context=1516831)

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81. [*Kesko's half-year financial report for the period 1 January - 30 June 2018: Kesko's comparable operating profit improved*](https://advance.lexis.com/api/document?id=urn:contentItem:5SWG-N7R1-F0NJ-D297-00000-00&idtype=PID&context=1516831)

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82. [*BRIEF NEWS BULLETIN NO. 10327*](https://advance.lexis.com/api/document?id=urn:contentItem:5RJF-JYS1-JDKJ-14FD-00000-00&idtype=PID&context=1516831)

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83. [*Cipla*](https://advance.lexis.com/api/document?id=urn:contentItem:5SPX-RTS1-F0J5-839N-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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84. [*India Agribusiness Key View*](https://advance.lexis.com/api/document?id=urn:contentItem:5SYY-SXF1-JD33-J0YX-00000-00&idtype=PID&context=1516831)

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85. [*Washington: President proposed $1.0 billion fiscal year 2019 budget for the Bureau of Reclamation*](https://advance.lexis.com/api/document?id=urn:contentItem:5RP3-61R1-F0YC-N18J-00000-00&idtype=PID&context=1516831)

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86. [*A brief look at Nigeria 's tax regime and regulations*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4Y1-DXYV-7168-00000-00&idtype=PID&context=1516831)

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87. [*Côte D'Ivoire Banking Competitive Landscape*](https://advance.lexis.com/api/document?id=urn:contentItem:5SXW-Y7P1-F0J5-80JS-00000-00&idtype=PID&context=1516831)

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88. [*Côte D'Ivoire Banking Competitive Landscape*](https://advance.lexis.com/api/document?id=urn:contentItem:5THR-MCN1-JD33-J0R5-00000-00&idtype=PID&context=1516831)

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89. [*Meet the champions of global impact banking*](https://advance.lexis.com/api/document?id=urn:contentItem:5TF9-9XK1-F0GS-H189-00000-00&idtype=PID&context=1516831)

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90. [*BRIEF NEWS BULLETIN NO. 10532*](https://advance.lexis.com/api/document?id=urn:contentItem:5T40-S4N1-F12K-R3HH-00000-00&idtype=PID&context=1516831)

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91. [*FEDERAL REGISTER: Consumer Leasing (Regulation M) Pages 286 - 291 [FR DOC # 2017-27325]*](https://advance.lexis.com/api/document?id=urn:contentItem:5RB7-WV21-JDG9-Y20W-00000-00&idtype=PID&context=1516831)

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92. [*House of Commons Votes and Proceedings Tuesday 30 January 2018*](https://advance.lexis.com/api/document?id=urn:contentItem:5RJ6-PV21-JDG9-Y15F-00000-00&idtype=PID&context=1516831)

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93. [*On the origins of welfare stigma: Comparing two social assistance schemes in rural China*](https://advance.lexis.com/api/document?id=urn:contentItem:6BGX-BK31-DY41-74DB-00000-00&idtype=PID&context=1516831)

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94. [*FEDERAL REGISTER: Notice of Request for an Extension of Existing Information Collection Package Pages 5240 - 5242 [FR DOC # 2018-02329]*](https://advance.lexis.com/api/document?id=urn:contentItem:5RP3-6201-F0YC-N4FP-00000-00&idtype=PID&context=1516831)

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96. [*The limits of leapfrogging The rapid spread of smartphones, mobile money and solar power has raised hopes that Africa could leap ahead in its development. But grassroots use of new technology cannot take the place of good governance. By David Pilling*](https://advance.lexis.com/api/document?id=urn:contentItem:5T1H-WBC1-JCBX-G1H2-00000-00&idtype=PID&context=1516831)

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97. [*Algeria focuses on transport infrastructure and housing*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4X1-DXYV-73V8-00000-00&idtype=PID&context=1516831)

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98. [*The limits of leapfrogging The rapid spread of smartphones, mobile money and solar power has raised hopes that Africa could leap ahead in its development. But grassroots use of new technology cannot take the place of good governance. By David Pilling*](https://advance.lexis.com/api/document?id=urn:contentItem:5T1H-WBC1-JCBX-G162-00000-00&idtype=PID&context=1516831)

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100. [*The limits of leapfrogging The rapid spread of smartphones, mobile money and solar power has raised hopes that Africa could leap ahead in its development. But grassroots use of new technology cannot take the place of good governance. By David Pilling*](https://advance.lexis.com/api/document?id=urn:contentItem:5T1H-WBC1-JCBX-G19P-00000-00&idtype=PID&context=1516831)

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# [***Future of NI farm support up for grabs***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SYF-DBD1-F15K-20GF-00000-00&context=1516831)

Farming Life

August 4, 2018 Saturday

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**Length:** 1370 words

**Body**

Farming stakeholders are being given the opportunity to have their say in shaping the future of ***agriculture*** in Northern Ireland.

In a review that represents the biggest change to the industry over the last 40 ***years***, the Department of ***Agriculture***, Environment and Rural Affairs (DAERA) is to engage with the wider farming, food and environment sectors on proposals for the future ***agricultural*** policy framework for Northern Ireland.

Brexit is the driving force here with the current Common ***Agricultural*** Policy (CAP) no longer applicable to Northern Ireland once the United Kingdom leaves the European Union. As it stands, 2019 is the final ***year*** of CAP with a transition period to a domestic agenda taking place through 2020.

It is against this landscape that stakeholders are being urged to come forward and make their views known on a Future ***Agricultural*** Policy Framework' document, which was launched on Wednesday, and is designed to help shape debate on future support arrangements.

Norman Fulton, Deputy Secretary Food and Farming Group at DAERA, said: "Following our initial and very informative engagement with a number of stakeholders representing farming, food and environmental interests, we are now seeking views from across a much broader range of stakeholders on possible support arrangements in Northern Ireland as we prepare to leave the EU.

"CAP ***payments*** have been important in sustaining the industry, underpinning its competitive trading position and developing its environmental performance, so it is essential that the industry in Northern Ireland is provided with some certainty in relation to future support arrangements in the shorter term. There is also a need to develop a longer term ***agricultural*** policy framework and deliver a managed transition over a number of ***years***.

"I would encourage all those with an interest to consider the framework document and to forward their views to the department by October 10." The framework document focuses on four desired outcomes for the Northern Ireland ***agricultural*** industry, namely increased productivity, improved resilience, environmental sustainability and supply chain. A DAERA spokesman said the document represented the start of a journey' for Northern Ireland ***agriculture***."

He added: "We are not seeking to constrain options for any future Executive, we are seeking to gather information for future ministers. Any policy decisions would be taken by future ministers. "This document is designed to stimulate debate. It deals with broader matters, however further consultation would be expected to deal with more specific issues."

Among the suggestions contained within the document are how ***payments*** and entitlements would be handled going forward, including changes to the Basic ***Payment*** Scheme. The options include continuing the current transition towards a flat rate ***payment*** by 2021 or freeze the value of entitlements at the end of 2019, which see the value of entitlements remain the same for 2020 and 2021.

There is also scope to change the Greening requirements which are currently relevant to only a small sub-set of local farmers. Greater emphasis is being put on education throughout the industry with a desire to see Level 3 qualifications obtained by business owners and further professional development options being made available.

A Productivity Grand Challenge' approach towards science and innovation is suggested which might include a multi-actor approach of science, innovation, knowledge ***transfer***, education, policy and industry. In terms of a improved resilience for the industry, the ***payment*** of a basic farm resilience support measure is an option.

However, there is concern that such ***payments*** might reduce the drive to innovate and reduce the incentives to manage business risks. It is recognised that an organised transition is required from the current CAP regime, which is dominated by income support, to a new domestic arrangement. Environment remains an important issue, however, and the document seeks to develop regulations which while simpler than those currently in place would encourage positive behavioural change' and would secure the long-term environmental sustainability of the sector.

The Northern Ireland Future ***Agricultural*** Policy Framework Stakeholder Engagement document is available on the DAERA website - [*www.daera-ni.gov.uk/consultations/northern-ireland-future-****agricultural****-policy-framework*](http://www.daera-ni.gov.uk/consultations/northern-ireland-future-agricultural-policy-framework)

The Ulster Farmers' Union has welcomed the publication of post-Brexit options for the farming industry in Northern Ireland. However, UFU president Ivor Ferguson says that with time short, it is frustrating that it has taken so long to get the document onto the table, with Northern Ireland the last UK region to put possible framework measures out to industry consultation.

The UFU says it accepts publication has been more difficult here because of the lack of an Executive. It says it is pleased the document contains many of the ideas put forward by the UFU last ***year*** as key principles for a new ***agriculture*** policy. These became part of a DAERA/stakeholder document finalised in January and has now been incorporated into this latest document.

"We have to make sure that Brexit is an opportunity for farmers here. We need a policy better suited to local conditions than the CAP, which had to accommodate 28 very different member states. Our goal is a productive, sustainable and resilient farming industry, and this document is a good start to securing that," said Mr Ferguson.

The UFU says it is essential the local share of UK farm support remains the same as now, but farmers recognise the delivery model is going to change. It is also underlining the need for a sensible and well-managed transition period to new support structures with the potential to pilot new measures.

"Whatever decisions are made, it is vital that we end up with a model that is simple and avoids red tape. It must be targeted at those who take the risks in primary food production. This is an opportunity to create a better system, and it is essential we take this chance to get it right," said the UFU president.

Mr Ferguson underlined that support arrangements that ensure success for farmers and the food industry here were only part of the equation and their ultimate format depended on other crucial issues being resolved.

"We need the government to deliver trade deals that don't undermine our position in the UK market and give us the best possible access to the EU-27 and other markets. That is essential for Northern Ireland's outward looking agrifood industry, which has to remain a central part of the local economy," said the UFU president, adding that the UFU would now consult its members before responding formally to the DAERA consultation.

He also said that the UFU would work with other stakeholders to ensure farming, the environment and food processing could have a post-Brexit joined up future.

AgriSearch has also welcomed the publication of DAERA's stakeholder engagement paper on the future ***agricultural*** policy framework for Northern Ireland.

AgriSearch Chairman John Henning said: "We are pleased that the document recognises the importance of science, innovation, knowledge exchange and continuous professional development in delivering both increased productivity and improved environmental sustainability. AgriSearch is already leading and participating in a wide portfolio of research projects that are aimed at delivering these goals.

"We welcome the proposals to take a broader look at the "Productivity Grand Challenge", the adoption of a multi-actor approach and a move to longer term research ***programmes***. We would particularly welcome the integration of science with knowledge exchange and education.

"AgriSearch's mission is to drive profitability and sustainability, as a trusted, valued conduit of knowledge and information based on sound science and widely applied research. We provide a means for farmers to have a voice and a role in research and innovation which will deliver the tools and information needed to compete in an ever-changing world. We look forward to engaging with industry and government partners in the development and implementation of the new ***agricultural*** policy."

**Load-Date:** August 4, 2018

**End of Document**



[***Programme summary of Iranian TV news 1030 gmt 24 Feb 18***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RR5-1921-DYRV-30N1-00000-00&context=1516831)

BBC Monitoring Middle East - Political

Supplied by BBC Worldwide Monitoring

February 24, 2018 Saturday

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**Length:** 539 words

**Body**

A. Headlines.

B. News:

1. 1031 President Hassan Rouhani has addressed the 31st Khwarizmi International Award ceremony held in Tehran (covered).

2. 1036 Report on the ***payment*** of Iranian new ***year*** bonuses (starting March 21) to the retired employees of the Social Security Organisation from next week. The bonus will amount to approximately 180 dollars.

3. 1037 Bank accounts of a number of people accused of foreign exchange smuggling have been blocked.

4. 1038 Search operation for the victims of the ATR 72 plane heading from Tehran to the south-western town of Yasuj which crashed in the Dena Mountains on 18 February has been stopped due to snow. The search operation can last for months, says the channel. Tehran-Yasuj flights have been resumed.

5. 1039 The chief of Iran's Expediency Council, Mahmoud Hashemi Shahroudi, in a meeting of the council today expressed condolences on last week's plane crash. He has also condemned the act of a group of "rioters" in Tehran which led to death of a number of security forces.

6. 1040 Report on a four-day exhibition of domestically produced ***agricultural*** machines and devices.

7. 1043 Minister of Industry, Mining and Trade Mohammad Shariatmadari has in a meeting called for amendments to mining regulations.

8. 1044 Iran's Foreign Minister Mohammad Javad Zarif has said new US conditions on the nuclear deal were "improper" and were not even worth investigating. The channel said the Financial Action Task Force on Money Laundering (FATF) has said it will keep Iran on its list of money launderers.

9. 1050 US Treasury Secretary Steve Mnuchin announced new sanctions against Russia and North Korea.

10. 1050 Iran's Zarif addressed a conference on "modes of regional security" in Tehran today. He linked the rise of the so-called Islamic State (ISIL/ISIS/IS) terrorist group to the US invasion of Iraq, and denounced Washington for the dangerous policies that have kept the threat of terrorism alive, such as the evacuation of IS militants from Syria.

11. 1053 The UNSC will hold a meeting today to discuss a ceasefire in East Ghouta, Syria. Report on an attack by US forces to a school in Syria which the channel says have led to the death of 25 people.

12. 1055 The United States said on Friday it will open its embassy to Israel in Jerusalem in May.

13. 1056 Report on three simultaneous suicide attacks by the IS and Taliban in Afghanistan.

14. 1058 The government has launched a scheme for renovation of domestic public passenger and cargo transport system. Accordingly, new buses and trucks have been bought and new metro wagons are scheduled replace the old ones.

15. 1101 Head of the parliamentary National Security and Foreign Policy Committee Alaeddin Borujerdi has called for legal action against "rioters" of Golestan-e Haftom. Tehran prosecutor has said some of the detainees might not be released in the short run.

16. 1102 Malaysia has introduced restrictions on social media and instant messaging apps including Telegram, Twitter and Facebook to combat "fake news".

C. 1105 News in brief.

D. 1107 Weather.

E. 1108 Sports.

F. 1112 ***Calendar*** and prayer times.

G. 1113 Recap of headlines

1114 End of bulletin.

Source: Vision of the Islamic Republic of Iran Network 1, Tehran, in Persian 1030gmt 24 Feb 18

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**End of Document**



[***Register of Commission documents: Commission Delegated Regulation amending Regulation (EC) No 138/2004 of the European Parliament and of the Council as regards references to the European system of national and regional accounts in the European Union Document date: 2018-12-03 COM\_ADL(2018)07910 Delegated acts***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RWJ-R201-F0YC-N002-00000-00&context=1516831)

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**Body**

Brussels: Public Register European Parliament has issued the following document:

EN EN EUROPEAN COMMISSION Brussels, 3.12.2018 C(2018) 7910 final ANNEXES 1 to 2 ANNEXES to the Commission Delegated Regulation (EU).../... of amending Regulation (EC) No 138/2004 of the European Parliament and of the Council as regards references to the European system of national and regional accounts in the European Union EN 1 EN ANNEX I Annex I to Regulation (EC) No 138/2004 is amended as follows: (1) throughout the Annex: (a) ‘ESA 95’ is replaced by ‘ESA 2010’; (b) ‘SNA 93’ is replaced by ‘2008 SNA’. (2) the ‘Contents’ section is amended as follows: (a) in point III. F. 3. ‘Rents (on land and underground deposits)’ is replaced by ‘Rents (on land and subsoil assets)’; (b) in point III. F. 4. ‘Property income attributed to insurance policy holders (not covered by the EAA)’ is replaced by ‘Investment income attributable to insurance policy holders (not covered by the EAA)’; (c) in point VI. B. 4. ‘Calculation of value added at constant prices’ is replaced by ‘Calculation of value added at fixed ***year*** prices’. (3) the ‘Foreword’ section is replaced by the following: ‘FOREWORD The revision of the European system of accounts (ESA 2010)1 has led to some revisions of the basic methodology used for the EAA, to guarantee consistency with the ESA to allow harmonisation of the EAA both between Member States and with the central framework of the national accounts and to ensure that the changes to be made were feasible.

This manual has been drawn up with these considerations in mind as, in addition to the concepts, principles and basic rules for compiling the EAA, it also refers to any adaptations to specific characteristics in the field of ***agriculture***.’ (4) Section I is amended as follows: (a) in paragraph 1.02, footnote (2) is replaced by the following: ‘ (2) System of National Accounts, 2008. Joint publication by the United Nations, European Commission, International Monetary Fund, OECD and World Bank. ’; (b) in paragraph 1.03 the last sentence is replaced by the following: ‘The ESA 2010 is characterised by the use of two types of unit and two corresponding ways of subdividing the national economy.’; (c) in paragraph 1.08 the last sentence is replaced by the following: ‘These two types of income (income generated by ***agricultural*** production and the income of ***agricultural*** households) are measured for two distinct purposes, which 1 European System of National and Regional Accounts — ESA 2010, Luxembourg 2013. EN 2 EN require two distinct methods of breaking down the economy: the first, for the EAA, is based on production units, which are defined by reference to an economic activity; the second is based on households (i.e institutional units) whose main source of income is independent ***agricultural*** activity.’; (d) paragraph 1.09 is replaced by the following: ‘1.09 In order to analyse flows occurring in the process of production and in the use of goods and services, it is necessary to choose units which emphasise relationships of a technico-economic kind. This requirement means that as a rule institutional units must be partitioned into smaller and more homogeneous units with regard to the kind of production. Local kind-of-activity units (local KAUs) are intended to meet this requirement as an operational approach (ESA 2010, 2.147)\*. (\*) It should be pointed out that, although the ESA gives preeminence to local KAUs, the unit best suited to analyses of the production process is the unit of homogeneous production (UHP). This unit is used to analyse inputs and outputs, since it corresponds exactly to a type of activity. Institutional units are thus divided into as many UHPs as there are activities (other than ancillary). By grouping these UHPs it is possible to break down the economy into ‘pure’ (homogeneous) branches. A UHP cannot, as a rule, be directly observed. Therefore, the accounts of homogeneous branches cannot be compiled on the basis of groups of UHPs. The ESA describes a method for compiling these accounts. It involves attributing secondary production and the corresponding costs of activity branches to the appropriate homogeneous branches (ESA 2010, 2.153-2.156, 9.52 to 9.63).’; (e) paragraph 1.10 is replaced by the following: ‘1.10 The local kind-of-activity unit (local KAU) is the part of a KAU which corresponds to a local unit. The local KAU is called an establishment in the 2008 SNA and ISIC Rev.4 A KAU groups all the parts of an institutional unit in its capacity as a producer contributing to the performance of an activity at class level (four digits) of the NACE Rev. 2 (the reference classification for economic activities, cf. 1.55) and corresponds to one or more operational subdivisions of the institutional unit. The institutional unit's information system must be capable of indicating or calculating for each local KAU at least the value of production, intermediate consumption, compensation of employees, the operating surplus and employment and gross fixed capital formation (ESA 2010, 2.148). The local unit is an institutional unit, or part of an institutional unit, producing goods or services situated in a geographically identified place.’; (f) paragraph 1.11 is replaced by the following: ‘1.11 Although a local KAU may correspond to an institutional unit or part of an institutional unit in its capacity as a producer, it can never belong to two distinct institutional units. Since, in practice, most institutional units producing goods and services are involved in a number of different activities at once (a principal activity and one or more secondary activities), they can be broken down into the same number of local KAUs, if necessary information is available. Ancillary activities (purchases, sales, marketing, accounting, transport, warehousing, maintenance, etc.; cf. 1.27), however, cannot lead to the creation of a local KAU, unless they are carried out in a separate location, located in a region other than the local KAU they serve (ESA 2010, 3.13).’; (g) paragraph 1.12 is replaced by the following: ‘1.12 Basically, as many local KAUs should be recorded as there are secondary activities, but it can happen that statistical (accounting) information does not make it possible to separate a local KAU's secondary activities or parts of those activities from its principal activities. If an institutional unit producing goods or services EN 3 EN contains a principal activity and also one or several secondary activities, it is subdivided into the same number of KAUs, and the secondary activities are classified under different headings from the principal activity. The ancillary activities are not separated from the principal or secondary activities. But KAUs falling within a particular heading of the classification system can produce products outside the homogeneous group on account of secondary activities connected with them which cannot be separately identified from available accounting documents. Thus a KAU may carry out one or several secondary activities. (ESA 2010, 2.149).’; (h) paragraph 1.13 is replaced by the following: ‘1.13 An activity can be said to take place when resources such as equipment, labour, manufacturing techniques, information networks or products are combined, leading to the creation of specific goods or services. An activity is characterised by an input of products (goods and services), a production process and an output of products. The principal activity of a local KAU is the activity where the value added of such activity exceeds that of any other activity carried out within the same unit. The classification of the principal activity is determined by reference to NACE rev. 2, first at the highest level of the classification and then at more detailed levels (ESA 2010, 3.10).’; (i) in paragraph 1.14 the last sentence is replaced by the following: ‘At the most detailed level of classification, as defined by ESA 2010, 2.150, an industry includes all local KAUs in the same class (four digit level) of NACE Rev. 2 and therefore engaged in the same principal activity as that defined in NACE Rev. 2.’; (j) point (ii) of paragraph 1.16 is replaced by the following: ‘(ii) non-***agricultural*** inseparable secondary activities of ***agricultural*** units. ’; (k) in paragraph 1.17 the last two sentences are replaced by the following: ‘The strict application of the ESA rule to units and their group should in fact result in a division of the ***agricultural*** holding into several separate local KAUs in cases where several activities of the NACE Rev. 2 four-digit class are performed on the same holding and the information required according to paragraph 1.10 is available. The adoption of the ***agricultural*** holding as the local KAU of the ***agricultural*** industry in the national accounts and EAA is based on a statistical approach.’; (l) in paragraph 1.19 the first sentence is replaced by the following: ‘Since, according to ESA 2010, an industry comprises a group of units which carry out as their principal activity the same or similar types of activity, the definition of the ***agricultural*** industry in the EAA depends on the identification of the characteristic activities and units in that industry.’; (m) in paragraph 1.20 the introductory phrase is replaced by the following: ‘The ***agricultural*** industry is treated as a grouping of all KAUs at local level which perform the following economic activities, as principal or secondary activity (cf. 1.60 to 1.66 for the precise definition of the ***agricultural*** industry):’; EN 4 EN (n) paragraph 1.24 is replaced by the following: ‘Since the purpose of the EAA is to measure, describe and analyse the formation of income from ***agricultural*** economic activity (which, in the EU Member States, is almost exclusively a commercial activity), it was decided to exclude units for which the ***agricultural*** activity represents solely a leisure\* activity. In contrast, units engaged in subsistence farming are included in the EAA. It should be pointed out that ***agricultural*** output for own final consumption by ***agricultural*** holdings must be recorded in the EAA. (\*) These are small units producing for own consumption, not for selling, carrying out ***agricultural*** activities without depending economically on these activities.’; (o) paragraph 1.25 is replaced by the following: ‘1.25 The use of the local KAU as the basic unit for the ***agricultural*** industry entails recording non-***agricultural*** secondary activities where they cannot be isolated from the main ***agricultural*** activity. ’; (p) paragraph 1.26 is replaced by the following: ‘1.26 Inseparable non-***agricultural*** secondary activities of local ***agricultural*** KAUs are defined in the EAA as activities closely linked to ***agricultural*** production for which information on any of output, intermediate consumption, compensation of employees, labour input or GFCF cannot be separated from information on the main ***agricultural*** activity during the period of statistical observation.’; (q) in paragraph 1.27 the second and third indent are replaced by the following: ‘— they must not be ancillary activities. Ancillary activities are not isolated to form distinct entities or separated from the principal or secondary activities or entities they serve. Accordingly, ancillary activities must be integrated with the local KAU they serve, unless they are organised in separate units and located in another region. Ancillary activities remain in the same industry as the local KAU they serve. Ancillary activities are supplementary activities (e.g sales, marketing, warehousing, transport for own account; see ESA 2010, 3.12 and 3.13, and 2008 SNA, 5.35 to 5.44) carried out by an enterprise in order to create the conditions for conducting the main or secondary activities. Typically, the output of ancillary activities appears as input in the different types of productive activity. — by convention, they may not include production of GFCF of non-***agricultural*** products (such as buildings or machines) for own account. The production for own final consumption is presumed to be a separable activity and is recorded as the production of an identifiable local KAU. Accommodation services made available to employees as remuneration in kind must be treated in a similar manner (they are recorded as remuneration in kind in the generation of income account),’; (r) paragraph 1.29 is replaced by the following: ‘1.29 Two main types of inseparable non-***agricultural*** secondary activity may be distinguished: 1. Activities which represent a continuation of ***agricultural*** activity and which use ***agricultural*** products. This type of activity can be found in most of the EU Member States. The processing of ***agricultural*** products is the typical activity of this group: Processing of ***agricultural*** products — milk into butter, cream, cheeses, yoghurts and other dairy products, EN 5 EN — fruit and vegetables into fruit juices, tinned foods, alcoholic beverages and other products, — grapes, must and wine into alcoholic products (e.g sparkling wine, such as Champagne, and spirits, such as Cognac), — plaiting of vegetable material/textiles/wool, — production of pâtés, foie gras and other processed meat products, — processing of other ***agricultural*** products, Grading and packaging of ***agricultural*** products, e.g eggs and potatoes 2. Activities involving the ***agricultural*** holding and its means of ***agricultural*** production (equipment, installations, buildings, workforce). These activities are basically the following: — agro-tourism — camping, catering, hotels, various kinds of accommodation, etc., — farm shops — retail trade activities concerning products other than those from the holding. Direct sales of ***agricultural*** products, raw or processed, are recorded in the output of the products concerned, — sports and rural recreation — the use of land for activities such as golf, horse-riding, hunting, fishing, etc, — services for third parties — e.g the renting and repair of ***agricultural*** machinery, irrigation projects, ***agricultural*** advisory services, product storage, maintenance of farm buildings, commercial services relating to ***agricultural*** products, transport of ***agricultural*** products, etc. These services are recorded as secondary activities, only if they are performed for a third party. When performed for own account, they are ancillary activities, which are not recorded in the accounts (cf. 1.27), — landscaping services — grass-mowing, hedge-trimming, snow-clearing, laying out, planting and maintenance of green areas and the like, — fish-farming, — other activities involving the use of the land and the means of ***agricultural*** production. These other activities will include R&D, if not performed by separate local KAUs and if possible to be estimated.’; (s) paragraph 1.33 is replaced by the following: ‘According to the ESA 2010, the output of the industry represents all of the products produced over the accounting period in question by all the units of the industry except for goods and services produced and consumed over the same accounting period by the same unit. The measurement of ***agricultural*** output is based on an adaptation of this ESA rule, with the inclusion in ***agricultural*** output of part of the output consumed by the ***agricultural*** units themselves (cf. 2.032 to 2.036). Thus in the EAA, ***agricultural*** output represents the sum of output by all units in the industry (excluding output for intermediate consumption by the same unit), plus output used as intermediate consumption by the same unit, provided this output concerns two different basic activities (such as crop products intended for use as animal feedingstuffs) and it meets certain criteria (set out in 2.055).’; (t) paragraph 1.37 is replaced by the following: ‘1.37 The EAA are based on a sequence of interconnected accounts. In the ESA 2010, the full sequence of accounts includes current accounts, accumulation accounts and balance sheets (ESA 2010, 1.113 to 1.115). These different accounts make it possible to record transactions and other flows linked to specific aspects of the economic cycle (for example, production) in an ordered framework. These transactions range from the generation of income through income accumulation in EN 6 EN the form of assets, to its distribution and redistribution. The balancing items which are deducted from them are then used as aggregates for measuring economic performance.’; (u) paragraph 1.38 is replaced by the following: ‘1.38 The current accounts deal with the production and related generation, distribution and redistribution of income and its use in the form of final consumption; they make it possible to calculate ‘savings’, which is the essential component of accumulation. Accumulation accounts analyse the various components of changes in the assets and liabilities of units and make it possible to record changes in net worth (the difference between assets and liabilities). The balance sheets show the total assets and liabilities of the various units at the beginning and end of the accounting period, together with their net worth. The flows for each asset and liability item recorded in the accumulation accounts are seen again in the ‘changes in balance sheets’ account (ESA 2010, 8.02 to 8.09 and table 8.1).’; (v) paragraph 1.39 is replaced by the following: ‘1.39 The sequence of accounts referred to above applies to institutional units, sectors and subsectors, and the total economy. The ESA 2010 assumes that there is no point in compiling a full sequence of accounts for a local KAU and an industry because such units rarely have the capacity to retain goods or assets in their own name or to receive and distribute income.’; (w) in paragraph 1.43 tables 1 to 4 are replaced by the following: ‘ A. Current accounts Table 1: Production account Uses Resources P.2 Intermediate consumption 50 P.1 Output 100 B.1g Gross value added 50 P.51c Consumption of fixed capital 10 B.1n Net value added 40 Table 2: Generation-of-income account Uses Resources D.1 Compensation of employees 10 B.1n Net value added 40 D.29 Other taxes on production 5 D.39 Other subsidies on production -10 B.2n/B.3n Operating surplus, net/ Mixed income, net 35 Table 3: Entrepreneurial income account EN 7 EN Uses Resources D.4 Property income 10 B.2n/B.3n Operating surplus, net/ Mixed income, net 35 D.41 Interest 5 D.45 Rent 5 D.4 Property income 1 D.41 Interest 1 D.42 Distributed income of corporations D.43 Reinvested earnings on foreign direct investment D.44 Other investment income D.45 Rent B.4n Entrepreneurial income, net 26 B. Accumulation accounts Table 4: Capital account Changes in assets Changes in liabilities and net worth B.101 Change in net worth due to saving and capital ***transfers*** B.8n Saving, net D.9r Capital ***transfers***, receivable 10 D.92r Investment grants, receivable 5 D.99r Other capital ***transfers***, receivable 5 D.9p Capital ***transfers***, payable D.91p Capital taxes, payable D.99p Other capital ***transfers***, payable P.51g Gross fixed capital formation (GFCF) 100 B.101 Changes in net worth due to saving and capital ***transfers*** P.511 Acquisition less disposals of fixed assets (GFCF in fixed assets) 89 P.511a GFCF in plantations 10 P.511b GFCF in livestock 15 EN 8 EN P.511c GFCF in machines and equipment 20 P.511d GFCF in transport equipment 20 P.511e GFCF in farm buildings 20 P.511f GFCF in other works except land improvements (other buildings, structures, etc.) 0 P.511g Major improvements to land 4 P.511h Research and development 0 P.511i Other GFCF (e.g computer ***programmes***, production rights) 0 P.512 Costs of ownership ***transfer*** on non-produced assets (land, etc) 1 P.51c Consumption of fixed capital 10 P.52 Changes in inventories 5 P.53 Acquisitions less disposals of valuables NP Acquisitions less disposals of non-produced assets (land, etc.) B.9 Net lending(+)/Net borrowing(-) K.1 Economic appearance of assets K.2 Economic disappearance of non-produced assets ’ (x) Paragraph 1.44 is replaced by the following: ‘1.44 It should be borne in mind that transactions and stocks set out in italics in tables 3 and 4 are items which: — are not relevant for the EAA because the industry concept is used and the sequence of accounts is incomplete. The headings concerned are headings D.42 Distributed income of corporations, D.43 Reinvested earnings on direct foreign investment, D.44 Other investment income and D.45 Rent under Resources of Table 3 and headings B.8n Saving, net, B.101 Changes in net worth due to saving and capital ***transfers*** and B.9 Net lending(+)/Net borrowing(-) in Table 4 or — are not recorded, either for lack of reliable information or because they are currently of limited interest for EAA purposes. The headings in question are D.9p Capital ***transfers***, payable, D.91p Capital taxes, payable and D.99p Other capital ***transfers***, payable P.53 Acquisitions less disposals of valuables, NP Acquisitions less disposals of non-produced assets (land and other non-produced assets), K.1 Economic appearance of assets, K.2 Economic disappearance of non-produced assets, in Table 4. Some of these (e.g D.91, K.1, K.2) may be recorded in the EAA at some later date. ’; EN 9 EN (y) in paragraph 1.46 the last two sentences are replaced by the following: ‘In the case of unincorporated enterprises in the households sector, the balancing item of this account implicitly contains an element corresponding to remuneration for work carried out by the owner or members of the family. This income from self-employment has characteristics of wages and salaries, and characteristics of profit due to work carried out as an entrepreneur. This income, neither strictly wages nor profits alone, is referred to as ‘mixed income’ (ESA 2010, 8.19).’; (z) paragraph 1.59 is replaced by the following: ‘1.59 According to ESA 2010, the industry corresponds to the group of local KAUs engaged in the same or similar principal activity. At the most detailed level of classification, an industry includes all local KAUs in the same class (four digits) of NACE Rev. 2 and which are therefore engaged in the same activity as defined in this nomenclature (ESA 2010, 2.150). A definition of the field of the ***agricultural*** industry therefore requires a precise statement of: — its characteristic activities, — the characteristic units of the EAA.’; (aa) paragraph 1.60 is replaced by the following: ‘1.60 The ***agricultural*** industry, as described in the EAA, corresponds, in principle, to Division 01 in NACE Rev. 2 with differences shown in following paragraphs 1.62 to 1.66 ’; (bb) paragraph 1.63 is replaced by the following: ‘1.63 The list of characteristic ***agricultural*** activities of the EAA corresponds to these seven groups of activities (01,1 to 01,7), but with the following differences: — inclusion of the production of wine and olive oil (exclusively using grapes and olives grown by the same holding), — exclusion of certain activities which, in NACE Rev. 2, are considered as ***agricultural*** services (e. g. the operation of irrigation systems — only ***agricultural*** contract work is taken into account here).’; (cc) in paragraph 1.78 the third sentence is replaced by the following: ‘Therefore, flows accruing to farmers from such activities must be excluded from the EAA.’; (dd) paragraph 1.93 is replaced by the following: ‘1.93 The EAA ***agricultural*** industry, as defined in Sections 1.62 to 1.66, differs in some respects from the branch as defined for national accounts purposes. The differences relate to the definition of both characteristic activities and units. They can be summarised as follows: EAA ***agricultural*** industry = NA ***agricultural*** branch (Nace Rev.2 Division 01) - Production of units providing associated ***agricultural*** services other than ***agricultural*** contract work (e.g the operation of irrigation systems) - Units for which the ***agricultural*** activity represents solely a leisure activity and which are included in national accounts, cf. ESA 2010, 3.08 + Production of units producing wine and olive oil (exclusively using EN 10 EN grapes and olives grown by the same unit (grouping of producers, cooperatives, etc.)) + Separable secondary ***agricultural*** activities of units whose principal activity is not ***agricultural*** (cf. 1.18)’. (5) Section II is amended as follows: (a) paragraph 2.008 is replaced by the following: ‘2.008 The ESA 2010 (1.101-1.105) records flows (especially transactions in products and distributive transactions) on an accrual basis, in other words, at the time when an economic value, amount due or claim is created, transformed, cancelled or ceases to exist, and not at the time when ***payment*** is actually made.’; (b) paragraph 2.010 is replaced by the following: ‘2.010 In the ESA 2010, production is treated as a continuous process in which goods and services are converted into other goods and services. This process may take place over different periods depending on the products, and the periods may exceed an accounting period. This characterisation of production, combined with the accrual principle, therefore results in the recording of output in the form of work in progress. Thus, according to the ESA 2010 (3.54), the output of ***agricultural*** products is recorded as being produced continuously over the entire period of production (and not only when the crops are harvested or animals slaughtered). Growing crops, standing timber and stocks of fish or animals reared for the purposes of food are treated as inventories of work-in-progress during the production process and transformed into inventories of finished products when the process is completed. Output excludes any changes in uncultivated biological resources, e.g growth of animals, birds, fish living in the wild or uncultivated growth of forests, but it includes catches of animals, birds, fish living in the wild.’; (c) paragraph 2.011 is replaced by the following: ‘2.011 Recording output as work in progress is both desirable and necessary for economic analysis when the production process occurs over a period exceeding the accounting period. This allows consistency to be maintained between the recording of costs and that of output in order to obtain meaningful data on value added. Since the EAA are based on the ***calendar*** ***year***, the recording of work in progress can be assumed to apply only to products whose production process was not completed at the end of the ***calendar*** ***year*** (but also in cases where the general price level undergoes very rapid changes during the accounting period).’; (d) in paragraph 2.014 the last sentence is replaced by the following: ‘During the production process, the value to be recorded each ***year*** as output under work in progress can be obtained by distributing the expected value of the finished product in proportion to the costs incurred each period (2008 SNA, 6. 112).’; (e) in paragraph 2.017 the second sentence is replaced by the following: ‘When it is possible to differentiate between young animals according to their future use, animals intended for use as factors of production should be recorded as GFCF right from their birth (own-account GFCF, which is recorded when it is produced) i.e they are considered as work in progress and their growth is registered as output, cf. ESA 2010, 3.134).’; EN 11 EN (f) in the heading to part B ‘(cf. ESA 95, 3.07 to 3.58)’ is replaced by ‘(cf ESA 2010, 3.07 to 3.54)’; (g) paragraph 2.032 is replaced by the following: ‘2.032 Output is the total of products created during the accounting period (ESA 2010, 3.14). It is important to keep the distinction between the term ‘output’ and the term ‘production’, while output denotes the resulting goods and services, production denotes the process.’; (h) in paragraph 2.033 the last sentence is replaced by the following: ‘They are therefore not recorded as part of the output or as intermediate consumption of that local KAU.’; (i) in paragraph 2.036 the first sentence is replaced by the following: ‘Although it is not proposed by the ESA 2010, the rule adopted in the EAA is provided for by the SNA because of the special nature of ***agriculture***, and by the FAO methodological manual (1).’; (j) paragraph 2.041 is replaced by the following: ‘2.041 Following ESA 2010, there are three types of losses that can be incurred by producers: recurrent losses in inventories (ESA 2010, 3.147), exceptional losses in inventories (ESA 2010, 6.13.e) and catastrophic losses (ESA 2010, 6.08 and 6.09).’; (k) paragraph 2.059 is replaced by the following: ‘2.059 Under the heading of processing by producers recorded are quantities produced for further processing by ***agricultural*** producers (e.g milk processed to make butter or cheese, apples processed to make apple must or cider) but only in the framework of processing activities which are separable from the main ***agricultural*** activity (on the basis of accounting documents, cf. 1.26). Only the raw products (e.g raw milk, apples) should be recorded and not the processed products manufactured from them (e.g butter, apple must and cider). In other words, the work incorporated in the processing of ***agricultural*** products is not taken into consideration under this heading.’; (l) in paragraph 2.065 the second sentence is replaced by the following: ‘It should be noted that sales of animals classed as fixed assets, which are taken out of the productive herd (exports or slaughterings) are not recorded as sales.’; (m) paragraph 2.077 is replaced by the following: ‘2.077 The ‘total output’ concept for measuring the output of ***agricultural*** activity includes trade in ***agricultural*** goods and services between ***agricultural*** units as well as intra-unit consumption of livestock feed products (marketable or not).’; EN 12 EN (n) a new paragraph 2.080.1 is inserted: ‘2.080.1 According to ESA 2010, 3.82 Research and development (R&D) is creative work undertaken on a systematic basis to increase the stock of knowledge, and use of this stock of knowledge for the purpose of discovering or developing new products, including improved versions or developing new products, including improved versions or qualities of existing products, or discovering or developing new or more efficient processes of production. R&D of a significant size relative to the principal activity is recorded as secondary activity of a local KAU. A separate local KAU is distinguished for R&D where possible, which is not allocated to ***agricultural*** industry. For units having also R&D activities, if they cannot be allocated to a separate local KAU and if it is possible to estimate R&D expenditure on ***agricultural*** activities, these estimations should be recorded as ***agricultural*** output as 'other inseparable non-***agricultural*** secondary activities' (own account production) and as GFCF.’; (o) paragraph 2.081 is replaced by the following: ‘2.081 In accordance with the definition of the output of the ***agricultural*** industry (cf. 1.16), the output of the ***agricultural*** industry is made up of the sum of the output of ***agricultural*** products (cf. 2.076 to 2.077) and of the goods and services produced in inseparable non-***agricultural*** secondary activities (cf. 2.078 to 2.080.1).’; (p) paragraph 2.082 is replaced by the following: ‘2.082 Output is to be valued at the basic price. The basic price is the price receivable by the producers from the purchaser for a unit of a good or service produced as output minus any tax (i.e taxes on products) payable on that unit as a consequence of its production or sale plus any subsidy (i.e subsidies on products) receivable on that unit as a consequence of its production or sale. The basic price excludes any transport charges invoiced separately by the producer. It also excludes holding gains and losses on financial and non-financial assets (cf. ESA 2010, 3.44).’; (q) in paragraph 2.085 the first sentence is replaced by the following: ‘The price obtained by the producer corresponds to the producer price (not including invoiced VAT) as defined in the 2008 SNA, 6.51 to 6.54 (i.e the ex-farm price).’; (r) in the heading to part C ‘(cf. ESA 95, 3.69 to 3.73)’ is replaced by the following: ‘(cf. ESA 2010, 3.88 to 3.92)’; (s) paragraph 2.089 is replaced by the following: ‘2.089 Intermediate consumption represents the value of all goods and services used as inputs in the production process, excluding fixed assets whose consumption is recorded as fixed capital consumption. The goods and services concerned are either transformed or used up in the production process (cf. ESA 2010, 3.88). In a detailed classification by different categories of items, intermediate consumption shows the interlocking of ***agriculture*** with other branches of the economy brought about by inputs. Intermediate consumption is also used as an entry in the calculation of factor intensities (i.e the ratio of two factors of production, for example of intermediate EN 13 EN consumption and labour input).’; (t) paragraph 2.090 is replaced by the following: ‘2.090 Intermediate consumption excludes new or existing acquired fixed assets which have been produced in the economy or imported: they are recorded as GFCF (cf. 2.109 (c) to (f)). This concerns items which are non-***agricultural*** fixed assets, such as buildings or other structures, machines and equipment, as well as ***agricultural*** fixed assets such as plantations and productive animals. The acquisition of non-produced assets such as land is likewise excluded from intermediate consumption. Inexpensive tools used for common operations such as saws, hammers, screwdrivers, spanners, wrenches and other hand tools, small devices such as pocket calculators are recorded as intermediate consumption.’; (u) paragraph 2.094 is replaced by the following: ‘2.094 Trade in livestock, which is similar to stocks of work in progress (such as piglets and eggs for hatching) and is carried out between ***agricultural*** units, and imports of livestock, are not recorded as intermediate consumption (or as any type of output) (cf. 2.066 to 2.070).’; (v) paragraph 2.107.1 is replaced by the following: ‘2.107.1 In accordance with the convention of ESA 2010, the value of financial intermediation services indirectly measured (FISIM) used by the ***agricultural*** industry should be recorded as intermediate consumption of the ***agricultural*** industry (cf. ESA 2010, Chapter 14).’; (w) paragraph 2.108 is amended is follows: (i) point (a) is replaced by the following: ‘(a) rental paid, either directly or as a component of a tenancy agreement, for use of non-residential buildings and other capital assets (whether tangible or intangible) such as the hire of machines and equipment without operating staff (cf. 1.23) or computer software. However, if no distinction can be made between the renting of non-residential buildings by a local ***agricultural*** KAU and the renting of land, the whole item is recorded as renting of land in the enterprise's income account (cf. 3.082);’; (ii) point (d) is replaced by the following: ‘(d) purchases of services of market research and advertising, expenditure on staff training and similar services;’; (iii) point (o) is replaced by the following: ‘(o) ***payments*** made to public bodies for the purpose of obtaining licences or permits to carry out commercial or professional activities, if the permits are subject to a thorough scrutiny for regulatory purposes (unless the charges are disproportionate to the benefits of the services concerned, cf. 3.048(e), and ESA 2010, 4.80(d));’; (iv) point (p) is replaced by the following: ‘(p) purchases of inexpensive small tools, working clothing, spare parts and durable equipment used to perform relatively simple operations (ESA 2010 3.89 (f) (1) and EN 14 EN 2008 SNA, 6.225);’; (v) point (q) is replaced by the following: ‘(q) fees for short-term contracts, leases and licences recorded as non-produced assets; this excludes the outright purchase of such non-produced assets.’; (x) paragraph 2.109 is amended as follows: (i) in point (b) the last sentence is replaced by the following: ‘Nonetheless, employers are considered to need this type of service to attract and keep their employees (which they would normally have to pay for themselves anyway) and not due to the needs of the production process itself (cf. 2008 SNA, 7.51);’; (ii) in point (f) the first sentence is replaced by the following: ‘(f) purchases of services connected with the acquisition of ownership of land, buildings and other existing fixed capital goods, such as fees for intermediaries, solicitors, surveyors, engineers, etc. as well as fees for entries in the land register (cf. ESA 2010, 3.133).’; (y) in paragraph 2.111 the last sentence is replaced by the following: ‘The purchaser price also includes any transport charges paid separately by the purchaser to take delivery at the required time and place; after deductions for any discounts for bulk or off-peak purchases from standard prices or charges; excluding interest or service charges added under credit arrangements; excluding any extra charges incurred as a result of failing to pay within the period stated at the time the purchases were made (ESA 2010, 3.06).’; (aa) in the heading of Section D ‘(cf. ESA 95 3.100 to 3.116)’ is replaced by ‘(cf. ESA 2010 3.122 to 3.157)’; (bb) paragraph 2.115 is replaced by the following: ‘2.115 Gross capital formation comprises: — GFCF (P.51g), — changes in inventories (P.52), — acquisitions less disposals of valuables (P.53).’; (cc) paragraph 2.117 is replaced by the following: ‘2.117 Gross capital formation is measured gross of consumption of fixed capital (P.51c). Net capital formation (P.51n) is obtained by deducting consumption of fixed capital from gross capital formation. Fixed capital consumption is the value of the depreciation of fixed capital goods as a result of normal wear and tear in the course of the production process (cf. 3.099).’; EN 15 EN (dd) in Section D, the subheading ‘1. GFCF’ is replaced by the following: ‘1. Gross fixed capital formation (GFCF) ’; (ee) paragraph 2.118 is replaced by the following: ‘2.118 GFCF consists of resident producers' acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets realised by the productive activity of producer or institutional units (ESA 2010 3.125 to 3.129). Fixed assets are produced assets used in production for more than one ***year*** (cf. ESA 2010, 3.124 and Annex 7.1).’; (ff) paragraph 2.122 is replaced by the following: ‘2.122 The determination of the GFCF of sectors or branches of the economy is based on the criterion of ownership (acquisition, disposal) and not on that of the use of the goods. It should be noted that fixed assets acquired by financial leasing (but not those simply on hire) are treated as assets of the lessee if the lessee is a producer) and not of the lessor, who keeps a financial asset equivalent to a notional claim (cf. 2.109(d) and Chapter 15 of the ESA 2010 on the distinction between the different forms of hire of durable goods) (1).’; (gg) in paragraph 2.123 the first sentence is replaced by the following: ‘Application of the ownership criterion depends on the statistical system on the basis of which the GFCF is calculated.’; (hh) paragraph 2.124 is replaced by the following: ‘2.124 Acquisitions of fixed assets comprise new or existing fixed assets which have been acquired (purchased, acquired in barter transactions, received as capital ***transfers*** in kind or acquired as a financial lease), fixed assets produced and retained for the producer's own use, major improvements to fixed assets and to non-produced tangible assets, natural growth in ***agricultural*** assets (livestock and plantations) and costs associated with the ***transfer*** of ownership of non-produced assets (cf. ESA 2010, 3.125 (a)).’; (ii) paragraph 2.125 is deleted. (jj) in paragraph 2.126 the first sentence is replaced by the following: ‘The purchase or production for own account of a set of durable goods needed for an initial installation constitutes fixed capital formation.’; (kk) paragraph 2.129 is replaced by the following: ‘2.129 The 2008 SNA specifies that improvements made to fixed assets should be determined either by the magnitude of the changes in the characteristics of the fixed assets — i.e by major changes in their size, shape, performance, capacity or anticipated service life — or by the fact that improvements are not the kinds of changes that are observed to take place routinely in other fixed assets of the same kind, as part of ordinary maintenance and repair ***programmes*** (cf. 2008 SNA,10.43 EN 16 EN and 10.46).’; (ll) paragraph 2.130 is replaced by the following: ‘2.130 Disposals of fixed assets comprise the sale, demolition, scrapping or destruction of fixed assets by their owner, or their surrender in barter or as capital ***transfers*** in kind (cf. ESA 2010, 3.125 (b) and 3.126). These disposals should normally lead to a change in ownership and have a direct economic purpose (therefore fixed assets which are demolished, scrapped or destroyed by their owner in order to be put to no further economic use are not included in these disposals) (cf. 2008 SNA, 10.38). However, some disposals may be kept within the same institutional unit, as in the case of animals slaughtered by a farmer and consumed by his family.’; (mm) in paragraph 2.134 the second sentence is replaced by the following: ‘As defined in the balance sheets (cf. ESA 2010, 7.12 and 7.13) the change in the value of an asset between the end and beginning of an accounting period can be described as follows:’; (nn) in paragraph 2.136 the last indent is replaced by the following: ‘— changes in classification or structure of fixed assets: e.g changes in the economic purpose of ***agricultural*** land, dairy livestock intended for meat production (cf. 2.149, footnote 2) or ***agricultural*** buildings which have been altered for private or other economic use.’; (oo) paragraph 2.138 is replaced by the following: ‘2.138 The ESA 2010 distinguishes between several elements which should be recorded as GFCF (cf. ESA 2010, 3.127): - dwellings, - other buildings and structures including major improvements to land, - machinery and equipment, such as ships, cars and computers - weapons systems, - cultivated biological resources, e.g trees and livestock - costs of ownership ***transfer*** of non-produced assets like land, contracts, leases and licences, - R&D, including the production of freely available R&D, - mineral exploration and evaluation, - computer software and databases, - entertainment and literary or artistic originals, - other intellectual property rights.’; (pp) paragraph 2.139 is replaced by the following: ‘2.139 For the EAA, a distinction is made between the following types of elements of GFCF: EN 17 EN — plantations yielding repeat products, — fixed asset livestock, — fixed assets other than ***agricultural*** assets: - machines and other capital goods, - transport equipment, - farm buildings (non-residential), - other structures with the exception of land improvement (other buildings and structures, etc.), - other (computer software, etc.), — major improvements to land, — costs associated with the ***transfer*** of ownership of non-produced assets such as land and production rights, — R&D, covering research and development from specialised units and research and development for own production.’; (qq) point (j) is replaced by the following: ‘(j) Plantations yielding repeat products’; (rr) paragraph 2.141 is replaced by the following: ‘2.141 According to ESA 2010 (3.125) GFCF in plantations corresponds to the value of acquisitions less disposals of natural assets yielding repeat products (such as fruit trees) which have reached maturity, plus the natural growth of such natural assets until they reach maturity (i.e generate a product), during the accounting period concerned.’; (ss) paragraph 2.144 is replaced by the following: ‘2.144 Disposals of plantations (recorded as negative GFCF) may take two forms: they may be sales of standing plantations to other (***agricultural***) units, in which case only the costs associated with the ***transfer*** of ownership are entered in the EAA. The other possibility is for the plantations to have been felled. In this case, however, according to the general definition of disposals, felled plantations must have a direct economic use; in other words, a counter-entry is required in the form of a use in goods and services (such as a sale to an enterprise specialising in the sale of timber (1)). In this second case, disposals of plantations to be recorded as negative GFCF should represent a modest amount.’; (tt) paragraph 2.148 is replaced by the following: ‘2.148 Work in cultivated crop assets, i.e plantations, is recorded either as sales, by enterprises specialising in such kind of ***agricultural*** contract work (with soil preparation, supply of machines, plant, labour, etc.), or as output of own-account produced fixed capital goods (cf. 1.75).’; (uu) paragraph 2.151 is replaced by the following: ‘2.151 Measuring the GFCF for livestock only constitutes one element of the change EN 18 EN in the value of assets. In fact, GFCF for livestock can only be measured via the change in the number of livestock valued at the average price for the ***calendar*** ***year*** for each livestock category (quantitative method), if the following conditions are met: — no nominal holding gains or losses (i.e a regular trend in prices and livestock population numbers), — no other changes in volume (i.e no losses due to natural disasters and no changes in classification, etc.), Another method of calculation (direct method) consists of measuring the flows of entries and withdrawals for each livestock category, at the corresponding prices: apart from acquisitions and disposals, this method has to take into account entries (in particular births) and withdrawals on the holdings.’; (vv) in paragraph 2.152 the following sentence is added at the end of the paragraph: ‘This is a deviation from the ESA 2010.’; (ww) paragraph 2.153 is replaced by the following: ‘2.153 In the SNA, theoretically, consumption of fixed capital should be calculated for livestock\*. In actual fact, consumption of fixed capital for livestock corresponds to a measurement of the anticipated decline in productivity of livestock when used for production purposes, a reduction which in turn is reflected in the updated value of future income from this livestock. However, in view of the practical difficulties in evaluating consumption of fixed capital (the definition of the calculation parameters are very complex, cf. 3.105 and 3.106), no consumption of fixed capital should be calculated for productive livestock. (\*) The 2008 SNA (10.94), unlike the ESA 2010 (3.140), considers that consumption of fixed capital should be calculated for livestock.’; (xx) point (l) is replaced by the following: ‘(l) Fixed assets other than ***agricultural*** assets; (yy) paragraph 2.162 is replaced by the following: ‘2.162 Fixed assets other than ***agricultural*** assets (plantations and livestock) comprise the following elements: — machines and other capital goods, — transport equipment, — farm buildings (non-residential), — other (other buildings and structure, computer software, etc.),’; (zz) point (m) is replaced by the following: ‘(m) Major improvements to land’; (aaa) paragraph 2.166 is replaced by the following: EN 19 EN ‘2.166 Major improvements in non-produced tangible assets correspond mainly to land improvement (better quality of land and higher yield through irrigation, drainage and flood prevention measures, etc.) and should be treated like any other GFCF (ESA 2010, 3.128). ’; (bbb) in paragraph 2.167 the last sentence is replaced by the following: ‘This concerns in particular expenditure on infrastructure works such as clearance, levelling, drainage, irrigation and consolidation (cf. ESA 2010, 3.128 and 2008 SNA, 10.79 to 10.81).’; (ccc) the following paragraph 2.168.1 is inserted: ‘(o) Research and development 2.168.1 Research and development consists of the value of expenditure on creative work undertaken on a systematic basis in order to increase the stock of knowledge, and use of this stock of knowledge to devise new applications. Unless the value can be reasonably estimated it is, by convention, valued as the sum of the costs, including those of unsuccessful research and development (cf. ESA 2010 Annex 7.1).’; (ddd) paragraph 2.169 is amended as follows: (i) point (a) is replaced by the following: ‘(a) small tools, working clothes, spare parts and equipment, even if these goods have a normal useful life of over one ***year***; because they are renewed regularly, and to conform with business accounting practice, these purchases of goods are considered to be intermediate consumption (cf. 2.105 and 2.106);’; (ii) point (c) is replaced by the following: ‘(c) services of advertising, market research, etc. Purchases of these services are included in intermediate consumption (cf. 2.108(d));’; (eee) in paragraph 2.176 the last sentence is replaced by the following: ‘Alternatively, the value of the entries of work in progress can be estimated by the value of the production cost with a mark-up for expected operating surplus or (estimated) mixed income (cf. ESA 2010, 3.47 and 3.48).’; (fff) in paragraph 2.178 the last sentence is replaced by the following: ‘This problem which is specific to ***agriculture*** is recognised by the ESA 2010 (cf. 3.153 (c)).’; (ggg) paragraph 2.186 is replaced by the following: ‘2.186 Another method of evaluating stocks of seasonal products is that of examining the trend in the prices of stocked goods. The price of a good may change during storage for at least three reasons (2008 SNA, 6.143): — the production process is sufficiently long that discounting factors should be applied to work put in place significantly long before EN 20 EN delivery, — its physical qualities may improve or deteriorate with time, — there may be seasonal factors influencing its supply or demand, thus resulting in regular and predictable changes in its price over the ***year***, even though its physical qualities may not otherwise change,’; (hhh) paragraph 2.187 is replaced by the following: ‘2.187 The difference between the price at which products are put into stock and the price at which they are withdrawn should reflect the additional output value produced during storage (2008 SNA, 6.143), since products withdrawn from storage several months after harvest are different, in economic terms, from those which have been stored. This type of increase in the value of products should not be counted as a nominal holding gain.’. (6) Section III is amened as follows: (a) paragraph 3.009 is replaced by the following: ‘3.009 Gross wages and salaries and actual social contributions (for account of employers) are recorded during the period in which the work was performed, although premiums and other exceptional ***payments*** are recorded at the time they become due (cf. ESA 2010, 4.12). ’; (b) paragraph 3.010 is replaced by the following: ‘3.010 Taxes on production are recorded at the time when the activities, transactions or other events giving rise to a fiscal obligation take place (cf. ESA 2010, 4.26). Similarly, subsidies on production are recorded at the time when the transaction or other event (production, sale, import, etc.) which gives rise to the subsidy occurs (cf. ESA 2010, 4.39).’; (c) paragraph 3.011 is replaced by the following: ‘3.011 Interest is recorded during the accounting period in which it is due, irrespective of whether it is actually paid (cf. ESA 2010, 4.50 and following). This is done continuously for the amount of capital in question. Rents are also recorded for the period in which they are due (cf. ESA 2010, 4.75).’; (d) paragraph 3.012 is replaced by the following: ‘3.012 Capital ***transfers*** (investment grants or other ***transfers***) are recorded at the time when ***payment*** is due (or, in the case of ***transfers*** in kind, when ownership of the asset is ***transferred*** or when the debt is cancelled) (cf. ESA 2010, 4.162 and 4.163).’; (e) in the heading of part C ‘(cf. ESA 95, 4.02 to 4.13)’ is replaced by the following: ‘(cf . ESA 2010, 4.02 to 4.13)’; EN 21 EN (f) in paragraph 3.015 the first sentence is replaced by the following: ‘The compensation of employees is defined as total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the accounting period (cf. ESA 2010, 4.02).’; (g) in paragraph 3.018 point (c) is replaced by the following: ‘(c) goods and services purchased by employers, provided that these purchases fulfil the definition of wages in kind (i.e when they do not constitute intermediate consumption). In particular, the transport of employees between their place of work and home is part of their wages in kind, unless the journeys take place during the employer's time. This category includes purchased accommodation services and children's crèches, etc. (cf. ESA 2010, 4.05).’; (h) in paragraph 3.020 the last sentence is replaced by the following: ‘All these items are recorded in the intermediate consumption of employers (cf. ESA 2010, 4.07).’; (i) paragraph 3.023 is replaced by the following: ‘3.023 Employers’ imputed social contributions represent the counterpart to other social insurance benefits, paid directly by employers to their employees or former employees and other eligible persons without involving an insurance enterprise or autonomous pension fund2 (cf. ESA 2010, 4.10). These contributions are recorded during the period in which the work is performed (if they are the counterpart of compulsory social benefits) or when the benefits are provided (if they are the counterpart of voluntary social benefits). Employers' imputed social contributions is split into two categories: (a) Employers' imputed pension contributions and (b) Employers' imputed non-pension contributions (ESA 2010, 4.10 and 4.97).’; (j) in the heading of part D. ‘(cf. ESA 95, 4.14 to 4.29)’ is replaced by the following: ‘(cf. ESA 2010, 4.14 to 4.29)’; (k) in paragraph 3.025, the last sentence is replaced by the following: ‘These taxes are payable whether or not profits are made (cf. ESA 2010, 4.14).’; (l) paragraph 3.026 is replaced by the following: ‘3.026 Taxes on production and imports are divided into: - taxes on products (D.21): - VAT-type taxes (D.211), 2 They correspond in particular to wages and salaries which employers continue to pay on a provisional basis to their employees in the event of illness, maternity, accidents at the workplace, invalidity or redundancy, in so far as the amounts concerned can be separately identified. EN 22 EN - taxes and duties on imports excluding VAT (D.212), and - taxes on products, except VAT and import taxes (D.214) - other taxes on production (D.29)’; (m) in paragraph 3.027, the last sentence is replaced by the following: ‘3.027 They may be equivalent to a monetary amount determined per unit of the good or service or calculated ad valorem as a fixed percentage of the unit price or value of the good or service (cf. ESA 2010, 4.16).’; (n) in paragraph 3.028, the first sentence is replaced by the following: ‘VAT-type taxes are taxes on goods and services collected in stages by enterprises and ultimately charged in full to the final purchaser (cf. ESA 2010, 4.17).’; (o) paragraph 3.029 is replaced by the following: ‘3.029 Taxes and duties on imports excluding VAT comprise compulsory ***payments*** levied by general government, or by the institutions of the European Union, on imported goods, excluding VAT, in order to admit them to free circulation on the economic territory, and on services provided to resident units by non-resident units (cf. ESA 2010, 4.18).’; (p) in paragraph 3.030 the first sentence is replaced by the following: ‘They include import duties and other taxes such as levies on imported ***agricultural*** products, monetary compensatory amounts levied on imports, excise duties, etc.’; (q) paragraph 3.031 is replaced by the following: ‘3.031 Taxes on products, except VAT and import taxes, consist of taxes on goods and services produced by resident enterprises and payable as a result of the production, export, sale, ***transfer***, leasing or delivery of those goods or services, or as a result of their use for own final consumption or own capital formation (cf. ESA 2010, 4.19 and 4.20).’; (r) in paragraph 3.035 the first sentence is replaced by the following: ‘The description in the ESA 2010 (4.17) refers to the standard VAT system under which each enterprise is allowed to deduct from the amount of VAT due on its own sales the amount of tax it has paid on its purchases of intermediate inputs or capital goods.’; (s) in Paragraph 3.038 the first sentence is replaced by the following: ‘The provisions of the ESA 2010, 4.17 lay down a single method of recording VAT.’; (t) paragraph 3.044 is replaced by the following: ‘3.044 Other taxes on production comprise all taxes that enterprises incur as a result of engaging in production, independently of the quantity or value of the goods and EN 23 EN services produced or sold (cf. ESA 2010, 4.22). They may be payable on land, fixed assets or labour employed in the production process or on certain activities or transactions.’; (u) in paragraph 3.050 point (b) is replaced by the following: ‘(b) fines and penalties and the costs imposed in connection with collection and recovery should not be recorded with the taxes to which they relate, unless they cannot be distinguished from them (cf. ESA 2010, 4.133);’; (v) in the heading of part E ‘ (cf. ESA 95, 4.30 to 4.40)’ is replaced by the following: ‘(cf. ESA 2010, 4.30 to 4.40)’; (w) in paragraph 3.051 the last sentence is replaced by the following: ‘By convention, subsidies on products are not recorded in non-market output (P.13) (cf. ESA 2010, 4.30).’; (x) paragraph 3.052 is replaced by the following: ‘3.052 Subsidies are classified into: — subsidies on products (D.31): — import subsidies (D.311), — other subsidies on products (D.319), and — other subsidies on production (D.39).’; (y) in paragraph 3.053 the last sentence is replaced by the following: ‘By convention, subsidies on products can only pertain to market output (P.11) or to output for own final use (P.12) (cf. ESA 2010, 4.33).’; (z) in paragraph 3.054 the last sentence is replaced by the following: ‘They may include losses, incurred as a matter of deliberate government policy, by government trading organisations whose function is to purchase products from non-residents and then resell them at lower prices to residents (cf. ESA 2010, 4.34).’; (aa) paragraph 3.058 is replaced by the following: ‘3.058 Other subsidies on production consist of subsidies other than subsidies on products, which resident producer units may receive as a consequence of engaging in production. For their other non-market output, other non-market producers can receive other subsidies on production only if these ***payments*** from general government depend on general regulations applicable to both market and non-market producers (cf. ESA 2010, 4.36). The ESA 2010 refers to four other subsidies on production (cf. ESA 2010, 4.37): subsidies on payroll or workforce, subsidies to reduce pollution, grants for interest relief, and over-compensation of VAT. These ***payments*** relate mainly to the assumption of production costs or support for changes in the method of production.’; EN 24 EN (bb) in paragraph 3.064, in the second indent, the first sentence is replaced by the following: ‘— grants for interest relief (cf. ESA 2010, 4.37(c)) made to resident producer units, even when they are intended to encourage capital formation (\*). (\*) However, when a grant serves the dual purpose of financing both the amortisation of the debt and the ***payment*** of interest on it, and when it is not possible to apportion it between the two elements, the whole of the grant is treated as an investment grant.’; (cc) paragraph 3.067 is amended as follows: (i) in the second indent the first two sentences are replaced by the following: ‘— current ***transfers*** to ***agricultural*** producer units by a market-regulatory agency. These should be recorded as components of output of the product in respect of which the ***transfer*** is paid insofar as the market-regulatory agency is involved only in the purchase, sale or storage of the goods.’; (ii) in the fifth indent the second and third sentences are replaced by the following: ‘Whether made in cash or in kind, they should result in a commensurate change in the financial, or non-financial, assets shown in the balance sheets of one or both parties to the transaction (cf. ESA 2010, 4.145). Capital ***transfers*** cover capital taxes, investment grants and other capital ***transfers*** (cf. ESA 2010, 4.147).’; (dd) point (d) is replaced by the following: ‘(d) Market-regulatory agencies’; (ee) paragraph 3.068 is replaced by the following: ‘In a breakdown of the economy, market-regulatory agencies are assigned as follows: (a) where concerned exclusively with the purchase, sale or storage of goods: (i) by industry, to trade; this activity is deemed by convention to be the output of non-financial market services; (ii) by sector, to non-financial corporate and quasi-corporate enterprises, if these market-regulating agencies are considered as institutional units within the meaning of the ESA 2010, and if not, to the sector to which the larger unit belongs; (b) where concerned exclusively with the ***payment*** of subsidies: (i) by industry, to the branches of non-market output of general government, since only the government (apart from institutions of the European Union) can pay subsidies according to ESA 2010 ruling; (ii) by sector, to the sector general government (cf. preceding indent); (c) where concerned with both purchase, sale and storage of goods and the ***payment*** of subsidies: EN 25 EN (i) by industry, to the branch trade, as regards their units of production (of the local KAU type) which buy, sell or store goods, and to the branches of non-market output of general government, together with its production units; (ii) by sector, to the sector general government, since only general government can pay subsidies. Assignment to another sector would mean that the subsidies paid by the market-regulating agency no longer constituted subsidies within the meaning of the ESA 2010.’; (ff) in paragraph 3.069 the second sentence is replaced by the following: ‘In particular, if market-regulatory agencies are assigned to the sector general government, subsidies paid to the agencies in connection with market-regulating processes (purchase, storage and resale) appear as ‘Uses’ but also as ‘Resources’ in the sector general government.’; (gg) in the heading of part F ‘(cf. ESA 95, 4.41 to 4.76)’ is replaced by the following: ‘(cf. ESA 2010, 4.41 to 4.76)’; (hh) paragraph 3.070 is replaced by the following: ‘3.070 Property income is the income receivable by the owner of a financial asset or tangible non-produced asset in return for providing funds to, or putting the tangible non-produced asset at the disposal of, another institutional unit (ESA 2010, 4.41).’; (ii) paragraph 3.071 is replaced by the following: ‘3.071 The ESA 2010 classifies property incomes in the following way: — interest (D.41), — distributed incomes of corporations (dividends and withdrawals from income of quasi-corporations) (D.42), — reinvested earnings on foreign direct investment (D.43), — other investment income (D.44): investment income attributable to insurance policy holders (D.441), investment income payable on pension entitlements (D.442); investment income attributable to collective investment funds shareholders (D.443), — rents (D.45)’; (jj) paragraph 3.073 is replaced by the following: ‘3.073 Only three types of property income can be of relevance to the EAA: - interest (D.41), rents (D.45) and investment income attributable to insurance policy holders (D.441).’; (kk) the subheading ‘2. Interest’ is replaced by the following: ‘2. Interest (ESA 2010, 4.42- 4.52)’; (ll) paragraph 3.077 is replaced by the following: EN 26 EN ‘Interest receivable in connection with ***agricultural*** activities by units belonging to corporate ***agricultural*** enterprises should also be recorded. Interest receivable by individual enterprises is excluded from the measure of entrepreneurial income of the ***agricultural*** industry, since it was felt that the majority of interest-bearing assets are not linked to the ***agricultural*** activity of the units and because it is very difficult to distinguish family assets from assets used in production\*. (\*) Interest receivable corresponds to ‘Other accounts receivable’ (F.8) in the financial account.’; (mm) in paragraph 3.079 the last sentence is replaced by the following: ‘The costs are regarded as remuneration for services rendered by financial inter-mediaries to their clients and not as an interest ***payment*** (see 2.107.1 and 2.108(i); ESA 2010, 4.51).’; (nn) subheading ‘3. Rents (on land and subsoil assets)’ is replaced by the following: ‘3. Rents (on land and subsoil assets) (ESA 2010, 4.72 – 4.76)’; (oo) in paragraph 3.080 the first sentence is replaced by the following: ‘Rents correspond to ***payments*** made to the owner of non-produced tangible assets (land and subsoil assets) in return for making assets available to another unit.’; (pp) in paragraph 3.082 the last sentence is replaced by the following: ‘This rule is an adapted version of the ESA recommendation (cf. ESA 2010, 4.73) (2).’; (qq) subheading ‘4. Property income attributed’ is replaced by the following: ‘4. Investment income attributable to insurance policy holders (not covered by the EAA)’; (rr) in paragraph 3.086 the first sentence is replaced by the following: ‘Investment income attributable to insurance policy holders corresponds to total primary incomes received from the investment of insurance technical reserves and pension funds (cf. ESA 2010, 4.68).’; (ss) in paragraph 3.087 the first sentence is replaced by the following: ‘Investment income attributable to insurance policy holders is not covered by the EAA.’; (tt) in the heading of part G ‘(cf. ESA 95, 4.145 to 4.167)’ is replaced by the following: ‘(cf. ESA 2010, 4.145 to 4.167)’; EN 27 EN (uu) paragraph 3.089 is replaced by the following: ‘3.089 Investment grants are capital ***transfers***, in cash or kind, effected by general government or the rest of the world to other resident or non-resident institutional units with the aim of financing, in part or in full, the cost of acquiring fixed capital goods (cf. ESA 2010, 4.152). Investment grants from the rest of the world comprise those granted directly by the institutions of the European Union via the European ***Agricultural*** Guarantee Fund (EAGF) and the European ***Agricultural*** Fund for Rural Development (EAFRD).’; (vv) in paragraph 3.091 the first sentence is replaced by the following: ‘The most important types of other grants made by the EAGF, EAFRD and investment grants for ***agriculture*** are:’; (ww) paragraph 3.092 is replaced by the following: ‘3.092 Investment grants in cash should be recorded when ***payment*** is due to be made. Investment grants in kind are recorded when the ownership of the asset is ***transferred*** (cf. ESA 2010, 4.162).’; (xx) paragraph 3.093 is replaced by the following: ‘3.093 Other capital ***transfers*** cover ***transfers*** other than investment grants and capital taxes which do not themselves redistribute income but redistribute saving or wealth among the different sectors or subsectors of the economy or the rest of the world. They can be made in cash or in kind (cases of debt assumption or debt cancellation) and correspond to voluntary ***transfers*** of wealth (ESA 2010, 4.164).’; (yy) in paragraph 3.095 the last sentence is replaced by the following: ‘They also include ***transfers*** from general government to cover losses accumulated over several financial ***years*** or exceptional losses from causes beyond the control of the enterprise (cf. ESA 2010, 4.165).’; (zz) paragraph 3.096 is replaced by the following: ‘3.096 In the case of ***agriculture***, other capital ***transfers*** also include: — grants for the permanent abandonment of orchards or vineyards, — grants for the cessation or reduction of milk production (in so far as they affect, explicitly or implicitly, the value of quotas), — compensation for exceptional and catastrophic losses of fixed capital goods used in the production of ***agricultural*** goods (e.g animals and equipment) (cf. 2.045 and 3.067), — start-up grants to young farmers for purposes other than financing the acquisition of assets, — grants to compensate for reduction of the value of assets or to reduce debts, — major ***payments*** in compensation for damage or injuries not covered by insurance policies (except ***payments*** by general government or by the rest of the world described in ESA 2010 under 4.165 (a)) awarded by courts of law or settled out of court, for example ***payments*** for compensation for damage caused by major explosions, oil spillages, etc (ESA 2010, 4.165 (h)).’; EN 28 EN (aaa) in the heading of part H ‘(cf. ESA 95, 6.02 to 6.05)’ is replaced by the following: ‘(cf ESA 2010, 3.139- 3.145)’; (bbb) in paragraph 3.106 the last sentence is replaced by the following: ‘This treatment also ensures compatibility between the EAA and the ESA 2010 (cf. ESA 2010, 3.140) and microeconomic accounts of the farm accountancy data network and obviates the need to distinguish between livestock having the character of fixed capital goods and livestock having the character of stock.’. (7) in Section IV, in paragraph 4.06 the first sentence is replaced by the following: ‘A description of what total hours worked include and exclude can be found in ESA 2010 (11.27 and 11.28).’. (8) Section V is amended as follows: (a) in paragraph 5.03 the table is replaced by the following: ‘ Production account Generation of income account Entrepreneurial income account P.1 Output B.1n Net value added B.2n B.3n Net operating surplus / net mixed income P.2 - Intermediate consumption D.1 - Compensation of employees D.41 + Interest receivable \* P.51c - Consumption of fixed capital D.29 - Other taxes on production D.41 - Interest payable D.39 + Other subsidies on production D.45 - Rent paid B.1n = Net value added B.2n B.3n = Net operating surplus / net mixed income B.4n = Net entrepreneurial income D.29 - Other taxes on production D.39 + Other subsidies on production = Net value added at factor cost / factor income (\*) Only interest received by ***agricultural*** units organised as companies.’; (b) paragraph 5.16 is replaced by the following: ‘5.16 For analysis of the long-term trend, the indices and rates of change of the income indicators for the European Union are calculated on the basis of the EU aggregates expressed in euro at fixed exchange rates: for values expressed in real terms (i.e after deduction of the effect of the average rise in prices), the deflators used are also based on a fixed base ***year***.’. EN 29 EN (9) Section VI is amended as follows: (a) in the heading of part A ‘(cf. ESA 95, Chapter 10)’ is replaced by the following: ‘(cf. ESA 2010, Chapter 10)’; (b) in paragraph 6.01 the second sentence is replaced by the following: ‘The ESA 2010 (10.13 to 10.23) clearly states that the price component should only include changes relating to prices and that all other changes should be included in the volume component.’; (c) in paragraph 6.02 the last sentence is replaced by the following: ‘The other difference in quality, important for the EAA, is that of a shift in sales of a product between two differently priced markets, e.g domestic and external, industrial use and sales to consumers (cf. ESA 2010, 10.13 to 10.18).’; (d) in paragraph 6.04 the last sentence is replaced by the following: ‘In this case, the ESA 2010 (10.32) states that it is preferable to deflate the value for the current ***year*** by a suitable price index to estimate changes in volume (ESA 2010, 10.01).’; (e) in paragraph 6.06 the last sentence is replaced by the following: ‘This means that each and every change in the value of a given flow must be attributed to either a price change or a change in volume or a combination of the two (cf. ESA 2010, 10.12).’; (f) paragraph 6.08 is deleted; (g) In paragraph 6.09 the first sentence is replaced by the following: ‘In accordance with ESA 2010 (10.20), in the EAA, changes in volume are measured using Laspeyres-type indices and changes in price are measured using Paasche-type indices.’; (h) paragraph 6.13 is replaced by the following: ‘6.13 The ***year*** used for submitting and presenting data at constant prices can be different from the base ***year***; it is called the reference ***year***. In a series of indices, the reference ***year*** is the one that takes the value 100.’; (i) paragraph 6.14 is replaced by the following: ‘6.14 Series of volume indices in the prices of a reference ***year*** are obtained by chaining indices calculated in the prices of the preceding ***year*** (cf. ESA 2010, 10.20).’; (j) paragraph 6.16 is replaced by the following: ‘6.16 Example: EN 30 EN Let us consider two homogeneous elementary products, A and B. The following series are based on the price structure for the preceding ***year***: n P n n – n+1 volume index n+1 P n n - n+1 price index n+1P n+1 n+1– n+2 volume index n+2P n+1 n+2 - n+1 price index n+2 P n+2 A 100 105,0 105 110,0 115 102,0 117 108,0 126 B 300 110,0 330 95,0 314 90,0 283 105,0 297 Total 400 108,8 435 98,6 429 93,2 400 105,8 423 The volume and price indices for the whole (A+B) depend on the weighting given to each product, A and B. If these series are expressed in relation to a fixed reference ***year*** (e.g n), the only way to retain the same n/n-1 volume indices is to chain the indices separately. This gives the following series (base equal to 100 in n): n n+1 n+2 A 100 105,0 107,1 B 100 110,0 99,0 Total 100 108,8 101,4 (101,4 = 108,8\*93,2/100) The values at constant prices expressed in relation to the reference ***year*** n are: n n+1 n+2 A 100 105 107,1 B 300 330 297,0 Total 400 435 405,6 (405,6 = 400\*101,4/100) As a result, the account is no longer additive. Adding the values at constant prices for A and B gives the following series: n n+1 n+2 A + B 400 435 404,1 Other than in the ***year*** following the reference ***year***, the re-referenced series are not additive.’ ’; (k) in paragraph 6.17, the first sentence is replaced by the following: EN 31 EN ‘According to ESA 2010 (10.23), the non-additive constant price data are published without any adjustment (\*). (\*) This does not preclude the possibility that there may be circumstances in which compilers may judge it preferable to eliminate the discrepancies in order to improve the overall consistency of the data.’; (l) in point 4 of Section B, the heading is replaced by the following: ‘4. Calculation of value added at fixed ***year*** prices’; (m) in paragraph 6.18 the last sentence is replaced by the following: ‘The theoretically correct method for calculating value added at fixed ***year*** prices is to carry out ‘double deflation’ (cf. ESA 2010, 10.31-10.32). ’; (n) paragraph 6.20 is replaced by the following: ‘6.20 Example: A series of current values and values in the prices of the preceding ***year*** (volumes) concerning output and intermediate consumption is set out below: n P n n+1 P n n+1 P n+1 n+2 P n+1 n+2 P n+2 Output 150 160 170 180 200 Intermediate consumption 1. 40 30 35 40 45 The value added in volume terms is obtained by deducting the volume of intermediate consumption from the volume of output. The following series is derived: n P n n+1 P n n+1 P n+1 n+2 P n+1 n+2 P n+2 Gross value added 110 130 135 140 155 In this way, the following volume indices in the prices of the preceding ***year*** are obtained: n+1 n+2 Gross value added 118,2 103,7 (118,2 = 130/110\*100) (103,7 = 140/135\*100) The gross value added of a particular ***year*** in prices of ***year*** n (fixed ***year*** prices) is derived by multiplying the current value for n by the volume chain index. EN 32 EN VA n+1 (in n prices) = 110\*1,182 = 130 VA n+2 (in n prices) = 110\*1,182\*1,037 = 135’. EN 33 EN ANNEX II Annex II to Regulation (EC) No 138/2004 is amended as follows: (1) Item 32.2 is replaced by the following: ‘ Transmission concerning reference ***year*** n a b c Item List of variables November ***year*** n (EAA estimates) January ***year*** n+1 (EAA estimates) September ***year*** n+1 (final EAA data) 32.2 GFCF IN LIVESTOCK — — X ’ (2) Item 33.3 is replaced by the following: ‘ Transmission concerning reference ***year*** n a b c Item List of variables November ***year*** n (EAA estimates) January ***year*** n+1 (EAA estimates) September ***year*** n+1 (final EAA data) 33.3 OTHER GFCF (including major improvement of land and R&D) — — X ’.

**Load-Date:** December 5, 2018

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[***Quebec Election Looms but a Traditional Issue Doesn't: Independence***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TB5-WR01-JC85-N1XC-00000-00&context=1516831)

The New York Times - International Edition

September 23, 2018 Sunday

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**Byline:** DAN BILEFSKY

**Dateline:** MONTREAL

**Body**

**ABSTRACT**

As Quebecers go to the polls on Oct. 1 in provincial elections, the issue of independence has been sidelined for the first time in decades.

**FULL TEXT**

MONTREAL - Rosalie Pelchat is typical of the younger generation of Quebecers here. She switches effortlessly from French to English. She spends hours each day surfing Facebook or watching Netflix in the language of Shakespeare.

And, like many of her generation, she is uninterested in fighting for an independent Quebec.

"We don't feel the same insecurity about language as our parents' generation did," Ms. Pelchat, a 17-***year***-old science student, said in the cafeteria at Collège de Maisonneuve, a Francophone college. "We are better off economically in Canada and open to the world. Talk of independence is a total turnoff."

As Quebecers prepare to go to the polls on Oct. 1 in provincial elections, the polarizing issue of whether the province should secede from Canada has been sidelined for the first time in decades. It underscores how the culture wars of the past have shifted in this Francophone province where language and culture are deeply bound up with identity.

Instead of focusing on Quebec's independence, the campaign has been dominated by talk of education, health care and, especially, immigration. The center-right party is trying to appeal to Quebecers by proposing that the province's autonomy be preserved by limiting immigration and imposing a "values test" and a "French language test" on newcomers.

Independence movements have spread across the world, from Kurdistan to Catalonia to the Balkans, in recent ***years***. But in Quebec, globalization, prosperity and stringent laws protecting local language and culture have helped tame the quest for national sovereignty.

Even the nationalist, independence-seeking Parti Québécois has vowed that it would not hold a referendum on independence until after 2022, a tacit acknowledgment that the subject, at least for now, is not a vote winner.

The party is third in the polls, well behind the governing Liberal Party, which is running neck and neck with the center-right Coalition Avenir Québec led by François Legault, a businessman and once ardent proponent of independence who has since abandoned that goal.

"Today's young people are confident, capitalist, federalist in outlook and want to travel," said Jean-Marc Léger, the president of Léger, a leading Canadian market research firm. Brought up in a borderless world of Twitter and Snapchat, "they aren't interested in the battles for independence that the baby boom generation fought for and lost."

For the younger generation, aspirations of becoming a Québécois Bill Gates appear to have pushed the constitutional preoccupations of the past to the background.

In a more than two-hour debate among party leaders this month, the independence issue barely registered while the leaders clashed over Mr. Legault's proposals to expel immigrants who fail to pass a French language test after three ***years*** in the province.

François Cardinal, a veteran commentator on Quebec political affairs, who is also head of the editorial section at La Presse, Canada's leading French-language newspaper, said it was the first time in 40 ***years*** that the question of Quebec's independence was a nonissue in a provincial election. The failure of the independence movement in two separate referendums, in 1980 and 1995, he noted, had chastened independence-seekers.

"If you look at what is happening in Spain, we see powers being stripped away from Catalonia, whereas in Quebec, the province has mastered more and more areas of decision-making," Mr. Cardinal said. "The fight for independence is no longer seen as worth fighting for."

It is hard to overstate how far attitudes in Quebec have changed.

The province was ceded to Britain in the 18th century, but Francophones can trace their roots to 17th-century French settlers who sailed up the St. Lawrence River. During the heady ***years*** of the 1970s and early 1980s, Quebec was bubbling with agitation for independence. In those ***years***, Francophones who spoke French in public could still be heckled with "Speak white!" or English.

But the balance of power gradually shifted after the governing Parti Québécois passed Bill 101 in 1977, a measure requiring that French be the language of government, the courts and commerce. Fearful that the country could be ripped apart, dozens of companies, including the Bank of Montreal, moved their headquarters to Toronto.

The first referendum on whether Quebec should secede from Canada was in 1980; the "no" side won by nearly 20 percentage points. Then, in 1995, Quebecers voted by a tiny majority, 50.58 percent, to remain in Canada.

By that time, Bill 101 had been in force for nearly 20 ***years***. Though the law may have unnerved many investors, it engendered feelings of cultural confidence, Mr. Léger said, making many Quebecers feel more secure living in English-majority Canada.

The drive for independence has also been subdued by Quebec's relatively resilient economy. Unemployment is less than 6 percent. And Quebec is a net recipient of billions of dollars in ***transfer*** ***payments*** from the federal government that help pay for public ***programs*** and services, a source of irritation to other, richer provinces.

Still, however much the issue has faded from the debate, secession is supported by a vocal minority.

Jean-Martin Aussant, a candidate for Parti Québécois, said his party was preparing the ground for another referendum on the issue, which he argued would help generate more enthusiasm for the cause.

If an independent Quebec was able to keep the nearly $60 billion in taxes it sent each ***year*** to the federal government, he contended, Quebecers would, on the whole, be better off.

"Canada has far more cultural similarities with the United States than Quebec has with Canada," he said in fluent English. "But Canada wouldn't want to merge with the U.S. and have the U.S. decide its destiny. In the same manner, we don't want Quebec to be subordinate to Canada."

Gabriel Nadeau-Dubois, 28, is the co-spokesman for Quebec Solidaire, a left-wing party that favors independence. He said his party's progressive agenda cannot be accomplished as long as Canada is a constitutional monarchy and decisions on Quebec's future are made in Ottawa.

"Look at NAFTA negotiations: We have to beg Justin Trudeau, who's in thrall to big business, to keep Quebec's interests in mind on ***agriculture*** and environment," he said. "We could better safeguard Quebec's interests if we were independent and had our own seat at the table."

But even those seeking independence acknowledge that independence-seekers are faltering.

Mélissa Gélinas, 32, a postdoctoral student in Indigenous studies at Montreal's Concordia University, studied in Britain and Toronto, loves Margaret Atwood and prides herself on speaking excellent English. She also dreams of an independent Quebec.

"We are a nation of Francophones in North America that can function quite well on its own," she explained before quickly adding: "Realistically, I don't think it will happen."

*Follow Dan Bilefsky on Twitter: @DanBilefsky*

**Load-Date:** September 23, 2018

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[***Programme summary of Iranian TV news 1030 gmt 24 Feb 18***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S64-BSB1-DYRV-30P0-00000-00&context=1516831)

BBC Monitoring Middle East - Political

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February 24, 2018 Saturday

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**Length:** 539 words

**Body**

A. Headlines.

B. News:

1. 1031 President Hassan Rouhani has addressed the 31st Khwarizmi International Award ceremony held in Tehran (covered).

2. 1036 Report on the ***payment*** of Iranian new ***year*** bonuses (starting March 21) to the retired employees of the Social Security Organisation from next week. The bonus will amount to approximately 180 dollars.

3. 1037 Bank accounts of a number of people accused of foreign exchange smuggling have been blocked.

4. 1038 Search operation for the victims of the ATR 72 plane heading from Tehran to the south-western town of Yasuj which crashed in the Dena Mountains on 18 February has been stopped due to snow. The search operation can last for months, says the channel. Tehran-Yasuj flights have been resumed.

5. 1039 The chief of Iran's Expediency Council, Mahmoud Hashemi Shahroudi, in a meeting of the council today expressed condolences on last week's plane crash. He has also condemned the act of a group of "rioters" in Tehran which led to death of a number of security forces.

6. 1040 Report on a four-day exhibition of domestically produced ***agricultural*** machines and devices.

7. 1043 Minister of Industry, Mining and Trade Mohammad Shariatmadari has in a meeting called for amendments to mining regulations.

8. 1044 Iran's Foreign Minister Mohammad Javad Zarif has said new US conditions on the nuclear deal were "improper" and were not even worth investigating. The channel said the Financial Action Task Force on Money Laundering (FATF) has said it will keep Iran on its list of money launderers.

9. 1050 US Treasury Secretary Steve Mnuchin announced new sanctions against Russia and North Korea.

10. 1050 Iran's Zarif addressed a conference on "modes of regional security" in Tehran today. He linked the rise of the so-called Islamic State (ISIL/ISIS/IS) terrorist group to the US invasion of Iraq, and denounced Washington for the dangerous policies that have kept the threat of terrorism alive, such as the evacuation of IS militants from Syria.

11. 1053 The UNSC will hold a meeting today to discuss a ceasefire in East Ghouta, Syria. Report on an attack by US forces to a school in Syria which the channel says have led to the death of 25 people.

12. 1055 The United States said on Friday it will open its embassy to Israel in Jerusalem in May.

13. 1056 Report on three simultaneous suicide attacks by the IS and Taliban in Afghanistan.

14. 1058 The government has launched a scheme for renovation of domestic public passenger and cargo transport system. Accordingly, new buses and trucks have been bought and new metro wagons are scheduled replace the old ones.

15. 1101 Head of the parliamentary National Security and Foreign Policy Committee Alaeddin Borujerdi has called for legal action against "rioters" of Golestan-e Haftom. Tehran prosecutor has said some of the detainees might not be released in the short run.

16. 1102 Malaysia has introduced restrictions on social media and instant messaging apps including Telegram, Twitter and Facebook to combat "fake news".

C. 1105 News in brief.

D. 1107 Weather.

E. 1108 Sports.

F. 1112 ***Calendar*** and prayer times.

G. 1113 Recap of headlines

1114 End of bulletin.

Source: Vision of the Islamic Republic of Iran Network 1, Tehran, in Persian 1030gmt 24 Feb 18

**Load-Date:** April 26, 2018

**End of Document**



[***Ghana's construction sector to rebound in 2018 as oil prices improve***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4X1-DXYV-7442-00000-00&context=1516831)

Oxford Business Group: Articles

January 2018

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**Length:** 2688 words

**Body**

Following a period of rapid economic growth, Ghana's slowdown over the past couple of ***years*** has had a noticeable impact on the construction sector in particular. However, its prospects appear to be modestly brightening, with sizeable capital allocations in the government's budget and growth of 3.7% targeted for the construction industry in 2017.

According to most recent data from the Ghana Statistical Service, the contribution to GDP from construction in market prices increased to GHS21.5bn ($5.1bn) in 2016 from GHS17.3bn ($4.1bn) in 2015, constituting a 24% current market growth rate and making up 13.7% of the overall GDP. In constant prices, growth reached 2.9%, which builds on a 2.1% rate of expansion in 2015 after no rise in 2014. So, while immediate revival is unlikely, there is a cautious optimism that new government initiatives and increased oil revenues in 2017 will bring further opportunities for infrastructure and real estate construction projects.

**Organisation & Regulation**

Oversight of the construction industry is divided among a number of entities, with many large-scale infrastructure efforts under the remit of the Ministry of Transport and Ministry of Roads and Highways (MoRH), while housing initiatives fall under the Ministry of Works and Housing.

Prior to a January 2017 decision to create a separate Ministry for Sanitation and Water Resources, the Ministry of Water Resources, Works and Housing had constituted a single department.

The country's regulatory frameworks - from building standards, to procurement and contracts - are well crafted, although enforcement and public-private dialogue is sometimes lacking. "The laws and regulations are clear, including value-added tax, and other financial regulations, particularly once they revoked the 2014 law that regulated foreign exchange,"Clovis Abi Nader, area general manager for construction firm MAN Enterprise, told OBG. However, implementation of these regulations is not always reliable. As noted in a 2016 paper by the Department of Building Technology at the Kwame Nkrumah University of Science and Technology, "There is very little collaboration among stakeholders in the public and private sectors and professional bodies are usually weak in enforcing regulations." This has led some to highlight the absence of a single platform to suggest and implement sector-wide improvements. In 2016 the vice-president of the Chartered Institute of Building for Africa called for an independent building oversight authority in Ghana to regulate and consolidate the construction industry, ensuring high standards, as well as ***payment*** reforms for contractors so businesses can stay competitive in spite of currency fluctuations.

In response, in May 2017 the government pledged its commitment to support the establishment of the Construction Industry Development Authority, which would serve as the regulatory body to oversee the strategic development of the sector and formulate regulations. In addition, the Association of Ghana Industries (AGI) has recommended a local-content policy be implemented for the industry to enhance the capacity of Ghanaian construction firms (see analysis).

**Operating Environment & Trends**

Despite the trailing effects of the slowdown in 2014, Ghana's construction sector maintains a high regional ranking, as described in the World Bank's "Doing Business 2018" report. Though the country fell 14 places in the dealing with construction permits category, its rank of 131st places it comfortably above regional neighbours Côte d'Ivoire and Togo, which came in at 182nd and 154th, respectively. Furthermore, the report praised the country for improving transparency in the sector by publishing transparent regulations related to construction online free of charge. "One of the main challenges facing the construction sector relates to the speed of permits and bureaucracy. Once this is sorted out, even if just partially, we can expect even more foreign participation in the sector," Kadir Yadigar, board chairman of construction firm Kass Group, told OBG.

Similarly, the industry has benefitted from some aggressive policies by the new administration to support investment in the sector down the line. In June 2017 local press reported the opening of Construction Bank (Ghana), a specialised lender set up to offer financial services, including project and mortgage financing, to the construction sector. The Ghana Investment and Infrastructure Fund, established in 2014 to help secure investment for infrastructure projects, has also continued to develop. In April 2017 President Nana Akufo-Addo formed a board of directors who approved an Investment Policy Statement to provide a framework for its investment decisions. The statement includes an acknowledgement of the key role private financing will play in closing the infrastructure gap.

**Key Drivers**

The government has been bullish about increasing capital spending on infrastructure projects, with a range of factory, roadways, airports and railways initiatives in the pipeline. However, Abi Nader told OBG that he anticipates short-term interest will be in projects that provide a faster return - such as recycling projects or ***agricultural*** initiatives - rather than 25-30-***year*** investments in power stations and roadways.

Property is also seen as a larger potential driver over the coming ***year***. "There is a lot of private investment in the expensive and just-below-expensive sectors of accommodation, as well as an increasing demand for places like shopping malls, hotels and mixed developments," Harm Ploeger, president for Africa at Saudi Arabia-based Red Sea Housing Services, told OBG.

Abi Nader has seen this rise in demand for top-end accommodation as well, noting, "The market demand for high-luxury, secure compounds is increasing day by day, though projects are still progressing from 2015-16 with few to be initiated before the end of 2017." To complement this higher-end housing push, the government has announced several initiatives to increase the supply of low- and middle-income housing as well.

**Infrastructure Update**

As is the case throughout sub-Saharan Africa, infrastructure - whether electricity, water, road or rail - is where construction project volume and value sits. In 2017 government-led drivers of construction projects were port expansions and their accompanying infrastructure efforts, with a total infrastructure budget of GHS2.6bn ($622.4m) presented. The $1.5bn expansion of Tema Port, a joint initiative of the Ghana Ports and Harbours Authority (GPHA), Dutch APM Terminals and France's Bolloré Africa Logistics, continues apace and is expected to be complete by 2019. AECOM, the US engineering firm providing construction oversight, noted that the project will triple Tema Port's current traffic of about 1m twenty-foot equivalent units (TEUS) as it allows the port to accommodate larger vessels (see Transport chapter).

Similarly, Takoradi Port is also undergoing major renovations to increase the port's capacity and make operations more efficient, particularly for the nearby hydrocarbons and mineral industries. GPHA released a public tender for operation of a new, integrated container terminal in January 2017, which has already attracted international interest, and in June 2017 local press reported on the visit of delegations from China's Sinopec, as well Ghana Manganese Company (GMC) and Ningxia Tianyuan Manganese Industry Company to explore potential opportunities.

**Road & Rail**

Road and rail networks are the recipients of large chunks of public funding, though new major works are more likely to happen in the medium term, with an immediate focus on routine maintenance. In the 2017 budget the MoRH was allocated GHS871m ($208.5m), compared with GHS902m ($215.9m) in 2016. However, the ministry is looking to build on 2016 efforts; in 2017 a total of 45,050 km of routine maintenance was due to be completed compared to a total of 36,290 km undertaken in 2016, while construction works on trunk roads, urban roads and bridges were expected to total 220 km in 2017 as opposed to the 208 km in 2016. Of note, in March 2017 Brazilian firm Queiroz Galvao began construction works on the 116-km Bolgatanga-Bawku-Pulmakom Road, which is estimated to cost GHS660m ($158m), and will connect six constituencies to relieve traffic on the busy Bolga-Bawku Road. Japan also signed a $56.6m agreement in April 2017 to fund the Tema Motorway roundabout project and rehabilitate the damaged Yamoransa-Assin Fosu Road.

The Ministry of Railways Development (MoRD) was given a budget of GHS518m ($124m) to improve the mostly defunct western, eastern and central lines, and to source additional financing for repairs and construction. One key project is the effort to construct the 340-km western line to facilitate the transport of bauxite, cocoa and other bulk commodities for export. In June 2017 international press reported that China intends to provide funding to facilitate the mining and transport via rail of Ghana's 960m tonnes of bauxite reserves, the main source of aluminium (see Mining chapter).

This rail development comes as part of a larger $15bn infrastructure grant provided by the Chinese government to be used for the construction of bridges, four interchanges (including the first significant interchange in northern Ghana), industrial parks, hospitals, security service housing units and the rehabilitation of various school buildings. In July 2017 Joe Ghartey, minister of railway development, noted to local press that the government was also likely to choose a local contractor for the construction of the Kumasi-Paga railway line from the mining centre to the Burkina Faso border.

**One District, One Factory**

Another expected driver of construction is the One District, One Factory policy. In June 2017 President Akufo-Addo reasserted his commitment to building a medium- to large-scale factory in each of Ghana's 216 districts during his first term and noted that the initial 51 districts had been identified; work on the first 10 factories was scheduled to commence in June 2017. "In terms of infrastructure development, the government's priority should focus on two key areas: completing existing projects and building rural connectivity to support the One District, One Factory initiative," Kwaku Abebrese, group managing director at Taysec Construction, told OBG.

The government budgeted some GHS456.3m ($109.2m) in funding in 2017 for capital and operating costs, hoping to complement this funding with increased international investment. R Yofi Grant, CEO of the GIPC, reported to local press that the ***programme*** has already generated significant international interest, saying, "The One District, One Factory content has sparked very interesting discussions and interests from investors both here and abroad." The sector is already attracting great interest. A funding facility worth $2bn from the China National Building Materials and Equipment Import and Export Corporation as laid out in a memorandum of understanding signed in June 2017 in cooperation with local banks.

**Energy Needs**

Lack of access to reliable power has also prompted a push to boost generating capacity, as well as transmission and distribution infrastructure. In the 2017 budget the Ministry of Energy allocated GHS890m ($213.1m) for energy ***programmes*** to increase capacity by 1227 MW, making up 33% of the total budget for the sector and including projects such as the construction of power substations and transmission lines, as well as completing the design of the 50-MW Solar Hybrid Project (see Energy chapter).

To complement government efforts, a number of large-scale independent power producer projects were scheduled to come on-line in 2017, including the 350-MW Kpone Independent Power Plant, the 400-MW Bridge Power Plant and the 203-MW Amandi Power Plant, alongside the launch of several renewable projects. Of note, international trade shows on energy, renewables and construction - Powerelec Ghana and Construct Ghana - which took place August 2017 brought together stakeholders addressing challenges in the power and construction sector.

**Building Materials**

Construction remains expensive in Ghana compared to other sub-Saharan economies. The "Housing Finance in Africa Yearbook 2016" from the Centre for Affordable Housing Finance in Africa (CAHF), notes that construction costs in Accra for a standard house were among the highest, outstripping comparable costs in Nairobi, Pretoria and Abuja. A 2016 report from AECOM also pointed to high costs compared to those in Nigeria, with the average construction cost for a light-duty factory in Accra at $1000 per sq metre, while these were $650 per sq metre in Nairobi and $339 per sq metre in Johannesburg. The availability of low-cost materials is at the heart of this issue. Ploeger told OBG there is an advantage to being located in the free zone because many companies still need to import the majority of raw materials as the local supply chain remains expensive and often unreliable. "In theory everything is available, with the exception maybe of chemical compounds like PVC, but on average prices are significantly higher compared to importing the commodity and paying the associated duties," Ploeger said.

**Cement**

In 2016 CAHF estimated the cost of a 50-kg bag of cement at between $8.44 and $8.95. "After 2005, we saw an annual growth in volume in Ghana's cement market of roughly 7%, which is very strong. That attracted a lot of interest from potential investors and also existing players in the market," Morten Gade, managing director of Ghacem, told OBG. "However, the market has been flat for the last four ***years***, which has resulted in a production overcapacity." Gade estimated that producers have a combined annual production capacity of 8.8m tonnes - without including import terminals for bulk cement and cement projects yet to come on-stream in the next couple of ***years*** - but the market is only for 5.3m tonnes. However, he expressed cautious optimism about the future: "In 2017 we have seen some growth in the market, though how sustainable it is remains to be seen."

The energy-intensive steel industry recorded some challenges, including the shutdown of one steel factory due to high power tariffs. However, plans for the development of the industry were highlighted during the Economic Counsellors Dialogue hosted in May 2017 in Accra, with a proposal for an integrated aluminium project and the exploitation of a northern iron ore deposit for the development of a steel industry seen as promising investment opportunities. Local press also covered a proposal to use concrete for road construction instead of asphalt, based on the success of the Tema motorway as an example of a concrete road that has served Ghana for decades and noting its enhanced sustainability, despite being more expensive.

**Outlook**

While it is unlikely that the construction sector will reach peak levels of activity seen in 2013 in the immediate future, a gradual recovery has begun, particularly with the development of secondary markets like Kumasi and Tema, Chinese and Japanese-supported road and rail infrastructure efforts, and government initiatives like the One District, One Factory ***programme***.

In particular, building on the momentum of the projects launched during the presidential campaigns in 2016, there is likely to be ongoing progress for government efforts. "There will likely be several opportunities for foreign investors to work with the government in the form of public-private partnerships or build-operate-***transfer*** projects financed by the World Bank or other financial institutions," Abi Nader told OBG.

Meanwhile, private, hospitality, commercial and residential developments are still progressing from where they were in 2015-16, compensating for the small number of projects initiated in 2017. Importantly, there is increased confidence in the long-run viability of the Ghanaian construction market. "The messages I have heard out of this government are positive as they take measures that would bring down the tax burden on private individuals and businesses," Ploeger told OBG.

**Load-Date:** March 12, 2020

**End of Document**



[***Washington: Fortune 500***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S2H-CX81-JDG9-Y4SH-00000-00&context=1516831)

Impact News Service

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**Body**

Washington: Office of the Majority Whip  Steve Scalise has issued the following news release:

Results of the Tax Cuts and Jobs Act are on a hot streak as 500+ companies have now announced bonuses, pay raises and increased benefits for their hardworking team members. While Democrats predicted “Armageddon,” Republicans bet on the American worker and the Tax Cuts and Jobs Act has paid out.

With tax reform, businesses have been able to invest more than $4 billion in their current team members and new hires. Small businesses are feeling record levels of optimism and unemployment rates are at an all-time low. Democrats try to claim this was a giveaway to the wealthy, but with nine out of 10 Americans seeing higher paychecks, it’s clear Americans hit the jackpot with tax reform.

To see the growing number of companies increasing wages, investments, jobs, and bonuses because of the Tax Cuts and Jobs Act, click here.

Read on to see what companies are using the Tax Cuts and Jobs Act to reward their employees and boost the economy.

1A AUTO – WESTFORD, MASS.:Massachusetts based online auto parts retailer 1A Auto announced across the board cash bonuses for all full-time employees. CEO Rick Green says that the decision was based on recent changes to tax policy.

In a company meeting Wednesday, Green told employees, “Ultimately the tax savings will be passed to our customers in the form of lower prices, but we want to also share some of the savings with you, our hard-working employees.” 1ST SOURCE – SOUTH BEND, IND.:

    The issuance of 10 shares of 1st Source stock currently valued at $500.00 in early 2019 (which must be held for three ***years***) to all employees who were active with the company December 31, 2017 and are also active with the company on December 31, 2018.     An additional performance award base pay increase of $500.00 to eligible colleagues.     A significant increase in the company’s higher education tuition reimbursement ***program*** to an annual benefit of $6,000 from $3,000.

AALADIN INDUSTRIES – ELK POINT, S.D :

Bonuses of $250 – $1,000 based on length of service; base wage raised; increased capital expenditures. AAON – TULSA, OKLA.:

Personnel employed by AAON, excluding officers, will receive a $1,000 bonus in recognition of the new tax reform law. AAON employs approximately 2,000 individuals at its Tulsa, Oklahoma and Longview, Texas facilities. ABBVIE – NORTH CHICAGO, ILL.:

    permanent salary increases for all non-executive employees; increased profit sharing for employees; one additional holiday for U.S employees.

ACADIA HEALTHCARE – FRANKLIN, TENN.:

Acadia Healthcare is pleased to announce it will be adding new jobs, opening additional treatment centers, and expanding existing facilities due to the extraordinary tax reform bill. ACCUWEATHER – STATE COLLEGE, PA.:

AccuWeather, the world’s fastest-growing provider of forecasts and warnings and a global leader in digital media and weather-related big data, announced it is pleased to be providing special ***year***-end bonuses to all employees. AccuWeather said the bonuses are possible due to the company’s robust financial performance in 2017 and strong confidence in the growing U.S and global economy now that the Tax Bill has passed. ADAMS COMMUNITY BANK – ADAMS, MASS.:

    Paying a special one-time bonus of $1,000 to full time employees, and $500 to part time employees. This initiative is focused on those employees making below a certain compensation threshold.     Increasing base pay by $1 per hour for regular non-officer employees making below a certain compensation threshold.     Raising our minimum wage to $13.25     Reducing the employee’s share of medical and dental insurance premiums from 30% to 20%, for all bank employees who are not officers.     Increasing interest rates on customer deposit products beginning in January.

ADVANCE FINANCIAL – NASHVILLE, TENN.:

Advance Financial Chief Experience Officer Tina Hodges announced to employees Friday morning a tax initiative that will yield an additional collective $500,000 to employees and more than $550,000 to community organizations.

1.) Increasing its 401(k) match from 3 percent to 5 percent for all employees.

2.) Increasing the share of profits that front line employees can receive from 3 percent to 5 percent. (Front-line employees, who man Advance Financial’s 85 locations across Tennessee, account for 85 percent of the company’s 800-plus employees.)

3.) Increasing giving to the Advance Financial Foundation by 8 percent. (The foundation provides donations to nonprofit organizations in communities served by Advance Financial.)

The company’s average starting wage is more than $15 an hour. ADVANCED SCIENCES & TECHNOLOGIES – BERLIN, N.J :

Increased 401(k) match for employees. AFLAC – COLUMBUS, GA.:

Aflac announced that it is increasing investments by $250 million in the U.S , which will result in the producktion of jobs and employee benefits, and marks a significant commitment from mid-sized market cap company. Additionally, Aflac will increase their company’s 401(k) match, from 50% to 100% on the first 4% of employee contribution and make a one-time contribution of $500, helping families to build up their nest egg. ALASKA AIR – SEATTLE, WASH.:

Alaska Airlines is giving its employees a $1,000 bonus, citing the tax cut passed last month by Congress and signed by President Donald Trump. ALASKA ELECTRIC LIGHT AND POWER – JUNEAU, ALASKA:

Alaska Electric Light and Power will pass tax reform savings to customers. ALBANESE CONFECTIONERY – MERRILLVILLE, IND.:

Albanese Confectionery will give employees $2,000 bonuses annually and is expanding parental leave benefits. ALLIANT ENERGY – CEDAR RAPIDS, IOWA:

Interstate Power & Light, an Alliant Energy subsidiary based in Cedar Rapids, said it would return between $18.6 million and $19.6 million to customers.

Alliant’s gas customers could have between $500,000 and $3.7 million returned to them. ALLY FINANCIAL INC. – CHARLOTTE, N.C :

Ally Financial Inc. is using the savings to pay a $1,000 bonus to its employees, and to increase its charitable contributions by around $6 million. ALMO CORPORATION – PHILADELPHIA, PENN.:

Almo Corporation is giving employees a $1,000 incremental bonus and investing in the company through capital improvement and purchasing a new operating system. ALTRIA – RICHMOND, VA.:

Altria Group Inc., one of the Richmond area’s largest private employers, says it is giving all of its non-executive employees a one-time $3,000 bonus, thanks to the corporate tax cut passed by Congress in December.

The Henrico County-based parent company of cigarette maker Philip Morris USA said it also plans to set aside $35 million over three ***years*** for philanthropic ***programs*** in the communities where it has operations, focusing particularly on nonprofit ***programs*** in youth development and workforce preparedness. The money is in addition to the roughly $55 million a ***year*** that Altria typically donates to philanthropy, a company spokeswoman said.

The bonus to employees is expected to be paid out this month and will amount to a total of $24 million for the company’s approximately 7,900 non-executive employees. ALLSUP’S CONVENIENCE STORES, INC. – CLOVIS, N.M :

Allsup’s Convenience Stores, Inc. is awarding employees a $1,000 bonus. AMARILLO NATIONAL BANK – AMARILLO, TEXAS:

Christmas came early for more than 300 employees at Amarillo National Bank when they found out they’d be getting a $1,000 pay raise.

The bosses at ANB are saying the pay increase is because of the GOP’s tax reform bill.

The raises are the highest salary and wage increases in the bank’s history.

313 of the bank’s 600 full-time, non-salaried employees will get an immediate raise of $1,000. AMBOY BANK – OLD BRIDGE, N.J :

A Central Jersey bank with 24 branches is boosting the minimum pay for its workers to $15 an hour.

Old Bridge-based Amboy Bank will also pay all non-executive employees a a minimum ***year***-end bonus of $1,000, it said in a statement, becoming at least fourth New Jersey bank to give its workers extra money. AMEREN ILLINOIS – CHICAGO, ILL.:

Customers expected to save as a result of the decrease in the federal corporate tax rateAmeren Illinois electric customers could save an average of $2.50 to $3.00 per month in 2018 and natural gas customers could save an average of $1 per month if the Illinois Commerce Commission (ICC) approves the company’s plan to pass savings from the recently approved federal tax cut legislation back to its customers.  Customers using both electricity and natural gas could see a combined savings. AMERICACOLLECT – MANITOWOC, WIS.:

A Manitowoc-based company will give its roughly 250 employees a bonus following Congress’s passage of the tax reform bill the Tax Cuts and Jobs Act. AMERICAN AIRLINES – FORT WORTH, TEXAS:

No. 1 U.S airline American Airlines Group Inc said it would give its employees a $1,000 bonus in light of the recent tax reform bill. AMERICAN BANK – ALLENTOWN, PA.:

American Bank became the first Lehigh Valley business to publicly announce it is paying $1,000 bonuses to its 60 workers in connection with the tax bill signed Friday by President Donald Trump. AMERICAN COMMUNITY BANK – WOODSTOCK, WIS.:

$500 to each employee and announced additional hiring plans. AMERICAN EXPRESS – NEW YORK, N.Y :

Overall, we believe the Tax Act will be a positive development for both the U.S economy and American Express. Given the momentum in the business and the anticipated benefit of a lower tax rate, we now expect to invest up to $200 million more in 2018 than we originally planned for customer-facing growth initiatives. We’ve also made an incremental contribution to our employee profit-sharing plans to support the long-term financial well-being of our employees. And, for shareholders, we expect to use the remaining anticipated benefits to build capital and support earnings growth in 2018. AMERICAN FAMILY INSURANCE – MADISON, WIS.:

American Family Insurance said it will give 11,000 workers a one-time bonus of $1,000, becoming the latest U.S company to pass some of the savings from federal tax reform to employees.

The Madison-based insurer said the reduction in the corporate income tax rate also would help fuel permanent changes to its employee benefits ***program***, such as expanded tuition reimbursement, help paying student loans and scholarships for workers who pursue a post-high school degree. AMERICAN PROTEINS – CUTHBERT, GA.:

American Proteins and subsidiaries are awarding employees bonuses of$1,000, in response to the tax reform package signed into law earlier this ***year***. AMERICAN SAVINGS BANK – HONOLULU, HAWAII:

The third-largest bank in Hawaii said it will award $1,000 bonuses to nearly all of its employees. In addition, the bank said it was increasing its starting wage to $15.25 an hour from $12.21 an hour. AMGEN – THOUSAND OAKS, CALIF.:

Amen is using the savings to construct a new $300 million U.S manufacturing plant which will employ up to 300 at the facility; invest $300 million in biotechnology ventures; invest $3.5 billion in capital expenditures; invest $100 million in Amgen Scholars and Amgen Biotech Experience ***programs***; and donate $100 million to charity. AMICUS THERAPEUTICS – CRANBURY, N.J :

In order to find a cure for a rare disease, the Amicus Therapeutics is building a $200 million facility in the United States instead of overseas. The facility will employ at least 200 people who will earn an average of over $100,000 per ***year***. ANDYMARK – KOKOMO, IND:

Andy Baker, president and owner of AndyMark, which manufactures and distributes mechanical and electrical parts for the competitive robotics market, said savings from the tax cut has accelerated his plans to hire more workers.

He said the company currently employs 25 full-time workers and up to 30 part-time and seasonal workers. Now, Baker anticipates doubling his workforce in the next five to 10 ***years***.

“I think the tax bill is going to accelerate our growth,” he said. “We want more diversity with our business and more vertical integration, which requires more staff, and the tax cut its going to accelerate all that.” ANFINSON FARM STORE – CUSHING, IOWA:

Anfinson Farm Store, a family business in Cushing, Iowa, has awarded $1,000 bonuses and raised wages 5% for all full-time employees as a result of tax reform. The good news was delivered to employees in person just after Christmas. ANTHEM – INDIANAPOLIS, IND.:

Anthem, Inc. announced that the company will contribute $1,000 to the 401(k) accounts for each of its more than 58,000 associates and recent retirees. Anthem has created this new investment ***program*** for associates following revisions to the U.S tax code that were enacted earlier this ***year***. In total, Anthem will contribute more than $58 million to the ***program*** which helps Anthem associates plan for their retirement and the needs of their families in the future. In addition to the Anthem 401(k) ***program***, the company is investing savings from the changes in the tax code in other efforts to reduce the cost of healthcare and benefit the consumers we serve and our shareholders. APPLE – CUPERTINO, CALIF.:

Apple Inc. told employees Wednesday that it’s issuing a bonus of $2,500 worth of restricted stock units, following the introduction of the new U.S tax law, according to people familiar with the matter.

The move comes on the same day Apple said it would bring back most of its cash from overseas and spend $30 billion in the U.S over the next five ***years***, funding an additional technical support campus, data centers and 20,000 new employees. APPS PORTAMEDIC – BELLEVUE, WASH.:

At the Bellevue small business called APPS Portamedic, two employees schedule the health tests people get when they apply for life insurance.

Owner Ben Oakley says he’ll benefit from the new tax rules for many small businesses.

“Anything from the 20 percent reduction down to 17.5 percent, we have a lot of equipment in our business so we’re going to see a tax break there. I was looking at the numbers just based on our simple tax bracket as my wife and I you know it’s about a $2,500 benefit just for income tax alone,” Oakley said in an interview. AQUESTA FINANCIAL HOLDINGS – CORNELIUS, N.C :

Aquesta Financial Holdings in Cornelius, N.C , will raise hourly pay to $15 and will be giving $1,000 bonuses to all of it workers. AR-15 GUN OWNERS OF AMERICA – WARNER ROBINS, GA.:

    Tax reform bonuses     Increased salaries for all employees.

ARIZONA PUBLIC SERVICE – PHOENIX, ARIZ.:

APS has requested the Arizona Corporation Commission approve a $119 million bill reduction for customers, based on federal corporate tax cuts, effective February 1, 2018. ASSOCIATED BANK – GREEN BAY, WIS.:

Associated Bank said it will boost its minimum hourly wage to $15 and pay workers a $500 bonus when the recently passed federal tax reform is signed, making it the first major Wisconsin firm to announce it is joining the list of companies saying their employees will directly benefit from the legislation.

The Green Bay-based bank, the largest financial institution headquartered in the state, said it will raise its minimum wage to $15 an hour from $10 — a 50% boost — and distribute the one-time bonus to all hourly, non-commissioned employees once the tax legislation is signed into law. ASSURANT – NEW YORK, N.Y :

U.S tax reform a positive for Assurant. Based on preliminary review, Assurant expects:

    Effective tax rate to be reduced to approximately 22%-23% on Assurant current standalone income worldwide     No transition tax on accumulated foreign earnings     Future dividends from Assurant’s non-U.S subsidiaries not subject to U.S tax     Q417 will include a one-time benefit to consolidated GAAP net income due to the reduction of net deferred tax liabilities, but write-down on a statutory basis for the insurance subsidiaries due to the reduction of net deferred tax assets

AT&T – DALLAS, TEXAS:

Once tax reform is signed into law, AT&T plans to invest an additional $1 billion in the United States in 2018 and pay a special $1,000 bonus to more than 200,000 AT&T U.S employees — all union-represented, non-management and front-line managers. If the President signs the bill before Christmas, employees will receive the bonus over the holidays. ATLAS AIR – PURCHASE, N.Y :

Atlas Air will be providing a special one-time bonus ***payment*** to all full-time flight and ground staff employees below the officer level. We are pleased to offer this bonus to our flight crew employees as the Union is in agreement. This bonus will be funded by a tax refund that the Company expects as a result of the newly enacted U.S tax law.

The $1,000 bonus will be provided in early January. AUTONATION – FT. LAUDERDALE, FLA.:

AutoNation announced that it will double its matching contributions to employees’ 401(k) plans, increase its deferred compensation match to up to 100% for the first $5,500 and launch a cancer benefits ***program*** for employees diagnosed with the disease. AVANGRID– ORANGE, CONN:

AVANGRID’s regulated natural gas and electricity companies will pass along to customers the full benefit of any tax savings that the companies realize as a result of the 2017 federal tax reform act.

Among other changes, the tax reform act reduces the federal corporate tax rate from 35 to 21 percent. As a matter of fairness, AVANGRID believes that any resulting tax savings should be extended to customers. AVISTA – SPOKANE, WASH.:

Avista customers could collectively see a $50 million to $60 million annual benefit from federal tax reform, utility officials said Wednesday.

The savings on individual customers’ bills, however, won’t be known until later this ***year***. BAIRD– MILWAUKEE, WIS.:

Milwaukee-based financial services firm Robert W. Baird & Co. Inc. plans to give more than $5 million to its employees as a result of its savings from the recently enacted federal tax reform.

All of Baird’s more than 3,500 employees worldwide will receive a one-time benefit, which it announced to them last week. BALL VENTURES – IDAHO FALLS, IDA.:

Ball Ventures, a commercial real estate investment and development company, is giving each employee $100 for every ***year*** of their employment. BALTIMORE GAS & ELECTRIC – BALTIMORE:

BGE will file with the Maryland Public Service Commission (PSC) to pass approximately $82 million in annual tax savings to customers, resulting from federal tax cost reductions. The Tax Cuts and Jobs Act, which decreased the corporate tax rate from 35 percent to 21 percent, was signed into law on Dec. 22, 2017 and became effective on Jan. 1, 2018. If approved by the PSC, the average BGE residential electric customer can expect to see an estimated $2.31 decrease on their monthly bill, and the average residential combined natural gas and electric customer can expect an estimated $4.27 monthly reduction, effective in February 2018. BANCORP SOUTH – TUPELO, MISS.:

BancorpSouth said it was giving pay increases and one-time businesses totaling more than $10 million as “an additional investment … to nearly all non-commissioned employees.”

The investment this ***year*** will benefit 96 percent of the company’s non-commissioned workforce, BancorpSouth said. The pay increases were effective Jan. 1. BANK OF ADVANCE – ADVANCE, MO.:

    $1,000 bonuses to all staff.

BANK OF AMERICA – CHARLOTTE, N.C :

“Beginning in 2018, we will see benefits from the tax reform, too, in the form of lower corporate tax rates. In the spirit of shared success, we intend to pass some of those benefits along immediately. U.S employees making up to $150,000 per ***year*** in total compensation – about 145,000 teammates – will receive a one-time bonus of $1,000 by ***year***-end.” BANK OF COLORADO – FORT COLLINS, COLO.:

Bank of Colorado is paying a special bonus of $1,000 to each full-time associate to share the benefit of the tax cut passed earlier this month by Congress.

President of Bank of Colorado, Shawn Osthoff said, “We feel strongly that the message should be loud and clear that this is a tax cut that will benefit all Americans.” Bank of Colorado has 641 associates in Colorado and New Mexico. BANK OF HAWAII – HONOLULU, HAWAII:

The state’s second-largest bank, said it will give out $1,000 cash bonuses to 2,074 employees, or 95 percent of its workforce. The bonuses affect all employees below the senior vice president level. The bank also will increase its minimum wage to $15 an hour from $12 an hour. BANK OF THE JAMES – LYNCHBURG, VA.:

Bank of the James, Lynchburg, Va., raised its minimum wage to $15 per hour for employees with more than one ***year*** of service, added vacation days and substantially increased its charitable giving plans for 2018. BANK MIDWEST – SPIRIT LAKE, IOWA:

    $500 bonuses for full-time employees and $250 bonuses for part-timers.

BANK OF NEW YORK MELLON – NEW YORK, N.Y :

Bank of New York Mellon Corp. (BK) executives said nearly all of this ***year***’s benefits from the new U.S tax law will go to technology upgrades and its employees instead of shareholders.

That includes a raise in the minimum wage to $15 an hour starting March 1 largely for those who work in the firm’s operations unit. The higher hourly wage will affect about 1,000 of the bank’s 52,500 employees, according to finance chief Mike Santomassimo. BANK OF THE OZARKS – LITTLE ROCK, ARK.:

Bank of the Ozarks has announced an annual cash-based incentive bonus plan for hourly employees and certain other employees.

Under the terms of the plan, employees of the Little Rock-based bank will be eligible to receive a cash award of up to $1,200 annually based on company and individual employee performance. Approximately 2,300 of the company’s current employees will be eligible to receive awards under the plan. BANK OF THE WEST – SAN FRANCISCO, CALIF.:

Bank of the West increased base wages to $15 per hour. BB&T – WINSTON-SALEM, N.C :

Nearly three-fourths of BB&T Corp.’s employees will get a one-time $1,200 bonus in January as part of the bank’s response to the corporate tax rate cut signed into law by President Donald Trump.

About 27,000 BB&T employees will receive the bonus. Most of them are not eligible for incentives or commissions, BB&T said. The bank had 37,189 employees as of Sept. 30, according to a regulatory filing.

The bank also will raise its minimum hourly wage to $15 from $12 on Jan. 1, as well as provide $100 million to the bank’s philanthropic fund. BECKETT FINANCIAL GROUP – WEST COLUMBIA, S.C :

The most important asset of Beckett Financial Group is our people. As a result of the Tax Cuts and Jobs Act and resulting economic growth, our company will be providing bonuses of at least $1,000 for all full-time employees. In addition, hourly employees will see a wage increase of at least 5% this ***year***.

We recognize that our team members are the best ones to determine how to spend their dollars. This provides an opportunity for each individual to either spend money locally, save it for their retirement, decrease debt, or donate dollars to charity. In addition, we will be increasing our employee matching funds campaign by matching each of their contributions to charities dollar-for-dollar up to $1,000 per employee.

Beckett Financial Group provides retirement and insurance solutions to businesses and families throughout South Carolina and specializes in income planning for current and future retirees. We live in a world of opportunity and want to help others as a result of the Tax Cuts and Jobs Act. – Jason (JB) Beckett, Managing Partner, Beckett Financial Group BENCHMARK AUTO SALES – ASHEVILLE, N.C :

A weight many Americans shoulder everyday is now gone for the people who work in gravel lot filled with cars along Brevard Road near the Blue Ridge Parkway.

We’re talking health care.

“We had 80 percent of our staff was not insured. We have 100 percent insured now. That’s a big feat,” Benchmark Auto Sales owner Joe Segrave said.

It was Segrave’s decision, but he said it would not have happened without the tax bill that finally passed on Capitol Hill.

“I think all of us share a certain level of disgust with what’s going on with politics in our nation, and, really, I like to keep this as an apolitical decision,” Segrave said. “The bottom line is I had a chance to pay it forward to my employees.”

Paying it forward to the tune of about $4,100 a ***year*** per employee. That’s about $120,000 total. From the front office to the repair shop, employees are feeling it. BENEFICIAL BANK – PITTSFIELD, MASS.:

    base wage raised to $14 per hour; $1,000 bonuses for all AVP Level employees and below; 4.5% employer contribution to 401(k) plans:

BERKSHIRE HILLS BANK – BOSTON:

    Raising Berkshire’s minimum wage to $15 per hour.     Providing a special, one-time bonus of $1000 to over 1000 employees. This grant benefits all full–time employees below a certain compensation threshold, covering over 70% of the Bank’s workforce, and augments the special $500 holiday bonus these colleagues received in the fourth quarter.     Enhancing Berkshire’s investment in employee development and training ***programs*** to benefit our employees and bolster our current offering at AMEBU – American’s Most Exciting Bank University.     Contributing $2 million to the Berkshire Bank Charitable Foundation which supports charitable organizations, scholarships, and volunteerism across Berkshire’s local communities. This will bolster the foundation’s endowment and allow for increased local giving. Last ***year*** we provided over $2 million to our local communities, complementing our employee volunteer ***program*** which helps our employees contribute over 40,000 hours of volunteer service each ***year***.

BEST BUY – RICHFIELD, MINN.:

Full-time workers will receive a one-time bonus of $1,000 and part-timers, $500.

All permanent employees who are not on an existing bonus plan will receive the additional funds. The bonuses will show up in workers’ paychecks this month.

In all, more than 100,000 of Best Buy’s 125,000 employees in the U.S , Mexico and Canada are expected to receive the extra cash. BIO-TECHNE – MINNEAPOLIS, MINN.:

The biotech and diagnostics firm paid $500 bonuses for all 1,650+ employees. BLACK HILLS ENERGY – RAPID CITY, S.D :

“Black Hills Energy is currently reviewing the recently approved Tax Cuts and Jobs Act of 2017,” spokeswoman Brandy Johnson said in an email. “We will work with utility regulators to develop a plan to provide customers the benefit of the corporate tax rate reduction.” BLACKBAUD – CHARLESTON, S.C :

Most Blackbaud employees will receive about $2,000 worth of stock this month, a gift the Daniel Island-based company says it’s offering because of federal tax cuts approved last ***year***. BLUE CROSS BLUE SHIELD OF NORTH CAROLINA – DURHAM, N.C :

North Carolina’s largest health insurer said Thursday its windfall from the new federal tax cut will hold down rate increases in the future, but this ***year*** it will use it to give charities $40 million and pay employees a $1,000 bonus. BLUE HARBOR RESORT – CHICAGO, ILL.:

Blue Harbor’s ownership joins the vast list of companies who have announced financial support of their employees. The Forsythe Family today dedicated a one-time cash bonus of $1,000 to each eligible Blue Harbor employee.

The Forsythe Family’s financial dedication to Blue Harbor employees is in direct response to President Trump’s Tax Cuts and Job Act of 2017. BLUE HILLS BANK – NORWOOD, MASS.:

The Company recorded an expense of $70,000 in the fourth quarter of 2017 related to awarding a $1,000 bonus to each employee with a functional title below the Assistant Vice President level. The Company also took action to raise the hourly pay rate to $15 for a small number of hourly employees not already at that pay level. BMO HARRIS BANK – CHICAGO, ILL.:

BMO Harris Bank Tuesday joined other banks in raising its minimum wage to $15 per hour because of the recent changes to the corporate tax rate.

BMO Harris, based in Chicago but with a major presence in Milwaukee, said it will also raise its level of community giving by 10 percent in 2018 because of the tax reform law. BMO Harris Bank gave more than $17 million to community groups throughout its U.S footprint in 2017, emphasizing community and economic development, health and human services, education and the arts. BNB BANK – BRIDGEHAMPTON, N.Y :

BNB Bank said it was increasing its minimum wage from $13 to $15 in light of the lower corporate tax rate. The bank added it was also increasing wages for employees in the tier above that.

About 100 employees, or 20 percent of the bank’s workforce, will see an increase, BNB said. BOEING – CHICAGO, ILL.:

    $100 million for corporate giving, with funds used to support demand for employee gift-match ***programs*** and for investments in Boeing’s focus areas for charitable giving: in education, in our communities, and for veterans and military personnel.     $100 million for workforce development in the form of training, education, and other capabilities development to meet the scale needed for rapidly evolving technologies and expanding markets.     $100 million for “workplace of the future” facilities and infrastructure enhancements for Boeing employees.     Boeing’s “Dollars for Doers” ***program*** will raise the gift match level for all employees, increasing the cap on eligible charitable gifts to $10,000 from $6,000.

BP – LONDON, ENGLAND:

British oil and gas company BP will increase investment in the United States after the lowering of tax rates under President Donald Trump, Chief Executive Bob Dudley said. BRECKENRIDGE LANDSCAPE LLC – NEW BERLIN, WIS.:

Breckenridge Landscape LLC is giving employees pay raises and investing in office and equipment purchases. BROADRIDGE FINANCIAL – LAKE SUCCESS, N.Y :

Broadridge Financial Solutions said it was boosting workers’ pay, delivering bonuses and expanding employee benefits as a result of strong company growth and the recent federal tax law changes.

Lake Success-based Broadridge said its minimum hourly wage will increase to $15 per hour. It will also pay a $1,750 bonus to hourly, nonmanagement associates. BROWN-FORMAN – LOUISVILLE, KY.:

    $120 million contribution to the employee pension fund; creation of a charitable foundation with an initial $60 – $70 million contribution.

BRUNS GENERAL CONTRACTING – TIPP CITY, OHIO:

The company said it is investing in more equipment and strengthening its retirement benefits because of the money it expects to save in the next tax reform bill. BURGUND & ASSOCIATES – CLEVELAND, OHIO:

Burgund & Associates is giving $500 bonuses to staff, $250 bonuses to field employees. CABOT OIL & GAS – HOUSTON, TEXAS:

    $1,600 bonuses for employees.

CAMDEN NATIONAL BANK – CAMDEN, MAINE:

$1,000 bonus for full-time employees, a $750 bonus for part-timers and new funding both for customer-focused technology upgrades and for its community giving. CAMP CONSTRUCTION HOUSTON, TEXAS:

Camp Construction Services, a Houston-based full-service general contractor, awarded its employees with $500 tax reform bonuses in December. CANARY LLC – DENVER:

Canary LLC announced it will hire new employees and purchase more equipment. CARTER’S – ATLANTA, GA.:

Children’s clothing giant Carter’s Inc. said that thanks to “the significant and unexpected benefit in 2017 of the historic tax reform legislation,” the company will spend $20 million to increase employee retirement plan contributions and give bonuses for eligible full-time and part-time employees.

The company said it expects a total net benefit of $40 million related to the enactment of the Tax Cuts and Jobs Act of 2017, of which about half will be invested in brand marketing and improved eCommerce capabilities. CAPITAL ONE – MCLEAN, VA.:

Capital One is raising its base wage to $15 per hour for U.S employees.

The news was announced to associates on Tuesday January 9, 2018. CARL BLACK AUTOMOTIVE GROUP – KENNESAW, GA.:

    Bonus to over 500 employees, amount depending on ***years*** of service

CARMAX – RICHMOND, VA.:

CarMax, Inc., the nation’s largest retailer of used cars, announced plans to provide one-time bonuses to most hourly and commissioned full-time and part-time associates as a result of the recently passed Tax Cuts and Jobs Act of 2017. Bonus amounts will vary from $200 up to $1,500 based on length of service with the company. CARPENTER TECHNOLOGY – READING, PA.:

Carpenter Technology announced that it will invest $100 million in new equipment and capabilities in its Reading mill.

Company officials said they plan to increase the facility’s capabilities in so-called “soft magnetic technology,” and add a precision strip hot rolling mill in order to meet increased demand in the aerospace, consumer electronics and electric vehicle markets. CEDAR RAPIDS TOYOTA – HIAWATHA, IOWA:

Owner Scott Ryan decided to give each full-time employee a $500 tax break. The company sees the bonus checks as a way to give back to both the employees and the community, thinking many of the employees will spend the extra money around town. CENTAUR GAMING – INDIANAPOLIS, IND.:

Centaur Gaming announced it would be sharing its federal tax cut with employees by giving each of them a $500 bonus check.

Centaur, which owns and operates Hoosier Park Racing & Casino in Anderson and Indiana Grand Racing & Casino in Shelbyville, said its 2,000 or so employees would receive the checks next week. CENTERSTATE BANK – DAVENPORT, FLA.:

CenterState Bank is giving $1,000 bonuses to its non-officer employees as a result of the new tax law. About 700 workers, or 60 percent of the company’s employees as of Dec. 31, will receive the bonus, CenterState said in a Jan. 19 filing with the U.S Securities and Exchange Commission. CENTRAL BANK – ST. LOUIS:

Central Bank of St. Louis employees will get a special bonus as a result of the new federal tax reform.

Central Bancompany, Inc., which employs more than 2,500 people across four states, announced Friday that full-time employees would receive a $1,000 bonus and part-time employees would receive a $500 bonus. CENTRAL PACIFIC BANK – HONOLULU, HAWAII:

Hawaii’s fourth-largest bank told the Star Advertiser it would provide $1,000 cash bonuses to employees outside of the executives on its management committee on Friday, as well as increase its starting pay to $15.25 an hour from $12 an hour on January 1. “With the announcement of the lowering of the corporate tax rate, we are delighted to be able to make this holiday season extra special for our hard-working employees, our most important asset,” CPB President and CEO Catherine Ngo said in a statement. CHARLES SCHWAB – SAN FRANCISCO, CALIF.:

    $1,000 bonus for about 9,000 non-executive employees

CHARLIE BRAVO AVIATION – GEORGETOWN, TEXAS:

CEO Rene Banglesdorf of Charlie Bravo Aviation in Georgetown, Texas, committed to handing out $1,000 bonuses to her company’s six employees. Especially helpful to their operation, which sells and leases pre-owned aircraft, was that the bill allows immediate expensing of new and used equipment purchases. CHARLOTTE PIPE AND FOUNDRY – CHARLOTTE, N.C :

As an expression of gratitude for their hard work and dedication, and in anticipation of the lower federal tax rates made possible by The Tax Cuts and Jobs Act, we are pleased to be able to pay each Charlotte Pipe associate a special $1,000 bonus. CHARTER – STAMFORD, CONN.:

Charter is increasing our investment in our workforce by ensuring all employees are paid a minimum wage of at least $15 per hour, including target commissions, within the next ***year***. CHIPOTLE – DENVER, COLO.:

    Chipotle’s hourly crew members will be eligible to earn a $250 bonus and its general managers will be able to earn $1,000.     Chipotle said that a third of its $40 million to $50 million tax savings will go to its employees.     The remainder of Chipotle’s tax savings would help fund the company’s $50 million investment in enhancing its existing restaurant locations.

CIGNA – BLOOMFIELD, CONN.:

    Cigna Raises Minimum Wage to $16.00 an hour     Provides Additional $15 Million in Salary Raises, Largely for Front Line Employees     Adds $30 Million to Employee 401(k) Match ***Program***     Commits Additional Investments to the Cigna Foundation

CINTAS CINCINNATI, OHIO:

Bonuses for  38,000 employees; $1,000 for employees of at least a ***year***, $500 for employees of less than a ***year***. CIRCUIT INTERRUPTION TECHNOLOGY – ROGERS, MINN.:

Employees were notified just before Christmas of one extra week pay added to their final ***year*** end check as a result of the new tax reform measure.

Due to the positive atmosphere created by the passage of the tax bill Company profit sharing combined with normal 401K contributions amounted to an additional 5% per employee for 2017. CIT has added 10% to our staff thus far in January 2018 and more additions are expected. CITIZENS BANK – PROVIDENCE, R.I :

Citizens Bank is giving bonuses to its employees in the wake of the federal tax plan recently passed by Congress. Citizens Financial Group said it will contribute $12.5 million toward one-time $1,000 cash bonuses to an estimated 12,500 employees, as well as $10 million to the Citizens Charitable Foundation. CLAYTON DISTILLERY – JEFFERSON COUNTY, N.Y :

Michael L. Aubertine is looking forward to upgrading his Clayton Distillery using the extra revenue he’ll have due to the excise tax reduction for spirits from the federal tax reform bill. CLECO – PINEVILLE, LA.:

Cleco says savings related to the recent federal tax reform will allow them to help their customers save money.

According to the energy company, the Tax Cuts and Jobs Act reduced that amount of federal income tax they will have to pay. The federal corporate tax rate dropped from 35 percent to 21 percent. Officials within the company said this will allow them to help their customers financially. COACH, TRUCK, & TRACTOR – CONNEAUT, OHIO:

Higher Christmas bonuses thanks to tax reform for this family business with seven employees. Bonus amounts determined by length of service. COGENT BUILDING GROUP – POINT CLEAR, ALA.:

    $2,000 bonuses for all four employees.

COLLEGE OF THE OZARKS – POINT LOOKOUT, MO.:

College of the Ozarks has decided to issue a check to each College employee in the amount of $204 as a result of savings from the recent U.S Tax Code revision.

“We were expecting to have to pay the extra amount in Obamacare costs,” said College President Jerry C. Davis. “We are grateful for this savings and want to pass it along to our hard-working employees. It is a simple, but tangible, way to express our appreciation to them. We hope other organizations will consider doing the same.” COMCAST – PHILADELPHIA:

Comcast joined the growing list of companies announcing bonuses for employees due to the passage of the Tax Cuts and Jobs Act that allows businesses to be competitive again. More than 100,000 employees will now receive $1,000 bonuses, and the company plans to invest $50 billion over the next five ***years*** which will  lead to the creation of thousands of jobs. COMERICA – DALLAS, TEXAS:

Dallas-based Comerica provided a $1,000 bonus for its non-officer employees and boosted its bank-wide minimum wage to $15. COMMERCE BANK – KANSAS CITY, MO.:

Citing the new federal tax reform legislation, Commerce Bancshares is giving thousands of its employees a $1,000 bonus.

The parent company of Commerce Bank, which has corporate offices in Clayton and Kansas City, said 3,450 full-time employees, or 75 percent of its workforce, will get the $1,000 bonus. Eligible part-time employees will get a $250 cash bonus. COMMONWEALTH EDISON – KANSAS CITY, MO.:

ComEd is filing a petition with the Illinois Commerce Commission (ICC) seeking approval to pass along approximately $200 million in tax savings to its customers in 2018. If approved by the ICC, the average ComEd residential customer can expect to see an estimated $2-$3 decrease on their monthly bill related to the tax reduction.

The Tax Cuts and Jobs Act (TCJA), which was signed into law on Dec. 22, 2017 and became effective on Jan. 1, 2018, decreased the corporate tax rate from 35 percent to 21 percent, reducing the amount of federal income tax ComEd will have to pay. COMMUNITY TRUST BANK – PIKEVILLE, KY.:

Community Trust Bancorp, Inc. is pleased to announce that in recognition of the contribution of the Company’s employees to the ongoing success of Community Trust Bancorp, Inc. and the positive impact the changes in tax laws will have on the Company, a special bonus for employees. All full time employees will receive a special bonus of $1,000 and employees classified as part time will receive a $500 bonus. Executive Management will not participate in this special bonus. The bonus will be paid to employees as soon as the new tax tables are released in 2018 so that employees may receive the full benefit of the reduction in tax rates. COMMUNITY VALLEY BANK – EL CENTRO, CALIF.:

In consideration of the expected benefit from the corporate tax reduction, the bank awarded each employee a $500 bonus. The bank has also enhanced employee education and training opportunities for 2018 and expanded its community contribution budget toward local non-profit services. COMPUTER SERVICES INC. – PADUCAH, KY.:

Computer Services Inc. is giving a $1,300 cash bonuses for non-executive full-time employees with more than 12 months of service; $650 for part-time employees; and additional contribution to employee retirement plans. CONSUMERS ENERGY – JACKSON, MICH.:

Consumers Energy was pleased to submit a proposal to the Michigan Public Service Commission that would lower customer bills starting in 2018 by approximately $200 million, as a result of the recent federal tax reform changes. We are thrilled to be able to pass along 100 percent of the savings from tax reform to the people we are privileged to serve. This underscores our commitment to people, planet and prosperity for all of Michigan. CONTINENTAL RAIL – FT. LAUDERDALE, FLA.:

President Donald Trump, his administration and Congress recently passed a bill that overhauls the U.S tax code.  One of the biggest changes it makes is slashing the corporate tax rate to 21 percent from 35 percent.

Beginning in 2018, we will see benefits from this tax reform, in the form of lower corporate tax rates.  We are excited about the benefits it will provide for our country’s economy, our Company, and our employees,  In the spirit of shared success, we will pass  those benefits along to employees.  Each employee will receive a $500 bonus (before taxes) in their paycheck next Friday, February 2, 2018.  We believe this is the right thing to do! – Excerpt from Jan. 24, 2018 letter to employees from John Marino, President & CEO COOPERSTOWN ENVIRONMENTAL – ANDOVER, MASS.:

    Doubled the company-paid retirement contribution for all employees.

COPPERLEAF ASSISTED LIVING – ROTHSCHILD, WIS.:

An assisted-living business will give its 175 employees bonuses up to $600 as a result of the tax reform package passed by Congress and signed by President Trump. COSTCO – ISSAQUAH, WASH.:

Many retailers have announced plans to spend their tax-cut windfalls on one-time employee bonuses or more enduring wage increases. As retail pay is boosted, Costco intends to keep compensation for its more than 239,000 workers ahead of the pack, executives said Wednesday as the company reported its quarterly results. COX ENTERPRISES – ALTANTA, GA.:

Cox Enterprises will pay employees $2,000 bonuses on Tax Day. COX MANUFACTURING – SAN ANTONIO, TEXAS:

Cox Manufacturing will move up construction of a new 8,000-square-foot plant. CUNA MUTUAL GROUP – MADISON, WIS.:

CUNA Mutual Group said the company is making its largest contribution ever to its philanthropic foundation, a $20 million donation made possible in part by federal tax reform. CUSTOMERS BANK – WYOMISSING, PA.:

Customers Bank announced Friday that it pass to pass along some of its tax savings to consumers and the community, starting with a bonus checking account that earns two percent interest.

The new bonus checking account offers two percent APY on monthly average balances up to $100,000, with no fees or minimum balance requirements. To qualify, customers need to use their account’s debit card for signature purchases of at least $500 each month.

Customers Bank also announced Friday that it will increase its charitable giving by $1 million in 2018 and continue to pay its employees at least $15 per hour. CVS – WOONSOCKET, R.I :

The largest U.S drugstore chain said Thursday that it would hike the starting wage for hourly workers to $11 per hour. That equals recent increases at Walmart and Target.

The company also said it would give pay raises to “many” of store workers and retail pharmacy technicians who were already making more than that.

CVS also plans to increased its paid parental leave policy to four weeks at 100% compensation for all new parents and said it would not increase employee health insurance premiums in its upcoming plan ***year***.

Taken together, the company said the moves would cost $425 million annually. DARDEN RESTAURANTS – ORLANDO, FLA.:

The Orlando-based restaurant chain said Monday the tax cut will prompt it to spend an additional $20 million on its 175,000-plus employees this ***year***, but did not give specifics. DATA SALES CO. – SCOTTSDALE, ARIZ.:

Data Sales Co., Inc. announced that the Company will celebrate the recent passage of tax reform legislation by distributing to all 80 plus employees a special bonus of $1,000 each. Data Sales Co. will benefit from the new tax law lowering the corporate tax rate from 35 percent to 21 percent. DAVIS TRUST – ELKINS, W.V :

    Davis Trust Company, Elkins, W.Va , provided a 3 percent across-the-board pay increase on top of ***year***-end merit and cost-of-living increases.

DAYTON T. BROWN INC. – HOLLYWOOD, MD.

Dayton T. Brown Inc., an engineering and testing company, is giving each of its roughly 210 employees a $400 bonus.

DENIZENS BREWING COMPANY – SILVER SPRINGS, MD.:

    “Your first five ***years*** are when you’re trying to earn every penny,” says Julie Verratti, who co-founded Denizens Brewing Company in Silver Spring, Maryland in 2014 with a business loan backed by her own house. She estimates the tax break will save her $6,000 in 2018. “Every single bit of that goes back into the business.”

DEPATCO, INC. – ST. ANTHONY, IDAHO:

DePatco, Inc. is using the savings to give employees bonuses. DIME COMMUNITY BANK – NEW YORK, N.Y :

    Create jobs, by accelerating the hiring of new associates, particularly in technology, regulatory compliance, cybersecurity and relationship banking, along with more rapid adoption of technology to improve the customer experience and bring additional products and services to our customers; absent the new tax law, these business-building actions would normally have occurred over a much longer time frame;     Review our corporate policy and practices relating to common stock dividends to determine the appropriate level of payout in light of the improved earnings outlook over the near and intermediate term.     Pay a one-time $1,000 bonus to all non-executive employees thereby enabling them to also share immediately in the benefits of the tax cut.     Institute a Corporate Matching Gift ***program*** as a way to encourage Dime’s employees to give back to their communities and leverage their commitment through a matching gift.     In 2017, Dime made over $450,000 available to local charities and disaster recovery organizations. Beginning in 2018, our goal is to double the amount of our philanthropic and community giving.

DISCOVER – RIVERWOODS, ILL.:

Discover announced plans to raise its minimum hourly pay rate to $15.25 for virtually all of its full-time U.S employees as a result of the recent corporate tax reductions after granting a $1,000 bonus to more than 15,000 non-executive employees earlier this month.

The new minimum rate will take effect later this ***year*** and ultimately will impact more than 7,000 employees. DISNEY – BURBANK, CALIF.:

Walt Disney Co. said it will give employees a one-time cash bonus of $1,000, joining a growing list of companies handing out awards in the wake of federal tax reform.

About 125,000 U.S employees will be eligible, the company said Tuesday in a statement, putting the cost at $125 million. Disney also plans to put $50 million into a fund to help hourly employees with tuition costs and plans to provide as much as $25 million annually for that purpose afterward.

DIXON VALVE – CHESTERTOWN, MD.:

Dixon Valve is giving employees $1,000 bonuses.

DOHRN ***TRANSFER*** – ROCK ISLAND, IOWA:

Dohrn ***Transfer***, with corporate headquarters for trucking and a company warehouse in Rock Island, has mailed out $1,000 bonuses to all of its approximately 1,200 employees in six Midwest states.

“It was from the tax plan,” Heather Dohrn, vice president of a sales and marketing, said, referring to the tax cut signed into law Dec. 22 by President Donald Trump. DOLLAR TREE – CHESAPEAKE, VA.:

    Invest in stores with more hours, including training for associates,     Invest in people with increased average hourly rates,     Add Family Dollar eligible associates to the Defined Contribution Plan starting in fiscal 2017 and increase contributions in fiscal 2018, and     Establish paid maternity leave for eligible associates.

DOMINION ENERGY – RICHMOND, VA.:

As a result of federal tax cuts, Dominion Energy is passing on $17 million in savings to its consumers.

The Utah Division of Public Utilities announced that the energy company filed January 31, 2018, for the multi-millions in adjustments that enables customers to get a break on their gas bills. DON RAMON RESTAURANT – WEST PALM BEACH, FLA.:

Because of the recently passed Tax Cuts and Jobs Act, we will pay lower taxes and qualify for higher deductions, leaving Don Ramon in a better position than ever before. We plan to open a takeout window and set up a customer bar, which would generate up to eight new jobs. We will also install new refrigerators and coffee machines, in addition to making much-needed renovations to better serve our customers.

Perhaps most important, all of our key employees received generous bonuses in December, and they will also see pay increases in the coming weeks. We take great pride in rewarding our workers, and the new tax code makes it much easier to do so. DOT FOODS – ST. STERLING, ILL.:

Dot Foods, the largest food industry redistributor in North America, is happy to announce it will pay a $500 bonus to each of its full-time employees in the wake of the federal tax overhaul announced late last ***year***.

Approximately 4,800 full-time employees from all twelve Dot locations in the United States and both Dot Foods Canada locations will receive the one-time bonus in mid-March. Those who were employed with Dot and Dot Transportation at end of 2017 are eligible. DTI PARTNERS – MOBILE, ALA.:

    $1,000 bonus to full-time employees; $300 bonus to part-time employees

DTN – BURNSVILLE, MINN.:

DTN, an independent provider of information and actionable insights in the areas of ***agriculture***, transportation and energy, and publisher of The Progressive Farmer, gave $1,000 bonuses to nearly 700 employees. DTE ENERGY – DETROIT, MICH.:

The recent passage of the Federal Tax Cuts and Jobs Act will offer benefits to energy customers across the country – including DTE’s utility customers here in Michigan. The reduction of the corporate tax rate will result in lower bills for DTE’s 2.2 million electric and 1.3 million gas customers. DUCK INN PUB – HYANNIS, MASS.:

$500 bonuses for full-time employees; $200 bonuses for part-time employees. Together with affiliated restaurants The Gateway Tavern, The Stowaway, Sail Loft, and Speedwell Tavern, the bonuses went to 93 employees. DUKE ENERGY – CHARLOTTE, N.C :

Duke Energy Florida today announced that customers will directly benefit from the new federal tax law and avoid a rate increase for power restoration costs associated with the company’s response to last September’s Hurricane Irma.

Instead of increasing customer rates, the company plans to apply federal tax reform savings toward those storm costs. DYER CAPITAL – MARION, MASS.:

Base wage raised 3.5% to $22 per hour; hourly employees also received a special one-time bonus. DYERSVILLE DIE CAST – DYERSVILLE, IOWA:

Full-time employees who were with the company prior to Oct. 1, 2017 will receive a $200 bonus on March 9. But, that’s not all.

All full-time, hourly employees will also be receiving $50 monthly bonuses for at least the next 12 months. DYNAMIC FASTENERS – RAYTOWN, MO.:

Owner Kevin Perz says he believes the tax cuts will be so good for the economy that he wanted to make sure he rewarded his employees for their loyalty.

“We are giving a maximum of $1,000 per full time employee,” Perz said. “It’s $200 for each ***year*** or partial ***year*** that you’ve been here. If you’ve been here four ***years*** and a day you get the thousand dollars. Part time employees get half of that.” E-CYCLE – HILLIARD, OHIO:

    $1,000 bonuses

EAGLE TELEPHONE SYSTEM, INC. – HELLS CANYON SNAKE RIVER CORRIDOR, ORE.:

Though our Companies are small in comparison to Boeing and AT&T and others on this list, our hearts are none the less just as big or bigger, said Mike Lattin, President and CEO of Eagle Telephone System, and Eagle Valley Communications, dba Comco Construction.

Mike announced that both Eagle and Comco employees will be receiving $1000.00 bonuses by the holidays, this is due in large part to the recent tax reform bill having been passed and also the fact that President Trump has worked very hard to lessen the regulatory burdens that had been put on our industry by the previous administration. Combined these companies employ 19 people in a very rural part of Eastern Oregon; Richland. Our services include providing telephone and broadband, cellular and wireless, as well as construction services of all types. Our services are critical to the Rural market we serve. A sample of our market is Hydro Production along the Hells Canyon stretch of Snake River, Ranchers, Cattle Producers and Farmers, providing everything from beef, lamb, soy, alfalfa, hay, dairy products and more, Forest Production Practices and in large part Recreation in all four seasons.

Mike stated that he believes that this administration is looking out for us, for Rural America and that is what we need to keep our industry competitive world wide. He finished by stating that this administration and the tax reform bill just passed have been a god send to Rural Eastern Oregon. – Statement by Rustin Lattin, for Mike Lattin, President and CEO. EBERLE COMMUNICATIONS GROUP – MCLEAN, VA.:

    Increased 401(k) match from 25% to 50% for all 45 employees.

ECOLAB – ST. PAUL, MINN.:

Ecolab Comments on Expected Impact of U.S Tax Cuts and Jobs Act, Announces Intent to Contribute $25 Million to Ecolab Foundation, and Forecasts Double-Digit 4Q 2017 and Full ***Year*** 2018 Adjusted EPS Growth

2018 Adjusted EPS Expected to Rise 12% to 16% to the $5.25-$5.45 Range

ELMER SMITH OIL COMPANY, DOMINO TRANSPORTS, INC. AND DOMINO FOOD & FUEL, INC. – CLINTON, OKLA.:

The company is giving bonuses to more than 300 employees.

EL PASO ELECTRIC COMPANY – EL PASO, TEXAS:

On December 14, 2017, the unopposed settlement approved by the Public Utility Commission of Texas (PUCT) included a provision to refund EPE’s Texas customers for the reduction in the federal income tax rate.

EPE is currently calculating the changes and impacts of the new tax law to determine the amount of the refund to be filed in mid-April.  EPE expects Texas customers will begin to see the refund as a credit on their bills by mid-***year*** 2018 following PUCT approval of its refund filing. EMKAY – ITASCA, ILL.:

EMKAY, Inc. has announced that all full-time employees will receive a $1,000 bonus in response to the tax reform that was just signed by President Trump. EMKAY, a privately-owned fleet management company, wasted no time in taking action to pass the benefits of this reform on to their team. EMPIRE NATIONAL BANK – ISLANDIA, N.Y :

Empire National Bank is increasing salaries by 5 percent, upping its 401(k) match ***program*** and giving all nonexecutive employees one-time $1,000 bonuses as a result of the benefits derived from the recent federal tax overhaul.

“Two of the three benefit increases will be recurring in one way or another,” said Douglas C. Manditch, the bank’s chairman and chief executive. “We want to reward our employees, and we are very proud of their efforts in helping us achieve growth.” EMPIRE STATE BANK – NEWBURGH, N.Y :

Empire State Bank has provided a one-time bonus of $500.00 to its full time and $250.00 to its part time employees. Executive management was excluded.

“We are happy to share the benefit with our employees who continue to provide outstanding service to our customers, as well as our shareholders who will see this benefit fuel the continued growth and bottom line results,” said Philip Guarnieri, CEO.  “We will be adding at least 10 new jobs and expanding our footprint in the Staten Island and Brooklyn communities,” said Thomas Sperzel, President and COO. EMPLOYERS MUTUAL COMMUNICATIONS GROUP – DES MOINES, IOWA:

    $1,000 bonuses for employees with the exception of Vice Presidents and above.

ENNIS INC. – MIDLOTHIAN, TEXAS:

Ennis, Inc., a manufacturer of business forms and other business products headquartered in Midlothian, Texas, announced today that in conjunction with the signing of the Tax Cuts and Jobs Act of 2017, the Ennis Board of Directors has approved a special one-time bonus to more than 2,200 non-management employees in the amount of $500.00 each.  This ***payment*** will take place with the first payroll period in January 2018.

In addition, in response to this landmark act the Board of Directors has declared a special one-time cash dividend of $0.10 a share of our common stock.  The dividend will be paid on February 9, 2018 to shareholders of record on January 12, 2018. ENSTAR NATURAL GAS – ANCHORAGE, ALASKA:

Like other utilities across the country, Enstar is currently evaluating the legislation to determine the impact on its coffers, Hobson said. Savings that the company sees would be reflected in rates, she said. ENTERGY ARKANSAS – LITTLE ROCK, ARK.:

Entergy Arkansas, Inc. filed its plan on Feb. 27 with the Public Service Commission (PSC) to provide customers approximately $466 million in benefits as part of the recently enacted federal tax cut law.

ENTERGY LOUISIANA LLC – NEW ORLEANS, LA.:

Entergy Louisiana is passing along tax saving to customers.

ENTERGY MISSISSIPPI – JACKSON, MISS.:

Entergy Mississippi filed its preliminary plan for implementing tax reform. The formal plan will be filed in mid-March as part of the company’s annual rate filing. Entergy said that if the plan is approved by the Mississippi Public Service Commission, the multi-million dollars in tax savings will benefit customers in three ways:

    short-term bill credits,     long-term rate reductions and     alleviation of some future rate increases.

The changes are projected to begin this summer when usage and bills are typically at their highest. Based on its plan, Entergy Mississippi expects residential customer bills to drop more than $30 per month during July, August, and September, from a combination of lower-rates and short-term bill credits. ENVIRONMENTAL CONSTRUCTION – WAYLAND, N.Y :

Environmental Construction Group, Inc. a small company from Albion, NY gave every one of their 50+ employees a $500.00 bonus. Employees were notified of this bonus the Friday before Christmas and bonuses where paid the Friday before New ***Years***. ECG appreciates the work this administration has done to promote such a positive outlook on this nation, and will try just as hard to continue to help our employees. Robert Gibbs, Environmental Construction Group, Inc.

ERIE INSURANCE – ERIE, PENN.:

Erie Insurance is giving employees a $1,000 bonus and a $1,000 contribution to their 401(k) accounts.

EVANS BANK – HAMBURG, N.Y :

    Evans will provide all of its non-senior level associates a $1,000 bonus in recognition of their superior efforts on behalf of the Company and as part of an ongoing focus on providing excellent career opportunities and top-tier employment.     The Company recently made a $300,000 contribution to its Foundation, the largest such contribution in its history. Disbursements from the Foundation are invested in not-for-profit entities to enhance the quality of life within Western New York.     Benefits provided by tax reform will also allow the Company to increase its returns to shareholders and provide additional investment in our community. Evans is currently researching initiatives that will be impactful and make a difference in the fabric of the community that is responsible for our success.

EVERETT J. PRESCOTT INC. – GARDINER, MAINE:

Everett J. Prescott Inc. is giving $1,000 bonuses for employees with more than a ***year*** of service, $250 for employees with less than a ***year***.

EVERSOURCE ENERGY – BOSTON, MASS.:The newly passed federal tax law reduces the amount of taxes Eversource will be paying by millions of dollars and today the energy company has informed the Department of Public Utilities of its decision to voluntarily pass those savings along to customers.

“We believe it’s important that our customers reap the benefit of a lower tax rate,” said Eversource Massachusetts Electric Operations President Craig Hallstrom. “As a regulated power company our rates are based on our costs, including federal taxes, so if taxes are reduced ultimately costs are reduced and that benefits our customers.” EXELON UTILITIES – CHICAGO, ILL.:

Exelon Utilities announced it is delivering a surge of $525 million in savings from the Tax Cuts and Jobs Act to 10 million customers across five states and DC to reduce their monthly bills. Exelon’s subsidiaries, ComEd, BGE, Atlantic City Electric, Delmarva Power, PECO, and Pepco will all soon power customers at a lower rate.

    ComEd will pass along $200 million in savings     BGE will reduce rates with $103 million in tax savings     Atlantic City Electric will provide $23 million in savings     Delmarva Power will pass along $39 million in savings     PECO will deliver $91 million in savings     Pepco will reduce rates with $31 million in savings

EXPANDED TECHNOLOGIES – MARIETTA, GA.:

    Minimum bonuses of $500 for each employee, additional cash depending on length of service

EXPRESS EMPLOYMENT PRC – OKLAHOMA CITY, OKLA.:

Express Employment Professionals nonexecutive employees in Oklahoma City each will receive a $2,000 bonus before the end of the ***year***, CEO Bob Funk said.

Funk said the bonus is in part because of the company’s expected savings from the tax reform legislation Congress passed last week. EXPRESS SCRIPTS – ST. LOUIS, MO.:

Express Scripts employees will receive a one-time bonus thanks to the federal tax reform bill, executives told investors Wednesday morning during a conference call.

The average bonus will be about $1,200, Tim Wentworth CEO of Express Scripts said. The company will also create a $30 million education fund for employees’ children. FIDELITY – DUNMORE, PA.:

According to Fidelity Bank, $1,000 was paid to all of the bank’s full-time employees who earn less than $100,000 in annual compensation.

Fidelity Bank has 185 full-time and part-time employees.

The bank’s 11 part-time employees received a cash ***payment*** of $500.

The law Congress recently passed — reducing the corporate tax rate from 35 percent to 21 percent — made the investments in its employees possible. EXXON MOBIL – IRVING, TEXAS:

At ExxonMobil, we plan to invest more than $50 billion over the next five ***years*** to expand our business in the United States. These investments are underpinned by the unique strengths of our company and enhanced by the historic tax reform recently signed into law.

In fact, as you have probably seen, several companies have announced plans to invest here at home, partly as a result of tax reform, which among other things reduced one of the highest corporate tax rates in the developed world.

These positive developments will mean more jobs and economic expansion across the United States in a myriad of industries. F&M BANK – HARRISONBURG, VA.:

Employees of F&M Bank were surprised on Tuesday to learn they would receive a bonus, which the institution attributes to additional earnings expected as a result of the GOP tax plan.

“This is an opportunity we haven’t seen during my career, as far as cuts in corporate tax rates,” said Executive Vice President Neil Hayslett. “Rather than just banking all that, so to speak, we wanted to share it with the employees.”

Those who work more than 30 hours a week were given a one-time bonus of $1,100 and those who work less were handed $750. FAMILY EXPRESS – VALPARAISO, IND.:

Family Express, which has 70 convenience stores across Indiana and is in the process of building 10 more, is bumping its starting wage to $11 an hour.

The 43-***year***-old convenience store chain is raising entry-level pay by $1 an hour, after pre-empting national retailers like Walmart with above-market starting wages in April 2015. Family Express said it was boosting pay because of the tax cuts that reduced the corporate tax rate from 35 percent to 21 percent and as a bid to recruit quality employees and reduce turnover. FEDEX – MEMPHIS, TENN.:

    Over $200 million in increased compensation, about two-thirds of which will go to hourly team members by advancing 2018 annual pay increases by six months to April 1st from the normal October date. The remainder will fund increases in performance-based incentive plans for salaried personnel.     A voluntary contribution of $1.5 billion to the FedEx pension plan to ensure it remains one of the best funded retirement ***programs*** in the country.     Investing $1.5 billion to significantly expand the FedEx Express Indianapolis hub over the next seven ***years***. The Memphis SuperHub will also be modernized and enlarged in a major ***program*** the details of which will be announced later this spring.

FIAT CHRYSLER – LONDON, U.K :

Fiat Chrysler Automobiles will invest more than $1 billion to modernize the company’s Warren Truck Plant in metro Detroit, adding 2,500 jobs and moving production of its Ram Heavy Duty trucks from Mexico.

The changeover is to be complete in 2020.

The company said that the new federal tax law made the shift possible. That legislation, signed into law in December, cut the corporate tax rate from 35% to 21%.

FCA also announced $2,000 bonuses that will be paid in the second quarter of this ***year*** to 60,000 hourly and salaried employees in the U.S , excluding senior leadership. Those bonuses are to be in addition to any profit sharing or performance bonuses the employees would receive this ***year***. FIFTH THIRD BANK – CINCINNATI, OHIO:

    Will pay more than 13,500 employees a bonus of $1,000 by the end of this ***year***.     Will raise their company minimum wage to $15 an hour, which will amount to a raise for nearly 3,000 workers.

FINANCIAL INSTITUTIONS – WARSAW, N.Y :

“Recent tax reform will reduce our federal income tax rate in 2018 and provide opportunities to strengthen relationships with our most valued partners our employees, our customers and the communities in which we operate. The first action taken was a one-time award of $500 to employees not covered by certain incentive ***programs***. Approximately 70% of our employees will receive this award, and they will also be eligible to participate in a new profit-sharing ***program*** to be based on the Company’s 2018 performance.” FIREBIRD BRONZE – DAMASCUS, ORE.:

FireBird Bronze (Damascus, Oregon) – thanks to tax reform this full-service foundry with nine employees is able to offer health insurance for the first time. They are also upgrading equipment and hiring, and building a new facility in Troutdale, Oregon with plans to be up and running by the Spring.

We are a small manufacturing business casting artwork for artists in bronze, we have 9 employees and because of the tax cuts and the current business friendly climate we are for the first time offering employees health care insurance costing our company 40k per ***year***. FIRST BANK & TRUST – ABINGDON, VA.:

    First Bank and Trust Company in Abingdon, Va., said it would give back 30 percent of its tax savings to employees by raising its minimum wage to $15 per hour.

FIRST FARMERS BANK – CONVERSE, IND.:

First Farmers Bank and Trust in Converse, Ind., said that it would raise its minimum hourly wage by $2.50, provide a 2017 ***year***-end bonus of $750 for all full-time employees, invest at least $250,000 annually in community development activities and spend at least $150,000 per ***year*** on employee professional development. FIRST FEDERAL COMMUNITY BANK – DOVER, OHIO:

    $1,000 bonus to full-time employees and a $500 bonus to part-timers and increased charitable donations

FIRST FINANCIAL – CINCINNATI, OHIO:

First Financial Bancorp will raise the starting wage for all new and existing hourly associates to $15 an hour effective immediately. Additionally, the bank has made a $3 million contribution to its newly established charitable foundation. This announcement comes as a result of the recently passed tax legislation, which includes a reduction in corporate tax rates. FIRST FINANCIAL NORTHWEST – RENTON, WASH.:

First Financial Northwest, headquartered in Renton, Wash., said it would pay a $1,000 bonus to all of its non-executive employees. FIRST HAWAIIAN BANK – HONOLULU, HAWAII:

The state’s largest bank, said it will give out $1,500 cash bonuses to 2,264 employees, or all but 11 members of its senior management team. The state’s largest bank also will increase its minimum wage to $15 an hour from $12.75 an hour for 613 employees. FIRST HORIZON NATIONAL CORP – MEMPHIS, TENN.:

First Horizon National Corp. has announced that it will be increasing the minimum pay level of employees to $15 an hour. According to a release announcing the raise, the increase “reflects the company’s continues investment of tax savings in its people.”

In late 2017, First Horizon announced $1,000 cash bonuses to 70 percent of its employees, and made a $16.5 million contribution to the First Tennessee Foundation. FIRST MERCHANTS – MUNCIE, IND.:

First Merchants Corporation announced that it will raise the wage paid to hourly employees by $1 per hour as a result of the Tax Cuts and Jobs Act of 2017 signed by President Trump in Dec. 2017.

Additionally, as a reward for the company’s strong 2017 performance, all associates, excluding senior management, will receive a $500 one-time cash bonus. Part-time associates will receive a pro-rated share. FIRST MIDWEST BANK – ITASCA, ILL.:

    First Midwest Bancorp, based in Itasca, Ill., announced a new $15 minimum wage, a $1,035 bonus for nearly 85 percent of its workforce, and a $2 million gift to its charitable foundation.

FIRST NATIONAL BANK – SPEARMAN, TEXAS:

    $1,000 bonuses for its 44 employees.

FIRST NORTHERN COMMUNITY BANK – DIXON, CALIF.:

    Base pay raised by $2 per hour     $1,000 bonuses for all non-executive employees     increased charitable donations.

1ST SUMMIT BANK – JOHNSTOWN, PA.:

    First Bank and Trust Company in Abingdon, Va., said it would give back 30 percent of its tax savings to employees by raising its minimum wage to $15 per hour.

FIRST SENTINEL BANK – RICHLANDS, VA.:

First Sentinel Bank is giving employees a $750 cash bonus.

FIRST SOUTHWEST BANK – ALAMOSA, COLO.:As part of this commitment, starting team members at First Southwest Bank are immediately benefitting from the recent tax law changes, as the bank raises its starting wage to $14 an hour plus full benefits. FIRST TENNESSEE BANK – MEMPHIS, TENN.:

First Tennessee Bank has raised the base wage for current employees to $15 per hour.

The Memphis bank announced the raise on Thursday.

About 1,200 employees nationwide earning less than $15 per hour will be brought up to $15 with the new pay scale showing up in March paychecks.

The bank figures the raises will increase the overall annual payroll by about $6 million. That works out to $5,000 per employee on average, although a bank official said some workers could get bigger raises if they are far below the $15-level and others could get less if they already are close to $15.

As a result of the tax cuts, First Tennessee provided $1,000 bonus ***payments*** for 70 percent of its workers and contributed $16.5 million to the First Tennessee Foundation. FIRSTBANK – LONGMONT, COLO.:

$1,000 bonuses for full-time employees; $500 bonuses for part-time employees; base wage raised; salary increases. FIRSTCAPITAL BANK OF TEXAS – MIDLAND, TEXAS:

FirstCapital Bank of Texas, a $1 billion institution headquartered in Midland, Texas, will pay a $500 bonus to 197 bank employees before the end of the ***year***.

FIRST COMMUNICATIONS, LLC – AKRON, OHIO:

First Communications, LLC is using the tax savings to give $1,000 bonuses and spend $3 million in capital investments.

5 SENSES SPA – PEORIA, ILL.:

    $500 bonuses for 20 employees     The company is also looking into additional employee benefits in 2018.

FIVE STAR BANK – BUFFALO, N.Y :

Employees of Five Star Bank’s parent company are the latest bank workers to cash in on the federal tax overhaul. Financial Institutions will award one-time $500 bonuses to about 70 percent of its employees, citing the financial benefit generated by the new tax plan. FLEMINGTON CAR AND TRUCK COUNTRY – FLEMINGTON, N.J :

The new tax reform law is giving some benefits to New Jerseyans. The Flemington Car and Truck Country Family of Brands, a new and used car dealership in Flemington, is awarding each of its full-time employees a $500 bonus because of the recently passed federal Tax Cuts and Jobs Act.

As a result of the corporate tax rate cut under the new law to 21 percent from 35 percent, the company will also look to upgrade its facility and hire additional workers. The dealership is 41 ***years*** old and has 17 brands in eight different locations. THE FLOOD INSURANCE AGENCY – GAINESVILLE, FLA.:

    $1000 bonus for all our full-time employees

FLORIDA CONCRETE UNLIMITED – MIAMI, FLA.:

Florida Concrete Unlimited Inc. in FL26 gave an extra $137,500 in bonuses at the end of 2017. Making the total of employee bonuses $618,500, the largest in company history. FLUSHING FINANCIAL CORPORATION – UNIONDALE, N.Y :

    $1,000 bonuses for full-time employees     $500 bonuses for part-time employees.

FMS BANK – FT. MORGAN, COLO:

    Increased 401(k) contributions.

F.N.B CORPORATION – PITTSBURGH, PA.:

As an investment in its workforce, FNB plans to raise the minimum hourly wage for its employees to $15 by the end of 2019, accelerating an ongoing initiative to elevate hourly wages. Paying competitive wages will continue to be a focus for the Company in attracting and retaining the highest caliber employees to serve customers, which translates into strong financial performance and benefit to its shareholders. FNB will also provide a discretionary, one-time 401(k) contribution, totaling $1 million, to the vast majority of employees based upon analysis of compensation levels and eligibility. FONTAINEBLEAU – LAS VEGAS, NEV.:

On the same day that Trump signed the bill into law, New York developer Steven Witkoff announced plans to revive the stalled Fontainebleau resort. The imposing blue building on the north end of the Strip has sat empty since the original project went bankrupt in 2009. FRANKLIN SAVINGS BANK – FRANKLIN, N.H :

Franklin Savings Bank will use a portion of its tax savings to provide employees with a special bonus in recognition of their contribution to the continued success of the bank. FSB will benefit from the reduction in corporate tax rates, and has chosen to share the savings with its employees. All employees will receive a $1,000 bonus. FTCH – GRAND RAPIDS, MICH:

Grand Rapids-based Fishbeck, Thompson, Carr & Huber, or FTCH, said yesterday it issued $1,500 bonuses to all 400 of its full- and part-time employees, effective Dec. 29.

Jim Susan, president of FTCH, said the company decided to give out the bonuses as a result of the firm’s tax savings following passage of the federal tax bill on Dec. 22.

“We just decided it was a little windfall for the firm in general, and we decided we would share that with all our staff members,” he said. “Everyone got the same amount, regardless of position. FULTON FINANCIAL – LANCASTER, PA.:

Fulton Financial Corporation announced that during 2018, it will invest an additional $2 million in the communities it serves as part of its Fulton ForwardTM initiative; and the company will raise the minimum wage paid to employees in addition to providing an additional week of pay at ***year***-end to employees who do not participate in an incentive plan. GATE CITY BANK – FARGO, N.D :

Gate City Bank in Fargo, N.D , will pay a one-time, $1,000 bonus to all non-management employees on Jan. 15; contribute $500,000 toward offering new and existing customers free appraisals on home remodels, purchase or refinances; and donate an additional $500,000 to support charitable causes. GATEWAY TAVERN – WAREHAM, MASS.:

$500 bonuses for full-time employees; $200 bonuses for part-time employees. Together with affiliated restaurants The Gateway Tavern, The Stowaway, Sail Loft, and Speedwell Tavern, the bonuses went to 93 employees.

GEORGIA POWER – ATLANTA, GA.:

Georgia Power is using the tax savings to give $1.2 billion to customers in benefits.

GKM AUTO – ZANESVILLE, OHIO:

GKM Auto Parts, which plans to reinstate health insurance for its employees after dropping it two ***years*** ago… Before the 2010 Affordable Care Act, the Zanesville, Ohio-based business offered health insurance to the 21 employees at its four locations in eastern Ohio. GLOBAL ***PAYMENTS*** – ATLANTA, GA.:

As a result of the newly enacted tax reforms here in the United States, we plan to make incremental investments in our people, our technologies and our communities this ***year***.  For example, we plan to accelerate our investments in extending our U.S direct sales model around the world.   We also intend to invest in new career development ***programs*** and additional diversity and inclusion efforts for our people worldwide. And we plan to make incremental investments in artificial intelligence and data analytics, building on ACTIVE Network’s successes in these areas.   Finally, we intend to double our charitable contributions to our local communities based on feedback from our employees to benefit those most in need.  In the aggregate, these significant initiatives represent a low eight figure amount of potential investment globally.

GOAD COMPANY – INDEPENDENCE, MO.:

Goad Company is giving employees $1,000 bonuses.

GREAT SOUTHERN BANK – SPRINGFIELD, MO.:

Great Southern Bancorp, Inc., says it will pay $1,000 in cash to all full-time employees and $500 to part-time workers who were employed by the bank on Dec. 31.

In a news release, Great Southern specifically cited the federal tax reform legislation that Congress passed and President Donald Trump signed into law in December.

GREAT SOUTHERN WOOD PRESERVING, INC. – ABBEVILLE, ALA.:

Great Southern Wood Preserving, Inc. is using the tax savings to give 1,200 employees a bonus: full time employees receive $1,000 and part time employees receive $500.

GREAT WESTERN BANK – SIOUX FALLS, S.D :

    Raising the minimum wage to $15;     A special one-time $500 bonus or wage increase for nearly 70% of its workforce;     Enhancements to employees’ health care offerings effective for the 2018 enrollment period; and     The doubling of its annual contribution to its Making Life Great Grants community reinvestment ***program***.

GREEN MOUNTAIN POWER – COLCHESTER, VT.:

“After the federal tax plan passed, GMP pledged to return 100% of the tax benefit to customers, and today’s letter sets in motion our plan to reduce rates to provide those savings to our customers immediately,” said President and CEO Mary Powell. “Keeping energy costs low and stable is a key focus at GMP and this decrease will help offset increased cost pressures in other areas outside of our control such as regional transmission costs.” GREEN RECOVERY TECHNOLOGIES – NEW CASTLE, DEL.:

“We are a startup waste-to-value biochemical company of seven that believes in the direction the country is going and that our best days are ahead of us. These tax reductions benefit our workers by providing an instant no cost wage hike. Paying the bonuses in a low tax environment was an easy decision for GRT since we know that this low cost capital is being invested in the local community where it will be spent on goods and services as well as being by employees into their retirement savings accounts.” — Kenneth Laubsch, President and CEO, Green Recovery Technologies, LLC GRIFFITH TRUCKING – EFFINGHAM, ILL.:

“I’m excited for my employees,” said Griffith, who anticipates he’ll save about $100,000 under the new tax law. “This gives them hope that they are not just working at some humdrum job paying them the same until they die.”

Griffith owns Griffith Trucking, inside of which is the moving company, Broadway Express. He also owns Heartland Peterbilt and Heartland Classics in Effingham and Newton. GROOMER’S SEAFOOD – CORPUS CHRISTI, TEXAS:

Groomer’s Seafood plans to expand distribution facilities serving thousands of restaurants statewide. GROUP 1 AUTOMOTIVE – HOUSTON, TEXAS:

Group 1 Automotive, Inc., an international, Fortune 500 automotive retailer, announced a $500 cash bonus for non-management dealership employees and operational support staff in the U.S The Company owns and operates 115 dealerships nationwide. GULF COAST BANK – NEW ORLEANS, LA.:

Gulf Coast Bank & Trust Company CEO & President Guy T. Williams announced a 50% increase in funds to be given away in its Community Rewards ***Program*** – an annual online contest hosted by Gulf Coast Bank that awards funds to the top 10 nonprofit organizations voted on by the community.

Gulf Coast Bank has also raised its minimum wage to $12.00 dollars per hour effective Monday, January 8, 2018. This increase gives the bank one of the highest starting salaries for unskilled workers in the state. GULF POWER COMPANY – PENSACOLA, FLA.:

Gulf Power has filed a request with the Florida Public Service Commission seeking approval to pass along approximately $103 million in tax savings to its 460,000 customers.

GUY CHEMICAL COMPANY INC. – SOMERSET, PENN.:

Guy Chemical Company Inc. is increasing bonuses, increasing wages, and investing in new equipment – a new forklift, new laboratory furnishings, updated computer equipment, and new software system.

HACIENDAS – LAS CRUCES, N.M :

A Las Cruces company plans to hire more people and increase salaries for existing employees.

“The decision was not firmly made until the tax reform went through,” said Gary Coppedge, CEO of Haciendas at Grace Village, an assisted living and memory care facility.

Haciendas at Grace Village had planned to expand in the future but the company is moving forward now because of lower taxes according to Coppedge. The assisted living facility which has 49 employees may hire as many as 40 additional people. THE HAMMOCK SOURCE – GREENVILLE, N.C :

The Hammock Source says employees will be immediately receiving a bonus up to $1,000 determined by the employee’s length of service with the company.

The company says they are a direct result of the Republican tax reform bill. HAPPY STATE BANK – HAPPY, TEXAS:

    Happy State Bank has a new starting minimum wage of $13.50 per hour…increasing to $14.00 after a 90-day probationary period.     Present employees currently earning less than $14.00 per hour will be increased to this amount immediately.     Employees currently earning between $14.00 and $17.50 hourly will receive an approximate $0.50 hourly wage increase.     Salaried employees making less than $18 hourly will receive a $1,000 annual increase.     Full-time employees making up to $100,000 (and not in the above categories) will receive a one-time $1,000 bonus or $500 bonus if part-time.     The KSOP Retirement Plan dollar-for-dollar company match will increase from 6% to 7%, which benefits every employee that participates to that level.

HARBORONE BANK – BROCKTON, MASS.:

HarborOne Bank said on Wednesday that it’s accelerating its plans to implement a $15-per-hour minimum wage and will give a one-time $500 bonus to more than 600 bank employees as a result of federal tax reform legislation. HARFORD ALARM COMPANY – BEL AIR, MD.:

    $1,000 bonuses for all 13 employees.

HARRIS CORPORTATION – MELBOURNE, FLA.:

    Expecting to contribute additional $300 million to employee pension fund     Adding $20 million investment in innovation     Granting non-executive employees approximately $24 million in stock awards

THE HARTFORD – HARTFORD, CONN.:

The Hartford Financial Services Group Inc. announced bonuses tied to a federal overhaul reducing the corporate tax rate.

Chief Executive Officer Christopher Swift told reporters the investment and insurance company will distribute bonuses of $1,000 each to employees who are paid less than $75,000 a ***year***. It’s an acknowledgment of their contributions, the CEO said.

About 9,500 employees will benefit, Swift said after speaking at a meeting of the Connecticut Business and Industry Association. HARVARD BUSINESS SERVICES – LEWES, DEL.:

Harvard Business Services, Inc., located in Lewes, Delaware, has just announced it will join many companies nationwide and award all full-time employees with an immediate $1,000 bonus in their next pay check in order to augment their tax savings.

Mike Bell, Vice President and Director of Marketing, announced the bonus, saying, “We appreciate the great job you do, and the dedication you show our clients every day. Keep up the good work.” HAWAII NATIONAL BANK – HONOLULU, HAWAII:

    A $1,000 bonus to all employees     Increased minimum wage to $15 per hour

HAWAIIAN ELECTRIC – HONOLULU, HAWAII:

The 460,000 customers of the Hawaiian Electric Companies could see lower electric bills as a result of the federal corporate income tax cut.

Changes to federal tax law will lower corporate rates from 35 percent to 21 percent starting this ***year***. That is expected to result in a lower tax bill for Hawaiian Electric, Maui Electric and Hawaii Electric Light. HAWTHORN BANK – JEFFERSON CITY, MO.:

Jefferson City-based Hawthorn Bank announced Thursday it will give employees bonuses of up to $1,000 because of the recent tax cut passed by Congress.

Full-time employees will receive bonuses of $1,000, and part-time employees $500. Hawthorn became the second local bank to give bonuses after Congress passed a sweeping tax cut for businesses and individuals in December.

Hawthorn Bank’s board of directors approved the bonuses at its January board meeting, said Gregg Bexten, president of Hawthorn Bank’s central region. HEARTLAND BANK – GENEVA, NEB.:

    $1,000 bonus to full-time, non-executive employees     $500 bonus to part-time employees

HENRY SCHEIN INC. – MELVILLE, N.Y :

In recognition of our team members, following the recent U.S Tax Cuts & Jobs Act, Henry Schein plans to distribute up to a $1,000 one-time cash bonus to certain designated staff members in the U.S with one full ***year*** of service as of January 1, 2018.

HINEE GOURMET COFFEE – HELOTES, TEXAS:

Hinee Gourment Coffee plans to use the savings to upgrade systems/equipment and enhance wages, benefits, and bonus ***programs***.

HOME BANK – CONWAY, ARK.:

Home Ban announced plans to distribute a one-time bonus of $500 for more than 850 full-time tenured employees.

“The tax reform has created the opportunity for us to reward our employees who are working hard each day to both serve our customers and enrich relationships in our communities,” added Mr. Allison. “We look forward to identifying additional opportunities for Home BancShares to invest in our people and communities as we continue to execute our business strategies and deliver long-term value to our shareholders.” HOME DEPOT – ATLANTA, GA.:

    Home Depot joins a growing list of corporations using new tax benefits to invest in their workers.     Certain additional expenses and the bonus ***payments*** will negatively impact Home Depot’s fiscal 2017 earnings.     Home Depot is still evaluating how new tax legislation will impact the business in fiscal 2018, but said it should be “beneficial.”

HOMESTREET BANK – SEATTLE, WASH.:

HomeStreet Bank announced that it has raised its company minimum wage to $15 per hour across all 111 retail branches and lending centers in seven states. The increase took effect January 1, 2018. The announcement comes on the heels of the recently signed federal tax reform bill that cut the corporate tax rate from 35 percent to 21 percent.

HomeStreet made the decision to increase its minimum wage in order to share the tax reform benefits with its employees. The change is particularly welcome as the cost of living continues to increase across the country. HONEYWELL – MORRIS PLAINS, N.J :

Our strong performance in 2017, together with the enactment of new U.S tax legislation, has enabled us to increase our 401(k) match in the U.S This is a sustained, annual benefit that will provide a more secure retirement for our employees. We believe that enhancing this benefit is extremely valuable and important to our employees over the long term. HORIZON BLUE CROSS BLUE SHIELD OF NEW JERSEY – NEWARK, N.J :

New Jersey’s largest health insurer says it will be using $150 million in refunds from the federal tax overhaul for its members.

Horizon Blue Cross Blue Shield of New Jersey also announced Wednesday that it will be spending an additional $125 million over five ***years*** on health initiatives — including ***programs*** that connect people to mental health and substance abuse services. HORMEL – AUSTIN, MINN:

Hormel Foods Corp. this morning announced that it plans to use savings from the federal Tax Cuts and Jobs Act to award stock options to its employees and raise starting wages to $13 an hour. HOSTESS – KANSAS CITY, MO.:

The company, which makes Twinkies, Ding Dongs and Ho Hos, is providing its employees one-time ***payments*** of $1,250 — with $750 in cash and $500 in the form of a 401(k) contribution. In taking the step, Hostess cited last month’s tax legislation, which slashed the rate for U.S corporations.

It’s also offering a ***year***’s worth of free food to workers — though they won’t be able to eat all the Ding Dongs they like. A representative from each of Hostess’s bakeries will choose a product each week, and the employees will be able to take home a multipack of that item. The company also makes Hostess CupCakes, Fruit Pies and Donettes. HUMANA – LOUISVILLE, KY.:

The Louisville-based company announced that because of the lower corporate income tax rate, it’s investing in its employees. It’s raising the minimum hourly rate for full- and part-time associates to $15 an hour. The company is also accelerating a previously announced incentive ***program*** for employees.

HUNTER CHASE & ASSOCIATES – SPRINGFIELD TOWNSHIP, MO.:

Hunter Chase & Associates is using the savings to give employees bonuses, purchase new trucks and invest in equipment.

HUNTINGTON INGALLS INDUSTRIES – NEWPORT NEWS, VA.:

Huntington Ingalls Industries is giving employees a $500 bonus.

IAT INSURANCE GROUP – RALEIGH, N.C :

IAT Insurance Group will pay a $3,000 bonus to all non-executive employees on January 15, 2018. The additional bonus comes in response to the newly passed tax reform bill – the tax savings will be shared with approximately 700 employees.

ITC HOLDINGS CORPORATION – NOVI, MICH.:

ITC Holdings Corporation will pass savings to customers.

IBERIA BANK – LAFAYETTE, LA.:

    Pay raise of $2/hour\* will be given to non-exempt, non-commissioned associates, who currently earn $15 per hour or less, ranging from an average of 12% to as much as a 23% increase, in base compensation.     $1,000 cash bonus\* will be paid to all part-time and full-time associates who currently earn between $15/hour and $100,000 annually in base pay.

IDEXX LABRATORIES – WESTBROOK, MAINE:

Maine’s largest publicly traded company announced plans to share the benefits of federal tax reform with employees by paying more into their retirement plans.

For every dollar a 401(k) participant contributes, the Westbrook-based company will match that amount dollar-for-dollar up to 5% of an employee’s salary. INLAND NORTHWEST BANK – SPOKANE, WASH.:

A Spokane-based bank gave out raises and bonuses to its 200 workers in anticipation of a windfall from corporate tax cuts.

After Congress passed a sweeping federal tax reform bill last month, INB announced it would raise its starting wage to $15 per hour and provide $500 ***year***-end bonuses to all employees except senior executives. INFORMATION FIRST – MANASSAS, VA.:

$500 cash bonus for all 15 employees. INGALLS – PASCAGOULA, MISS.:

Workers at Huntington Ingalls Industries will receive a one-time bonus in the company’s response to the federal Tax Reform Act.

A $500 bonus will be given to all employees except for those who work through an incentive plan.

HII is the parent company of Ingalls Shipbuilding, which employs about 11,500 workers and is the largest manufacturing employer in Mississippi. INSPERITY – HOUSTON, TEXAS:

Tax reform bonuses will be paid to employees in February, totaling $17 million. INTERNATIONAL OFFSET CORPORATION – LOS ANGELES, CALIF.:

    $1,000 bonuses to all employees and 1099 subcontracting partners.

IOWA-AMERICAN WATER CO. – DAVENPORT, IOWA:

Iowa-American Water Co., which provides service in eastern Iowa, would provide $1.5 million and $1.8 million to customers. IRON HORSE ENERGY SERVICES – EOLIA, MO.

    Iron Horse Energy Services Inc. is providing new bonuses. In a news report, one employee said, “Thank you Mr Trump for being a businessman.”

ISG – STAMFORD, CONN.:

Information Services Group (ISG) (Nasdaq: III), a leading global technology research and advisory firm, said today it will earmark funds for additional investment in global digital initiatives over the next two ***years*** to accelerate growth, and make an additional contribution of $500 to every U.S employee’s 401(k) retirement account on U.S Tax Day, April 17, 2018. The moves are in response to the recent passage of the federal Tax Cut and Jobs Act. ISI FINANCIAL GROUP – LANCASTER, PA.:

At ***year*** ahead staff planning meeting in January I proudly announced to all of our staff that because of the new tax law, that ISI is happy to share the tax savings and will providing to all staff members a $2000 bonus.  When announced, the staff were all taken back, very surprised and EXTREMELY grateful. JERGENS – CLEVELAND, OHIO:

Thanks to the tax package, Jergens took what would normally be a cost of living increase for its workers, doubled it and built it in as a permanent part of wages, rather than making it a one-time bonus as some companies did. That means a worker making $25 an hour got a raise of about $2,000 a ***year***. JETBLUE – NEW YORK, N.Y :

JetBlue Airways Corp. said that it plans to give a $1,000 bonus to its 21,000 employees except the chief executive, and its executive vice presidents. JIM RINEHART INSURANCE – SEASIDE, CALIF.:

I am a self-employed Insurance Agent for State Farm Insurance with 3 full time employees in my office in Seaside, CA.  Because of President’s  tax reform I gave all of my staff a pay raise starting Jan 1 2018. JOHNSON BANK – RACINE, WIS.:

Johnson Bank, the second-largest bank based in the state, committed to a minimum $15 hourly pay rate for employees.

JOHNSON & JOHNSON – NEW BRUNSWICK, N.J :

Johnson & Johnson will use the savings for new capital investments.

JONAH BANK – CHEYENNE, WYO.:

Jonah Bank has announced it will give each of its employees a thousand dollar bonus and “significantly increase” its giving in the Casper and Cheyenne communities as a result of Congress passing the tax reform bill, according to a press release. JONES AUTO & TOWING – RIVERVIEW, FLA.:

“The tax cuts are putting two more tow trucks on the road for my business. This will add two more full time job openings that will help two more families. And it will put a little more money in the bank for my family,” said Guy Jones, owner of Jones Auto & Towing. JORDAN WINERY – HEALDSBURG, CALIF.:

In response to the tax cut bill that passed this week, John Jordan, owner of Jordan Winery in Sonoma County, California, announces that he will give all eligible winery employees a $1,000 bonus as a result of the passage of the 2017 tax reform bill. JOSEPH’S LITE COOKIES – SEBASTIAN, FLA.:

Because of the tax bill, I’m purchasing new computer systems and creating new product packaging for international expansion. More importantly, I’m giving raises to four key employees — half of our workforce — which range from just over $3,000 to nearly $4,200. My top employees have earned greater financial security, and the Republican tax package made it a reality for them. JP MORGAN – NEW YORK, N.Y :

    Pay increases averaging 10% for 22,000 employees ranging from $15 -$18     Hire 4,000 new employees     Increase small business lending by $4 billion     Increase loans to customers seeking affordable homes by 25 percent to $50 billion.     Open up to 400 new branches in new cities     $750 bonus to eligible employees

KALB INDUSTRIES – LAS VEGAS, NEV.:

We received a tax cut from the bill that Congress passed last night and as part of our family, we would like to pass along some of that savings to you all. On your next payroll check, all employees that have been here more than three months will receive a raise on their next check. Again thank you all for all the hard work, and dedication this ***year***. KANSAS CITY POWER – KANSAS CITY, MO.:

KCP&L announced its intention to file rate update cases with the Kansas Corporation Commission (KCC) and the Missouri Public Service Commission (MPSC) to pass approximately $100 million in annual tax savings to customers, resulting from federal tax cost reductions. The Tax Cuts and Jobs Act, which decreased the corporate tax rate from 35 percent to 21 percent, was signed into law on Dec. 22, 2017 and became effective on Jan. 1, 2018. KCP&L is committed to passing 100 percent of the benefit from this tax cut on to customers. KANSAS CITY SOUTHERN – KANSAS CITY, MO.:

Kansas City Southern (KCS) announced that in response to congressional passage of The Tax Cuts and Jobs Act of 2017, it will immediately share some of the benefits with qualified, non-executive employees of its subsidiaries in the U.S and Mexico in the form of a one-time $1,000 bonus payable by the end of 2017. KEG CREEK BREWING – GLENWOOD, IOWA:

Keg Creek is one of the roughly 80 local breweries cashing in on a tax break stemming from President Trump’s recently passed plan, one that supporters say will allow craft breweries to grow.

It’s a small, albeit mighty, victory, brewing experts say: It rewards the neighborhood brewery by making it just a little bit easier to keep crafting the beer — brown and red ales, in Keg Creek’s case — that Iowans have grown to love. KEVIN-CHARLES FURNITURE – NEW ALBANY, MISS.:

The tax credits available for investment in equipment will make it possible for the company to purchase additional machinery. “We’re really excited about the tax bill and what it is going to do for our operation,” Rusty said. “I applaud the efforts of Congress to build back a business climate that makes it easier to invest in our people and facilities.”

Additionally, the tax savings made it easier for Kevin-Charles Furniture to give employees a five percent pay raise. KEY BANK – CLEVELAND, OHIO:

KeyBank N.A will increase its minimum wage to $15 per hour for new and existing employees. The lender will also make contributions to employees’ 401(k) retirement accounts. KEYCORP – CLEVELAND, OHIO:

Key will be sharing the expected tax benefits with its employees by increasing its minimum wage and making the additional retirement plan contribution referenced above. These actions will benefit over 80% of our workforce and allow us to reward and invest in the financial wellness of our employees KISH BANK – BELLEVILLE, PA.:

Kish Bancorp will give $500 to part-time employees and $1,000 bonuses to full-time employees as part of a one-time bonus.

The decision stems from the company’s growth and the enactment of the Tax Cuts and Jobs Act of 2017, which will provide relief to community banks.

KOCH COMPANIES INC. – MINNEAPOLIS, MINN.:

Koch Companies Inc is increasing drivers’ wages and increasing singing bonuses.

KOEHLER FLOORING – GREEN BAY, WIS.:

This family carpet and flooring company gave $1,000 bonuses to seven full-time employees. KRAFT HEINZ COMPANY – PITTSBURGH, PA.:

“Since the HR-1 Tax Cuts and Jobs Act was signed into law, we have already taken actions and are accelerating key business initiatives,” said Kraft Heinz CFO David Knopf. “This includes approximately $300 million in strategic investments to build our capabilities, our people skills and our brands; more than $800 million in capital expenditures to improve quality, safety and capacity; as well as $1.3 billion to pre-fund our post-retirement benefit plans.” KRAMERICA PROPERTIES – MERCED, CALIF.:

This small family-owned company gave each of the six employees a $2,000 tax reform bonus. KROGER – CINCINNATI, OHIO:

Kroger Co. employees in Cincinnati and Dayton have approved on a new contract that increases the company’s starting wage to at least $10 an hour with an “accelerating rate progression” that boosts pay to $11 per hour after one ***year*** of service. LAKESTONE BANK – LAPEER, MICH.:

Bruce J. Cady, chairman and CEO of Lakestone Bank & Trust said, “We are very appreciative of all Lakestone Bank & Trust employees and certainly what they have accomplished over the ***years***, particularly the last ***year***; and we want to commemorate the passing of this historic, economy-stimulating tax reform law. This is a once in a lifetime opportunity and we know we want to reinvest much of the savings back into our bank and the first place we are going to put it is into the hands of our employees. Employees are our most important asset.”

All hourly employees received a $1 per hour raise and all salaried employees will receive a $1,000 bonus. The bank’s board of directors overwhelmingly supported this action, resulting in a significant investment into the bank’s employees. LAND & CO – WYOMING, MICH.:

Land & Co., which operates 19 apartment communities in West Michigan, announced it will give its employees a special bonus of up to $1,000 in response the federal tax cut legislation signed recently by President Donald Trump.

LARRY H. MILLER GROUP OF COMPANIES – SANDY, UTAH:

Larry H. Miller Group of Companies is giving 10,000 employees $1,000 bonuses.

LAWRENCE PAPER COMPANY – HUTCHINSON, KAN.:

Re-investing into its employees is the first step company owners took. This week, they surprised their 300 workers with the news each would receive a $500 bonus. LEAK SEALERS – LUMBERTON, TEXAS:

Female-owned engineering company Leak Sealers says it’s handing out bonuses to its 100 employees, joining major retailers like Lowe’s and Walmart Inc. that are investing in workers after Congress approved a tax cut that will help businesses. LG&E AND KU – LOUISVILLE, KY.:

Customers of Louisville Gas and Electric Company and Kentucky Utilities Company will begin to see the financial benefits associated with the Tax Cuts and Jobs Act beginning in March.

The two utilities announced today that they will file a unanimous settlement agreement with the Kentucky Public Service Commission requesting approval to return tax savings to customers this spring.

If approved by the commission, customers would see nearly $180 million in savings in the form of a reduction on the Environmental Surcharge line item on their bill in March, followed by a new line item credit on the bill based on energy consumption starting in April. LHC GROUP – LAFAYETTE, LA.:

Employees of LHC Group will receive better benefits, increased 401(k) contributions and matches LIDESTRI FOOD AND DRINK – ROCHESTER, N.Y :

The Rochester based producer of food, beverages and spirits gave all of their 1,200 employees at each of their five U.S facilities an extra full paycheck.

LIMA PALLET COMPANY – LIMA, OHIO

Lima Pallet Company is using the tax saving to give pay raises, create new jobs, and purchase new equipment.

LINCOLNWAY BANK – NEW LENOX, ILL.:

LincolnWay Community Bank announced plans to award a one-time $1,500 bonus to most of its employees. LOK-N-LOGS, INC. – SHERBURNE, N.Y :

Employees working for a ***year*** or more received a double paycheck; those working less than a ***year*** also received a bonus. LOUD & CLEAR COMMUNICATIONS – NEW YORK, N.Y :

    Employee bonuses

LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY – LOUISVILLE, KY.

The utilities are passing tax savings to customers.

LOWE’S – MOORESVILLE, N.C :Lowe’s said it would pay a one-time bonus of $1,000 for more than 260,000 hourly U.S employees as the home improvement chain takes advantage of changes in the U.S tax code.

The company said it would also give new benefits, including additional paid maternity and parental leave and an adoption assistance benefit of up to $5,000 to qualified hourly full-time employees. MAINSOURCE FINANCIAL – GREENSBURG, IND.:

MainSource Financial Group will raise the starting pay and minimum hourly rate to $15 an hour effective immediately for all of its non-exempt, non-commissioned employees. This announcement comes as a result of the recently passed tax legislation, which includes a reduction in corporate tax rates.

Approximately 1,000 associates are employed throughout the MainSource footprint in Ohio, Indiana, Illinois and Kentucky. The pay increase will affect over 200 employees. MARRIOTT – BETHESDA, MD.:

Marriott International Inc. plans to put some of the cash it is saving on corporate taxes into employee retirement accounts, the company said Thursday. In all, Marriott will invest an additional $140 million in retirement savings and other ***programs*** for employees in 2018, according to CFO Leeny Oberg. M&T BANK– BUFFALO, NY.:

M&T Bank is boosting hourly wages among moves it’s making in a response to the successful passage of tax reform legislation.

Hourly paid employees will see pay starting at $14-16/hour, depending on geography. That will make a total investment of $25M.

In addition, all employees will get 40 hours of paid time a ***year*** to take part in volunteer or employee resource group activities. The company notes it paid $50M to its M&T Charitable Foundation in 2017, its largest ever contribution. MARSH & MCLENNAN – NEW YORK, N.Y :

Marsh & McLennan Cos, the world’s largest insurance brokerage, said it will increase its minimum wage to $16 per hour after the U.S cut its corporate tax rates. U.S colleagues earning $55,000 or less will get one-time $1,000 ***payment***.

The wage hike will benefit about 780 employees, while about 5,000 employees will get the one-time bonus, according to a memo sent to employees. MASPETH FEDERAL SAVINGS – MASPETH, N.Y :

$1,000 bonuses for all full-time employees below the AVP officer level, $500 bonuses for all part-time employees; base wage raised to $15 per hour. MASS UTILITES – BOSTON, MASS.:

The Massachusetts Department of Public Utilities on Friday ordered electric, gas, and water companies to determine new rates, so consumer bills are adjusted to reflect the corporate tax cuts approved by Congress in December.

“This is a huge victory for ratepayers who deserve the benefit of this major tax break for utilities,” Massachusetts Attorney General Maura Healey said in a statement Friday. “We look forward to seeing these rates adjusted promptly and are glad that the Department correctly recognized its obligation to ensure that customers receive these savings.” MASTERCARD – PURCHASE, N.Y :

Mastercard Inc., Purchase, N.Y , is increasing the cap on the employer match in its 401(k) plan to 10% of an employee’s salary, a spokesman confirmed.

Previously, the company match was 125% of employee contributions up to 6% of salary. MB FINANCIAL – CHICAGO, ILL.:

MB Financial, Inc., the holding company for MB Financial Bank, N.A (“MB”), announced today that MB will raise the minimum wage paid to its employees, issue certain one-time bonuses, and donate $7.5 million to the disadvantaged communities in which it operates. MCCORMICK & CO. – SPARKS, MD.:

The spice-maker is offering $1,000 bonuses to eligible hourly employees and says it plans to “accelerate” wage increases, though it did not provide details. The Sparks, Maryland company will also us the tax cut to make investments, pay debt and benefit shareholders. MCDONALD’S – OAK BROOK, ILL.:

McDonald’s, citing the new U.S tax law and the tightening job market, is expanding its 3-***year***-old education benefits ***program***, tripling the amount of money some workers can get each ***year*** to help pay for college or trade school tuition.

The fast-food company is also changing its eligibility rules, which it said will double the amount of workers who qualify to 400,000, or about half the people who work at McDonald’s in the U.S

McDonald’s said Thursday restaurant crew members will be able to get up to $2,500 per ***year*** for tuition, an increase from $700. Managers can receive up to $3,000 per ***year***, an increase from $1,050. MELALEUCA – IDAHO FALLS, IDAHO.:

Idaho health care and home products company Melaleuca Inc. announced it will be the latest major business to give its workers bonuses in response to President Donald Trump’s tax cuts.

Melaleuca CEO Frank VanderSloot said in a phone interview that his 2,000 workers will get a one-time bonus of $100 for every ***year*** they have worked at the company. On average, Melaleuca employees stay at the company eight ***years*** — which would result in an $800 bonus. The company also has 147 employees who have worked for VanderSloot for 20 ***years*** or more. MERCK – KENILWORTH, N.J :

    Plans to invest approximately $12 billion over 5 ***years*** in capital projects including approximately $8 billion in the United States     Made a contribution to the Merck Foundation in the fourth quarter of 2017     Plans to provide a one-time, long-term incentive award for its eligible non-executive employees in the second quarter of 2018”

MERIDIAN BANK –MALVERN, PA.:

    The minimum wage for all employees will increase to $15 per hour     An additional 20% will be added to the 2017 bonus as part of the Bank’s Incentive Compensation Plan that will be paid to the Bank’s 500+ employees in January 2018     An increase to the Capital Spending Budget as a result of plans to build six new branch locations in 2018     An increase in charitable giving by targeting $1 million in donations to community and non-profit organizations in 2018

METAIRIE BANK – METAIRIE, LA.:

Metairie Bank and Trust has approved a cash bonus of $1,000 for all of its 120 employees and will increase its hourly minimum wage to $12 per hour, the Jefferson Parish-based bank announced Friday.

Ron Samford, president and CEO of $390-million-asset Metairie Bank, said the recent enactment of President Trump’s tax reform bill provided “a substantial benefit to the bank, through significantly lower corporate income tax rates.” METLIFE – NEW YORK, N.Y :

MetLife Inc. said it is planning to increase its investment in employees using tax savings from the overhaul that was written into law in December. The life insurer said it will establish a minimum wage of $15 an hour and a minimum group life insurance benefit of $75,000, regardless of an employee’s pay. The benefit was previously set at one times annual pay. The company is planning to introduce a $300 minimum monthly credit for the cash-balance formula of its defined benefit pension plan, also regardless of employee pay. It will enhance its 401-k plan by moving to auto-enrollment and extend company-paid group legal services offered through MetLife’s Hyatt Legal Plans. MID-AM – ROGERSVILLE, MO.:

Mid-AM Metal Forming is giving its 140 employees cash bonuses.

The local company is one of many companies, like Jet Blue and AT&T, giving employees a bonus because of the tax law reform.

“Mid-AM Metal Forming is excited about the positive implications the tax reform package will have both on the manufacturing industry and its employees,” President Steve Johnson said in a news release. “We have very dedicated employees that assist in making us a success.  We are excited to surprise all of them with this reward.” MIDAMERICAN ENERGY – DES MOINES, IOWA

MidAmerican Energy estimated it it would return between $90.8 million and $112.3 million to electric customers. MIDDLEFIELD BANK – MIDDLEFIELD, OHIO:

The Board declared a special one-time cash dividend of $0.05 per common share that will be payable on March 15, 2018, to shareholders of record on February 28, 2018. The Board also approved a one-time bonus of $1,000 to each employee. MILL STEEL COMPANY – GRAND RAPIDS, MICH.:

Mill Steel Company said it will give a one-time $1,000 bonus to all 400 of its full-time employees, “following the tax cut passed by Congress and signed by President Donald Trump.” MINCEY MARBLE – GAINESVILLE, GA.:

Employees at Mincey Marble will receive bonuses of up to $1,000 depending on their length of service with the company. Even employees hired this ***year*** will see a bonus, and the checks are scheduled to arrive during the week of Valentine’s Day as a sign of the company’s appreciation for its associates.

Due in large part to their confidence in the Trump Administration’s pro-business agenda, Mincey Marble’s management team also made the decision in January 2017 to expand the size and operations of a new facility that is currently under construction in Gainesville. MISSION PRODUCE – OXNARD, CALIF.:

“We are giving all our U.S -based employees a $1,000 bonus,” President and CEO Steve Barnard said at a recent company meeting. “We applaud President Trump for spearheading the action needed to pass tax reform. The Tax Cuts and Jobs Act of 2017 created a meaningful impact on Mission’s business. We plan to invest the tax savings in new facilities and technology to create opportunities for the company and for our employees. It’s only fair that we share the benefits that tax reform will have on our business with our valued employees.” MOUNTAIRE – MILLSBORO, DEL.:

    $1,000 for all active full-time hourly and piece rate Mountaire employees with more than 180 days of employment as of January 27, 2018     $500 for all active full-time hourly and piece rate Mountaire employees with between 1-179 days of employment as of January 27, 2018

MUNCIE AVIATION – MUNCIE, IND.:

Muncie Aviation is giving bonuses to all of its employees.

MUSICNOTES – MADISON, WIS.:Musicnotes Inc., a publisher and retailer of digital sheet music, said that it has given all eligible employees a 3 percent raise in salary tied specifically to the corporate tax reform bill signed by President Donald Trump in December.

The company, which has 55 employees, said the raises were effective Jan. 1 and are in addition to Musicnotes’ existing annual pay increases. MUTUAL BANK – MUNCIE, IND.:

In the first quarter of 2018, MutualBank will distribute a $750 one-time ***payment*** for all full-time and part-time employees except for the Executive Management Team. Additionally, all non-exempt employees will receive a $0.50 increase in their hourly wage. NATIONAL AUTOMOTIVE CHEMICAL – CAMBRIDGE, OHIO:

    $1,000 bonus for all employees

NATIONAL BANK HOLDINGS CORP – GREENWOOD VILLAGE, COLO.:

National Bank Holdings Corporation announced its plan to deliver a $1,000 bonus to all of its non-commissioned associates who earn a base salary of less than $50,000 annually and are in good standing. This move is in part a response to the recently enacted tax legislation, which is anticipated to have a positive impact on the U.S economy. NATIONAL GRID – WALTHAM, MASS.:

When federal tax reform legislation was signed into law in late December, the company began assessing how reductions in corporate tax rates could benefit customers. The company announced today it will update its rate proposal with the DPU for natural gas rates that will go into effect in October 2018: reducing the original $87 million request to an estimated $51 million.

“We are committed to ensuring that the tax savings of the legislation are fully realized and are used to help our customers in their energy bills,” said Cordi O’Hara, president and COO of National Grid in Massachusetts. “We’ll continue to seek opportunities to provide this benefit to all of our customers.” NATIONAL GRID RHODE ISLAND – PROVIDENCE, R.I :

National Grid Rhode Island announced that it is reducing its electric and gas base distribution rate proposal with the Rhode Island Public Utilities Commission (RIPUC) by more than $25 million.  Last November, National Grid had put forth its first proposal since 2012 asking the RIPUC to adjust its base distribution rates for both gas and electric customers. Since that time, National Grid has been assessing how the newly passed federal tax reform legislation that was signed into law in late December could benefit our customers. NATIONWIDE: – COLUMBUS, OHIO:

Nationwide Mutual Insurance Co. is joining a number of major financial institutions in giving bonuses to employees following the tax reform passed by Congress right before Christmas.

The Columbus-based insurer announced Wednesday that it’s giving a $1,000 discretionary bonus to employees and managers below the company’s senior ranks, and starting this ***year*** will increase its 401(k) match for employees to 50 percent on the first 7 percent of an employee’s contribution, up from 6 percent.

About 29,000 of the company’s 33,000 employees nationwide will get a bonus, while all of its workforce will benefit from the 401(k) match. NAVIENT – WILMINGTON, DEL.:

Crediting the new corporate tax rate recently approved by Congress, approximately 98 percent of Navient employees across the country received a $1,000 bonus just before the holidays.

Navient has approximately 6,700 employees nationwide, including more than 900 in Hanover Township, company officials say. NBT BANK – NORWICH, N.Y :

    Base wage raised to $11 to $15 per hour     minimum 5% salary increases for employees making less than $50,000     increased capital expenditures

NELNET – LINCOLN, NEB.:

Nelnet said Thursday that it will give nearly all of its 4,100 employees — about 2,500 of whom work in Lincoln — a $1,000 bonus in their Dec. 29 paycheck. NEPHRON – WEST COLUMBIA, S.C :

Nephron Pharmaceuticals announced Wednesday the company’s 640 South Carolina employees are receiving a five percent pay raise, attributing the move to the tax bill passed by Congress this month. NEW HUDSON FAÇADES – LINWOOD, PA.:

“We raised wages, yes,” said Allen Cohen, managing partner of New Hudson Facades, of the approximate 5 percent raise given to employees. “In addition to that, Related Companies [a partner company] has given every factory employee, $3,000 in their 401(k).”

NEW JERSEY NATURAL GAS – WALL, N.J :

The utility will pass tax reform savings to customers.

NEW LIBERTY DISTILLERY – PHILADELPHIA, PA.:

    “Little wins for us are great things,” says Robert Cassell, the owner of New Liberty Distillery in Philadelphia. “And this is a big win.”

NEXTAR MEDIA GROUP – IRVING, TEXAS:

A one-time special bonus will be issued to all employees actively employed by the Company as of March 1, 2018. The amount of the bonus is $500 for full-time employees and $250 for part-time employees. Bonuses will be paid in the first pay period of March and will be subject to applicable taxes.

Employees ranked at the Vice President level or above are not eligible for the bonus.

Effective April 1, 2018, the Company match for 401k contributions will be increased from 25% to 50% of the first 6% of contributions. — Jan. 17, 2018 note to Nexstar employees NEXTIER BANK – BUTLER, PA.:

NexTier Bank announced an investment in its workforce with a one-time bonus of $1,000 for all employees as a result of the tax reform bill passed by the U.S Congress and signed by President Trump. This is in addition to annual bonuses paid in late 2017.

NEXUS SERVICES, INC. – VERONA, VA.:

Nexus Services, Inc. is giving a 5% raise for all employees and 200 more workers will be hired in 2018.

NOAH BANK – ELKINS PARK, PA.:

Board of Directors has elected to provide all employees with a one-time $1,500 cash bonus thanks to the passage of new tax legislation. NORTH SHORE BANK – BROOKFIELD, WIS.:

Brookfield-based North Shore Bank gave $500 bonuses to employees in late December. NORTHCO PRODUCTS, INC. – ALBANY, N.Y :

This small business was able to hire one new employee, give all employees bonuses ranging from $100 – $971 after taxes; the company is also investing in a new building. NORTHEAST VAPOR SUPPLIES – OLD SAYBROOK, CONN.:

Northeast Vapor Supplies decided to “pay it forward” and is happy to announce that all 5 of its employees received a bonus, from $50 to $300 due to the passage of the Tax Reform Act! NORTHERN INDIANA PUBLIC SERVICE COMPANY – MERRILLVILLE, IND.:

As a result of the newly enacted federal tax reform, NIPSCO submitted a request with the Indiana Utility Regulatory Commission (IURC) to lower its previous request to modify natural gas base rates by $26 million.

The reduction means natural gas residential customers would pay nearly $2 less per month following the Commissions’ decision in the company’s natural gas rate proposal, which is expected in the second half of 2018. The average natural gas residential customer paying $50 per month is projected to see their bill go to $58.10 per month, subject to IURC approval, rather than $59.80 as originally proposed. NORTHWESTERN ENERGY – SIOUX FALLS, S.D :

“At this point, we are trying to figure how much the savings might be and develop a plan for what the best option might be for customers,” said spokesman Butch Larcombe. OCEANFIRST – TOMS RIVER, N.J :

OceanFirst Bank raises minimum wage to $15 an hour after tax reform. OHNWARD BUSINESS – MAQUOKETA, IOWA:

As a result of the passage of the tax relief bill this week, Ohnward Bancshares has announced it will pay a $1,000 tax relief, holiday bonus to every company employee. This bonus is separate, and, in addition to, normal bonuses received based on company performance. “There has been a lot of debate about what a tax cut will do for the nation’s economy. This sweeping tax reform will create economic growth in our communities, but only if the expense savings are shared” OKLAHOMA CORPORATION COMMISSION – OKLAHOMA CITY, OKLA.:

Most Oklahomans can expect to start seeing a lower utility bill in the mail later this ***year***. The Oklahoma Corporation Commission voted Tuesday to ***transfer*** about $150 million a ***year*** in new corporate tax cuts to the customer.

Power and gas corporations across the state started seeing lower tax rates Jan. 1, so one commissioner wants your bill to be lowered immediately. The other two commissioners disagreed and won the vote.

OKLAHOMA GAS AND ELECTRIC COMPANY – OKLAHOMA CITY, OKLA.:

The utility will pass along tax savings to customers.

OLD DOMINION FREIGHT LINE – THOMASVILLE, N.C :

$500 bonuses for all 22,000 employees

“I am excited to share a bit of good holiday cheer with you today. The President has signed a historic tax reform bill that should reduce OD’s taxes and also generate growth for the U.S economy. We expect that the anticipated improvement in the economy will create additional opportunities for use to WIN market share and grow our Company more than originally anticipated. As we have said many times before, however, our ability to successfully grow the Company is centered on each member of the OD Family performing at his or her very best to deliver SUPERIOR SERVICE to our customers!

OMAHA TRACK – OMAHA, NEB.:

Omaha Track is giving employees a $500 bonus.

ONCOR – DALLAS, TEXAS:

“Oncor will work with the PUCT to determine the best way to distribute those savings back to customers,” said spokesman Geoff Bailey via email. “In short, we are capturing these tax savings for future refunds to our customers.

Oncor serves about 3.4 million homes and businesses, mostly in North Texas and West Texas. So residents in the coverage area would get a refund but when, and how much, are not certain. ONEMAIN FINANCIAL – EVANSVILLE, IND.:

OneMain Financial announced plans to increase its base salary for all hourly associates to a minimum $14 per hour.

Eligible workers will receive a one-time cash bonus of up to $600 as recognition of their contribution to the company’s accomplishments in 2017.

OneMain has more than 10,000 employees at branches across 44 states. The company’s news release credited the new federal government tax legislation with the wage increase. OVERSEAS HARDWOOD – STOCKTON, ALA.:

All non-management employees received a $1,000 bonus, and the company also announced plans to expand their business operation. PACIFIC POWER – PORTLAND, ORE.:

The new Republican tax plan has brought a variety of tax cuts. Pacific Power says they are committed to passing the benefit of this tax cut on to customers.

“We strive to provide our customers reliable service while keeping rates low,” said Stefan Bird, President and CEO of Pacific Power. “The benefit of this tax cut should be passed on to our customers – and we will work with our regulators and stakeholders on the best way to do that.” PATTISON SAND COMPANY – CLAYTON, IOWA:

We gave every employee a $600 cash (in $2 bills) bonus and we raised base pay by $1.50-2.50 an hour. And yes we are growing, adding staff and buying more equipment. We thought you should know. Pattison Sand – A Great Place to Work!

PAYCHEX, INC. – ROCHESTER, N.Y :

Paychex Inc. is using tax savings for increased investments; acceleration of technology projects; and increased investments in employees.

PAYNE TRUCKING – FREDERICKSBURG, VA.:

“We were so pleased with the tax relief that we got that we had to share it,” said Danny Payne, head of Payne Trucking Co. “There were tremendous savings in tax relief.”

Employees at the company’s locations in Massaponax and Dundalk, Md., who’ve worked for Payne at least six months received an extra $250 in their paycheck Jan. 26. Those who’ve worked there for at least a ***year*** got $500 and those who’ve been there at least five ***years*** got $750. Senior management and part-timers weren’t eligible. PC CONNECTION – MERRIMACK, N.H :

PC Connection, Inc., a leading technology solutions provider to business, government, and education markets, today announced that it will pay a $1,000 cash bonus to each employee in consideration of their efforts for the ***year*** ended December 31, 2017. PENSKE AUTOMOTIVE GROUP – BLOOMFIELD HILLS, MICH.:

Penske Automotive Group, an international transportation services company, announced that it has enhanced the company’s U.S 401(k) savings plan by increasing company matching contributions from 1.5% to 2.5% of eligible contributions, representing an increase of 67%.  The increase will provide a recurring, annual benefit to our employees.

“The recently enacted tax reform positively impacts our business, presenting us with even greater opportunities to pursue our strategic initiatives, invest in our employees and improve shareholder value,” said Penske Automotive Group Chairman Roger S. Penske. PEOPLES BANK – BELLINGHAM, WASH.:

$15 per hour minimum wage and raised its 401(k) match one percentage point to 8 percent. PEOPLES BANK – MAGNOLIA, ARK.:

    Magnolia, Ark.-based Peoples Bank provided a $500 bonus and contributed $50,000 to its charitable fund.

PEPCO – WASHINGTON, D.C :

Pepco announced they will file with the Public Service Commission of the District of Columbia in early February, outlining plans to provide annual tax savings to more than 296,000 electric customers in the District of Columbia. If approved, Pepco would plan to begin providing a credit lowering customer bills starting in the first quarter of 2018.

The tax savings are the result of federal tax reductions under the new Tax Cuts and Jobs Act, which was signed into law on Dec. 22, 2017, and became effective on Jan. 1, 2018. The decrease in the Corporate Tax Rate from 35 percent to 21 percent reduces the amount of federal income tax Pepco will have to pay. PEPSICO – PURCHASE, N.Y :

“The provisions of recently enacted tax legislation are expected to result in lower income taxes in 2018 for our operations in the United States, our largest market We expect the benefits of the TCJ Act will enable us to further strengthen our business by enhancing the skills of our front line associates to ready them for the future…” said PepsiCo Chief Executive Indra Nooyi in a statement. Select workers will get $1,000 bonuses. PFIZER – NEW YORK, N.Y :

In wake of the new tax law, the company plans to invest approximately $5 billion in capital projects in the U.S , including building its manufacturing presence. It plans to contribute $500 million to its U.S pension plan and has allocated about $100 million for a special, one-time bonus for all nonexecutive employees in the first quarter of 2018.

Pfizer also contributed $200 million to the Pfizer Foundation. PILGRIM PANK – COHASSET, MASS.:

Base wage raised to $15 per hour; additional 401(k) contributions; increased charitable donations. PINNACLE – ELKHORN, NEB.:

Pinnacle Bank said 1,007 employees will receive the $1,000 bonuses.

“We feel strongly that the message should be loud and clear that this is a tax cut that will benefit all Americans,” Pinnacle Bancorp Chairman Sid Dinsdale said in a news release. PIONEER CREDIT RECOVERY – NEW YORK, N.Y :

Passage of the tax reform bill means that Pioneer Credit Recovery employees will get bonus ***payments*** of $1,000 each. PITNEY BOWES – STAMFORD, CONN.:

Pitney Bowes, a global technology company that provides innovative products and solutions to power commerce, announced that, with the signing of the Tax Cuts and Jobs Act in December 2017, the Company will make an investment commitment of more than $18 million on an annualized basis to raise wages of the majority of its U.S hourly employees. In addition, Pitney Bowes plans to fund key investment areas within the Company to provide more value to its small and medium business clients. PLEXUX CORP – NEENAH, WIS.:

“In order to reward employees for their contributions towards Plexus’ success, Plexus will provide existing, full-time, non-executive employees a one-time cash bonus.  This bonus will be provided in the fiscal second quarter to nearly 16,000 employees, totaling approximately $13 million.” PNC BANK – PITTSBURGH, PA.:

PNC announced it will provide an additional $1000 cash ***payment*** to 47,500 employees and $1,500 to their existing pension accounts.

The cash ***payment*** to 47,500 employees was estimated to reach 90% of PNC employees. It is set for all employees below an unspecified compensation band.

PNC Financial Services said they will raise the minimum pay rate to $15-an-hour by the end of 2018.

A $200-million-dollar contribution to the PNC Foundation was also announced. It supports early childhood education through PNC’s Grow Up Great initiative. PODCASTONE – BEVERLY HILLS, CALIF.:

PodcastOne Founder and Executive Chairman Norman Pattiz announced today that the podcast company will award all full-time employees a $1,000 cash bonus.

POTTLE’S TRANSPORTATION – HERMON, MAINE:

Pottle’s Transportation is using the savings to invest in new equipment.

PREMERA – FAIRBANKS, ALASKA:

Premera Blue Cross Blue Shield of Alaska, the state’s only private insurance provider, announced a $50 million tax refund, which the company plans to funnel back into the state’s health care market over the next five ***years***.

Premera also expects to return approximately $1.5 million in taxes charged to large group customers in 2018.

PRIMROSE SCHOOL OF SOUTH TAMPA – TAMPA, FLA.:

Primrose School of South Tampa is using the savings to increase salaries and invest in playground upgrades, educational hardware and software, and upgraded classroom flooring.

PRIORITY COURIER EXPERTS– ST. PAUL, MINN.:

Tax reform bonuses were given on Jan. 2, 2018 to employees; further, employees will receive another $500 bonus in 2018 on the anniversary of their hire date. PROSPECTOR HOTEL – ELY, NEV.:

$500 bonuses and increase base wage to $12 per hour. PROTECTIVE LIFE – BIRMINGHAM, ALA.:

The Birmingham-based company is giving a special $1000 bonus to about 75 percent of its employees. Protective Life is also establishing a minimum wage across its employee base of $15 per hour.

PUBLIC SERVICE COMPANY OF NEW MEXICO – ALBUQUERQUE, N.M :

The utility will pass tax reform savings to customers.

QUAD/GRAPHICS – SUSSEX, WIS.:

Wisconsin-based printing company Quad/Graphics announced this week it would return $22 million to its employees in the form of stock.

The $22 million will be contributed to Quad/Graphics workers’ retirement accounts. President and CEO Joel Quadracci says the gesture was made possible by recent tax reform legislation. QUAKE MANUFACTURING – FORT WAYNE, IND.:

$1,000 bonuses, enhanced insurance benefits, gym memberships.

QUAIL CREEK BANK – OKLAHOMA CITY, OKLA.:

Quail Creek Bank is giving employees bonuses of $2,000 or $1,000 and increasing 401(k) contributions.

QUEST DIAGNOSTICS – SECAUCUS, N.J :

In 2018 the company expects to realize approximately $180 million in tax savings on an adjusted basis.  Of this amount, the company plans to reinvest roughly $75 million before tax back into the business and its employees, resulting in a benefit of approximately $120 million to net earnings.  Investment initiatives include:

    Advanced diagnostics innovation through new tests and high-touch concierge services;     Investments to deliver a consistently excellent consumer experience both online through the MyQuest mobile patient application and patient service centers; and     A bonus of up to $500 for nearly 40,000 employees to be paid based on the company’s performance in 2018.

R & L CARRIERS – WILMINGTON, OHIO:

Wilmington-based global transportation company R+L Carriers announced that it would be issuing bonuses of up to $1,000 for all of its employees, citing the economic benefits from the Tax Cuts and Jobs Act. RDR, INC. – CENTREVILLE, VA.:

RDR, Inc. A professional services firm headquartered in Centreville, Virginia with a Branch office in Southern Pines, North Carolina and individual employees nationwide is announcing that it will be paying bonuses to each of its 125 employees as a result of anticipated 2018 tax savings from the recently passed Tax Cuts and Jobs act of 2017. REGIONS FINANCIAL – BIRMINGHAM, ALA.:

Regions Financial increases minimum wage to $15 per hour, contributes $40 million to benefit communities, and increases capital investments to serve customers.

RENAISSANCE GLOBAL LOGISTICS – DETROIT, MICH.:

Renaissance Global Logistics is giving employees bonuses with the tax savings.

REYNOLDS AMERICAN INCORPORATED – WINSTON-SALEM, N.C :

Reynolds American Inc. said that most of its 5,500 employees will benefit from a one-time $1,000 bonus related to the federal corporate tax rate cut.

Reynolds spokesman David Howard said the bonus will be paid to “all regular, full-time hourly and salaried employees of RAI and its subsidiaries, up to and including the level of senior manager.”

This amounts to 4,500 employees. RGF ENVIRONMENTAL GROUP – RIVIERA BEACH, FLA.:

“We, as a privately held manufacturing firm in Riviera Beach, Florida, will benefit greatly from the Tax Reform act recently passed. Because of this savings, we have given all our employees a $1,000 Bonus (This is in addition to their 2017 ***year***-end bonuses. – Sharon B. Rinehimer, Executive Vice President/General Counsel, RGF Environmental Group, Inc. RIO BANK – MCALLEN, TEXAS:

    $1,000 bonuses for each of the 108 employees

ROBERT BAIRD & COMPANY – MILWAUKEE, WIS.:

“Milwaukee’s Robert W. Baird & Co. said it will pay cash bonuses of $500 to $1,500 to employees, joining the list of Wisconsin companies passing along some of the benefits of federal tax reform to their workers.

All full-time and part-time benefit-eligible employees of the financial services firm — except company leaders — will receive a $1,500 one-time cash bonus. Other part-time associates and long-term interns will receive a bonus of $500, Baird said.

Baird leaders will receive the benefit in the form of a $1,500 donation to the charity of their choice, which could amount to an additional $1.2 million being contributed to the community in 2018, the company said.

The one-time benefit will be awarded to Baird’s more than 3,500 global employees and amounts to more than $5 million.” ROCKY MOUNTAIN POWER – SALT LAKE CITY, UTAH:

Rocky Mountain Power says it plans to pass some of its federal tax savings on to customers. But, the company isn’t sure how much or when.

“We strive to provide our customers reliable service while keeping rates low,” said Cindy Crane, President and CEO of Rocky Mountain Power. “The benefit of this tax cut should be passed on to our customers — and we will work with our regulators and stakeholders on the best way to do that.” ROD’S HARVEST FOODS – ST. IGNATIOUS, MONT.:

Rod’s Harvest Foods of St. Ignatius, Montana,” is giving pay raises and bonuses up to $500. Chief Rod Arlint told workers, “We are happy to share with our employees the anticipated tax saving for 2018 realized by the tax reform bill recently passed by the U.S Congress and signed by President Trump. We are excited about the benefits it will provide for our country’s economy, our store, and our employees. As a result of the tax savings expected in 2018, we will be passing this savings on to our employees. We will be raising wages 3-5 percent and entry wage to $11 an hour (non-student). Also, please accept this bonus as a gesture of appreciation for your hard work and loyalty to Rod’s Harvest Foods. You are our most valuable resource!”

ROYAL BANKS OF MISSOURI – SAINT LOUIS, MO.:

Royal Banks of Missouri gave full-time employees $1,000 bonuses and part-time employees $500 bonuses.

ROYAL HAWAIIAN HERITAGE JEWELRY – HONOLULU, HAWAII:

Royal Hawaiian Heritage Jewelry plans to open up three more shops – in Honolulu, in Kauai and Maui in addition to its existing three shops. RUSH ENTERPRISES – NEW BRAUNFELS, TEXAS.

Rush Enterprises, Inc., which operates the largest network of commercial vehicle dealerships in North America, today announced that as a result of recent tax reform legislation, it will provide a one-time $1,000 gift to its approximately 6,600 employees in the United States. RUSSELL LANDS – ALEXANDER CITY, ALA.:

Russell Lands, the largest lakeside residential developer in the state, has given full-time employees a $500 check.

“We are thrilled that our company is strong, the economy is good, and that our national leaders recently approved a tax plan that should be very positive for all of us,” said Chairman Ben Russell. “This is a token of the company’s, and my personal, genuine appreciation for what our folks have done to make Russell Lands such a great company. It’s because of our employees’ efforts that we have been able to accomplish so much.” RYDER SYSTEM – MIAMI, FLA.:

In connection with the anticipated benefit of the Tax Act, the Company awarded a one-time cash bonus, estimated to be approximately $23 million or $0.27 per diluted share, to all non-incentive bonus eligible employees of the Company employed on December 31, 2017. The bonus will be paid to eligible employees in February 2018. The bonus will be excluded from the Company’s comparable earnings from continuing operations (non-GAAP) reported in the Company’s fourth quarter earnings release scheduled for February 16, 2018.

Ryder has 31,300 employees in North America. Ryder manages 234,100 vehicles, has 44 million square feet of warehouse space, has 7,700 drivers, 5,900 technicians, and 800 maintenance facilities. SABAN CAPITAL GROUP – LOS ANGELES, CALIF.:

    $1,000 bonuses to employees

SAIL LOFT – DARTMOUTH, MASS.:

Each full-time employee received a one-time cash bonus of $500, and each qualifying part-time employee received $200. SCHEELS ALL SPORTS – FARGO, N.D :

SCHEELS is about our PEOPLE and the communities in which we live and work. As we enter 2018, the new tax reform bill offers a huge opportunity for American business and notably our employee-owned company. This new bill allows SCHEELS to:

    Invest in new stores     Create jobs in new and existing markets     Increase our charitable impact in our communities     $1,000 bonus for Scheels associates working >1000 hours     $500 bonus for Scheels associates working 500 hours

SEWICKLEY SPA – SEWICKLEY, PA.:

For the past decade, Sewickley Spa’s 13 employees didn’t receive annual raises.

With economic pressures forcing cuts at the business since the Great Recession of 2007-09, owner Dorothy Andreas said she couldn’t afford pay hikes — though she still managed to provide a bonus every Christmas.

But on Dec. 20 — the day Congress gave final approval to the Tax Cuts and Jobs Act — Ms. Andreas decided to “pull the trigger” on raises of 2 percent to 5 percent and bonuses that averaged 2.5 percent. SHEELY – NORTH LIMA, OHIO:

Over 140 employees for a local furniture store will feel their wallets get a lot bigger.

Sheely’s Furniture and Appliance President and CEO, Dale Sheely Jr. announced the bonuses Tuesday morning.

The cause — tax reform, a growing retail footprint, and creating a better working environment for employees.

The bonuses will be given throughout the first quarter of 2018. Full-time employees will receive $1,000 in cash and part-time employees will get $500. SHEFFER CORPORATION – CINCINNATI, OHIO:

Sheffer Corporation in Cincinnati, a small manufacturing business announced it was investing in new plant and equipment and giving $1,000 bonuses to all 126 of its employees as a result of this law. SHOPRITE – WILMINGTON, DEL.:

Delaware Supermarkets Inc. is handing out $150 bonuses to 1,000 non-management and union-represented employees as a result of the recent tax reform bill being signed into law. The bonus is in addition to holiday and performance bonuses. SHRED-X – GRIFFIN, GA.:

In Griffin, Shred-X, a small business providing paper shredding and recycling services to over 3,000 clients throughout Atlanta and central Georgia, plans to use the additional savings from tax reform to buy a new truck and potentially hire a new employee. For a company of ten people, that makes a huge difference. SINCLAIR BROADCAST – HUNT VALLEY, MD.:

    Sinclair Broadcast will pay a one-time $1,000 bonus to full and part-time employees.     The company says the special bonus is due to the tax reform bill’s passing.     It will go to nearly 9,000 employees and excludes senior level executives.

SKYWEST AIRLINES – ST. GEORGE, UTAH:

SkyWest Airlines is sharing the benefits of federal tax reform with its employees.

According to an internal memo the company will increase 401(k) contributions, increase capital expenditures, and increase charitable donations, and will enhance the existing bonus and incentive ***programs***. SMUCKER’S – ORRVILLE, OHIO:

J.M Smucker Co. is pouring sugar on thousands of employees in the form of $1,000 bonuses.

The Orrville food company announced the employee bonuses as part of its third quarter earnings report released Friday morning.

Corporate earnings were significantly higher than a ***year*** ago in large part because of federal tax reform that lowered corporate tax rates. Smucker also increased its earnings outlook for the ***year***.

The company said it is giving $1,000 one-time bonuses to nearly 5,000 employees, will make $1 million in charitable contributions, and will contribute an additional $20 million to its employee pension plan because of federal tax reform.

SOLARA HOSPITALITY – COLUMBIA, S.C :

Solara Hospitality is giving employees cash bonuses up to $500.

SOMERSET SAVINGS BANK – BOUND BROOK, N.J :

Somerset Savings Bank announced today that, following the enactment of the new federal tax reform legislation, it will distribute a special cash bonus to its employees.  Every employee, excluding senior management, will receive a one-time $750 bonus. SOUND FINANCIAL BANK – SEATTLE, WASH.:

Increasing employee incentive compensation, expanding charitable giving, and implementing a down ***payment*** assistance ***program*** for first time homebuyers. SOUTH POINT – LAS VEGAS:

The South Point has joined the list of businesses handing out bonuses after passage of the Trump administration’s tax reform bill.

The casino released a statement saying it was giving more than $1 million in bonuses for 2017 to its employees, doubling the amount of bonuses for 2016.

The company also said it would be rescinding a scheduled increase in the share of health insurance costs paid by employees. SOUTH STATE BANK – COLUMBIA, S.C :

South State will distribute $1,000 to full-time employees and $500 to part-time employees on Feb. 9 and will benefit more than 2,800 South State employees.

SOUTHWIRE – CARROLLTON, GA.:

Southwire is giving $1,000 bonuses to full-time employees, $250 bonuses to part-time employees; expanding parental leave benefits; increasing educational scholarships for employees; and spending on workplace investments totaling $9 million.

SOUTHWEST AIRLINES – DALLAS, TEXAS:

The Southwest Board of Directors authorized a bonus to all Southwest Airlines employees to celebrate the recent passage of the tax reform legislation. All full-time and part-time Southwest employees with Southwest on Dec. 31, 2017, will receive a $1,000 cash bonus on Jan. 8, 2018. SPARTANNASH – BYRON CENTER, MICH.:

David Staples, the CEO of SpartanNash, said in a conference call to investors yesterday the company will issue bonuses, raise wages and invest in employee training in the first quarter of 2018. SPECTRUM ADHESIVES – MEMPHIS, TENN.:

    $500 bonuses for employees.

SPELLEX CORPORATION – TAMPA, FLA.:

“I’m the founder and CEO of Spellex Corporation located in Tampa, FL. We’re a software development company which I founded in 1988. This is the first time I’ve done anything like this. I’m hoping there are thousands of companies like mine who gave their employees $1,000 bonuses to show our support for the new tax plan which will ultimately help the middle class.” – Sheldon Wolf SPEEDWELL TAVERN – PLYMOUTH, MASS.:

$500 bonuses for full-time employees; $200 bonuses for part-time employees. Together with affiliated restaurants The Gateway Tavern, The Stowaway, Sail Loft, and Speedwell Tavern, the bonuses went to 93 employees.

SPIRE INC. – ST. LOUIS, MO.:

The utility will pass tax reform savings to customers.

SPORT CLIPS FRANCHISES – PA.:

Using the resources that I will be saving and the opportunities the franchise business model provides, I now have the momentum and capital to open 12 new Sport Clips locations around Pennsylvania. And with an average of 10 employees per location, that means 120 new well-paid, stable jobs. And I can assure you that I am not the only franchise owner taking steps to improve our communities. SPROUTS – PHOENIX, ARIZ.:

The company also said it plans to use about one third of the savings from the recently-passed tax reform for “investments” in employees.

“To ensure we remain in a leadership position to attract the right talent, we will further invest in our team members by improving pay and improved benefits such as healthcare and expanding maternity leave,” Maredia said. “We will invest an additional $10 million, or approximately one-third of our tax savings, for our team members in 2018.” ST. JOHN PROPERTIES – BALTIMORE, MD.:

Baltimore-based developer St. John Properties Inc. will give each of its 180 employees a one-time cash bonus of $1,500 in response to the Republican tax overhaul passed in December. STAFFORD BOUNCE N PLAY – STAFFORD, VA.:

“SBnP, LLC is a Virginia Small, Women-owned and Minority-owned (SWaM) Business. SBNP LLC is a Pass-through business. The Tax Cuts and Jobs Act gives pass-through businesses like ours an additional 20% deduction from our income. Thanks President Trump!” – Nicholas and Nadia Bluma, Stafford Bounce n Play, LLC STARBUCKS – SEATLLE, WASH.:

Starbucks Corp will use some of the savings from the new U.S corporate tax cuts to give domestic employees pay raises, company stock and expanded benefits with a combined worth of more than $250 million, the company said. STATE STREET – BOSTON, MASS.:

    Enhanced employee retirement benefits and investment in training and community grant ***programs***.

STAUB MANUFACTURING – DAYTON, OHIO:

Since Trump took office, Staub says his business has flourished as a result of his presidency. They’ve grown their team from 23 to 37 employees.

After Trump’s tax cuts and reform legislation were enacted last ***year***, Staub says he was able to give larger than expected Christmas bonuses to his employees. STERIS – DERBY, U.K :

Like many companies, the recent tax reform in the U.S will result in significant additional earnings for STERIS to strategically grow our business and return value to Customers, employees and shareholders.  One of our first actions on that front will be a one-time special discretionary bonus of $1,000 to all U.S employees other than senior executives. STIFEL FINANCIAL CORP. – ST. LOUIS, MO.:

Stifel Financial Corp. Chief Executive Ron Kruszewski played Santa Claus two days before Christmas, telling most of the financial company’s approximately 7,000 salaried employees that they will receive an extra $1,500 bonus funded by expected benefits from the new tax law. THE STOWAWAY – MATTAPOISETT, MASS:SPE

$500 bonuses for full-time employees; $200 bonuses for part-time employees. Together with affiliated restaurants The Gateway Tavern, The Stowaway, Sail Loft, and Speedwell Tavern, the bonuses went to 93 employees. SUIT-KOTE – CORTLAND, N.Y :

President and CEO Frank Suits Jr. announced the wage hikes to media alongside U.S Rep. Claudia Tenney.

The average raise, Suits said, will be about $1,400. The company also increased its 401K contributions by about $1 million. SUMMIT STATE BANK – SANTA ROSA, CALIF.:

Summit State Bank announced its plan to give $2,000 to each of its non-executive employees in January 2018 as a windfall derived from the Trump Administration’s tax-law revamp signed by the president on Dec. 22.

Part of the tax-reform legislation will reduce corporate taxation from 35 percent to 20 percent. SUN COMMUNITY NEWS – ELIZABETHTOWN, N.Y :

Raises for all employees averaging $1,000 each; restoration of 2% match on employee IRAs; software and equipment upgrades. SUN SOLAR – SPRINGFIELD, MO.:

A local company plans to expand and it says the Trump tax cuts are the reason.

Sun Solar plans to add about 30 jobs through an expansion plan.

The company installs solar panels on homes to help customers cut utility bills.

Sun Solar says it will invest about $1 million into hiring the 30 local employees.

The company also plans to invest about $300,000 to grow business in the Kansas City market. SUN TRUST – ATLANTA, GA.:

    $50 million in additional community grants to national and local financial well-being efforts     Minimum wage increase to $15 per hour     Merit base pay increases for certain other hourly teammates (about 20 percent of workforce)     A one percent 401(k) contribution to retirement savings for all teammates, in addition to the company’s six percent match opportunity     $1,000 financial incentive for all teammates that complete the SunTrust Momentum onUp financial fitness ***program***.

SUNDANCE VACATIONS – WILKES-BARRE, PA.:

Sundance Vacations announced a decision to award bonuses to its employees based on the GOP tax reform bill that was recently signed into law by President Trump… The Sundance bonuses will total over $125,000. Hundreds of other companies are also issuing bonuses nationwide which Dowd believes will inject more spending into the US economy. SUSSEX WIRE INC. – EASTERN, PA.:

A reduction in the federal corporate tax rate from 35 percent to 21 percent enables Sussex Wire to invest in more workers and technology. The second is the ability to take full depreciation of capital equipment investments in the first five ***years***.

“Those two benefits in the law are a home run for a company like Sussex Wire,” Kardish said.

He said the company had planned to hire five new employees within the next ***year*** with or without the legislation, but the law allows the company to do it faster. SUTTER MASONRY – EL MIRAGE, ARIZ.:

The company employs approximately 100 people. Hourly wages were increased by $1.00 and over $50,000 in bonuses were distributed SYNOVUS FINANCIAL – COLUMBUS, GA.:

    Synovus Financial Corporation in Columbus, Ga., said it would give a $1,000 bonus to all full-time and part-time non-executive employees.

TACO JOHN’S – CHEYENNE, YW.:

Taco John’s International, Inc. announced today that in response to the 2018 Tax Cut and Jobs Act, the company gave part of its projected tax savings to its restaurant crews, general managers, corporate staff and CORE (Children of Restaurant Employees).

On Friday, Feb. 23, Taco John’s International, Inc.’s employees received a one-time bonus, as follows:

    Every restaurant crew member – full-time and part-time – received $200 (after taxes);     General managers and employees at the Taco John’s Franchisee Support Center in Cheyenne received $1,000 each; and,     The Executive Council of Taco John’s International, Inc. (Vice Presidents and above) donated their $1,000 bonuses (a total of $10,000) to CORE, a national not-for-profit organization that grants support to children of food and beverage service employees who are navigating life-altering circumstances.

TCF FINANCIAL – WAYZATA, MINN.:

As a result of the Tax Cuts and Jobs Act, TCF will provide approximately $5 million in one-time bonuses to eligible team members—$1,000 to full-time team members and $500 to part-time team members—who earned less than $100,000 in total compensation during 2017, totaling 80 percent of its workforce. Additionally, TCF will donate $5 million to TCF Foundation to increase grants to nonprofit organizations in the communities it serves, including increasing its match of team member contributions to nonprofit organizations from 100 percent to 200 percent in 2018. TERRITORIAL SAVINGS BANK – HONOLULU, HAWAII:

Territorial Savings Bank has joined the state’s four largest banks in giving out bonuses to employees and increasing the minimum wage.

Territorial Savings Bank said today that most of its employees will receive a $1,000 bonus and that it will be increasing its starting wage to $15 an hour from $11.25 an hour beginning Monday. The bonus, which was awarded today to 247 employees, is in addition to a $250 bonus that had been paid earlier this month to the same employees, following a practice that has been in place for several ***years***. The 36 employees at the vice president level and above did not receive the $1,000 bonuses. TEXAS CAPITAL BANK – DALLAS, TEXAS:

Texas Capital Bank President and CEO Keith Cargill announced today that the bank will be giving a majority of its employees a special $1,000 bonus, thanks in part to passage of the federal tax overhaul plan. THERMO FISHER SCIENTIFIC – WALTHAM, MASS.:

    $500 bonuses

TJX COMPANIES – FRAMINGHAM, MASS.:

Associates

    A one-time, discretionary bonus to eligible, non-bonus-plan Associates, globally     An incremental contribution to the Company’s defined contribution retirement plans for eligible Associates in the U.S and internationally     Instituting paid parental leave for eligible Associates in the U.S     Enhancing vacation benefits for certain U.S Associates

Communities

    Made meaningful contributions to TJX’s charitable foundations around the world to further support TJX’s charitable giving

TINGLEY RUBBER COMPANY – PISCATAWAY, N.J :

Tingley Rubber Company is giving employees $1,000 bonuses.

TIS THE SEASON – WEST JEFFERSON, N.C :$1,000 bonuses for full-time employees. TOKIO MARINE HHC – HOUSTON, TEXAS:

    $1,500 employee bonuses for 2,000 employees.

TOTAL SYSTEM SERVICES – COLUMBUS, GA.:

Total System Services Inc. is crediting tax reform for cash bonuses going to their team members worldwide.

Team members would receive a “special one-time cash bonus of $1,000” as “a result of the company’s continued success and the recently passed U.S tax reform legislation.”

TSYS, which is celebrating its 35th anniversary in 2018, has about 11,500 employees — a little more than 5,000 of whom are based in Georgia. TOWN BANK – HARTLAND, WIS.:

Town Bank said the decision to increase the pay rate for eligible staff “comes as a result of the recently enacted tax reform legislation and the bank’s continued commitment to its employees.”

Wintrust said it expects that more than 600 employees will benefit from the pay raise across its family of more than 150 bank locations, including Town Bank’s 19 branches in Wisconsin. TRAVELERS – NEW YORK, N.Y :

Joining a growing list of companies handing out cash in the wake of federal legislation that slashes corporate tax rates, the Travelers Cos. Inc. told its staff it will give bonuses of $1,000 to thousands of employees.

Chief Executive Officer Alan Schnitzer said in a letter to employees that Travelers will give the bonuses in January to about 14,000 employees with a base salary of $75,000 a ***year*** or less and who meet “performance expectations.” TRAVERSE CITY STATE BANK – TRAVERSE CITY, MICH.:

The bank announced that it was giving each of its 90 employees a one-time $750 bonus because of the federal tax overhaul that President Donald Trump signed in December and the bank’s strong performance last ***year***.

TREMCO INC. – CLEVELAND, OHIO:

Tremco Inc. is  hiring new employees, increasing employee retirement contributions, upgrading equipment, and reinvesting in employees.

TRI-STATE TRAILER SALES – LANCASTER, PA.:

    Increased 401(k) for employees, to 100% on the first 4% of compensation

TRUE NORTH STEEL – BILLINGS, MONT.:

True North Steel added 35 new jobs which Daines attributes to the tax cuts.

Daines said there are several companies in Montana who raised wages, gave out bonuses, and added jobs. TURNING POINT BRANDS – LOUISVILLE, KY.:

Turning Point is joining the nationwide trend of giving a $1,000 bonus to its work force after the passage of tax reform legislation. TURNING POINT USA – LEMONT, ILL.:

    $300 bonuses to all 115 employees.

TUCSON ELECTRIC POWER COMPANY – TUCSON, ARIZ.:

The utility will pass tax savings on to customers.

TYSON FOODS – SPRINGDALE, ARK.:

    Provide a one-time bonus to more than 100,000 team members whose compensation does not include an annual bonus. Eligible full-time team members will receive $1,000, and eligible part-time team members will receive $500. These team members are the backbone of our business and can expect to hear more details from their leadership soon.

    Focus funds on innovation and other initiatives such as enhancing the training, education and development opportunities that all team members receive, so you have the tools you need to advance within Tyson Foods and achieve your potential. For one, we’ll be increasing our investment in our Upward Academy ***program***, an initiative that helps new workers with life skills, including English as a Second Language and General Educational Development (GED) classes.

    Accelerate capital projects that strengthen our operations and plant communities around the U.S As part of this investment, we will move faster on sustainability and animal well-being initiatives, shrinking our environmental footprint, protecting the animals in our care and giving the world’s growing population greater access to sustainable food.

U.S BANK – MINNEAPOLIS, MINN.:

Minneapolis-based U.S Bancorp announced a $1,000 bonus for nearly 60,000 employees, a new minimum wage of $15 per hour for all hourly employees and a $150 million contribution to the U.S Bank Foundation. The company also said it would enhance employee health insurance offerings and pour more money into improving customers’ mobile and digital experiences. U-HAUL – PHOENIX, ARIZ.:

Full-time employees will be issued a one-time $1,200 bonus. Part-time employees will be issued a $500 bonus. This includes all certified medical and maternity leave and military leave Team Members as well.  Bonuses will be issued by the end of February.

In total, the bonuses handed out will exceed $23.6 million and be distributed to 28,940 Team Members.

UELNER PRECISION TOOLS & DIES – DUBUQUE, IOWA:

Uelner Precision Tools & Dies is giving employees bonuses.

ULTA BEAUTY, INC. – BOLINGBROOK, ILL.:

Ulta Beauty, Inc. is giving bonuses for hourly associates, totaling $12.3 million.

UMPQUA BANK – PORTLAND, ORE.:

Umpqua Bank announced in its latest earnings call that it had paid $3.2 million in employee profit-sharing and contributed $2 million to the Umpqua Bank Charitable Foundation as a result of the tax bill. UNION BANK & TRUST – LINCOLN, NEB.:

All full-time and part-time employees received a $1,000 bonus. Over 800 employees. UNITED BANK – MARYSVILLE, KAN.:

United Bank and Trust raised hourly and salaried employees’ wages by $100 per month. UNITY BANK – CLINTON, N.J :

In response to Congressional approval of tax reform legislation, Unity Bancorp, Inc. (NASDAQ:UNTY), parent company of Unity Bank, announced today that its Board of Directors has elected to provide all employees excluding executive management with a one-time $750 bonus. UNUM – CHATTANOOGA, TENN.:

On the heels of announcing record financial results for 2017, Unum said, in addition to the existing all-employee annual bonus ***program***, it is investing in its people and communities with a new paid parental leave benefit for both mothers and fathers in the U.S ; enhancements to the compensation ***program*** so that all U.S employees earn at least $15 an hour; and an additional $1 million in charitable contributions this ***year*** in support of the communities where Unum employees live and work.

UPPER PENINSULA POWER COMPANY – MARQUETTE, MICH.: The utility will pass tax reform savings to its customers. UPS – ATLANTA, GA.:

UPS today announced more than $12 billion in investments to expand the company’s Smart Logistics Network, significantly increase pension funding, and position the company to further enhance shareowner value.

“This $12 billion investment ***program*** is an outgrowth of the opportunity for tax savings created by the Tax and Jobs Act,” said David Abney, UPS Chairman and Chief Executive Officer.  “We will increase network investments and accelerate pension funding to strengthen the company for the long term, so that we maximize the benefit to our global customers, employees and shareowners.” U.S SPECIAL DELIVERY – IRON MOUNTAIN, MICH.:

    $1,000 bonuses

VELVET ICE CREAM  – UTICA, OHIO:

Nathan Arnold, marketing manager for Velvet, said the company’s total investment of about $300,000 will be made this ***year***, except for its new warehouse management system, to be completed in 2019.

The company is increasing wages by $1.10 per hour for full-time employees and by 50 cents per hour for seasonal summer workers. Velvet employs 125 full-time workers and 50 part-timers in the summer. VERIZON – BASKING RIDGE, N.J :

Verizon says many workers will receive shares of stock  3:21 PM ET Tue, 23 Jan 2018 | 00:38Verizon says employees, other than top management, will receive 50 shares of restricted stock, the price of which will be set on February 1.

About 155,000 employees will be affected, Verizon CEO Lowell McAdam told CNBC’s “Fast Money: Halftime Report.”

The award could total over $400 million, based on Verizon’s current share price. Shares traded around $53 a share on Tuesday, down from a fresh 52-week intraday high of $54.60 after quarterly earnings were released. VERMONT GAS SYSTEMS – SOUTH BURLINGTON, VT.:

Vermont Gas announced that it will reduce 2018 customer costs by $2.4 million, the full benefit of December’s federal tax law changes. Vermont Gas has filed a notice with the Vermont Public Utility Commission to give customers a monthly credit on 2018 bills, starting February 1st and continuing through October 2018. Each of Vermont Gas’ 51,000 customers will receive a credit on their heating bill, based on usage, over the next eight months. For families, this bill credit will total almost $40 over the ***year***; businesses could see even more. VERST LOGISTICS – WALTON, KY.:

Verst Logistics confirmed today that they distributed $500 bonuses to all full-time employees on December 29, 2017.

As part of an internal communication, President and CEO Paul Verst wrote that, as a result of the approved tax reform legislation, “Verst Logistics will realize reduced tax obligations going forward.” Speaking directly to employees, he added, “The combination of the efforts of our employees to meet and exceed our customer’s requirements, coupled with a more favorable tax environment, makes for a great future for our company. I want to be sure that you and your families share in the benefits of your accomplishments and the new tax reform legislation.” VISA – FOSTER CITY, CALIF.:

Recognizing that the change in the tax law is focused on the U.S , we have looked first at improving our benefits for U.S -based employees by significantly inriching our company contributions to the 401(k) ***program***:

    Visa matches 200% of eligible employee contributions up to 3% of base salary for a total maximum contribution of 6% of eligible pay.     Visa will now increase the match to 200% of employee contributions up to 5% of base salary, for a Visa total maxmum contribution of 10% of eligible pay.

WALMART – BENTONVILLE, ARK.:

More than 1 million associates benefit from combined wage and benefit changes

    Walmart is increasing its starting wage rate for hourly employees in the U.S to $11, following the passage of new tax legislation.     The company said it will also expand maternity and parental leave benefits, and provide a one-time cash bonus for eligible employees of as much as $1,000.     Walmart said it’s still accessing other “potential additional investments” that could come after the new tax laws.

WASHINGTON FEDERAL – SEATTLE, WASH.:

Washington Federal announced a series of changes as a direct result of the passage of federal tax reform legislation. That includes a 5 percent merit-based increase in wages for all employees earning less than $100,000 annually as well as an investment in employee training ***programs***.

The bank is also planning to increase its technology staff by 25 percent and add an additional tech office in Boise, Idaho, according to a news release. It will also contribute $5 million to the Washington Federal Foundation, which supports nonprofits focused on housing, senior care and improving financial literacy. WASHINGTON TRUST BANK – WESTERLY, R.I :

“Recent legislation has provided us with an opportunity to further recognize our employees and the important role they play in delivering excellent results for our customers and shareholders,” stated Joseph J. MarcAurele, Washington Trust Chairman and Chief Executive Officer.

The Corporation outlined the investment plan as follows:

    We will award a one-time cash bonus of $1,000 to full-time employees and a $500 cash bonus to part-time employees. This award will benefit employees below a certain compensation threshold, covering more than 70 percent of our approximately 600 employees.     Additionally, we will implement a $1.00 per hour salary increase for employees below a certain compensation level, benefitting almost 40 percent of our workforce.

WASTE MANAGEMENT – HOUSTON, TEXAS:

Waste Management said that it will give $2,000 in special bonuses to about 34,000 employees.

The company said the cash bonuses will be given to its North American employees who are not on a bonus or sales incentive plan, including hourly and other employees.

The news comes after other companies have made similar announcements, citing the passage of tax legislation that slashes the corporate tax rate to 21 percent from 35 percent. WEBCO – SAND SPRINGS, OKLA.:

We announced bonuses to our employees this week related to the Tax Cuts and Jobs Act of 2017. The bonuses total about $1.3 million for all non-executive employees, which is an average of about $1,000 per employee. All of our employees also participate in our company’s profit sharing ***program***.  A significant portion of all future tax savings will go into increased profit sharing checks for our employees. WEBHOBBY SHOP – PONTIAC, MICH.:

Bruce Zak, owner of Web Hobby Shop in Pontiac, Michigan, said, “I am sure it seems like ‘crumbs’ to elitists but I was able to give them a $2 per hour raise because of the tax reform. It was great to do and my staff is very pleased.” WEBSTER BANK – WATERBURY, CONN.

Webster said it will pay a one-time $1,000 cash bonus in the first quarter of 2018 to full-time employees who are below the vice president level. This ***payment*** will benefit approximately 70 percent of all Webster full-time employees, the bank said.

The financial institution also said it would increase Webster’s minimum wage to $15 per hour by the end of 2018. WELLS FARGO – SAN FRANCISCO, CALIF.:

    Plans to raise the minimum wage of all team members to $15 per hour, which is an 11% increase over their current minimum hourly rate of $13.50     Targeting $400 million in donations to community and nonprofit organizations in 2018 and will target 2% of its after-tax profits in 2019 for corporate philanthropy.     Targeting $100 million in capital and other resources over the next three ***years*** to support the growth of diverse small businesses and an additional $75 million in 2018 to its NeighborhoodLIFT ***program*** on sustainable homeownership and neighborhood revitalization.

WESTAR ENERGY – TOPEKA, KAN.:

Westar Energy announced it will file a request before the Kansas Corporation Commission (KCC) to reflect in its electricity rates the full amount of tax savings from the change in the federal tax law. Westar said that a detailed application is being prepared and will be filed later this month or early February. The Tax Cuts and Jobs Act, which decreased the corporate tax rate from 35 percent to 21 percent, was signed into law on Dec. 22, 2017, and became effective Jan. 1, 2018.

“We agree with the KCC Staff and others that all these tax benefits should go to our customers,” said Mark Ruelle, President and CEO of Westar. “This application to update rates starts that process.” WESTERN ALLIANCE – PHOENIX, ARIZ.:

    7.5 percent wage increase for the lowest-paid 50 percent of its employees.

WESTERN & SOUTHERN FINANCIAL GROUP – CINCINNATI, OHIO:

    $2,000 bonuses for full time employees     $1,000 for part time employees

WHITE PINE WINERY – ST. JOSEPH, MICH.:

    This is a big deal for the wine industry,” Says Dave Miller, White Pine Winery owner. He says over the past few days his email has been flooded with news of the tax bill…he says business has been good this ***year***, and he plans on planting more grape vines this spring.     According to the Wine Institute, which represents a thousand wineries, this is the first wine excise tax reduction in 80 ***years***. It says the bill will help grow wineries across the country.

WICHITA RAILWAY – WICHITA, KAN.:

Each employee was handed an envelope. Inside each envelope was a tax cut bonus, ranging from $3,000 to $6,000. To date, these are the highest tax cut bonuses in the country, according to a national list maintained by ATR. WILLIS LEASE FINANCE – NOVATO, CALIF.:

Willis Lease Finance Corporation announced that it has given all non-executive employees a one-time bonus of $1,000 as a result of the tax laws recently passed by the United States Congress and signed into law by President Donald Trump. WINDSOR FEDERAL SAVINGS – WINDSOR, CONN.:

Windsor Federal in Windsor, Conn., will pay a $250 bonus to all employees (excluding senior management), and raise the hourly minimum wage to $15 per hour. WIRCO – AVILLA, IND.:

Wright announced that he would be giving every Wirco employee a $500 bonus as a result of the savings the company would see from federal tax reform passed by Republicans in late 2017. WORLDPAY – CINCINNATI, OHIO:

U.S hourly workers are getting bonuses of $1,000 to $2,000 each, and some hourly wages are being hiked. The company is increasing its 401(k) match and investments in wellness and recognition ***programs***. Charles Drucker, the company’s executive chairman and co-CEO, said the company also will increase charitable giving. XANTE – MOBILE, ALA.:

Mobile-based Xante Corp. handed out $1,200 bonus checks to most of its employees on Monday, as its CEO gave thanks to a Republican tax reform bill and Rep. Bradley Byrne.

Xante provides high-end printers and related software for use by professional graphics and printing operations. It employs a little over 100 people in Mobile and about 15 more in Europe. CEO Robert Ross said Monday that anyone who’d been with the company for a ***year*** or more was getting a $1,200 bonus, while those employed less than a ***year*** were getting a different amount. XCEL ENERGY – MINNEAPOLIS, MINN.:

Minneapolis-based Xcel expects to require $133 million less in revenue for its Minnesota electric operations in 2018, according to a filing Friday with the PUC. The company’s gas utility operations would require $8 million less in revenue. Those estimates account for the general corporate tax cut, as well as from utility-specific federal tax changes in the new law.

“We intend to ensure our customers receive the full value of the tax reform benefits,” Xcel said in the PUC filing. YAM WORLDWIDE – SCOTTSDALE, AZ.:

“The passage of the tax credit is a catalyst for explosive economic growth. On a massive scale, the lowered federal tax burden on businesses will increase investment, entrepreneurship and corporate philanthropy,” Parsons said in a press release. “I’ve always believed in sharing good news and have decided to celebrate the tax plan by giving back to my staff.”

The firm employs 725 people, and the 594 who have been with the company longer than six month will each receive a $2,000 bonus, according to the press release. All other staffers will get $1,000. The bonuses total $1.3 million. YANCEY BROS. – AUSTELL, GA.:

    $500 bonus to all employees

ZIONS BANK – SALT LAKE CITY, UTAH:

Zions Bancorp, the Salt Lake City-based large regional bank, said it would pay $1,000 bonuses to nearly 80% of its workforce and increase compensation for nearly 40% of employees as a result of the tax legislation passed late in December.

**Load-Date:** April 9, 2018

**End of Document**



[***Airtel Africa - 2018***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RB0-8SG1-F0J5-84CN-00000-00&context=1516831)

Niger Telecoms Report

January 1, 2018 Monday

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**Length:** 1258 words

**Highlight:** Airtel Africa is a fully owned subsidiary of India's Bharti Airtel. The company, which oversees Bharti Airtel's African operations, was formed following the acquisition of Kuwait-based Zain Group's telecoms assets in 15 Sub-Saharan African countries for USD10.7bn in March 2010.

**Body**

**SWOT Analysis**

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| Strengths | Backed by major international player Bharti Airtel. Extensive regional footprint with operations in 15 countries across Africa. Present in key regional markets, including Nigeria, Ghana, Kenya and Tanzania. Airtel is in the top three position in most of its markets, enabling it to influence competition dynamics. |
| Weaknesses | Low-margin strategy failed spectacularly in Africa, impacting revenue growth and profitability. Presence in many low-ARPU countries weighs on average regional ARPU levels. Limited investment in submarine cable systems compared to some of its regional rivals. Lags some major rivals in the development of enterprise services. |
| Opportunities | Market consolidation in Kenya and Uganda would improve Airtel's competitiveness in those markets. Airtel is well placed to take advantage of growing opportunities in m-commerce services with its Airtel Money platform. Investments in 3G/HSPA+ networks would enable Airtel serve the rising demand for data services. Divestment of tower assets would free-up much needed capital and improve cost efficiencies. Airtel is open to new expansion opportunities in the region, either through acquisitions or through greenfield investments. |
| Threats | Insecurity and political conflicts in some of Airtel's markets could threaten the operator's investments. Airtel's large footprint intensifies the challenge of managing multiple cultural and macroeconomic factors at play in different markets, include language, inflation and forex movements. |

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| **Company Overview** | Airtel Africa is a wholly owned subsidiary of India's Bharti Airtel. The company, which oversees Bharti Airtel's African operations, was formed following the acquisition of Kuwait-based Zain Group's telecoms assets in 17 Sub-Saharan African countries for USD10.7bn in March 2010. It has mobile operations in 15 Sub-Saharan countries, being in the top three in most of them. As of October 2017, Airtel Africa is present in: Chad, the Democratic Republic of the Congo, Gabon, Ghana, Kenya, Madagascar, Malawi, Niger, Nigeria, Congo-Brazzaville, Rwanda, Seychelles, Tanzania, Uganda and Zambia. |

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| **Strategy** | Although successful in India, Bharti Airtel's 'Minute Factory Model' strategy has not taken off in Africa. Low population density, lack of purchasing power and the outsourcing partners' inability to measure up to the challenge prevented Airtel's low-margin high-volume strategy from flourishing. In response, in January 2017 it was reported that Airtel is considering divesting or merging some of its African units in order to reduce its overall company debt. Airtel has reportedly named Chad, Kenya, Niger, Congo-Brazzaville, Rwanda and Tanzania as markets where it could benefit from reducing its exposure. In 2016, it already sold its operations in Burkina Faso and Sierra Leone to Orange for a reported USD900mn. To further cut debt, it has also raised more than USD2bn from tower sales. The sale of an estimated remaining 11,900 towers across Africa should help reduce operating costs and boost the operator's capex budget over the coming ***years***. At the same time, Airtel increased its ownership of Airtel Nigeria in November 2016, purchasing Econet Wireless Limited's 4.2% shareholding in the Nigerian subsidiary. It also acquired Warid Telecoms' assets in Uganda in May 2013 and part of YU Mobile's assets in Kenya in March 2014. Airtel has also expanded its portfolio of non-voice services for consumers and enterprise solutions for businesses. Since 2013, Airtel has been forming partnerships with content providers across different interests, including education, entertainment, financial services, health, ***agriculture*** and information, to launch new non-voice services for consumers. The company is also investing its terrestrial fibre-optic infrastructure to power its recently launched Airtel Connect initiative, a network of fibre and satellite networks, with 42 points of presence (PoP) throughout Airtel's African footprint targeted at enterprise customers. We expect future investments to be geared primarily towards building up coverage and capacity of its 3G and 4G networks across the continent and further developing VAS such as its MFS platform in order to maintain growth momentum in non-voice revenues. |

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| **Developments** | **2017** In October 2017, Millicom and Bharti Airtel completed the merger of their Ghana subsidiaries. The deal will create Ghana's second largest mobile operator with nearly 10mn subscribers and USD300mn in revenue. Airtel and Millicom will have equal ownership and enjoy governance rights in the combined entity. The two will also have board representations and management positions in the merged entity. In February, Airtel announced a MWK15.2bn (USD20.98mn) network upgrade to expand and improve the coverage and quality of its voice and data services in Malawi. The improvements are scheduled to take place between March and July 2017. **2016** In November, Bharti Airtel reached an agreement with Zain for the Kuwaiti company to pay Bharti approximately USD129mn for the settlement of a long-running legal disagreement with Econet over its Nigerian unit. Later that month Bharti bought Econet's 4.2% stake in Airtel Nigeria, bringing the dispute to a close. In March, Airtel sold 1,350 communication towers and 100 infrastructure development sites in Tanzania to the American Tower Corporation in a USD180mn deal. **2015** In November, Airtel announced an agreement with Facebook, which will see it become the first Sub-Saharan African partner operator to expand access to the Free Basics (rebranded from ) ***programme*** across its entire footprint. The Free Basics initiative provides free internet access to 18 partner websites covering news, information, education, health and communication. In October, Airtel closed the sale of 2,500 towers in Burkina Faso, Ghana, Uganda and Kenya to Eaton Towers. The mobile operator has committed to a 10-***year*** tenancy contract in each country. Airtel further confirmed that by October it had concluded the sale of 9,000 towers across eight African countries. In September, Airtel Africa agreed to use Liquid Telecom's 20,000km fibre optic backbone to interconnect its various mobile networks in East, Central and Southern Africa. Backhauling voice and data traffic in this way will free up capacity on the wireless elements of its networks, increasing data ***transfer*** speeds and eliminating congestion. The company - which has, so far, used very low prices to tempt customers away from rivals' networks - now needs to emphasise quality of service in order to retain users. In March, Airtel partnered with Visa to launch mobile ***payment*** services in seven African countries (Kenya, Gabon, Ghana, Madagascar, Rwanda, Seychelles and Tanzania). The two firms will build on the existing capabilities of Airtel's Mobile Money service, enabling subscribers to pay in stores and online - wherever Visa is accepted - through their Airtel Money account. Subscribers will also be able to withdraw money and make ***payments*** from their Airtel Money account with their Airtel Money Visa companion card. |

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| **Financial Data** | The Niger regulator reported the following data for Airtel Africa's operations in the country: Mobile revenue (2011): XOF75,981mn Mobile revenue (2012): XOF91,413mn Mobile revenue (2013): XOF106,082mn Mobile revenue (2014): XOF119,271mn Mobile revenue (2015): XOF108,107mn Mobile Revenue (2016): XOF105,190mn |

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| **Operational Data** | **Mobile Subscriptions** 2014: 74.599mn 2015: 82.070mn 2016: 80.356mn |

**Load-Date:** January 2, 2018

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[***BRIEF NEWS BULLETIN NO. 10549***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T7S-YNY1-F12K-R07T-00000-00&context=1516831)

HINA Digest

12 September 2018

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**Length:** 10664 words

**Body**

Zagreb, 12 September 2018 (Hina) - Considerable investments in Croatian railway sectoropportunity for Austrian companiesZAGREB, Sept11(Hina) - Considerable investments are being made in Croatia's railway infrastructure and more are being planned, which is an opportunity for Austrian companies, a Croatian-Austrian business forum on railway infrastructure and logistics was told in Zagreb on Tuesday.The forum was organised by the Croatian Chamber of Commerce (HGK) on the occasion of an official visit of Austrian PresidentAlexanderVan der Bellen to Croatia.Croatian President Kolinda Grabar-Kitarovic said that Austria was one of Croatia's most important trading partners, and with investments exceeding EUR 4 billion it is the second largest foreign investor in Croatia.In 2017, trade between Croatia and Austria reached EUR 2.5 billion, up 7 percent from 2016, andAustria was Croatia's fourth largest trading partner.Grabar-Kitarovic said that the transport sector was one of the areas where the two countries could strengthen their economic ties. She noted that the Ministry of Sea, Transport and Infrastructure was planning considerable investments in railway infrastructure projects by 2030, adding that their estimated value was over EUR 3 billion."I invite all the companies present here to participate in tenders for the modernisation and development of the Croatian railway network", Grabar-Kitarovic said.Van der Bellen said that about 700 Austrian companies were operating in Croatia and that they had created 35,000 jobs.He noted that Croatia was an interesting place for investment, adding that constant efforts should be made to attract investment by improving the legal framework, simplifying the tax system, building the infrastructure capacity, and training and motivating staff.Right now about EUR 2 billion worth of projects have been agreed in the transport sector and most of them relate to railways, Transport Minister Oleg Butkovic said.He said that the government's primary task was to develop railway infrastructure and ensure effective railway transport services.Butkovic said that the bulk of investments in the railway network were taking place along the Mediterranean corridor, which includes Croatia.

He added that the priority was to build a lowland railway line between Zagreb and Rijeka.Investments in the railways in the Mediterranean corridor are closely connected with investments in Rijeka's port infrastructure, because without developing the railway infrastructure the port of Rijeka would not be able to achieve its full potential either, Butkovic said.HGK president Luka Burilovic said the Croatian railway industryhad over 6,000 workers and was of strategic importance not only for the Croatian economy but for the development of the whole of southeastern Europe as well.The vice-president of the Austrian Chamber of Commerce, Richard Schenz, said that representatives of 30 Austrian companies had come to Zagreb to discuss possible cooperation with Croatian counterparts.Plenkovic and Van der Bellen discuss illegal migration, border protectionZAGREB, Sept 11 (Hina) - Croatian Prime Minister Andrej Plenkovic told the visiting Austrian President Alexander Van der Bellen in Zagreb on Tuesday that Croatia was making great efforts in combating illegal migration and protecting the European Union's external border, reiterating that Croatia would like to join the Schengen area next ***year***.According to a government press release, Plenkovic and Van der Bellen discussed the cooperation between the two countries within the European Union.Van der Bellen spoke of the priorities of the current Austrian presidency of the EU, prevention of illegal migration, the latest developments in the countries of southeastern Europe and the importance of stability in the region.The two officials emphasised that Austria and Croatia had excellent political and economic relations, calling for more trade and better cooperation in the energy sector. Plenkovic noted that Austria was the second biggest investor in Croatia.The Croatian prime minister spoke of his government's priorities -- continuing the positive economic trends and structural reforms, fiscal consolidation,further reducing public debt and encouraging investment.Plenkovic also spoke of Croatia's plan to meet the eurozone membership criteria.Croatian Parliament speaker meets visiting Austrian presidentCroatian Parliament Speaker Gordan Jandrokovic met with visitingAustrian President Van der Bellen on Tuesday, and the two officials confirmed the two countries' traditionally friendly and intensive relations, the Parliament said in a press release.Croatia and Austria have excellent, traditionally friendly and very intensive,bilateral relations and they cooperate excellently in many areas, it was said at the meeting.The economic cooperation between the two countries is very good, the two officials said, welcoming a Croatian-Austrian business forum held in Zagreb earlier in the day.Jandrokovic and Van der Bellen also underlined the importance of the two countries' partnership in the EU and the importance of protecting the EU's fundamental values.Also discussed was the situation in Southeast Europe, the EU and globally.Jandrokovic extended an invitation for Austrian Parliament Speaker Wolfgang Sobotka to pay an official visit to Croatia.Project to facilitate process of starting business in Croatia completedZAGREB, Sept11(Hina) - Starting a business in Croatia could be simpler, faster and easieras of 2019 because a digital platform will be introduced to combine the different processes and institutions that are currently involved in the process of starting a business, a closing conference on a project designed to improvethe business climate, carried out by the World Bank, the European Commission and Croatian partners, heard in Zagreb on Tuesday.The project, designed to lay foundations for a modern system of starting a business in Croatia, was implemented over the past ***year*** and a half by the World Bank and the Ministry of Economy, Entrepreneurship and Crafts, with the support of the EC and a number of Croatian institutions in charge of processes related to starting and registering a business, including the Financial Agency (FINA),which has been in charge of the project management and maintenance of the new digital system.The platform will include websites and an application to be used by future business people in finding more easily and in one place all information necessary to set up a business.This will not lead to abolishing the institutions and agencies that have been in charge of those processes so far, but would rather facilitate the relevant procedures, said a state secretary at the Economy, Entrepreneurship and Crafts Ministry, Natasa MikusZigman.Access to the platform and application will be free of charge but costs such as those related to public notaries will still have to be paid, she said."The project was designed to improve the business climate in Croatiaand encourage the launching of businesses because the ease of setting up a business, which currently depends on a number of institutions, is one of the indicators of the business climate. In this project we analysed those institutions' data, and the World Bank gave recommendations on how to make the process simpler and faster. This will reduce the number of the necessary procedures while the web application will make it possible to register a company faster and in one place. We want the entire procedure to be reduced to two steps," said Mikus Zigman.She said that given the online platform, the project would facilitatecommunication between the relevant institutions, and future entrepreneurs would nolonger have to send the same information to different addresses."This could result in additional economic growth, new businesses, notably small and medium ones, and new employment, as well as more investments. In the Doing Business report for 2018 Croatia has already gone eight places up in terms of starting a business, to 87th place among 190 countries. Thisproject is expected to further improve those indicators," Mikus Zigman said, adding that for the time being the project did not include a model to facilitate the closing of a business, which was something that would be worked on in the future.Project manager Andreja Marusic of the World Bank said that the project was in fact one of the reforms that could help Croatia draw closer to the best practices in the world and the EU.HNB governor pays working visit to GermanyZAGREB, Sept11 (Hina) - Croatian National Bank (HNB) Governor Boris Vujcic met in Berlin with German Vice-Chancellor and Federal Minister of Finance Olaf Scholz,Chair of the Bundestag's Finance Committee Bettina Stark-Watzinger and other members of the Committee, during a day-long working visit to Germany on Tuesday, the HNB said in a statement.The topics discussed included Croatia's economic prospects and prospects for the adoption of the euro, its path towards the European Monetary Union, and the banking union. The meetings were attended by Croatian Ambassador Gordan Grlic-Radman.At Commerzbank, Vujcic delivered a talk on Croatia's economic growth and efforts to jointhe euro area.Croatia is the smallest EU member state which still uses its own currencyalthough it is strongly integrated with the euro area through trade, which is reflected in a high degree of synchronisation of business cycles, the HNB governor said.Speaking of other specific features of the Croatian economy that work in favour of Croatia adopting the euro, Vujcic said that the Croatian economy is highly euroised, adding that 75 percent of domestic savings and 67 percent of debt obligations are tied to the euro.The adoption of the euro would remove the currency risk as one of the main sources of vulnerability for the Croatian economy. On the other hand, the loss of the independent monetary policy would not create a significant negative effect given that the Croatian banking system is dominated by banks owned by institutions from the euro area, which limits the possibilities of monetary policy. The exchange rate is maintained stable and cannot be used as a tool to increase competitiveness, Vujcic said.In conclusion, Vujcic said that Croatia's first step on the path to the euro area would be joining theEuropean Exchange Rate Mechanism (ERM II), adding that Croatia would put in a formal request for accession to ERM II in the foreseeable future.Minister says gov't will be happy if foreign investments reach EUR 2bnZAGREB, Sept11(Hina) - Economy Minister Darko Horvat said on Tuesday that the government would be satisfied if foreign investments in Croatia this ***year*** were to totaltwo billion euros.Speaking at a conference organised by the Jutarnji List daily, Horvat said that foreign investments had hit rock bottom in 2013 and 2014, amounting to between 450 and 500 million euros.It was only in 2017 that investments reached the level of 2007 and 2008, totalling EUR 1.84 billion, he said."Why am I optimistic? In the first quarter of this ***year*** foreign investments in Croatia totalled around EUR 486 million. If that trend continues until the end of the ***year***, we will have a successful ***year*** given the investment potential of two billion euros," said Horvat.The minister said that grants allocated through structural funds to small and medium businesses now stood atHRK 3.3 billion.Croatia's investment laws are very encouraging, he said, adding that domestic businesses had much higher investment potential than foreign ones."We have good projects and investment potential and it is up to us to set the investment cycle in motion," he said.He announced that in about ten days 59 local government units would sign contracts worth HRK 225 million granted from EU funds and to be used for rebuilding or upgrading business infrastructure."With the reduction of administrative obstacles the impact on the business sector by the end of the ***year*** will be around HRK 625 million. The tax reform has already reduced the burden on the business sector by around HRK 2.5 billion," said Horvat, explaining how the government was creating an active investment environment.Guarantee fund to be establishedCommenting on Brodosplit shipyard CEO Tomislav Debeljak's statement that interest rates for the shipbuilding sector were too high, Horvat repeated that intensive work was under way to establish a guarantee fund to secure stable support for the financing of production in all shipyards, big and small alike.The models of operation of that fund will be known by the end of the ***year*** and shipyards that are financially stable, have good business results, competitive products and a market niche will be eligible for its support, Horvat said, adding that the state wanted the shipbuilding industry to continue to exist but on healthy foundations.The European Investment Bank (EIB) director for the Adriatic region, Miguel Morgado, said that over the past ten ***years*** the EIB had significantly contributed to the development of the Croatian economy and helped create more than 2,000 jobs.He pointed, however, to the lack of big projects and suggested that Croatia should opt for production sectors in which it could be globally competitive.Rimac Automobili director Mate Rimac said that Croatia had missed many opportunities for development and noted that he was working on a study that would attempt to explain why manufacturing businesses had left Croatia for other countries.The state must have a clear strategy of howto attract investments, Rimac said.Vetropack management board chair Tihomir Premuzak agreed with Rimac, saying that Croatia yet had to create an investment climate. In that context he mentioned that a tool plant to employ 3,000 workerswas being built in Slovenia, wonderingwhy something like that was not happening in Croatia.Opportunities for Croatia's growth lie in manufacturing, drug and tourist industriesZAGREB, Sept11(Hina) - The Croatian government sees the best opportunities for economic development in the manufacturing industry, car parts production, the pharmaceutical industry, information and communication technologies, andin tourism, Deputy Prime Minister and ***Agriculture*** Minister Tomislav Tolusic said at a conference on industrial production and foreign investments in Zagreb on Tuesday.Addressing the conference organised by the Jutarnji List daily newspaper, the minister said that the government had done much for the recovery of the national economy and it wasalso aware that it was supposed to implement necessary changes more resolutely.Therefore this cabinet has put its focus onpublic administration reform, judiciary reform and better control over the governance ofstate-owned companies with theaim of boosting their productivity.The government is committed to improving the quality of education and connecting the schooling system with the labour market as well as to reducing the costs of the public healthcare system, Tolusic said.He admitted thatone of the main challenges was to halt the departure of people from Croatia. The pace of emigrationis slowing down and it is necessary that all of us, the government and the economic sector, do our utmost to ensure that people will not leave the country, he said.Tolusic spoke about the importance of attractingforeign investments.It is essentialto catch up with our peers, to create jobs with additional value, to have innovations and upgrade the domestic industry, and to enable the ***transfer*** of knowledge and technology, and all that requires foreign investments, the ministersaid.The head of the Zagreb Office of the European Investment Bank (EIB),Anton Kovacev, said that the development of the industry was a prerequisite for economic growth and job creation.Kovacev said that industrial growth and foreign investment were crucial for a steady growth in the coming ***years*** in Croatia.The EIB Vce-President,Dario Scannapieco,said that this banking institution would continue to actively encourageCroatia's development.The development of the transport infrastructure, energy and energy efficiency, social infrastructure and encouraging the development of SMEs in cooperation with local financial institutions are in thefocus of this bank's interest, he said.Last ***year***,EIB investments in Croatia stood at EUR 590 million, which ranks Croatiathirdamong EU member-states.EIB investments in 2017 rose by 28% from 2016,Scannapieco said.It's worthwhile investing in the islands, conference toldZAGREB, Sept 11 (Hina) - It is worthwhile investing in the islands, butmore needs to be done to make living there easier, improve access to health services andtransport connectivity, create jobs and provide tax breaks for investments, a conference organised by the Novi List daily was told in the northern Adriatic town of Opatija on Tuesday.Tourism Minister Gari Cappelli explained that the intention of the new bill on the islands was to improve transport connectivity and the economy and increase investments.He underscored that data and results showed it was more than worthwhile to invest in the islands.Investors primarily expect us to connect the islands, using a model that is best for investments, he said, underscoring that investments in the islands are about 30% more expensive and that investors expect the government to provide tax reliefs.Speaking about possible incentives, Cappelli saidthat a 100% reimbursement of VAT should be introduced for investors coming to the islands, particularly in the public sector, and that attempts should be made to provide cheaper transportfor investors.The president of the management board of the Jadrolinija shipping company, David Sopta, explained that prices are defined by concession agreements and are determined by the state. He said that a 4% increase in transport was expected this ***year*** compared to last ***year*** and that Jadrolinija plannedto renew its fleet.Minister of Regional Development and EU Funds Gabrijela Zalac said that almost HRK 22 billion had been invested in the islands from 2004 to 2017. She added that 63 projects on the islands had received more than HRK 1 billion in EU funds between 2014 and 2018.The new bill is aimed at managing development, demographic and economic revitalisation, targeted management of island policy and sustainable development, self-subsistence and improving the quality of life on the islands.Sasa Popovac of the Croatian Tourist Board (HTZ) saidthat in 2018, tourism turnover was registered on 48 islands which have 474,000 available beds or one-third of Croatia's capacities. The islands account for 18% of hotel capacities, 24% of camps and 28% of homestayfacilities.The most capacities are located on the islands of Krk, Pag, Vir andLosinj, and every fifth tourist to Croatia in 2017stayed on an island.Labour minister presents active employment policy to AmChamZAGREB, Sept11(Hina) - Minister of Labour and Pension System Marko Pavic presented the active employment policy to the American Chamber of Commerce (AmCham) during a working breakfast on Tuesday. Hespoke about how Croatia's labour market can compete with the single EU market and described current activities regarding the pension reform.Pavic underscored that self-employment measures and ***programmes*** were more generous in Croatia than in many European countries - HRK 55.000 for self-employment and HRK 70,000 if several people joined in an enterprise. We also wish to relieve the tax burden and wages are already growing in the construction and tourism sectors, he added.Croatia is faced with the challenges of opening the labour market, unemployment is decreasing and currentlythere is about 132,000 people registered as unemployed, which is about 8.5%, a little higher than the EU average, he said, butadded that emigration is growing as a result of mobility of people, commodities and services.GDP has increased more than expected andindustrial production is growing too. It is necessary to preserve the competitiveness of employers and people as the most important resource, he added.Asked about the pension reform, Pavic saidthat it would be presented tothe public soon and that the intention is to secure long-term stability of the system, with sustainable public financing and higher pensions.Meeting with Health Minister Kujundzic about supplementary health insurance for pensionersPensioners can rest assured that the ***payment*** of pensions will be regular and stable. The pension system reform will give future pensioners the opportunity to be included in the labour market, with appropriate pensions, Pavic said.He added that he would meetwith Health Minister Milan Kujundzic on Wednesday to resolvethe question of supplementary health insurance for pensioners whose pension allowances have increased and who are now no longer exempt from paying premiums.Pavic warned that the USA is one of the few countries with which Croatia doesn't have an agreement on avoiding dual taxation and stressed that he wants to strengthen economic cooperation.AmCham executive directorAndrea Doko Jelusic underscored that the labour market is the focal point for all employers and foreign investors. AmCham's investment committee has already begun to prepare for possible recommendations once the labour bill is put up for debate, she said.AmCham consists of Croatian, American and international employers. Itwants to be a partner to the government and present its ideas and opinions. In October, AmCham will mark20 ***years*** of activity in Croatia.Pensioners' leader hails state pension, against stricter penalisation of early retirementZAGREB, Sept11(Hina) - The leader of the Croatian Pensioners Party (HSU), Silvano Hrelja, on Tuesday commented on the proposedpension reform, welcoming the announced introduction of the state pension for people who have never workedand the possibility for pensioners to work up to four hours a day, but he opposed stricter penalisation of early retirement and the proposal to raisethe age for full old-age pension."We are worried about proposals regarding stricter penalisation of early retirement and the raising of the age for full old age pension to 67 ***years***, as well as about the lack of a solution for the supplement to pensions paid from the second pension pillar," Hrelja told reporters on the margins of a conference organised by the American Chamber of Commerce (AmCham)."Envisaging the 27% supplement for ***years*** of service only for pensions from the first pension pillar is in line with the 'equal contribution, equal rights'principle,whereas for contributions paid according to the 15+5% principle a different solution should be found," said Hrelja."I believe that there must be a single minimum pension, which currently amounts to HRK 63 per ***year*** of service, and new pensioners must in no way enjoy less protection in that regard," said Hrelja.Commenting on the fact that after the latest increase in pensions some pensioners had become subject to the ***payment*** of supplemental health insurance, Hrelja said that this was due to state systems not being networked."We have pension indexation, yet it is not accompanied by an increase in the threshold for exemption from the ***payment*** of supplemental health insurance. Since 2004... the threshold has been the same, which is not normal. In our opinion, the threshold should have been HRK 1,800 per family member, or HRK 2,200 in case of single-member households," Hrelja said.He also called for dealing with the issue of accelerated retirement scheme considering that new jobs are emerging while more than 40 that include an accelerated retirement scheme have disappeared.Criticising the pension reform draft, he said that it would result in an increased rate of disability and early retirement, which, he added, had a penalisation rate of up to 24%.He noted that in 2010, 10,000 people opted for early retirement and that now he expected between 6,000 and 8,000 people to opt for early retirement considering the proposed penalisation.That means having to ensure around HRK 200 million more in the budget on 1 January 2019, he said."If Finance Minister Zdravko Maric and the government are up for such figure juggling, I can't help them, but it will be to the detriment of future pensioners," he said.Horvat: Uljanik Group's overhaul plan being reworkedZAGREB, Sept 11 (Hina) - Economy Minister Darko Horvat reiterated on Tuesday that the European Commission consideredthat the government's financial contribution as envisaged in the proposed restructuring plan for the Uljanik Groupwastoo high and added that Uljanik's management board wasreworking the plan together with its consultants."According to the information I have, the management board is reworking the restructuring plan together with its consultants," Horvat told reporters on the margins of a conference on industrial production and foreign investments.He reiteratedthatEuropean Commissioner for Competition, Margrethe Vestager, was very clear when she said that the government's contribution to the restructure was too high.Commenting on media reports according to which a company Horvat used to workfor blocked the Uljanik and 3. Maj shipyards' accounts, Horvat said that when he had worked for the Energy Plus company "Ivis 94 did not existat all.""I saw in the media yesterday what this wasabout and checked that that company was founded in 2018.At the moment, I have no idea what that company is actually involved in, and according to the information I have, it has one employee," Horvat said.Some media outlets have reported that the Ivis 94 Energija company, which was taken over earlier this ***year*** by Energy Plus, where Horvat once worked, had blocked the 3. Maj shipyard's account and as a consequence the Uljanik shipyard's account has also been blocked.The media outlets have also carried a statement by Energy Plus's owner, Zvonko Magic, who said that there is no connection between Minister Horvat and Ivis 94 Energija because he left the Energy Plus company in 2015 and that that company bought Ivis 94 Energija in January 2018.Asked whether there was a possibleconflict of interest if Energija Plus managed to have its debt settled from the money the government will provide, Horvat said that currently a model was being sought to ensure that workers receive their wages."We are not considering settling any debts that the shipyards have incurred over the past ***year*** or two or more. My priority is to secure wages for workers and we are yet to see what will happen with the shipyards in Pula and Rijeka," he underscored.Asked whether the shipyards were seeking 40 million euros to cover their debts, Horvat said that he had information that Uljanik and 3. Maj were seeking another 100 million euros to launch restructuring and that at the moment it is difficult to even talk about that sort of information.He added that management board decisions had the biggest impact on the current situation in the Uljanik Group.Pula City Council, Istria County Assembly adopt declaration on UljanikZAGREB, Sept11(Hina) -The Pula City Council and the Istria County Assembly on Tuesdayadopted a declaration seeking to salvage the Pula-based Uljanik shipbuilding group.The document calls on all stakeholders in the process of the group's restructuring to give priority tothesearch for a model to pay the group's workers their wages and secure funds until the completion of the restructuring process. It also urges the government to take measures to help resolve the group's current situation and make Uljanik a viable and successful shipyard."Istria County and the City of Pula are unanimous in the position that the shipbuilding industry is of strategic importance for the region as one of its strongest export sectors. As a long-standing leader in industrial production, Uljanik must survive," reads the declaration and calls on the government to treat Uljanik the same way it had treated other shipyards in the country.Istria County and the City of Pula are ready to make their resources available to help stabilise the shipbuilding groupand want possible strategic partners to know that they will not support any speculation involving land or change the shipyard's physical plan to harm the company or its workers.The regional authorities also callon the government to urgently find a way to salvage Uljanik in cooperation with its management and workers and do its best to remove the damage caused by the cancellation of previous orders for the construction of vessels."We want the government to participate actively in the restructuring as a co-owner and partner because only the government can negotiate the group's restructuring with the European Commission and carry it out. Wewant conditions to be created for viable shipbuilding and the government to ensure Uljanik's competent management and establish protective mechanisms for state guarantees," says the declaration.The document also calls on stakeholders in the restructuring process to refrain from politicising the situation.Four of 25 members of the Pula City Council abstained from the vote on the declaration as did seven of 41 County Assembly members attending today's session.Assistant minister informs local authorities of stages in preparing Uljanik overhaul planZAGREB, Sept 11 (Hina) - Councillors of the Pula City Council and the Istria County Assembly held a joint session on Tuesday to discuss the current state of affairs in and the prospects of the ailing Uljanik Group and, addressing the meeting, Assistant Economy Minister Zvonimir Novak warned about flaws in the first draft plan for the overhaul of the Pula-based shipyard.Claiming that the EC expects the equalratio of participation of the Uljanik Group, a strategic partner and the state authorities in the financing of the restructuring plan, Novak said that the blueprint for the restructuring of the dock envisaged an increase in costs of 100 million euros, and noted that "this is too serious a job forcosts to rise just like that."The blueprintwas forwarded to the government on 20 April and we immediately had a series of objections, and one of them is that the government would be expected to cover 60% of the overall costs. Furthermore, companies inside the Uljanik Group were too intertwined and it was vague which company is going to be restructured, and deadlines were too short, Novak told the session.The second draft forwarded in May ignored the government's objections, and only in the third version of the restructuring plan werethose objections accepted to some extent, according to the assistant minister.The plan has been analysed in detail and, in parallel, intensified talks have been held with the management so as to ensure that the European Commission has as few objections as possible. The plan was sent to Brussels on 13 July, and the EC confirmed on that occasion that the bailout loan of 96 million euros should beadded to the costs of restructuring,Novak said.The Economy Ministry is currently holding talks with shipowners who decided to discontinue cooperation with the Uljanik Group, and Zagreb is trying to persuade them that the restructuring plan is now being hammered out and is soon to be approved."Time is not on our side," Novak added."The ministry is seeking models for the ***payment*** of wages for August in a timely fashion, having in mind the fact that (Uljanik's) bank account is blocked, whichmakes this transaction difficult," the government official said.Executive Denis Rabar, who sits on Uljanik's management board, said that there was a will and readiness for the continuation of the shipbuilding industry. He is proposingthat Uljanikstart building complex ships.Supervisory Board chairwoman Renata Kasnjar-Putar said that all the decisions adopted by the Supervisory Board were legal and that, out of three potential strategic partners, they opted for the best one.One of the unionists said that employees did not care about the shifting of responsibility but that they wanted to see a solution.He recalled that in 2012 the then government promised the recapitalisation of the dock and that had not happened.Workers don't want to wait for salaries, they are leaving of their own accord"We have nothing more to lose and you have, a lot. Workers, inhabitants and taxes. Seven months were lost on drawing up the restructuring plan. Nobody wants to wait for salaries anymore, people are leaving of their own accord. Any partner that will continue with production is welcome, and services would mean the end of Uljanik," said Samir Hadzic who represents the workers.The management are disastrous in how they dobusiness and treat the workers. I'm sure your intentions are good, but I no longer trust anyone. We want concrete moves so that we can sleep peacefully, said Hadzic.Istria County head Valter Flego said the complex situation in Uljanik did not start yesterday but that now "is the eleventh hour.""The key solution is in the hands of the government, which is the majority owner. Croatia invests too much in tourism, which isn't good. We are the most dependent on tourism in all of the Mediterranean."In the ownership structure of the Uljanik dock, employees and small shareholders hold a stake of about 47%, the Croatia Osiguranje insurer has 9.93%, 7.7% is held by the Croatian Pension Insurance Fund (HZMO), etc.Pula mayor Boris Miletic reiterated that Uljanik was of strategic importance for Pula and that the city's zoning plan envisaged only shipbuilding to be conducted on Uljanik's property."We'll never change that at workers' expense and only the government can offer a solution... The Economy Ministry is pushing for the survival of shipbuilding, while the ministers of finance and state assets are for bankruptcy," Miletic said.He expects the government to present itsdecisions on the strategic activity and a guarantee fund at its session in Pula on Thursday.Uljanik workers blame IDS party for situation in shipyardThree banners were put up in Pula on Tuesday to "welcome" Istrian Democratic Party (IDS) office-holders ahead of a session of the City Council and the Istria County Assembly convened to discuss the situation in and the prospects of the Uljanik shipyard.The banners said "Uljanik won't forgive you" and "IDS mafia" and on them were drawn the faces of Pula mayor Boris Miletic, who is the IDS leader, the strategic partner in the Uljanik shipbuilding group, Danko Koncar, member of the European Parliament Ivan Jakovic (IDS) and his associate Oriano Otocan."With this act, workers are doing a lot of damage. Such communication doesn't benefit anyone," Miletic said ahead of the joint session.Uljanik workers said that with this act they wanted to show they were not stupid and that they knew some things concerning Uljanik and who was responsible for the current situation."The main culprit is the management. We, the workers, know that, the law knows that, those in the management know that too, so let thewhole public and the nation know it too," they said, adding that the supervisory board was to blame too as it was supposed tocontrol the management."All of Pula knows, so let it be known more widelytoo, that this management is actually anIDSmanagement which was appointed by the leadership of this mafia party. There is evidence that (Gianni) Rossanda was a member of the IDS when he became chairman of the management board, as heard in the media recently. The other management board members are all friends and subjectsof the IDS leadership. We repeat, we are not stupid and know well that the management and the IDS together stole billions from Uljanik, defrauding us workers who are having a hard time fighting for our salaries anyway," the workers said in a press release.It is incredible that the IDS is defending the management and itself, while blaming everyone else, from the workers to the government, they added.Istrian HDZ branch says Uljanik management should bear the consequencesZAGREB, Sept 11 (Hina) - The government didn't appoint the management board in the Uljanik Group, it didn't appoint its Supervisory Committee or prepare its restructuring plan nor did it choose itsstrategic partner - that was done by the group's management board and it has to bear the consequences, the head of the Istrian branch of the Croatian Democratic Union (HDZ) and County Assembly member, Jurica Siljeg, said after a thematic session of the Pula City Council and the Istria County Assembly in Pula on Tuesday.Underlining that the government alone has fulfilled its promise to pay 4,500 workers at Uljanik their July wages, Siljeg recalled that wages for August will also be paid as promised, based on HRK 100 million in additional state guarantees."The government alone is behaving responsibly in this situation, it is not politicising or scoring cheap political points over the fate of Uljanik workers," Siljeg underscored in a statement to the press.Referring to the management board's responsibility for the situation in Uljanik, he said that the management board's president, Gianni Rossanda, and board members are the most responsible for the accumulated problems in the Uljanik Group and that they should explain to the workers, to all of Istria, Croatian taxpayers and the public at large, the circumstances that have led to Uljanik's insolvency.Declaration contains untruths aimed at shifting attention from those responsible"The management board and its consultants prepared the restructuring plan which has proven to be unacceptable to the European Commission. The management board selected thestrategic partner, who is connected by interest with the honorary president of the Istrian Democratic Party (IDS), Ivan Jakovcic. That is something that arouses suspicion about the entire process," said Siljeg, who abstained from voting on a declaration on the Uljanik Group, adopted at today's session of the Pula City Council and the Istria County Assembly.He explained that the "declaration's text is unacceptable because it contains untruthful claims and is a classic example of twisting the facts to turn attention away from those responsible."HDZ: Workers know who is responsible, how Uljanik operated and where to find the culprits"The government is a stakeholder in Uljanik d.d., Uljanik is a majority private company. The main strategic stakeholdersin restructuring arethe management board and its consultants. The workers know who is responsible. The workers know how Uljanik operated. The workers know where to look for the culprits, that is why they are protesting outside the City Council offices," Siljeg concluded.SDP wants City and County to secure collateral; Mayor Miletic should stop taking selfiesThe president of the SDP-HSU group in the Pula City Council, Danijel Feric, said in a statement to the press on Tuesday that he had called on the government to dedicate to Uljanik the same amount of time, energy and responsibility it had dedicated to resolving the crisis in Agrokor and that he expected the government to nominate its member to the Supervisory Committee by the next assembly meeting."We expect the city and county authorities, as Uljanik's co-owners, to secure collateral, not a loan, for a possible new loan for Uljanik. We also call on Mayor Miletic not to hide or take selfies in Zagreb and Brussels while the workers are striking but to stand by their side and walk with them," said Feric.Jandrokovic: No reason for snap election, HDZ more than stableZAGREB, Sept 11 (Hina) -Parliament Speaker and Croatian Democratic Union (HDZ) secretary-generalGordan Jandrokovic said on Tuesday that there is no reason for a snap parliamentary election and that the HDZ is more than stable.Commenting on Vukovar Mayor Ivan Penava's (HDZ)announcement ofa protest rally in that town to express dissatisfaction with the way state institutions are prosecuting war crimes andshedding light onthe missing in the 1991-1995 Homeland War,Jandrokovic said that Penava would not suffer any consequences in the party."There is no reason for a snap election as long as there is a majority of 76 MPs or more hands. It is essential that the government has political stability in the parliament, and it does. We have proved over the past few monthsthat we can successfully pass laws with 77 handsand I expect that to continue," Jandrokovic told reporters after a meeting of the parliament's presidency, ahead of the start of the regular parliamentary season.Asked whether the cases of ousted party colleague Darko Milinovic and Penava indicated thatthe situation in HDZis not stable, Jandrokovic retorted that the situation is stable but that sometimes discussionsand higher tones are known to occur."HDZ is more than stable. Compare it to other political parties and you will see that we have remainedthe only strong political party. Naturally, there are discussionsin HDZ and sometimes voices are raised. However, we always endeavour to resolve those disputes through discussionand dialogue. We are aware of the responsibility we have because we are the largest and strongest political party and the backbone of this parliamentary majority andthe government," said Jandrokovic.Penava won't be penalisedAsked whether Penava would be penalised in the party after he announced a protest rally in Vukovar because war crimes were not being tried, Jandrokovic said that he wouldn'tbe."There won't be any penalties. I spoke with Penava and he explained the reasons and the frustrations that Vukovar residents have, and we will continue that dialogue," Jandrokovic said.He added that it is a fact that there is a large number of unresolved cases and that he expects state institutions, primarily the State Prosecutor's Office (DORH) and courts, to try all those that deserve to be.Asked whether reforms in Croatia were proceeding too slowly, Jandrokovic said that whenever reforms are mentioned there is a lot of emotion and that there are alot or people who perhaps aren't satisfied with the reforms. "It is absolutely necessary to accelerate the paceof reforms regarding the pension and health systems, the judiciary, state administration, and I believe that the laws we have already and those that will come fromthe government will make all those sectors more efficient," he said.Vukovar mayor meets interior minister, not giving up on planned protestZAGREB, Sept11(Hina) - After talks with Minister of the Interior Davor Bozinovic on Tuesday,Vukovar Mayor Ivan Penava said that he would not back down from a protest rally against "the silence of Croatian institutions" about war crimes committed in Vukovar even thoughBozinovic had acquainted him with the work of a task force investigating war crimes committed on the Ovcara farm outside the town in the early 1990s.Penava told Hina that Bozinovic and his associates had informed him that a task force to investigate the war crimes at Ovcara was set up in February 2017 and that he was informed of its activities and problems it encountered on the ground.Expressing satisfaction with the task force's approach to war crimes at Ovcara, Penava said, "We evidently have a problem within the system, which is organised rather poorly, which makes war crimes investigations rather inefficient.""Despite efforts, we have very poor results in prosecuting war crimes and in shedding light on the truth about the victims' fate. We definitely have to make a major step forward in that regard because we simply owe it to the victims," said Penava, a member of the Croatian Democratic Union (HDZ).Noting that he was not giving up on his plan to organisea peaceful protest rally in Vukovar on October 13 against the inefficiency of state institutions in prosecuting war crimes, Penava said that cancelling the protest was out of the question."I don't think that anyone should feel insulted by that, either personally or as a political party. This matter is so serious that it surpasses any egos or daily politics," he said.Asked about his meeting with HDZsecretary-general Gordan Jandrokovic earlier in the day and speculation that he might be sanctioned, Penava said that discussing someone's political destiny"in the context of such a grave problem as unsolved war crimes is disgusting.""If there will be any sanctions, let them be," he said.Asked about the comment by the Vukovar branch of the Independent Democratic Serb Party (SDSS) that theissue ofwar crimes should be dealt with bythe relevant state institutions and not by the public at large, Penava said that each war-crime victim deserved respect and that their ethnic background was less important.Bridge against planned reduction of direct ***payments*** to farmersZAGREB, Sept11(Hina) - The Bridge party on Tuesday expressed its disapproval of a planned curtailing ofdirect ***payments*** that are provided to ***agricultural*** producers fromEuropean Union funds, and this opposition parliamentary party callsfor allocatingscholarships tostudents enrolled in ***agricultural*** faculties and vocational schools as well as for reducingtaxes in the ***agricultural*** sector."Our farmers are mostly interested in direct ***payments***, that is in grants, and if those subventionsare cut, that will cause trouble in ***agricultural*** production," said Bridge lawmaker Tomislav Panenic, who chairsthe parliamentary ***agriculture*** committee.During the economic crisis in 2010, HRK 3.5 billion was set aside from the state budget for ***agriculture***, and currently those funds are about a billion kuna, he told a news conference.It is clear that Croatia's ***agriculture*** cannot fare well without direct support. It is the duty of our government, ministers and our deputies in the European Parliament to see to it that direct ***payments*** to Croatian farmers be reduced as little as possible, Panenic said.Bridge lawmaker Sonja Cikotic presented some worrisome figures about Croatia's ***agriculture***.Thus, a mere 6% of owners of ***agricultural*** businesses and farms are younger than 30, and only 10% are under the age of 40.Statistics about enrollment in ***agricultural*** faculties are devastating, she said. For instance, in Zagreb there are still 148 vacant places andOsijek's ***agricultural*** faculty has180 free places for freshmen this ***year***.It is necessary to make a turnaround and set up a fund for scholarshipfor these professions, she added.Croatian ministry, HGKworried about proposed Common ***Agricultural*** PolicyLast week, the Croatian Chamber of Commerce (HGK) and the Ministry of ***Agriculture*** expressed their concern over a proposal for a new Common ***Agricultural*** Policy (CAP) for the next long-term EU budget 2021-2027, which foresees less funds for Croatia, and called for postponing the proposed cuts until 2023.Companies from the ***agricultural*** and food industries held a meeting at the HGK with representatives of the chamber and the ministry to discuss the European Commission's CAP proposal.Under the EC's proposal, presented in June, Croatia's allocation in the next seven-***year*** budget would be 4.035 billion euro from CAP, or 4.544 billion euro if inflation is taken into account, with a little more going to direct ***payments*** to farmers and a little less for rural development.The EC has proposed three new regulations related to direct ***payments***, rural development measures, mechanisms establishing a common organisation of markets and quality schemes for ***agricultural*** products and foodstuffs, and these regulations should be adopted no later than 2020.Dragan Kovacevic, the HGK vice-president responsible for ***agriculture***, forestry and fisheries, said that the proposed CAP reform contained radical changes, including an overall reduction of the budget by 5%. He added that in the 2021-2027 period, Croatia would receive 70 million euro less annually for direct ***payments*** and rural development.Future EU presidency trio meets in ZagrebZAGREB, Sept 11 (Hina) - The future trio of presidents of the Council of the European Union -- Romania, Finland and Croatia -- which will preside over the Council from January 1, 2019 until June 30, 2020 -- met at the Ministry of Foreign and European Affairs in Zagreb on Tuesday to discuss the common priorities of their presidency, the ministry said in a statement.Attending were Victor Negrescu, Romanian minister delegate for European affairs; Kare Halonen, Finnish state secretary for EU affairs; Gabor Ivan, director of the General Policy Department at the General Secretariat of the Council of the EU; and Andreja Metelko Zgombic, Croatian state secretary for European affairs.They exchanged views on the trio's common priorities during their 18-month presidency of the Council of the EU and discussed current issues included on the agenda of the EU and forthcoming meetings and steps being taken regarding the presidency of each member of the trio. They agreed further cooperation within the trio, particularly in preparing a ***programme*** that should be adopted at a General Affairs Council meeting in December.Romania will preside over the Council in the first half of 2019, after which Finland will take over for the next six months. Croatia will hold the rotating presidency from January to June 2020.The current trio comprises Estonia, Bulgaria and Austria.Member states holding the presidency work together closely in groups of three, called 'trios'. This system was introduced by the Lisbon Treaty in 2009. The trio sets long-term goals and prepares a common agenda determining the topics and major issues that will be addressed by the Council over an 18 month period. On the basis of this ***programme***, each of the three countries prepares its own more detailed 6-month ***programme***.Conference on protecting historic buildings in Central Europe heldZAGREB, Sept 11 (Hina) - An international conference on the preservation of built heritage was held in Karlovac on Tuesday as part of the BhENEFIT project, with participants from Austria, Croatia, the Czech Republic, Slovenia, Slovakia, Italy and Hungary presenting the results of the first ***year*** of the project, which isco-financed from the 2014-2020 Central EuropeInterreg ***programme***.The BhENEFIT project, to continue until 2019,is valued at almost two million euros and isaimed at the sustainable management of historic urban areas.Emanuela Medeghini from Italy presented similarities and differences in individual countries based on an analysis of the management of historic urban areas.Assistant Culture Minister Davor Trupkovic underscored that there were a number of historic areas in Croatia where people still lived. He notedthat the stance of conservationists that the preservation ofheritage should strictly adhere to what was inherited without any intervention hadchanged over the past ten ***years***.Underscoring that Croatia has implemented all UNESCO standards for protected localities with regard to project documentation, regulations, tourism strategies, cultural strategies and heritage management strategies, Trupkovic warned of the problem of modern living demands, for example in Dubrovnik."I think that very little is known about attempts in Dubrovnik to systematically resolve the problem of air-conditioning by using the power of the sea tocool the system that would cool the interiors of the entire historic centre," Trupkovic said.Karlovac Mayor Damir Mandic said that the city authorities hadprepared relevant administration procedures to revive the old Zvijezda city centre, built in the 16th century.Lepoglava to host 22nd int'l lace festival on Sept 14-16ZAGREB, Sept 11 (Hina) - "Lace and Design" is the theme of the 22nd international lace festival in Lepoglava taking place on September 14-16, reporters were told on Tuesday.The festival will feature culture, tradition, education and entertainment, and Italy is this ***year***'s partner country. Bosnia and Herzegovina, Poland, Slovenia, Estonia and Hungary are also taking part, as are the Croatian lace centres - Hvar, Pag, SvetaMarija, Sikirevci, Ozalj, Krizevci, Primosten,Lepoglava, and the Slovenian Cultural Society Triglav from Split."Through the festival, we present culture, our rural area, and we must utilise all that as tourism potential," said Lepoglava mayor Marijan Skvaric.European Heritage Days will be marked as part of the festival and Lepoglava will offer visitors numerous events highlighting the link between cultural and natural heritage.51st International Puppet Festival to open on SaturdayZAGREB, Sept 11 (Hina) - The International Puppet Festival (PIF) will be held in Zagreb from September 15 to 21, and will show the best achievements of contemporary puppetry from Europe, North and Central America and Asia.The ***programme*** features 16 plays from nearly as many countries, including Canada, Chile, Croatia, Germany, Greece,Guatemala, Hungary, Israel, Japan, Poland, Romania, Russia, Slovenia, Slovakia, Spain and Switzerland.The festival's 51st editionopens on Saturday with the play Fantasy by the Zorin Dom theatre from Karlovac.In other news:Industrial producer prices growth slows down to 3.6% annuallyZAGREB, Sept 11(Hina) - In August 2018, industrial producer prices in Croatia went up 3.6% on the ***year***, increasing annually for the 20th month running, the national statistical office said on Tuesday.The monthly rise was 0.2%, with prices on the domestic market going up by 0.1% and those abroad by 0.3%.Annually, industrial producer prices went up 3.4% on the domestic market and 3.9% abroad.Month on month, the highest increase was recorded in energy prices (0.5%), followed by durable goods (0.3%) and non-durableand capital goods (0.1%), while the prices of intermediate goods stayed the same.***Year*** on ***year***, the highest increase was also recorded by energy prices (14.8%), followed by intermediate goods (1.8%), capital goods (0.6%) and durable goods (0.1%). The prices of non-durable goods decreased 0.8%.Agrokor Group posts operating profit of HRK 1.1bn, preparations start for settlement implementationZAGREB, Sept 11 (Hina) - The Agrokor food and retail group generated HRK 13.46 billion in revenues in the first seven months of 2018, six percent less than planned, while operating profit was HRK 20.7 million higher than planned, reaching HRK 1.1 billion, the indebted group's crisis management said in a monthly report.The report recalled that Agrokor had submitted to the Commercial Court in Zagreb on September 4 a response to 92 appeals against the ruling that upheld the July 6 settlement plan with the creditors.The Agrokor Group is preparing for the implementation of the settlement plan, the report says.This extremely complex process includes, among other things,the formation of a new group, the ***transfer*** of business to the new group,the finalisation of the legal aspects of the settlement, and it must ensure an unimpeded ***transfer*** of business without negative effects on the group's performance, according to the report.ZSE indices fall slightlyZAGREB, Sept 11 (Hina) - The main Zagreb Stock Exchange (ZSE) indices dropped slightly on Tuesday with the Crobexfalling by 0.08% to 1,796.58 points and the specialised Crobex10 dropping by 0.11% to 1,048.32 points.Regular turnover amountedto HRK 7.48 million, down HRK 3.9 million from Monday.The highest turnover, of HRK 3.27 million, was generated by the stock of the Valamar Riviera tourism company. The price of its shares remained unchanged at HRK 37.80.(EUR 1 = HRK7.424558)THIS BULLETIN INCLUDES ITEMS RELEASED BY 0830 HOURS WEDNESDAY. (Hina) vm Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulicev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentic, DirectorEditor in Chief: Serdo Obratov Bulletin Editor: Marija Sestan

ZAGREB, Sept11(Hina) - Considerable investments are being made in Croatia's railway infrastructure and more are being planned, which is an opportunity for Austrian companies, a Croatian-Austrian business forum on railway infrastructure and logistics was told in Zagreb on Tuesday.

ZAGREB, Sept 11 (Hina) - Croatian Prime Minister Andrej Plenkovic told the visiting Austrian President Alexander Van der Bellen in Zagreb on Tuesday that Croatia was making great efforts in combating illegal migration and protecting the European Union's external border, reiterating that Croatia would like to join the Schengen area next ***year***.

Croatian Parliament speaker meets visiting Austrian president

Croatian Parliament Speaker Gordan Jandrokovic met with visitingAustrian President Van der Bellen on Tuesday, and the two officials confirmed the two countries' traditionally friendly and intensive relations, the Parliament said in a press release.

ZAGREB, Sept11(Hina) - Starting a business in Croatia could be simpler, faster and easieras of 2019 because a digital platform will be introduced to combine the different processes and institutions that are currently involved in the process of starting a business, a closing conference on a project designed to improvethe business climate, carried out by the World Bank, the European Commission and Croatian partners, heard in Zagreb on Tuesday.

ZAGREB, Sept11 (Hina) - Croatian National Bank (HNB) Governor Boris Vujcic met in Berlin with German Vice-Chancellor and Federal Minister of Finance Olaf Scholz,Chair of the Bundestag's Finance Committee Bettina Stark-Watzinger and other members of the Committee, during a day-long working visit to Germany on Tuesday, the HNB said in a statement.

ZAGREB, Sept11(Hina) - Economy Minister Darko Horvat said on Tuesday that the government would be satisfied if foreign investments in Croatia this ***year*** were to totaltwo billion euros.

ZAGREB, Sept 11 (Hina) - It is worthwhile investing in the islands, butmore needs to be done to make living there easier, improve access to health services andtransport connectivity, create jobs and provide tax breaks for investments, a conference organised by the Novi List daily was told in the northern Adriatic town of Opatija on Tuesday.

ZAGREB, Sept11(Hina) - Minister of Labour and Pension System Marko Pavic presented the active employment policy to the American Chamber of Commerce (AmCham) during a working breakfast on Tuesday. Hespoke about how Croatia's labour market can compete with the single EU market and described current activities regarding the pension reform.

ZAGREB, Sept11(Hina) - The leader of the Croatian Pensioners Party (HSU), Silvano Hrelja, on Tuesday commented on the proposedpension reform, welcoming the announced introduction of the state pension for people who have never workedand the possibility for pensioners to work up to four hours a day, but he opposed stricter penalisation of early retirement and the proposal to raisethe age for full old-age pension.

ZAGREB, Sept 11 (Hina) - Economy Minister Darko Horvat reiterated on Tuesday that the European Commission consideredthat the government's financial contribution as envisaged in the proposed restructuring plan for the Uljanik Groupwastoo high and added that Uljanik's management board wasreworking the plan together with its consultants.

ZAGREB, Sept11(Hina) -The Pula City Council and the Istria County Assembly on Tuesdayadopted a declaration seeking to salvage the Pula-based Uljanik shipbuilding group.

ZAGREB, Sept 11 (Hina) - Councillors of the Pula City Council and the Istria County Assembly held a joint session on Tuesday to discuss the current state of affairs in and the prospects of the ailing Uljanik Group and, addressing the meeting, Assistant Economy Minister Zvonimir Novak warned about flaws in the first draft plan for the overhaul of the Pula-based shipyard.

ZAGREB, Sept 11 (Hina) - The government didn't appoint the management board in the Uljanik Group, it didn't appoint its Supervisory Committee or prepare its restructuring plan nor did it choose itsstrategic partner - that was done by the group's management board and it has to bear the consequences, the head of the Istrian branch of the Croatian Democratic Union (HDZ) and County Assembly member, Jurica Siljeg, said after a thematic session of the Pula City Council and the Istria County Assembly in Pula on Tuesday.

ZAGREB, Sept 11 (Hina) -Parliament Speaker and Croatian Democratic Union (HDZ) secretary-generalGordan Jandrokovic said on Tuesday that there is no reason for a snap parliamentary election and that the HDZ is more than stable.

ZAGREB, Sept11(Hina) - The Bridge party on Tuesday expressed its disapproval of a planned curtailing ofdirect ***payments*** that are provided to ***agricultural*** producers fromEuropean Union funds, and this opposition parliamentary party callsfor allocatingscholarships tostudents enrolled in ***agricultural*** faculties and vocational schools as well as for reducingtaxes in the ***agricultural*** sector.

ZAGREB, Sept 11 (Hina) - The future trio of presidents of the Council of the European Union -- Romania, Finland and Croatia -- which will preside over the Council from January 1, 2019 until June 30, 2020 -- met at the Ministry of Foreign and European Affairs in Zagreb on Tuesday to discuss the common priorities of their presidency, the ministry said in a statement.

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**End of Document**



[***PROVIDING FOR CONGRESSIONAL DISAPPROVAL UNDER CHAPTER 8 OF TITLE 5, UNITED STATES CODE, OF THE RULE SUBMITTED BY THE SECRETARY OF THE TREASURY, SECRETARY OF LABOR, AND SECRETARY OF HEALTH AND HUMAN... (Senate - October 10, 2018)***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TG5-B6N1-F0YC-N10K-00000-00&context=1516831)

Impact News Service

October 11, 2018 Thursday

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**Body**

Washington: The Library of Congress, The Government of USA has issued the following house proceeding:

 Ms. BALDWIN. Mr. President, I move to proceed to ***Calendar*** No. 627, S.J Res. 63. The PRESIDING OFFICER. The question is on agreeing to the motion. The motion was agreed to. The clerk will report the joint resolution by title. The senior assistant legislative clerk read the joint resolution by title: A joint resolution (S.J Res.

673) providing for congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Secretary of the Treasury, Secretary of Labor, and Secretary of Health and Human Services relating to ``Short-Term, Limited Duration Insurance.'' The PRESIDING OFFICER. The Senator from Wisconsin. Ms. BALDWIN. Mr. President, just over a ***year*** ago in this Chamber, three brave Republican colleagues--Senator John McCain, Senator Susan Collins, and Senator Lisa Murkowski--joined all Democrats in voting against healthcare repeal legislation. They listened to the families of their States. I, too, voted against that repeal legislation because the people of Wisconsin did not send me to Washington to take away their healthcare. When congressional Republicans tried to pass repeal plans that would allow insurance companies to charge more for preexisting conditions, families across our country fought back. When the Republican majority tried to charge older Americans an age tax and make people pay more for less care, people let their voices be heard and sent a loud message to Washington: Protect our care. They sent us all a clear message that they want us to work across party lines to protect the healthcare guarantees they depend on and to stand up for those with preexisting health conditions. Yet defeating the legislative efforts that would have made things worse for families didn't end the threat to the American people. The Trump administration has been trying to do what congressional Republicans couldn't. They have been sabotaging our healthcare system and rewriting the rules on guaranteed health protections and access to affordable care that millions of Americans have today. This sabotage has created instability in the healthcare market, contributing to widespread premium spikes in 2018. This administration ended the critical cost-sharing reduction ***payments*** that made healthcare more affordable for almost 90,000 Wisconsinites. The Trump administration again slashed funding for outreach efforts to help people sign up for healthcare. Trusted navigator ***programs*** like those in Wisconsin have had their funding cut by nearly 90 percent in the past 2 ***years***. This will mean fewer people in rural Wisconsin will receive the support they need to obtain affordable coverage this ***year***. It doesn't stop there. The Trump administration has even joined Wisconsin's Governor and Wisconsin's attorney general and other States in going to court to support a lawsuit that would take away guaranteed protections for people with preexisting conditions. If they succeed, insurance companies will again be able to deny coverage or charge higher premiums for the more than 130 million Americans with a preexisting health condition. In fact, if the Affordable Care Act's protections for people with preexisting conditions are struck down in court, Wisconsin is among the States that has the most to lose. According to the Kaiser Family Foundation, one out of every four Wisconsinites has some sort of preexisting health condition, and they simply cannot afford to have the healthcare they depend on threatened with higher costs or coverage denials. The Trump administration has expanded junk insurance plans. These plans are cheap for a reason; they do not have to provide essential health benefits like hospitalization, prescription drugs, and maternity care. According to the fine print of one of the plans sold in several States, including my home State of Wisconsin--marketed by the Golden Rule Company--the plan doesn't even have to cover hospital care on a Friday or Saturday. It will be just your bad luck if you happen to get sick and need healthcare on the weekend. The very first exclusion states that it provides no benefits for a preexisting health condition. The fine print also notes if you are pregnant, that will be considered a preexisting health condition. These junk insurance plans can deny healthcare coverage to people with preexisting conditions when they need it the most, and that is why I am leading this effort in the U.S Senate to take action and stop this sabotage. This is personal to me. When I was 9 ***years*** old, I got sick. I was really sick. I was in the hospital for 3 months. I eventually recovered. When it came to health insurance, it was as if I had some sort of scarlet letter. My grandparents, who raised me, couldn't find a policy at any price that would cover me--not from any insurer--all because I was a childhood branded with those words: ``preexisting condition.'' This is also personal for Chelsey from Seymour, WI, whose daughter was born with a congenital heart defect. Right now, Zoe is guaranteed access to coverage without being denied or charged more because of her preexisting condition. Chelsey wrote me during that debate last ***year***: ``I'm pleading to you as a mother to fight for the kids in Wisconsin with pre-existing conditions that are counting on you to protect that right.'' No parent or grandparent should have to lie awake at night wondering if the healthcare they have today for themselves and their families will be there tomorrow. With the expansion of these junk plans, that fear could become a new reality for far too many families as healthy people leave the market, increasing premiums for everyone. Children like Zoe may not be able to find any plan that her parents can afford or that will cover the care she needs. No family should be forced to choose between helping a loved one get better or going bankrupt. Before the Affordable Care Act, too many families had to make that choice. Before the healthcare law, I heard from Sue from Beloit, WI. Sue's husband was diagnosed with lung cancer. They quickly found out their insurance plan had a $13,000 limit on radiation and chemotherapy. That covered about one round of chemotherapy. When they needed to continue treatment, Sue and her family used all of their savings, and then they maxed out all of their credit cards. When they were facing insurmountable credit card debt, she told me: ``I had no choice but to file bankruptcy.'' Sue's husband later died. We can't go back to the days when insurance companies wrote the rules, just as we cannot allow the Trump administration to rewrite the rules on guaranteed healthcare protections that millions of Americans depend on. More than 20 of the leading healthcare organizations in America, representing our Nation's physicians, patients, medical students, and other health experts, are supporting this resolution to overturn the Trump administration's expansion of junk insurance plans. They are doing so because these junk plans will reduce access to quality coverage for millions and increase costs. These junk plans will charge people more for coverage based on their preexisting conditions or deny them coverage outright. These junk plans will leave cancer patients and survivors with higher premiums and fewer insurance options. These junk plans will force premium increases on older Americans. I have heard my colleagues on the other side of the aisle say that they are committed to protecting people with preexisting conditions. Now is your chance to prove it. Anyone who says they support coverage for people with [[Page S6739]] preexisting conditions should support this resolution to overturn the Trump administration's expansion of these junk insurance plans. This is an opportunity for Democrats and Republicans to come together to protect people's access to quality, affordable healthcare when they need it the most. Let us join in seizing the opportunity to do what is right by the American people. I yield. The PRESIDING OFFICER. The Senator from Tennessee. Mr. ALEXANDER. Mr. President, the resolution by the distinguished Senator from Wisconsin is a resolution to say to the plumber who is making $60,000 a ***year*** in Wisconsin or Tennessee: We want to keep your insurance prices high. We don't want to reduce them by 70 percent, and we want to keep 1.7 million people, according to the Urban Institute, uninsured. Let me say that again. If this resolution passes--if you vote yes-- you are saying to the plumber who makes $60,000 a ***year***, who can't afford to buy ObamaCare because his insurance premium is $20,000: We are going to do everything we can to keep your insurance costs so high that you can't afford it, and we are going to do everything we can to keep 1.7 million Americans, according to the Urban Institute, from having the option this short-term rule allows. Let's see what we are talking about. We just heard eloquent comments about preexisting conditions. This resolution has nothing to do with preexisting conditions. It doesn't change one single word in the Affordable Care Act, which guarantees that if you have a preexisting condition, you have a right to buy ObamaCare, and you can't be charged more because of it. Let me say that again. This rule, which the Senator from Wisconsin seeks to overturn, not only keeps you from lowering your cost 70 percent, but it has nothing to do with preexisting conditions because it doesn't change one single word of the Affordable Care Act guarantee that if you have a preexisting condition you can buy insurance and you can't be charged more. A rule can't change a law. It couldn't if it tried. That is one thing. The second thing is that the rule that the Senator from Wisconsin seeks to overturn is the same rule that was in effect during all of President Obama's term. President Obama's administration allowed 1 ***year*** of short-term plans for people who couldn't afford insurance, couldn't find it anywhere else, or who might be between jobs. Even after the Affordable Care Act passed in 2010, President Obama and the Democratic Congress thought it was a good enough idea to allow these short-term plans to continue that they kept them in the law. The law supporting these plans has nothing to do with the Affordable Care Act. It was passed in the 1990s for the purpose of giving people who need a short- term option, which might cost less because it has less coverage, the chance to buy insurance. States can regulate these plans. States may decide what protections they should have. States may decide what the price should be, but, typically, in 2016, the difference between the cost of an ObamaCare plan was $393 a month for an unsubsidized ObamaCare plan and for a short-term plan it was $124. In other words, the short-term plan, which the Democrats and the Senator from Wisconsin seek to overturn, which was in existence all during the Obama administration and was authorized in the 1990s, would cut the plumber's insurance cost by 70 percent. Now, why should we put up with that? Why should we put up with that? The Urban Institute, not known as a conservative organization, has said that up to 1.7 million Americans will take advantage of President Trump's short-term plan, which was the same as the Obama short-term plan, except that under the Trump rule, you may do it for as much as 3 ***years*** instead of just 1 ***year***. It says that 1.7 million Americans will take advantage of that. That is a lot of people. Eighty-three percent of Americans who buy ObamaCare have a subsidy to help them pay for it. It is the 17 percent who don't have a subsidy who are most likely to be helped by this. Many simply can't afford a $20,000 health insurance plan if they don't qualify for a subsidy, and this says: We understand that. You can buy a different sort of plan if your State permits it. You can pay less with less coverage and at least you will have some insurance. At least you will have some insurance. But our Democratic friends say: Oh, no, we don't want to do anything that would lower the cost of health insurance. Sometimes I think our Democratic friends have elevated to the level of the status of the 67th book of the Bible the Affordable Care Act, or ObamaCare. They will not even change parts of it that they agree with. Earlier this ***year***, Senator Murray and I, and then Senator Nelson and Senator Collins, all worked together with many Senators in a great bipartisan way to come up with a piece of legislation that would temporarily help with the high prices of health insurance. Make no mistake about it. In Tennessee, health insurance has gone up about 170 percent since ObamaCare was passed. That means the plumber or the farmer or the person making 50, 60, or $70,000 a ***year*** can't afford to pay the $20,000 premium they might be required to pay. So we had this temporary Alexander-Murray-Collins-Nelson proposal. I can still see Senator Collins standing on the floor offering it saying, as she said: Oliver Wyman--the respected Oliver Wyman agency--says this will lower insurance premiums by 40 percent over 3 ***years*** for people in the individual market--people who don't get a subsidy, hardworking people who can't afford health insurance. What happened? Even though the Democratic leader said it contained provisions that every single Democrat could support, the Democrats pulled the rug out from under it at the last minute by insisting on a radical version of abortion funding that they had not required since 1976, except in the ObamaCare law. In other words, they deliberately kept health insurance prices 40 percent higher than they otherwise would have been. Was it to have an issue in the Presidential election or in the election this ***year***? I have no idea, but I could think of no reason why not to do that. Then, there is another example. Secretary of Labor Acosta has come up with another very good idea that has been talked about a lot within this body before: Why not give employees of smaller companies the right to buy the same kind of insurance that employees of IBM or big companies buy? About half of all of us who have insurance get it on the job. We are pretty happy with it. It has a lot of protections in it--not as many as ObamaCare but, apparently, Democrats thought those protections were sufficiently strong, including preexisting condition, and sufficiently strong not to tamper with it. So the idea was this: Let's let the people who work in the company with 10 or 15 or 20 employees in Alaska, Tennessee, or Wisconsin have the same opportunity to buy insurance as the employee of a big company has. Democrats said absolutely not. So we don't want to lower rates by 40 percent by a temporary proposal supported by President Trump, Speaker Ryan, Senator McConnell, and let the Democratic leaders say all Democrats could vote for that policy. We don't want to let employees of smaller companies have the same options that employees of big companies have that would lower their insurance and give them more choices. And now we are being asked to say you can't have a 70-percent reduction in your health insurance--the same kind of proposal you had all during the Obama ***years***. Let me say that again. President Obama thought it was just fine to have short-term healthcare plans for up to 1 ***year*** during the entire Obama administration. They changed the rules 22 days before the end of his term and reduced it to 3 months that you could buy these plans, but that wasn't enforced until April. So let's keep it simple. If you needed insurance, if you lost your job, if you couldn't afford insurance during the Obama ***years***, if ObamaCare got too expensive for you during the Obama ***years***, you could buy short-term insurance for up to 1 ***year*** if your State allowed it. What the Democrats are saying is this: No, we are not even going to do what President Obama would do. So we are going to keep your insurance high today with a yes vote. We are going to [[Page S6740]] say to 1.7 million people who are uninsured: No, you can't buy this insurance because we know more than you do. Some people who might know more than we do is the National Association of Insurance Commissioners. Senate Democrats wrote to them asking them about these short-term plans and raising questions about them. Here is what the National Association of Insurance Commissioners, a bipartisan organization, wrote back: Short-term, limited duration insurance meets the needs of consumers for whom other types of coverage may not be appropriate, affordable, or available. State Insurance Commissioners say short-term limited duration insurance, the type that a ``yes'' vote today would ban--those are my words--meets the needs of consumers for whom other types of coverage may not be appropriate, affordable, or available. I hope that across this country, as Americans look at this today, you would ask the Senator from Wisconsin and her Democratic colleagues: Why do you want to kill a rule that President Obama favored, that existed all during ObamaCare while he was there, that gave people who might lose their jobs or couldn't afford ObamaCare a chance to buy insurance that might be 70-percent cheaper? Why would you want to keep 1.7 million Americans who don't have insurance, according to the Urban Institute, from being able to afford this short-term rule? What do you have against lower cost insurance that doesn't change one word of the Affordable Care Act's protection guarantee of preexisting conditions? In other words, with this rule, if you still want to buy ObamaCare and need preexisting insurance protection, you have it. This could not possibly change that because it is a rule, not a law. I hope today that we vote no and that we affirm the Trump rule, which is the Obama rule, which is the rule that supports the Wisconsin, Oklahoma, and Alaska plumber who makes $60,000 a ***year***, can't afford $20,000-a-***year*** ObamaCare, gets no government subsidy, and needs this in order to insure his family. I yield the floor. Ms. BALDWIN. Mr. President, I ask unanimous consent that the following documents concerning the rule submitted by the Secretary of the Treasury, Secretary of Labor, and Secretary of Health and Human Services relating to short-term, limited duration insurance be entered into the Record: a letter to Congress from 113 health organizations expressing concerns with the rule, a letter from the National Association of Insurance Commissioners requesting a delay in implementation of the rule, a short-term medical plan brochure from the Golden Rule Insurance Company outlining the policy's coverage exclusions, and a news article from 2014 illustrating the lack of consumer protections in short-term limited duration plans. There being no objection, the material was ordered to be printed in the Record, as follows: April 17, 2018. Dear Speaker Ryan, Leader McConnell, Leader McCarthy, Leader Schumer and Leader Pelosi: Our 113 organizations represent millions of people with serious, acute, and chronic diseases and disabilities, as well as their caregivers. These individuals, and all Americans, need access to comprehensive, affordable health coverage in order to meet their medical needs. We write to express our concerns about the impact the proposed rule regarding short-term limited duration plans (STLDs) (CMS-9924-P) will have both on the health insurance marketplaces and the individuals we represent. While short term plans can offer less expensive coverage, they are not required to adhere to important standards, including the ten essential health benefit categories, guaranteed issue, out- of-pocket maximums, age-rating protections, and many other critical consumer protections These policies are also allowed to charge much higher premiums, deny coverage altogether for consumers who cannot meet medical underwriting standards, and impose lifetime and annual limits on services. If the proposed rule put forward by the Administration is finalized in its current form, it will limit access to quality and affordable health insurance coverage for all Americans, and disproportionately harm individuals with pre-existing conditions and people with disabilities. Expanding access to these policies will likely cause premiums in the individual insurance marketplace to increase dramatically, as younger and healthier individuals choose to enroll in cheap short-term plans. Allowing STLDs to proliferate would force individuals, including those with serious or chronic diseases and disabilities, into a smaller, sicker market to obtain the coverage they need to manage their health. Premiums for comprehensive plans that meet federal standards would likely skyrocket, and plans would likely exit the market. This will make insurance either unavailable or unaffordable for those who rely on the marketplace to get coverage Our organizations are dedicated to identifying and promoting improvements to our health insurance markets that control costs, stabilize the market, and positively impact coverage and care for millions of Americans. Expanding access to STLDs will move us away from--not towards--achieving these goals. As advocates for our communities, we implore you to protect patients and consumers, including individuals with pre-existing conditions and persons with disabilities, by asking the Administration to withdraw this proposed rule until it adequately protects patients and consumers, as well as any rules that do not increase stability, improve affordability, and secure access to quality coverage in our insurance markets. Sincerely, AARP, Adrenal Insufficiency United, Adult Congenital Heart Association, Adult Polyglucasan Body Disease Research Foundation, Advocacy & Awareness for Immune Disorders Association (AAIDA), Alliance for Aging Research, Alpha-1 Foundation, American Association of People with Disabilities, American Association on Health & Disability, American Cancer Society Cancer Action Network, American Diabetes Association, American Heart Association, American Kidney Fund, American Liver Foundation, American Lung Association, American Multiple Endocrine Neoplasia Support, American Physical Therapy Association, American Therapeutic Recreation Association, Amyloidosis Support Groups. Arthritis Foundation, Association of Oncology Social Work, Autism Society, Autism Speaks, Autistic Self Advocacy Network, Bazelon Center for Mental Health Law, Benign Essential Blepharospasm Research Foundation, Brain Injury Association of America, CancerCare, Caregiver Action Network, Celiac Disease Foundation, Children's PKU Network, Consortium of MS Centers, Crohn's & Colitis Foundation, Cutaneous Lymphoma Foundation, Cystic Fibrosis Foundation, Disability Rights Legal Center, Dystonia Advocacy Network, Dystonia Medical Research Foundation, Easterseals. Epilepsy Foundation, Family Voices, Fibrolamellar Cancer Foundation, Fight Colorectal Cancer, FORCE: Facing Our Risk of Cancer Empowered, GBS/CIDP Foundation International, Global Colon Cancer Alliance, Hemophilia Federation of America, Hyper IgM Foundation, Immune Deficiency Foundation, Indian Organization for Rare Diseases, International Myeloma Foundation, International Pemphigus and Pemphigoid Foundation, International Waldenstrom's, Macroglobulinemia Foundation, Interstitial Cystitis Association, Jack McGovern Coats' Disease Foundation, Justice in Aging, LAL Solace, Leukemia & Lymphoma Society. Lung Transplant Foundation, Lupus Foundation of America, Lutheran Services in America, Lymphangiomatosis & Gorham's Disease Alliance, Lymphatic Education & Research Network, M- CM Network, Malecare Cancer Support, March of Dimes, Mended Little Hearts, Mental Health America, METAvivor, Muscular Dystrophy Association, National Alliance on Mental Illness, National Alopecia Areata Foundation, National Association for Hearing and Speech Action, National Association of Councils on Developmental Disabilities, National Association of State Head Injury Administrators, National Comprehensive Cancer Network, National Consumers League. National Eosinophilia Myalgia Syndrome Network, National Health Council, National Hemophilia Foundation, National LGBT Cancer Project, National Multiple Sclerosis Society, National Organization for Rare Disorders (NORD), National Patient Advocate Foundation, National PKU Alliance, Inc., National Spasmodic Dysphonia Association, NBIA Disorders Association, NephCure Kidney International, Oncology Nursing Society, Paralyzed Veterans of America, Parent Project Muscular Dystrophy (PPMD), PKD Foundation, Platelet Disorder Support Association, Prevent Cancer Foundation, PRP (Pityriasis Rubra Pilaris) Alliance, Pulmonary Hypertension Association, Rare and Undiagnosed Network (RUN). Restless Legs Syndrome Foundation, Scleroderma Foundation, Susan G. Komen, Tarlov Cyst Disease Foundation, TASH, The American Liver Foundation, The APS Type 1 Foundation, Inc., The Desmoid Tumor Research Foundation, The Global Foundation for Peroxisomal Disorders, The Guthy-Jackson Charitable Foundation, The Lymphatic Malformation Institute, The Marfan Foundation, United Ostomy Associations of America, US Hereditary Angioedema Association, Vasculitis Foundation, Worldwide Syringomyelia & Chiari Task Force. [[Page S6741]] \_\_\_\_ National Association of Insurance Commissioners & The Center for Insurance Policy and Research, Washington, DC, April 23, 2018. Re Short-Term, Limited-Duration Insurance CMS-9924-P. Centers for Medicare & Medicaid Services, Department of Health and Human Services, Attention: CMS-9924-P, Baltimore, MD. To Whom It May Concern: Thank you for the opportunity to comment on the proposed regulations on Short-Term, Limited Duration Insurance published in the Federal Register on February 21, 2018. These comments are submitted on behalf of the members of the National Association of Insurance Commissioners (NAIC), which represents the chief insurance regulators in the 50 states, the District of Columbia, and the 5 United States territories. As state insurance regulators we have the primary responsibility of regulating our insurance markets and ensuring consumers are protected and the markets are competitive. As we stated in our comments on the current short-term, limited duration regulation, ``Federal interference can, and often does, have unintended consequences and may not be effective in addressing the underlying issues.'' We argued that the arbitrary 3-month limitation set by the Federal government could harm some consumers and limit choices. Returning the Federal definition to ``less than 12 months,'' as proposed, is consistent not only with longstanding federal law but also with how this term has been long defined by most states. In the analysis of Economic Impact and Paperwork Burden related to federalism, the proposed rule states: Federal officials have discussed the issue of the term length of short-term, limited duration insurance with State regulatory officials. This proposed rule has no federalism implications to the extent that current State law requirements for short-term, limited duration insurance are the same as or more restrictive than the Federal standard proposed in this proposed rule. States may continue to apply such State law requirements. Consistent with this statement, any further requirements, including but not limited to restrictions related to the sale, design, rating or duration of these plans, must be left to the States, which have the primary authority under our federal system to regulate the business of insurance, so that they can address the unique conditions and needs of their respective insurance markets. It is critical that state regulators maintain the flexibility to determine whether, and under what conditions, these plans are appropriate for their state. We urge continued state flexibility on this issue. We also agree that educating consumers and ensuring that they are aware of the limitations of these plans is paramount. Some of these plans may provide significantly less coverage and consumer protections than comprehensive plans. We supported the disclosure requirements in the current regulations and support the expansions in this proposed rule. States have received several consumer complaints about confusion and misinformation regarding their short-term or excepted benefit plans. Because of the real risk that consumers may confuse short-term policies with comprehensive health insurance that complies with the Affordable Care Act (ACA), it is important that they be made aware of any limitations to these policies during the sales process. We are pleased that the proposed rule retains these important disclosure requirements and adds valuable additional disclosures. As drafted, this rulemaking does not address the impact of Section 1557 of the ACA on the issuance of short-term, limited duration plans. Specifically, it is unclear whether or not these plans will be considered to be a ``health ***program*** or activity'' under 45 C.F.R Sec. 92.4 This distinction is critical. If these plans are not exempt from the definition of ``health plan or activity,'' the implication would be that carriers could not offer these plans and also participate on the Marketplace, Medicare, or Medicaid. In many states throughout the country, carriers are deciding whether or not to participate in the ACA-compliant marketplace, and if clarifying language is not included carriers will be forced to choose either to offer short-term, limited duration plans or participate in the Exchange. We would ask for clarification on this issue, and specifically advise that CMS include language in the proposed definition of ``short-term, limited duration insurance'' providing that such insurance is ``not a health ***program*** or activity as defined in 45 C.F.R Sec. 92.4 '' As to the issue of renewability, the members of the NAIC concur that any decision over whether and when these plans should be renewable should be left up to the States, not dictated by the Federal government. Finally, states are concerned about the timing of this rule, and some states may want to modify existing laws and regulations to protect consumers and state markets. Therefore, we recommend that the final regulation allow states, if they so choose, to begin enforcing the new rules in 2020, thus giving them time to review their rules and seek statutory or regulatory changes to facilitate a smooth transition. Thank you for this opportunity to comment. We are available to discuss these or other issues as the Short-Term, Limited Duration Proposed Rule is finalized. Sincerely, Julie Mix McPeak, NAIC President, Commissioner, Tennessee Department of Commerce & Insurance. Raymond G. Farmer, NAIC Vice President, Director, South Carolina Department of Insurance. Eric A. Cioppa, NAIC President-Elect, Superintendent, Maine Bureau of Insurance. Gordon I. Ito, NAIC Secretary-Treasurer, Commissioner, Insurance Division, Hawaii Department of Commerce and Consumer Affairs. \_\_\_\_ UnitedHealthcare, Golden Rule Insurance Company Short Term Medical Plans STATES: AZ, FL, IA, IL, IN, MI, MS, NE, PA, TN, TX, WI, WV This coverage is not required to comply with certain federal market requirements for health insurance, principally those contained in the Affordable Care Act. Be sure to check your certificate carefully to make sure you are aware of any exclusions or limitations regarding coverage of preexisting conditions or health benefits (such as hospitalization, emergency services, maternity care, preventive care, prescription drugs, and mental health and substance use disorder services). Your certificate might also have lifetime and/or annual dollar limits on health benefits. If this coverage expires or you lose eligibility for this coverage, you might have to wait until an open enrollment period to get other health insurance coverage. Also, this coverage is not ``minimum essential coverage.'' If you don't have minimum essential coverage for any month in 2018, you may have to make a ***payment*** when you file your tax return unless you qualify for an exemption from the requirement that you have health coverage for that month. What's Not Covered (all plans) This is only a general outline of the coverage provisions and exclusions. It is not an insurance contract, nor part of the insurance policy/certificate. You will find complete coverage details in the policy/certificate Also see state variations on pages 10-13. general exclusions Benefits will not be paid for services or supplies that are not administered or ordered by a doctor and medically necessary to the diagnosis or treatment of an illness or injury, as defined in the policy. No benefits are payable for expenses: For non-emergency services or supplies received from a provider who is not a network provider, except as specifically provided for by the policy. For a preexisting condition--A condition: (1) for which medical advice, diagnosis, care, or treatment was recommended or received within the 24 months immediately preceding the date the covered person became insured under the policy/certificate; or (2) that had manifested itself in such a manner that would have caused an ordinarily prudent person to seek medical advice, diagnosis, care, or treatment within the 12 months immediately preceding the date the covered person became insured under the policy/certificate. A pregnancy existing on the effective date of coverage will also be considered a preexisting condition. Note: Even if you have had prior Golden Rule coverage and your preexisting conditions were covered under that plan, they will not be covered under this plan. That would not have been charged if you did not have insurance. Incurred while your coverage is not in force. Imposed on you by a provider (including a hospital) that are actually the responsibility of the provider to pay. For services performed by an immediate family member. That are not identified and included as covered expenses under the policy/certificate or are in excess of the eligible expenses. For services that are not covered expenses. For services or supplies that are provided prior to the effective date or after the termination date of the coverage. For weight modification or surgical treatment of obesity, including wiring of the teeth and all forms of intestinal bypass surgery. For breast reduction or augmentation. For drugs, treatment, or procedures that promote conception. For sterilization or reversals of sterilization. For fetal reduction surgery or abortion (unless life of mother would be endangered). For treatment of malocclusions, disorders of the temporomandibular Joint (TMJ) or craniomandibular disorders. For modification of the physical body in order to improve psychological, mental, or emotional well-being, such as sex- change surgery. [[Page S6742]] Not specifically provided for in the policy, including telephone consultations, failure to keep an appointment, television expenses, or telephone expenses. For marriage, family, or child counseling. For standby availability of a medical practitioner when no treatment is rendered. For hospital room and board and nursing services if admitted on a Friday or Saturday, unless for an emergency, or for medically necessary surgery that is scheduled for the next day. For dental expenses, including braces and oral surgery, except as provided for in the policy/certificate. For cosmetic treatment. For reconstructive surgery unless incidental to or following surgery or for a covered injury, or to correct a birth defect in a child who has been a covered person since childbirth until the surgery. For diagnosis or treatment of learning disabilities, attitudinal disorders, or disciplinary problems. For diagnosis or treatment of nicotine addiction. For charges related to, or in preparation for, tissue or organ transplants, except as expressly provided for under Transplant Services. For high-dose chemotherapy prior to, in conjunction with, or supported by ABMT/BMT, except as specifically provided under the Transplant Expense Benefits provision. For eye refractive surgery, when the primary purpose is to correct nearsightedness, farsightedness, or astigmatism. While confined for rehabilitation, custodial care, educational care, nursing services, or while at a residential treatment facility, except as provided for in the policy/ certificate. For eyeglasses, contact lenses, hearing aids, eye refraction, visual therapy, or any exam or fitting related to these devices, except as provided for in the policy/ certificate. Due to pregnancy (except complications), except as provided in the policy/certificate. For diagnostic testing while confined primarily for well- baby care, except as provided in the policy/certificate. For treatment of mental disorders or substance abuse including court-ordered treatment for ***programs***, except as provided in the policy/certificate. For preventive care or prophylactic care, including routine physical examinations, premarital examinations, and educational ***programs***, except as provided in the policy/ certificate. Incurred outside of the U.S , except for emergency treatment. Resulting from declared or undeclared war, intentionally self-inflicted bodily harm (whether sane or insane); or participation in a riot or felony (whether or not charged). For or related to durable medical equipment or for its fitting, implantation, adjustment or removal or for complications therefrom, except as provided for in the policy/certificate. For outpatient prescription drugs, except as provided for in the policy/certificate. For surrogate parenting. For treatments of hyperhidrosis (excessive sweating). For alternative treatments, except as specifically covered by the policy/certificate, including: acupressure, acupuncture, aromatherapy, hypnotism, massage therapy, rolfing, and other alternative treatments defined by the Office of Alternative Medicine of the National Institutes of Health. Resulting from or during employment for wage or profit, if covered or required to be covered by workers' compensation insurance under state or federal law. If you entered into a settlement that waives your right to recover future medical benefits under a workers' compensation law or insurance plan, this exclusion will still apply. Resulting from intoxication, as defined by state law where the illness or injury occurred, or while under the influence of illegal narcotics or controlled substances, unless administered or prescribed by a doctor. For joint replacement, unless related to an injury covered by the policy/certificate. For non-emergency treatment of tonsils, adenoids, hemorrhoids or hernia. For injuries sustained during or due to participating, instructing, demonstrating, guiding, or accompanying others in any of the following: sports (professional, or semi- professional, or intercollegiate except for intramural), parachute jumping, hang-gliding, racing or speed testing any motorized vehicle or conveyance, scuba/skin diving (when diving 60 or more feet in depth), skydiving, bungee jumping, or rodeo sports. For injuries sustained during or due to participating, instructing, demonstrating, guiding, or accompanying others in any of the following if the covered person is paid to participate or to instruct: operating or riding on a motorcycle, racing or speed testing any non-motorized vehicle or conveyance, horseback riding, rock or mountain climbing, or skiing. For injuries sustained while performing the duties of an aircraft crew member, including giving or receiving training on an aircraft. For vocational or recreational therapy, vocational rehabilitation, or occupational therapy, except as provided for in the policy/certificate. Resulting from experimental or investigational treatments, or unproven services. \_\_\_\_ [From Bloomberg Businessweek, 2014-01-10] The Trouble With Short-Term Health Plans in the Age of Obamacare (By John Tozzi) If you're shopping for health insurance, you may get a pitch for something called a short-term medical plan. These policies have been around forever and are aimed at recent college grads, people between jobs, and new employees waiting for group benefits to kick in. They're marketed by major insurers including UnitedHealthcare Services, Humana, some Blue Cross and Blue Shield carriers, and many smaller companies. Short-term plans have become more visible as some insurers and brokers take advantage of the hoopla surrounding the Affordable Care Act to market them as alternatives to the policies available on the state and federal exchanges. Although the plans look a little like those approved under Obamacare, they provide less coverage and don't have to adhere to the same rules. The companies are allowed to turn away patients who are sick and refuse to cover preexisting conditions. They don't have to pay for preventative care and aren't required to renew a policy if a patient needs a lot of medical care. ``If you get sick, it's not going to take care of you,'' says Karen Pollitz, a senior fellow at the Kaiser Family Foundation, a health researcher. The short-term plans also don't satisfy the Obamacare requirement that people have adequate coverage, so people who buy them face the same tax penalties as the uninsured. Twenty percent of short-term policyholders believed, wrongly, that their coverage would be adequate under the ACA, according to a survey published in September by EHealth, an online brokerage that sells conventional and short-term policies. An additional 64 percent said they weren't sure. There's plenty of cause for the confusion. Assurant, one of the larger sellers of the temporary medical plans, says on its website that ``these plans do not meet minimum essential coverage requirements'' and customers may face tax penalties. But insurance agency Liberty Medicare in Wynnewood, Pa., called short-term plans ``a viable alternative to Obamacare plans'' in a recent blog post, although the company also noted that ``their benefits are not as broad as Obamacare benefits.'' Even if the policies exclude preexisting conditions, says president Gregory Lazarev, for ``healthy people who are not entitled to subsidies, it makes perfect sense to go and buy a short-term plan.'' 20 Percent of short-term policy holders wrongly believe their plan meets Obamacare standards. ``There definitely are some companies out there that are aggressively marketing these and [similar] policies,'' Pollitz says. One making expansive claims is Health Insurance Innovations, which connects consumers with short-term policies from third-party insurers. The Tampa company, which raised $65 million in an initial offering about a ***year*** ago, is expecting a boost from the ACA, even though its plans don't meet the law's requirements for adequate coverage. ``We want to be ready to take full advantage of this unprecedented degree of market expansion,'' Chief Executive Officer Michael Kosloske said in a November earnings call. In an interview, Kosloske says: ``Our benefits are the same or better than what you're going to find, for example, on the exchanges.'' A sample policy sold by Kosloske's company suggests otherwise. Unlike ACA plans, it doesn't cover immunizations and routine physicals, outpatient prescription drugs, preexisting conditions, pregnancy or childbirth, sports injuries, substance abuse treatment, allergies, or kidney disease. It also comes with a $2 million lifetime limit on benefits, a provision banned under Obamacare rules. Buying the stripped-down, short-term policy could save a 30-***year***-old Florida man $1,123 in premiums over a ***year***, compared with a typical bronze-level HMO plan from Humana. If he earns $46,000 a ***year***, he'd have to pay about 41 percent of the savings in tax penalties for not having coverage authorized by the ACA. The penalty rate will double in 2015. If the hypothetical consumer earns $23,000 or less, federal subsidies would make up the difference between the price of the bronze plan and the short-term policy. Kosloske points out that the bronze plan has exclusions, too, and a limited network--it doesn't pay anything if you see a doctor outside the plan. In the plan his company sells, ``covered benefits are paid the same way whether in or outside the broad and highly accessible provider network,'' he says. Pollitz advises consumers to stay away from short- term plans. ``It may cover your claims until your term of coverage runs out,'' she says. But for anyone who gets sick and hopes to renew, ``it's junk.'' The bottom line: Consumers buying cheaper, short-term health plans get limited benefits and still have to pay Obamacare penalties. The PRESIDING OFFICER (Mr. Sullivan). The time of the majority has expired. Mr. INHOFE. Mr. President, I ask unanimous consent that I be acknowledged to speak for 10 minutes. The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered. S. 3021 Mr. INHOFE. Mr. President, I don't think that is necessary because I think I was scheduled to do that anyway. What we are going to be addressing here in just a few minutes is a very significant piece of legislation. We do a [[Page S6743]] lot of things around here that some people think are important, but this is something that really is important. It is something that has a long history behind it. America's water infrastructure bill, known as the WRDA bill, was started about 20 ***years*** ago, and we made a commitment at that time that we would actually have a WRDA bill every 2 ***years***. We didn't do that up until 2014. In 2014, we had gone since 2007 since we had had one, and this needs to be done to keep our water infrastructure going and the things that we are supposed to be doing. So we did it in 2014 and 2016, and now we will do the 2018 bill. That is what we are supposed to be doing. It is a great way to keep up the productive momentum that we have seen in Congress leading up to the midterm election and delivering on President Trump's promises. The WRDA bill is another great example of what can happen when we work with our friends across the aisle on issues that affect every State of our Nation. I was privileged to chair the Environment and Public Works Committee during that timeframe, when we went back to every other ***year***, and it is something that has worked very well. People can depend on the resources being there when the time comes. So I think right now it is a bill that is sponsored by ourselves, along with the ranking members and the Senators of that committee, the EPW Committee, and the Transportation Subcommittee. I want to take a moment to thank the members I just mentioned and their staffs. The staffs are the ones who do the heavy lifting because without our willingness to work together on this legislation, we wouldn't be able to discuss it here on the floor today, and I appreciate that dedication. It is going to happen today. There are a lot of provisions in the bill that advance our Nation's infrastructure priorities. In addition, the State of Oklahoma would benefit in many ways as well. One of the big secrets around the world and around America is that Oklahoma is actually navigable. We have a navigation way that goes from the Mississippi River all the way up to my hometown of Tulsa, with the Port of Catoosa. I can remember many ***years*** ago, when I was in the State legislature, and some people came to me who were World War II veterans--one of the groups that was doing a very good job--and they said: We would like to be able to show and to demonstrate that we are navigable in Oklahoma. If you will get us a submarine, we will take it all the way up to Oklahoma. So I went down to Orange, TX, and found the USS Batfish. This is a World War II submarine. They were able to do it without any help at all--without any help from government. They had to get on there, and they had to reduce it to get under bridges and lift it up in shallow places. All of my adversaries were saying: We will sink Inhofe and his submarine. But we did it, and it is there today. So we do have the McClellan-Kerr Arkansas River Navigation System. We have some items in there under this to protect that resource from what they call the Three Rivers report, which provides a permanent solution for the situation we are experiencing near the mouth of the system, where the White River and the Arkansas River are trying to merge. If left alone, they would merge. That would destroy everything that goes up from that area in Arkansas. It includes language for Bartlesville to navigate the murky waters of water supply contracts and to change those contracts with everyone to get away from the idea that the Army Corps of Engineers is going to be able to do something that would be prohibitive cost-wise to the communities like Bartlesville, OK. We support our Nation's economic competitiveness by increasing access to water storage and supply, providing protection from dangerous flood waters, deepening the nationally significant ports, and maintaining navigability in the inland waterways. Since hurricane season is upon us, we have recently seen the cruel aftermath of these storms and the flooding that followed Hurricane Harvey, Irma, Florence, and now Michael. Right now they are preparing down there to evacuate as we speak. It could become a mandatory evacuation. This is something that is happening. Events like this show why it is utterly critical to maintain flood control and be able to protect against the floodwaters as much as possible. That is what this bill we will be considering in a few minutes is all about. It will also further address the need for repairing our aging drinking water, wastewater and irrigation systems, improving conditions all across the United States in homes, farms, and businesses. We have reauthorized WIFIA and authorized a new tool by including Senator Boozman's SRF WIN Act, of which I am a very proud cosponsor. These provisions, along with technical assistance for our small and rural systems, will provide more help to our communities struggling to finance and upgrade our hidden infrastructure needs. Maintaining critical infrastructure is one of the most important constitutionally required duties we have as Members of Congress. I sometimes have to remind people who often disregard a document called the Constitution that this is what we are supposed to be doing and what we are carrying out with the bill we are about to pass in the next few minutes. I look forward to passing this legislation and sending it to the President to sign into law. It is another win for America. I have to say, the committee has done so well. People are criticizing the Senate all the time, saying nothing is being done. Our Environment and Public Works Committee gets things done--the FAST Act, the chemical act, the last WRDA bill, and now the 2018 WRDA bill. It is what we are supposed to be doing here, and it is a very significant vote. I yield the floor. I suggest the absence of a quorum. The PRESIDING OFFICER. The clerk will call the roll. The legislative clerk proceeded to call the roll. Mrs. MURRAY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded. The PRESIDING OFFICER. Without objection, it is so ordered. S.J Res. 63 Mrs. MURRAY. Mr. President, I come to the floor to support Senator Baldwin's resolution to overturn President Trump's junk plans rule. Since day one, President Trump has been relentless in his efforts to sabotage healthcare for people in our Nation. He has worked to drive up the costs, given power back to big insurance companies, and despite his recent campaign promise to fight for people with preexisting conditions, almost every single step he has taken has been in the opposite direction. President Trump's awful junk plan rule, which went into effect last week, is the latest example. His decision to expand junk insurance plans actually gives insurance companies more power to sell plans that ignore protections for people with preexisting conditions. It gives insurance companies more power to discriminate based on age or on sex. It gives insurance companies even more power to avoid covering important medical needs like emergency care, mental health care, prescription drugs, or even maternity care. This rule also lets insurance companies spend less money on patients directly and more money on excessive administrative costs and executive bonuses. This new rule shows how empty President Trump's promises are when it comes to preexisting conditions. It is not just President Trump. A lot of Republicans are claiming to stand for protections for preexisting conditions. However, when you compare how Democrats are fighting for these protections and how some Republicans are undermining them, the difference is as clear as night and day. When President Trump tried to pass his TrumpCare bill and undermine preexisting condition protection, Democrats stood with families across the country and fought tirelessly to stop that awful bill. However, most of our Republican colleagues championed it. When President Trump's Justice Department chose to abandon these protections in court against the Republican-led lawsuit to strike them down, Democrats rallied around the bill to let the Senate join the lawsuit and defend protections for preexisting conditions. Not a single Republican joined in that [[Page S6744]] effort. Now President Trump is undermining these protections through the junk plan rule, and Democrats are again on the floor leading the charge against him with the resolution that is before us today. Where are those Republican colleagues who have claimed to care so much about this issue but have done so little to fight for it? So far they have offered empty promises and even gimmicks, like a bill they claim protects people with preexisting conditions but actually allows insurance companies to discriminate based on age and sex. If Republicans are serious about standing up for people with preexisting conditions, they will join us to pass this bill and fight for them. I am not holding my breath, but I am not giving up. Democrats are going to keep fighting for people across the country, for people with preexisting conditions. We are going to keep fighting for cancer patients and survivors, people living with diabetes and arthritis and other chronic diseases, and we are going to keep fighting for women who are pregnant or seniors who are facing the challenges of old age and for so many other families who might not be able to get the care they need without these important protections for people with preexisting conditions. Finally, I thank Ms. Baldwin for her leadership on this very important effort. I know this fight is personal for her, like it is for so many families across the country. I am grateful for her leading the charge. Thank you. I yield the floor. Mrs. FEINSTEIN. Mr. President, I rise today in support of S.J Res. 63, a resolution of disapproval on the Trump administration's final rule allowing the expansion of short-term junk health insurance plans. My home State of California recently passed a law prohibiting these short-term plans to protect consumers because these plans do not offer real coverage and are allowed to only take healthy consumers. One hundred thirty million non-elderly Americans have a preexisting condition, including 16 million in California. Among the most important provisions in the Affordable Care Act are the consumer protection requirements for health insurance plans that ensure preexisting conditions no longer dictate access to health coverage and essential benefits that ensure coverage is meaningful and comprehensive. It does a cancer patient little good to have health insurance that doesn't cover chemotherapy, just as coverage without maternal care is meaningless to an expectant mother. In fact, before the Affordable Care Act was passed, three out of four plans on the individual market did not cover labor and delivery. An analysis by Kaiser Family Foundation just this last April found that of the more than 600 short-term plans offered through two major insurance websites, eHealth and Agile Health Insurance, across 45 States, none included maternity care. It gets worse: 71 percent offered no prescription drug coverage, and 43 percent of these plans didn't cover mental healthcare services. To be frank, these plans are junk insurance. The major protections in the Affordable Care Act are basically tossed out the window, and we are reminded of why health reform was needed so badly in the first place. These plans can include annual and lifetime limits on care, meaning that, if you need an expensive medical treatment, you may be out of luck, even after paying your premiums. Women can once again be charged more than men for the same plan. Insurance companies don't have to comply with medical loss ratio rules that limit administrative costs. In fact, short-term plans covering 80 percent of the market in 2016 only spent half of premium dollars on actual medical care. Short-term plans have traditionally been used by some consumers for what the name implies, to bridge short gaps between long-term coverage for a matter of months. The final rule changes this to ***years***. Given the severe shortfalls these plans have and significant consumer risk, they are simply not meant to be a substitute for real health insurance. I urge my colleagues to support this resolution to protect consumers and look forward to working together to improve health coverage, not make it worse. Mr. CARDIN. Mr. President, today I wish to discuss American's access to healthcare and the patient protections that are currently being threatened by the Trump administration, specifically expanding the availability of junk health insurance, also known as short-term limited duration plans. Short-term limited duration insurance is a type of health insurance that was designed to fill temporary gaps in coverage, such as when an individual is transitioning from one plan or coverage to another plan or coverage. The Obama administration limited these plans to 3 months to ensure they would be used only as a backstop for those who truly need temporary, limited duration coverage. A major flaw of this insurance is that it is exempt from certain consumer protections provided through the Affordable Care Act. Because of the Affordable Care Act, health insurance companies are required to offer essential health benefits such as emergency services, maternity care, mental health and substance use disorder services, and preventative services. Additionally, insurance companies are no longer allowed to place annual or lifetime dollar limits on coverage and cannot refuse to cover someone or charge someone more just because they have a preexisting condition. Among the most common preexisting conditions are high blood pressure, behavioral health disorders, high cholesterol, asthma/chronic lung disease, heart conditions, diabetes, and cancer. In 2017, HHS released a report stating that as many as 133 million non-elderly Americans have a preexisting condition. The Maryland Health Benefit Exchange estimates that there are approximately 2.5 million non-elderly Marylanders with a preexisting condition, 320,000 of which are children. Expanding access to short-term limited duration plans is another in a long line of GOP healthcare sabotage efforts since President Trump took office. Short-term plans are allowed to have annual or lifetime dollar limits on coverage, and do not have to provide coverage of essential health benefits or provide coverage to those with preexisting conditions. These plans will lead to increased health insurance premiums for people buying insurance on the ACA marketplace. Healthy individuals may be deceived to leave the marketplace and buy these junk plans instead. Short-term plans will impose an ``age tax'' on seniors because they are allowed to charge seniors more for coverage. Currently, the ACA limits how much more plans are allowed to charge seniors. Short-term plans are junk insurance, plain and simple. People believe they have coverage, but when they get sick and need medical care, they suddenly realize the plan that they paid for won't allow them to receive the care they require. These actions by the Trump administration to expand access to short- term plans is wrong. Not only do these actions directly threatens the 133 million Americans with preexisting conditions, but also any American who wishes to have strong, affordable, and comprehensive coverage. S. 3021 Mrs. FEINSTEIN. Mr. President, I rise today to speak in support of the pending bill, America's Water Infrastructure Act. I congratulate Chairman Barrasso and Ranking Member Carper of the Environment and Public Works Committee for completing this vitally important bill on time. It is critical that we reauthorize Army Corps projects and other water financing authorities every 2 ***years***, as they have done. The bill before us authorizes construction of 12 new water resource development projects and 65 studies. America's Water Infrastructure Act also includes a number of provisions that will benefit California. The bill includes a provision I authored that will require EPA and the Bureau of Reclamation to enter into an agreement within a ***year***. The agreement must specify how the two agencies will jointly administer a Treasury-rate loan ***program*** for storage, water recycling, groundwater recharge, and other water supply projects. [[Page S6745]] This provision builds off EPA's success using Treasury-rate loans to fund projects under the Water Infrastructure Finance and Innovation Act, WIFIA. The idea is to extend these Treasury-rate loans to water supply projects. There are three significant ways WIFIA loans will lower costs for local agencies wanting to build storage, water recycling, groundwater recharge, or other water supply projects: No. 1, they will pay only 3.2 percent interest rate on their loans based on today's rates, versus 4 percent or greater rates for municipal bond financing; No. 2, the districts would not need to start paying interest until 5 ***years*** after substantial completion of the project; and No. 3, loans are for 35 rather than 30 ***years***, lowering annual debt service costs. The combination of these benefits could reduce the costs of building a project by as much as 25 percent. For example, if a consortium of water districts takes out a loan to build Sites Reservoir, they would pay only $512/acre-foot instead of $682/acre-foot, a 25 percent saving. These water district savings of up to 25 percent are a highly cost- effective use of taxpayer dollars because they can be obtained by appropriations of only 1-1.5 percent of the cost of the loan, as validated by OMB. OMB has approved loans of $5 billion backed only by appropriations of only 1 percent of that amount, or $50 million for WIFIA, because there is a virtually nonexistent default rate for water projects. Only four in a thousand water infrastructure projects default, based on a study conducted by Fitch credit rating agency. Moreover, WIFIA loans include substantial taxpayer protections. Private sector loans have to cover at least 51 percent of the project cost, and the Federal loans would have senior status in the event of any default. These provisions protect the taxpayer in the event of any default. The provision in the bill before us is a compromise, different in some significant ways from the provision I included in the Senate bill. Like the Senate bill, the bill before us requires EPA and the Bureau of Reclamation to enter into an agreement within a ***year*** on how they would jointly administer a Treasury-rate loan ***program*** for water supply projects. However, the House was unwilling to allow the Bureau of Reclamation to recommend water supply projects for loans within EPA's existing WIFIA authority. As a result, additional legislation will be needed to authorize Reclamation loans for water supply projects once EPA and Reclamation reach their agreement. While further legislation will be needed, the legislation before us today provides an important step forward. EPA has developed expertise in processing and administering water supply loans, so it is more efficient if Reclamation can recommend the loans and EPA can administer them. Without the legislation before us, EPA and Reclamation would not reach an agreement on how they would jointly administer these water supply loans. Now that we know that Reclamation and EPA will reach this agreement within a ***year***, Congress can shortly thereafter move legislation with both agencies' support to extend the successful and cost-effective WIFIA loan ***program*** to water supply projects. I look forward to working with my colleagues on this additional legislation. I am also pleased that this bill authorizes construction and studies and provides other needed modifications for many important water infrastructure projects in California. One such project that received a construction authorization is the Lower San Joaquin River project, which provides critical flood control to the Stockton metropolitan area. Additionally, this bill doubles Federal funding for the Harbor South Bay water recycling project, authorizing up to $70 million in Federal funds. This increase in Federal funding will meaningfully expand this project's capability to provide recycled water to surrounding communities. I am pleased to see Army Corps funding utilized for water recycling, which is truly a key for sustainability and water security in drought-prone California. Other key California projects in this bill include authorization for a flood risk management, navigation, and ecosystem restoration project in the San Diego River and directing the Army Corps to expedite flood risk management, water conservation and ecosystem restoration studies at the Coyote Valley Dam, Lower Cache Creek, Lower San Joaquin River, South San Francisco, Tijuana River, Westminster-East Garden Grove, and San Luis Rey River. Lastly, I would like to mention the two other very important provisions for California as well as the Nation that I strongly support. This bill increases funding for the Army Corps' dam rehabilitation ***program*** for structures built before 1940 from $10 million to $40 million until fiscal ***year*** 2026. The United States is facing many challenges due to aging infrastructure, and in California, we saw the serious ramifications of that with the Oroville Dam disaster. Additionally, this legislation reauthorizes and expands the Drinking Water State Revolving Loan Fund for the first time in 22 ***years*** to address aging or damaged drinking water infrastructure in communities across the country. For all these reasons, I support the America's Water Infrastructure Act before us today. Thank you. Mrs. MURRAY. I suggest the absence of a quorum. The PRESIDING OFFICER. The clerk will call the roll. The legislative clerk proceeded to call the roll. Mr. CARPER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded. The PRESIDING OFFICER. Without objection, it is so ordered. Mr. CARPER. Mr. President, I don't know what it is like in Alaska, Wyoming, or Tennessee these days, but a lot of times, when I am going home or back and forth, people are saying to me: I wouldn't want your job for all the tea in China. I say: Well, I actually feel lucky to do this job. They ask: What do you like about it? I say: I like helping people. They say: Really? And they ask for examples. Today is a good example. One of the best ways to help people is to make sure they have a job. There are a lot of different ways we provide that nurturing environment for job creation and preservation, and one of those ways is in the area of infrastructure. Sometimes an overlooked part of our infrastructure is the one we address directly in the Water Resources Development Act before us today. Our water infrastructure is actually the forgotten leg on the infrastructure stool. We rightly worry about the infrastructure we can see: our bridges, highways, airports, and railroads, but our Nation's water infrastructure: our pipes, shipping channels, flood control structures, and the infrastructure we don't see, as we have learned, is in desperate need of investment. Our Nation's drinking water systems, dams, reservoirs, levees, shipping lanes, and ports support and promote economic growth and job creation. These systems provide water for everything from families to ***agriculture*** to small businesses. This is infrastructure that Americans rely on every day, and it keeps our economy moving. America's Water Infrastructure Act of 2018, the legislation that we will soon be voting on, makes water a priority from coast to coast. As my good friend, the chairman of our committee, John Barrasso, has said, America needs comprehensive water infrastructure legislation that will create jobs, keep communities safe, and make the Army Corps of Engineers and the EPA more accessible to stakeholders. The legislation before the Senate today has received endorsement from industry, from environmental protection groups, and from everything in between. The U.S Conference of Mayors, the National League of Cities, and the National Association of Counties say that this bill drives investment in navigation, flood protection, and ecosystem restoration in communities and that it protects public health and safety and our natural resources. It is critical in helping our communities to build, maintain, and improve this critical infrastructure while growing our national and local economies. [[Page S6746]] I am here to applaud and thank, once again, our chairman, our staffs, and everyone who has worked on this from Alaska to Wyoming. Mr. President, I ask unanimous consent that a list of congressional staff who deserve recognition for their work on S. 3021 be printed in the Record. There being no objection, the material was ordered to be printed in the Record, as follows: Thanks to the staff who worked tirelessly on this bill throughout the ***year***, including the staff of Chairman John Barrasso: Richard Russell, Brian Clifford, Elizabeth Olsen, Andy Harding, Pauline Thorndike, Craig Thomas; Ranking Member Tom Carper: Mary Frances Repko, John Kane, Christina Baysinger, Skylar Bayer, Ashley Morgan, Avery Mulligan, Andrew Rogers; Subcommittee Chairman Jim Inhofe: Jennie Wright; Subcommittee Ranking Member Benjamin L. Cardin: Mae Stevens; Chairman Bill Shuster: Ian Bennitt, Victor Sarmiento, Elizabeth Fox, Jon Pawlow, Geoff Gosselin, Peter Como, Chris Vieson; Ranking Member Peter A. DeFazio: Ryan Seiger, Michael Brain, Kathy Dedrick, David Napoliello; Chairman Greg Walden: Jerry Couri; and Ranking Member Frank Pallone: Jackie Cohen, Jean Fruci, Rick Kessler, Tuley Wright. Mr. CARPER. I yield my time. The PRESIDING OFFICER. The Senator from Wyoming. Mr. BARRASSO. Mr. President, I ask unanimous consent to complete my brief statement before the rollcall is taken. The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered. Mr. BARRASSO. Mr. President, it is time to vote on America's Water Infrastructure Act. I thank my friend and colleague from Delaware, the senior Senator, Mr. Carper, for his great contributions to this piece of legislation. It is an important bill that has broad bipartisan, bicameral support. There are 95 groups that have endorsed it. They represent a broad cross-section of stakeholders from a wide variety of backgrounds. From the Sierra Club to the American Petroleum Institute to the U.S Chamber of Commerce, they all agree that this important infrastructure legislation is good for our country, good for our communities, good for our economy, and good for our environment. The Wyoming Wool Growers Association, the Arkansas Rural Water Association, and the Milwaukee Metropolitan Sewerage District have all united in praise for a bill that will help all 50 States. The water infrastructure bill passed our committee 21 to nothing, and it passed the House with a unanimous voice vote. It is time to send it to the President for his signature. I would just ask our Members to join us in supporting this important bipartisan infrastructure bill. Mr. President, along with Ranking Member Carper, I ask unanimous consent to have an explanatory statement to accompany S. 3021, America's Water Infrastructure Act, printed in the Record. There being no objection, the material was ordered to be printed in the Record, as follows: Senate Explanatory Statement to Accompany S. 3021, America's Water Infrastructure Act of 2018 The following explanatory statement from the Senate supplements and provides additional views on the Managers' Joint Explanatory Statement accompanying S. 3021: America's Water Infrastructure Act of 2018 (AWIA), that was submitted as part of the Congressional Record during consideration in the House of Representatives on September 13, 2018. section 1144 Section 1144 on Levee Safety Initiative Reauthorization extends by five ***years*** the authorization of appropriations for the National Levee Safety ***Program***, which includes the committee on levee safety, inventory and inspection of levees, and levee safety initiative. The Senate Managers urge the Army Corps of Engineers (the Corps) to improve the current levels of levee safety ***program*** transparency and local levee sponsor involvement. By law and policy, local levee sponsors assure the day-to- day performance of levee systems. As such, local sponsors typically maintain abundant familiarity with localized flood and levee system conditions as well as local risk management and communication needs. For the levee safety ***program*** to be successful in achieving cost-beneficial flood damage reduction, the Corps must to the maximum extent practicable involve local sponsor expertise and rely on scientifically sound and technically rigorous analysis. The Senate Managers are aware of internal guidance drafted by the Corps to direct its district offices to engage public sponsors as participants in all levee safety ***program*** activities. The Corps is encouraged to execute this directive fully so that local sponsors and affected citizens derive maximum benefit from the levee safety ***program***. The Senate Managers arc additionally concerned about the agency's decision to formulate and publicize Levee Safety Action Classification (LSAC) assignments for levee systems in the absence of site-specific solutions and corresponding cost estimates. It is difficult to perform effective risk characterization and communication about levee systems in the absence of identified corrective actions and their associated costs and benefits. The levee safety ***program*** must improve flood protection by driving requisite cooperation with local sponsors, transparency, objectivity, rigorous technical justification, and development of actual solutions that focus on the imperative of identifying cost-beneficial, engineered solutions. The Corps noted in a March 2018 Levee Portfolio Report that, ``there may be reluctance to share risk information with the public when an immediate and viable risk management solution has not been identified.'' The Senate Managers urge the Corps to immediately rectify this shortfall by cooperating with local levee sponsors to produce viable levee system corrective actions and corresponding cost estimates along with LSAC assignments. Given the scope and potential impact of these levee system risk assessments, which could involve levee accreditation status by FEMA under the National Flood Insurance ***Program***, the Corps should also seek out external peer review of the reliability and usefulness of the overall LSAC process. section 1170 Section 1170 contains a drafting error that was identified following the passage of S. 3021 as amended by the House of Representatives. The Senate Managers intend to initiate legislation to make a technical correction in the language of this section to replace the words ``Arizona River Basin'' with ``Arkansas River Basin'' to ensure the work is conducted in the Arkansas River Basin, located in Colorado and three other States. Further, the Senate Managers ask that the Corps prepare to implement this section as so modified pending the correction. section 1229 Section 1229 directs the Secretary to do a report on the status of a water supply contract for Wright Patman Lake, Texas. In addition to that provision, the Senate Managers believe that the Secretary should implement the Department of the Army, Civil Works Contract No. 29-68-A-0130, at Wright Patman Lake, Texas, in an expeditious manner and in accordance with all applicable Federal and State water laws. This includes the acceptance and expenditure of funds contributed by a non-Federal interest for any study required by law to implement the contract. section 1318 Section 1318 directs the Secretary of the Army to align the schedules of and ensure coordination between the Argentine, East Bottoms, Fairfax-Jersey Creek, and North Kansas Levees Units, Missouri River and Tributaries at Kansas Cities, Missouri and Kansas, project and the project for flood risk management in Armourdale and Central Industrial District Levee Units, Missouri River and Tributaries at Kansas Cities, Missouri arid Kansas. It is the Senate Managers' intent that these two flood control projects be considered to be a single project for budgeting purposes despite separate authorizations, and for the purposes of the Supplemental Appropriations in the Bipartisan Budget Act of 2018, P.L 115-123, it is an ongoing construction project. section 2010 Section 2010 provides new authority to permit a State to require the owner or operator of certain public water systems to assess its options for consolidation, ***transfer*** of ownership, or other activities in order to get that system into compliance. The Senate Managers believe there is no requirement for systems to adhere to the results of these assessments. section 4103 Section 4103 provides technical assistance for treatment works in the Clean Water Act (CWA). It is the Senate Managers' view that, when determining which qualified and experienced nonprofit organizations will provide on-site training and technical assistance, the EPA should consult with the relevant State and the publicly owned treatment works to determine the forms of training and technical assistance they believe will be most effective and beneficial. Additional Views of the Senate Managers on Water Resource Issues and the Development of S. 3021 EPA's ``Water ***Transfer*** Rule,'' 40 CFR Sec. 122.3(i), excludes discharges from ``an activity that conveys or connects waters of the United States without subjecting the ***transferred*** water to intervening industrial, municipal, or commercial use'' from the National Pollutant Discharge Elimination System (NPDES) wastewater permitting requirements of the Clean Water Act, 33 USC Sec. 1342. The Second Circuit Court of Appeals held that EPA's interpretation of CWA is reasonable and EPA is entitled to Chevron deference in Catskill Mountain Chapter of Trout Unlimited v. EPA, 846 F.3d 492 (2nd Cir., 2017); cert denied, 138 S. CT. 1164-1165 (Feb. 26, 2018). The Supreme Court's denial of certiorari resolves the question of whether EPA's Rule complies with the CWA. [[Page S6747]] The Senate Managers encourage the Secretary to conduct a study on impediments to the U.S Army Corps of Engineers' Water Infrastructure Finance and Innovation Act (33 U.S.C 3901 et seq.) (WIFIA) ***program*** implementation. In the study, the Secretary should examine obstacles to the implementation of the Corps WIFIA ***program*** and to identify all projects that the Secretary determines are potentially viable to receive assistance. Additionally, the study should describe any amendments to the Act or other legislative or regulatory changes that would improve the Secretary's ability to implement the Corps' WIFIA ***program***. The report should be submitted to the Committee on Environment and Public Works of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives no later than one ***year*** after enactment of AWIA 2018. Water resources projects have historically not been able to be completed after construction commences due to the use of benefit-cost analyses in the budgeting of water resources development projects. During construction, costs accrue while benefits are not yet realized, which lowers the benefit-cost ratio stalling projects. The Senate Managers continue to be concerned with this matter, and ask that the Corps provide recommendations to Congress on how to address this concern within 180 days of enactment of this Act. Several Chief's Reports were neither completed nor received by Congress before negotiations closed on AWIA, and the bill was passed by the United States House of Representatives. The final bill did not include these projects for that reason. The Senate Managers believe that the Corps should expedite the completion of these reports in an expedient manner so these projects can be included in the next Water Resources Development Act. The Senate Managers believe that the Secretary should expedite the expected Chief's Report for the Souris River Basin, Minot, North Dakota, flood risk management project that was authorized by section 209 of the Flood Control Act of 1966 (80 Stat. 1423). The Senate Managers believe that the Secretary should expedite the expected Chief's Report for the Delta Islands and Levees, California, ecosystem restoration project. It was authorized by a June 1, 1948, Committee on Public Works of the Senate resolution; the resolution adopted by the Committee on Public Works of the House of Representatives on May 8, 1948; and House Report 108-357 accompanying the Energy and Water Development Appropriations Act, 2004 (Public Law 108-137; 117 Stat. 1827). The Senate Managers believe that the Secretary should expedite the expected Chief's Report for the Anacostia Watershed, Prince George's County, Maryland, for flood control, navigation, and ecosystem restoration. The project was authorized by a resolution adopted by the Committee on Public Works and Transportation of the House of Representatives on. September 8, 1988. The Senate Managers believe that the Secretary should expedite the expected Chiefs Report for the Hashamomuck Cove, New York, project for coastal storm risk management, which was authorized in title X of division A of the Disaster Relief Appropriations Act, 2013 (Public Law 113-2; 127 Stat. 23). The Senate Managers encourage the Secretary to expedite the completion of the post authorization change report (PACR) for the Howard A. Hanson Dam, Washington project for water supply and ecosystem restoration. This project was authorized by section 204 of the Flood Control Act of 1950 (64 Stat. 180) and modified by section 101(b)(15) of WRDA 1999. The Senate Managers encourage the Secretary to expedite the completion of the PACR for the Port Pierce, Florida, shore protection and harbor mitigation project. The project was authorized by section 301 of the River and Harbor Act of 1965 (79 Stat. 1092), section 102 of the River and Harbor Act of 1968 (82 Stat. 732), and section 506(a)(2) of the Water Resources Development Act of 1996 (110 Stat. 3757), and modified by section 313 of the Water Resources Development Act of 1999 (113 Stat. 301). The Senate Managers encourage the Secretary to expedite the completion of the PACR for the Port of Iberia navigation project, authorized by section 1001(25) of WRDA 2007 (121 Stat. 1053; 128 Stat. 1351). The Senate Managers encourage the Secretary to expedite the completion of PACR for the Wrightsville Beach, North Carolina, hurricane and storm damage risk reduction project. It was authorized by section 203 of the Flood Control Act of 1962 (76 Stat. 1182) and section 501 of WRDA 1986 (100 Stat. 4135). The Senate Managers also encourage the Secretary to expedite the completion of the PACR for the Carolina Beach, North Carolina, hurricane and storm damage risk reduction that was authorized by section 203 of the Flood Control Act of 1962 (76 Stat. 1182). The Senate Managers note that a number of environmental infrastructure projects were unable to be included in the final text of AWIA due to the statutory requirements of the project vetting process established in WRDA 2014. As noted in the Joint Managers Statement on September 13, 2018, AWIA amends the WRDA 2014 project vetting process to allow for the consideration of environmental infrastructure projects prospectively. Although the requirements of WRDA 2014 limited the consideration of environmental infrastructure projects during the development of S. 3021, the Senate Managers encourage the Corps to vet such projects using the updated review process and resubmit them for inclusion in the next water resources authorization. Though not authorized in S. 3021, the Senate Managers have also agreed to request and support a National Academies study on the Rio Grande River Basin. Such study should examine the Rio Grande River Basin as a holistic system to better understand how the Corps should manage this river system in the face of extreme weather events to better meet water needs of the region. The National Academies should conduct an evaluation of the capacity, operation and state of existing basin reservoirs; look for opportunities to promote water conservation through operation, regulation or physical improvements of the reservoirs; and examine the impacts of reservoir operation and management on species and habitats to the region. The study is expected to provide recommendations for future management scenarios and recommendations in accordance with the Rio Grande Compact to assist in establishing more flexible operation procedures to meet the water needs of the Rio Grande River Basin. The Corps is encouraged to initiate this study with the National Academies as soon as practicable. Mr. BARRASSO. I yield the floor.

**Load-Date:** October 31, 2018

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[***Oman's diversification drive supports industrial growth***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4X1-DXYV-74DB-00000-00&context=1516831)

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**Body**

Growth in Oman's industrial and retail sectors has been affected by reduced global oil prices and weaker consumer sentiment, denting spending and forcing some companies in heavy industry to defer growth and investment ***programmes***. However, the impact of the costs borne by the sultanate's manufacturers was offset somewhat in 2017 by the rise in exports to Qatar following the blockade of that country's trade with the Saudi-led bloc of the GCC.

The government is also investing heavily in breaking a cycle of hydrocarbons dependency and facilitating the development of a more diversified economic base. Manufacturing has been prioritised as one of the pillars of this strategy under the Tanfeedh ***programme*** for national economic diversification.

NEW DEVELOPMENTS: Buoyed by strong government support for new foreign direct investment initiatives and sustained investment in infrastructure, industrial contributions to GDP will benefit from projects such as the new city being developed in the Special Economic Zone (SEZ) at Duqm.

The China-Oman Industrial Park is among the most ambitious of the new projects being developed by Chinese firms under the framework of the Belt and Road initiative. The industrial park is being developed and built by Oman Wanfang, a Chinese consortium made up of six private companies.

The investment will create thousands of jobs for Omanis and local companies in a wide range of industries, helping to transform an underutilised seaport into a major business zone and trans-shipment hub with a vibrant industrial base. The zone is managed by the Duqm Special Economic Zone Authority (SEZAD). "Given its regulatory independence, SEZAD acts as a laboratory for testing new regulations that could later be applied in the rest of Oman," Yahya Said Abdullah Al Jabri, chairman of SEZAD, told OBG (see analysis).

Recovery is also expected in retail, where long-term fundamentals remain strong, driven by population growth, a projected increase in disposable income and a rise in international tourist arrivals. These factors should more than offset current weak consumer sentiment due to the oil price downturn, INDUSTRIAL GROWTH TRENDS: Non-oil activities grew by 0.6% in 2016, contributing OR19.3bn ($50.1bn) to GDP. Manufacturing contracted by 17% that ***year***, adding OR2.2bn ($5.7bn) to GDP, according to the National Centre for Statistics and Information (NCSI). The trend persisted into 2017, with many private sector companies in industry and manufacturing reporting low earnings over the first six months of the ***year***, and industrial sector output growing just 0.1% ***year***-on-***year*** (y-o-y) to OR2.53bn ($6.6bn).

Reduced oil prices continue to fuel negative economic sentiment in Oman, with consumers making more deliberate spending choices and delaying the replacement of non-durable goods, such as auto parts. In heavy industry, shareholders are deferring investment ***programmes*** for equipment upgrades and the procurement of new technologies that were not already authorised before oil prices fell.

Energy-intensive industries in the sultanate are also bearing the cost of the withdrawn power-tariff subsidies, raising energy prices by up to 75% for some companies from January 2017. Compounded by reduced profits, these higher costs represent a major challenge for the industrial sector.

"Increasing costs in power, transport and labour are all exerting significant downward pressure on the profitability of Omani manufacturers," S Gopalan, CEO at Reem Batteries & Power Appliances, told OBG.

According to stakeholders, a higher tax burden could also present a challenge for companies. "I am concerned about the outlook for the industrial sector given that the increase in the corporate tax rate will have a negative impact on local business sentiment and that it is now more difficult to access credit," Saeed Khawar, chairman of Bin Hayl Group, told OBG.

Balancing the impact of new costs in 2017, domestic industries including food production, steel, manufacturing and construction aggregates benefitted from the diversion of trade between Qatar and the GCC. New shipping lines have opened between Oman and Qatar's recently inaugurated Hamad Port, and Omani businesses have picked up regional market share from competitors in the UAE and Saudi Arabia, including, for example, up to 40% of Abu Dhabi's export market for vegetable oil previously destined for Qatar.

GOVERNMENT OBJECTIVES: Despite the more challenging operating environment resulting from the downturn in oil prices, the market remains relatively upbeat, buoyed by sustained government investment in infrastructure. To mitigate the impact of lower oil prices on the pace of public sector investment, the government is seeking to relieve the pressure of financing major development projects by engaging the private sector in public-private partnerships and build-operate-***transfer*** initiatives to share the burden.

The government is also seeking to break the cycle of oil-and-gas dependency by cutting the share of hydrocarbons-derived GDP in half by 2020 and substituting a more diversified economic base. To that end, the country plans to boost the GDP contribution of heavy industry from 19.8% in 2017 to 29% by 2020, and has earmarked $106bn to invest in non-oil sectors, including industry and manufacturing.

Indeed, manufacturing is at the heart of Oman's diversification strategy, representing 9.3% of GDP and employing more than 38,000 people in 2017. The sector has emerged over the past two decades as a significant development area for non-oil economic activities, growing by 661.9% between 1998 and 2015, according to a study conducted by the NCSI.

Today the country produces and exports a wide variety of items, ranging from car batteries to air conditioning units, footwear, vegetable oil and marble kitchen tops to 135 countries.

However, imports continue to dominate some product segments that have the potential to support domestic manufacturing if developed.

"All of the resources that are spent on importing products could be used to develop local and regional manufacturing capacity, which would translate into local jobs," M V Suresh, the CEO of National Pharmaceutical Industries, told OBG.

RESEARCH & DEVELOPMENT: Several initiatives under way aim to support downstream development in the manufacturing sector. In September 2017 the University of Sheffield's Advanced Manufacturing Research Centre announced plans to launch a local franchise out of Sohar University to drive industrial innovation and support the adoption of new technologies in advanced manufacturing. Known as Intaj-Suhar, the scheme will be the first manufacturing research centre of its kind in the GCC when it opens in 2018.

The technological advances supported by such ***programmes*** - particularly in IT-enabled design, digital modelling and fabrication - are changing the face of Omani manufacturing by creating opportunities for compact, micro-manufacturing facilities tailored to small, flexible production runs. Small firms run by artists, crafters, knitters, seamstresses, builders, programmers, engineers and graphic designers are taking advantage of lower-priced machinery and easy-to-use cloud-based software to order, stock and produce goods, as well as to finance projects in a way that would have been impossible five ***years*** ago.

Industrial players of all sizes are benefitting from technological advances. "Better connecting businesses with suppliers through digital procurement platforms has the potential of stimulating foreign direct investment," Hemant Murkoth, CEO of Business Gateways International, which provides this service, told OBG. "Providing information about the quality of suppliers would also facilitate investment decisions."

FORUMS & INDUSTRY ASSOCIATIONS: Underscoring its importance to realising the sultanate's vision of economic diversification, manufacturing is one of the pillars of government strategy under the Tanfeedh ***programme***, which was launched in 2016 under the ninth five-***year*** development plan (2016-20). Since its launch, Tanfeedh has played an important role addressing a variety of challenges in the manufacturing sector, bringing public and private stakeholders together in a formal setting to discuss the future of the economy.

To further amplify the voice of companies in the decision-making process on issues affecting manufacturers - including labour laws, fiscal policies and land use rights - private industry is also taking independent action and organising a lobby group for the roughly 1000 manufacturing companies active in Oman. In late 2017 the manufacturing sector initiated the formation of the Omani Manufacturers Association, with articles of association approved in October 2017 and an initial seven-member board elected. The papers have been filed with the Ministry of Social Affairs and are awaiting approval, after which the association is expected to commence formal work in 2018. Regardless, the forum has already proven beneficial for manufacturers, providing a venue to relay concerns to the government that resulted in the suspension of a 1% import duty applied to raw manufacturing materials in early 2017.

INDUSTRIAL ESTATES: As part of the state's efforts to develop the industrial sector and diversify sources of national income, the Public Establishment for Industrial Estates (PEIE) manages planning and development of the Rusayl, Sohar, Raysut, Nizwa, Sur, Bureimi and Samail industrial estates, in addition to Knowledge Oasis Muscat - an IT park - and Al Mazunah Free Zone. Growth in the estates remains strong, with the PEIE reporting roughly 600 applications for land by the end of the third quarter of 2017, an increase of over 50% on the previous ***year***, according to PEIE's CEO, Hilal Hamad Al Ahsani.

Oman's latest industrial estate at Thumrait, in the south of the country, is expected to open in 2018 with a queue of potential investors. The number of projects committed to the 753-ha Sumail Industrial Estate, completed in 2017 at a cost of OR39m ($101.3m), reached roughly 200 by the end of the ***year***, drawing investors that benefit from proximity to the capital Muscat and Rusayl Industrial Estate.

In nearby Sohar most of the available land is in use, and the PEIE is planning to expand to Shinas to develop industry along the Al Batinah coastline. A new master plan is also in development for the country's largest industrial estate at Sur, with a feasibility study for a new commercial port managed by the private sector currently in its final stages. Investors have reportedly been lined up for the project, and the PEIE hopes to commence work in 2018.

The benefits of free zones accrue to the economy as well as to investors. "Successfully diversifying Oman's economy will depend on the continued support and strengthening of the industrial sector. Ports and free zones play an essential role in this regard," Reggy Vermeulen, CEO at Port of Duqm, told OBG.

PETROCHEMICALS: Petrochemicals are expected to play a key role in diversifying Oman's economy and accelerating non-oil economic growth. The segment was the highest contributor to GDP in the manufacturing sector in 2016, supplying 51% of value added in manufacturing, for growth of 47% compared to 2015, according to a 2017 report from the Gulf Petrochemicals and Chemicals Association.

The sultanate's largest ongoing petrochemicals project is the $5.2bn Liwa Plastics Industries Complex (LPIC) being built by Oman Oil Refineries and Petroleum Industries Company in the Sohar Industrial Port Area. Upon commissioning in 2020, LPIC will support the development of a downstream plastics industry in Oman and enable the country to produce polyethylene for the first time.

Other significant developments in 2017 include an investment agreement signed between Dalian Mingyuan Holdings Group and SEZAD to build a $2.8bn project to manufacture 1.8m tonnes of olefin with methanol annually. The ***year*** also saw the launch of commercial operations at Sebacic Oman's $62m, 30,000-tonnes-per-annum facility in Duqm, paving the way for the first exports of sebacic acid in early 2018. The manufacturing facility is the first in the MENA region and the only dedicated sebacic acid plant outside China, benefitting from proximity to Indian castor oil as the main raw material, as well as closeness to target markets in Europe and the Americas, and lower energy costs than China.

Fertiliser production capacity is also regarded as a big contributor to growth in Oman's non-oil exports. Gulf Potassium Mining, a subsidiary of Gulf Mining Group - which is one of the largest privately owned mining corporations in Oman - has announced plans to invest between $300m and $500m in the development of a sulphate of potash project that will use potassium chloride deposits discovered in Umm Al Samim as an alternative to the more commonly available muriate of potash-type fertiliser in world markets, according to a report in the *Oman Daily Observer*.

ALUMINIUM: In line with government diversification efforts, the aluminium smelter and downstream sector has been going through disciplined productivity improvement and cost-cutting initiatives supporting the manufacture of value-added products.

Sohar Aluminium is one of the top five producers in the Gulf. Jointly owned by Oman Oil Company, Abu Dhabi National Energy Company and Rio Tinto Alcan, the $2.5bn joint venture produces 375,000 tonnes of aluminium annually, exporting 40% to shareholder Rio Tinto. In October 2017 Sohar Aluminium announced the aim of increasing its smelting capacity and downstream capabilities by adding a second pot line. The capital-intensive project, still in early planning, is intended to boost the downstream sector and align the company's priorities with the Tanfeedh ***programme***, but requires billions of dollars of investment, and is predicated on appetite to invest.

TEXTILES: Seeking to benefit from strong government support, competitive land and energy rates, and connectivity to global markets through Sohar Port, ShriVallabh Pittie Industries Group - a diversified yarn manufacturing company based in India - signed a project agreement in September 2017 to launch a $300m plant in Sohar Freezone. The first major cotton yarn plant in the region, it is expected to import 100,000 tonnes of cotton fibre for production from the US, India and Australia, and will export more than 70,000 tonnes per ***year*** of finished yarn to international markets including Bangladesh, Pakistan, Vietnam, Portugal, Turkey and China.

Commercial operations are scheduled to begin in late 2019, with downstream investments in knitting, weaving, spinning and fabric manufacturing that support the sultanate's economy, and contribute to its growth and diversification by creating a thriving textiles cluster to provide jobs for locals MANPOWER: Many companies in niche manufacturing segments face challenges hiring skilled manpower. A strict Omanisation policy is currently in place, but few Omanis possessing the necessary experience and skills for senior technical positions. Though the government has invested substantial resources in training centres, such as the Institute of Technical Training Services, a cultural aversion to factory work makes it difficult to find Omanis who are willing to take on production and maintenance roles in industry. Even in more senior positions, Omani engineers typically gravitate towards work in government or with the oil and gas sector.

Once hired, locals are often paid up to five times more than expatriates, and are entitled by law to a 3% annual salary raise regardless of a company's financial performance. It is also difficult to remove Omanis from their positions once employed, raising challenges with motivation and skills improvement.

Compounding the human capital issue in industry, the Ministry of Manpower has significantly tightened policy on labour clearances for expatriates in recent ***years*** to encourage companies to draw instead from the pool of young national graduates.

"I understand and support mandating the hiring of Omanis at an entry level, but to impose a blanket ban on the hiring of expatriates for senior, experienced positions introduces significant challenges for manufacturers," said Hassan Abdwani, CEO of Voltamp, a producer of power transformers. "My feeling is that government ... is experimenting with labour regulation without appreciating the consequences to industry. They suspend expatriate labour clearances because they want more graduates to be hired, but that's not the solution. They are only solving their problem by creating another problem."

The collective impact of these regulations and the current labour laws presents a challenge for economic diversification, restricting access to vital labour and deterring contractors from taking on new projects to avoid excess labour costs during times of lower demand. "We need a lot of highly skilled people and every company needs something different," said Murtaza Jariwala, executive director of engineering and oilfield services provider Vanguard. "For us it is machine operators - if we hire an Omani, we have to bring our price up. Then if we don't get any orders, we cannot stay in business. You have to choose how to balance that and it's very challenging. The Chinese are also competing in the market, so we need orders and we need to keep costs low."

Reforms to labour regulation are currently under development, with initiatives to support the manufacturing segment spearheaded by Tanfeedh. The position of the private sector is clear: a more flexible and liberalised labour pool is necessary for the generation of economic activity and to create more jobs for Omanis. "Local companies are willing to abide by Omanisation," Said bin Saif Al Maskery, general manager at Composite Pipes Industry, told OBG. "However, there is a need for improvement in government policy that grants companies the freedom to manage employees and enforce employment contracts."

RETAIL: Growth in Oman's wholesale and retail trade sector has slowed since 2014, a result of the oil price downturn and weaker consumer sentiment. Annual growth in the retail sector fell by 18.2% in 2016 to $4.9bn, down from $6bn in 2015 - a recent peak - and $5.1bn in 2012, according to investment banking advisory firm Alpen Capital. The current retail operating environment in Oman, however, does not dampen the longer-term fundamentals for the sector, which is expected to recover in 2018 and grow steadily up to 2021 driven by the stabilisation of oil prices, an expanding consumer base, international tourist arrivals and growth in per capita income, according to a 2017 Alpen Capital report on the GCC retail industry.

Short-term performance will largely depend on the price of oil. If it remains above $50 per barrel, luxury products may do well, particularly among consumers making major purchases ahead of the implementation of a 5% value-added tax, now expected in 2019.

GROWTH DRIVERS: The population saw a compound annual growth rate of 5.7% between 2011 and 2016, and is expected to grow at a rate of 3.1% between 2016 and 2021, the fastest in the GCC, according to the IMF. An expanding consumer base comprising a high number of young nationals, expatriates and lower-income consumers is contributing to a shift in consumer preferences towards international foods, Western products and organised retail stores. This is supported by a rise in household spending power resulting from economic diversification and government-mandated pay hikes for nationals, and is projected by the IMF to grow GDP per capita at an annual average rate of 1.5% between 2016 and 2021. "Thanks to the population growth rate, the outlook is positive for Oman's fast-moving consumer goods segment, which is a key contributor to the local manufacturing sector," Vaidyanathan Sundaresan, CEO at the National Detergent Company, told OBG.

The retail sector also benefits from the 16.8% increase in international tourist arrivals between 2011 and 2015. The National Strategy for Tourism 2040 target of a near-doubling of visitor numbers to 5m annually over the next 20 ***years*** is expected have a significant knock-on effect on retail growth.

Large grocery stores and hypermarkets attracted by Oman's strong pipeline of retail projects and expanding consumer base are also expected to drive growth in food retail sales by 15%, from $3.4bn in 2016 to $3.9bn in 2018, according to food and ***agriculture*** research firm Farrelly & Mitchell. Hypermarkets will remain the primary driver of food sales in the country, delivering around 70% of total grocery store receipts, according to Alpen Capital research.

ORGANISED MALL SPACE: Traditionally concentrated among standalone outlets, Oman's retail sector has been shifting towards multi-brand commercial centres and large leisure shopping complexes that combine retail with entertainment. Alpen Capital statistics suggest that the supply of retail space in the sultanate has risen substantially over the last two ***years***. The addition of large shopping centres such as Avenues Mall (gross leasable area of 80,000 sq metres), Oasis Mall (35,600 sq metres) and Panorama Mall (21,000 sq metres) brought total leased mall space in Muscat to 345,000 sq metres in 2017. Oman Airports Management Company also announced the opening of over 18,000 sq metres of retail space at the new Muscat International Airport in January 2017.

The sultanate is preparing for a major rollout of organised mall space in the coming ***years***, including Al Araimi Boulevard, Mall of Oman, and the rebranded Mall of Muscat (formerly known as Palm Mall). The luxury 149,000-sq-metre Al Araimi Boulevard is being built by Omani entrepreneur Fahad Abdullah Al Araimi in the coastal suburb of Al Khoud, a few kilometres from Muscat. It is envisioned as a social centre, offering a combination of entertainment and educational facilities alongside the biggest food court in Oman and 70,500 sq metres of leasable space. Construction is expected to be completed by September 2018.

Another retail destination due in 2018 is Mall of Muscat. The OR150m ($389.5m) complex will be located in Mabellah, between the Muscat Expressway and Highway 1, within a project area of more than 200,000 sq metres. In keeping with the trend of combining retail and entertainment, the mall will house an 8000-sq-metre aquarium, a 5600-sq-metre snow park, 200 retail outlets, and the largest Lulu Hypermarket in Oman, at a total of 22,000 sq metres.

The largest shopping destination under development is set to open in 2020 at Madinat Al Ifran, near Muscat International Airport. Designed by UAE-based mall pioneer Majid Al Futtaim, the super-regional Mall of Oman will host an estimated 350 outlets in a 137,000-sq-metre retail space, according to the *Oman Daily Observer*. The project is part of the $1.3bn investment that Majid Al Futtaim Group plans to make on retail developments in Oman by 2020. Mega malls and the international brands they bring will be key to securing a portion of the Omani retail spend currently being lost to the UAE, with many Omanis travelling to Dubai to buy goods such as clothing and electronics.

E-RETAIL: Beyond bricks and mortar, Oman's fledgling e-retail industry is poised for a breakout contribution to growth. While internet spending in the broader Middle East is booming, with GCC countries expected to hit $41.5bn in e-commerce by 2020, web sales in Oman amount to only $800m-$1bn annually due to the lack of a unified postal address system.

In 2017 the NCSI submitted the National Infrastructure for Geographic Information Project to Muscat Municipality, addressing in detail a four-stage plan to introduce a unified address system in time for the 2020 census (see ICT chapter). Once in place, the new system is expected to resolve logistics issues with home delivery, and drive growth in online spending and e-commerce. Mall of Oman, which is scheduled to open in 2020, has already announced plans to capitalise on the anticipated improvements by launching a mobile app that can deliver purchased items to a residential address, a service for which the introduction of a unified postal system is crucial. Similar systems have been successful in Saudi Arabia and several other countries, improving the efficiency of e-commerce deliveries and supporting retail growth. The regional footprint of experienced delivery platforms such as DHL, Aramex, fetchr and Souq - alongside express and ***payment*** gateways such as Paypal, Payfort and Telr - will help with the emergence of new e-retailers and revamping of online portals by traditional ones.

OUTLOOK: Industrial growth projections in Oman depend on a number of variables, including the global price of oil (which could result in fewer or delayed heavy industry contracts) and the impact of rising transport and energy prices on the regional competitiveness of Omani manufactured goods. Changes in public policy from budget pressures may also affect prospects, as was the case in 2017 when promised tax exemptions for certain types of aluminium machinery were cancelled in light of the economic environment.

Many companies in niche manufacturing segments also face challenges hiring skilled manpower. A more flexible and liberalised labour pool may be necessary to generate economic activity and create more jobs for Omanis. Despite these challenges, new investment - as measured by expansion in free zones and industrial estates - remains strong, pointing to continued confidence in the sector's long-term potential. "The industrial sector benefits from a globally competitive tax environment, and high-quality suppliers and service providers," Ghassan Musabbeh, managing partner at Muscat Steel Industries, told OBG.

In retail, unknowns include the impact of the anticipated spike in uptake of online retail and use of technology over the next several ***years***. The sultanate is currently preparing for the rollout of a large area of organised mall space in a period of dampened spending, the completion of which may contribute to an overhang of retail supply, and in turn to an increase in vacancy rates and a subsequent drop in rents.

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[***Website sees Ukraine's coalition impeding cooperation with EU***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R67-WF91-DYRV-31RY-00000-00&context=1516831)

BBC Monitoring Kiev Unit

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**Body**

Ukrainian parliament has recently made a number of decisions "creating new problems" in relations with the EU and IMF, a Ukrainian news and analysis website has said. In particular, the moratorium on the sale of ***agricultural*** land was extended for another ***year***, which contradicts the conditions of the cooperation between Kiev and the EU. A number of other draft laws were passed, which call into question the readiness of the Ukrainian authorities to continue with reforms implementation, according to the website.The following is the article by Yuriy Panchenko and Serhiy Sydorenko entitled "Decline of reforms: why is coalition torpedoing association agreement" and published on the Yevropeyska Pravda news and analysis website on 8 December, subheadings are as published:

The developments of this week have proved that even the risk that the West can wind down its aid ***programme*** cannot force the Ukrainian authorities to abandon their usual schemes. Ukraine's relations with the West seem to be at the lowest point since the revolution of dignity [antigovernment protests in 2013-2014]. Two weeks ago, in Brussels [Ukrainian President Petro] Poroshenko made a pathetic statement about the "autumn of reforms". But the ***calendar*** autumn is over, and "cooling" came to the reforms instead. And in some issues, the authorities even tried to refuse from the progress made.

The idea of the leaders of the coalition to subordinate all anticorruption bodies the [National Anticorruption Bureau of Ukraine] NABU, [the National Agency for Preventing Corruption] NAPK, [Rapid Response Team] RRT and the [Specialised Anticorruption Prosecutor's Office] SAP has resulted in an extremely tough response from Brussels and Washington. Threats from the IMF and the prospect of suspension of the visa-free travel with the European Union proved to be effective. The scandalous initiative was withdrawn. However, the "holiday of absurdity" in parliament was not limited to this initiative. On Thursday, 7 December, the [Ukrainian parliament Verkhovna] Rada adopted a number of decisions that create new problems in relations with the EU and the IMF.

Black Thursday

First of all, the Rada has extended the moratorium on the sale of ***agricultural*** land for yet another ***year***. The launch of the land market is one of conditions for cooperation with the IMF, which will further complicate future negotiations with the organisation. But prior to this MPs adopted two decisions that directly violate the provisions of the association agreement with the EU.

First of all, the Rada has allowed the president to temporarily appoint members of the National Commission for State Regulation of Energy and Public Utilities (NKREKP) (for a period of not more than three months), before the competitive selection. Thus, the independence of the regulator is called into question - now the president can, if he wants, block the competition, regularly reassigning his "members" of the NKREKP.

But the most scandalous voting of the day was the adoption (fortunately, only in the first reading) of the bill "Buy Ukrainian [products], pay Ukrainians". This bill, drafted by the Radical Party MPs, actually destroys the system of state tenders ProZorro, by establishing benefits for those companies that can prove that a minimum of 20 per cent of the prime cost of their products were produced at home. Such companies will have an advantage over their competitors, even if the product price they propose is 43 per cent higher.

"This law will become the jet engine of our economy that will make the money of taxpayers work for the Ukrainian economy," the [Radical] party leader, Oleh Lyashko, said during the discussion. According to him, only those who "sell national interests on all continents" are against the bill. It is not surprising that not everyone supports Lyashko. And that economists are almost unanimous in their resistance against this initiative.

The crucial point is that for the first time in a long time the Economic Development Ministry has issued a statement on the MPs' bill, urging them not to vote for it. So far, even when considering initiatives that could cause problems with the EU or the [World Trade Organization] WTO, the ministry preferred not to speak out against it on a public basis. At best, criticism used to come from individual officials, who stressed that they were only expressing their own opinion.

However, the statement of the Economic Development Ministry did not convince the MPs. However, the officials refused to present their arguments in the Rada in person. They say that voting for this bill was a "***payment***" to the Radicals [members of the Radical Party] for their support of the state budget.

Support of national corrupt officials

So, why is this bill dangerous?

Yevropeyska Pravda has already published a detailed legal analysis of this initiative. The conclusions are disappointing - it contradicts both the association agreement and the WTO agreement on public procurements.

The Economic Development Ministry adds that there are almost no foreign companies among the participants of the Ukrainian tenders, and that the component of imports in the government purchases accounts only for 27 per cent. Consequently, the promised economic effect from the introduction of this initiative looks extremely dubious. At the same time, these norms should lead to an increase in the state budget expenditures.

"The [bill] authors will inflict the greatest harm on those whom they are allegedly attempting to protect. In fact, Bill No 7206 will significantly complicate participation in the public procurement system for Ukrainian producers, offering an endless additional list of supporting documents and inquiries to participate in tenders," deputy prime minister [for European integration] Ivan Klimpush-Tsintsadze says.

Since, as the first deputy chairperson of the Economic Development Ministry, Maksym Nefyodov, ironically says, the law grants benefits not so much to domestic producers as to those who will "collect 23 inquiries.

"The plan was simply copied from Russia - it is they who periodically represent the Russian telephone or tablet. "Of course, it is possible to sell it at an exorbitant price only to the state," Nefyodov adds.

Europe's move

After the EU granted Ukraine a visa-free travel, it was left with not so many levers of influence on the official Kiev. The main instrument now is macro-financial assistance, that is, long and cheap loans that Brussels has the right to provide to its key partners.

Back in November, after the Eastern Partnership Summit, President Petro Poroshenko announced an agreement with Brussels on a new [macro-financial assistance] MFA ***programme***, the cost of which can reach 2bn euros.

But do not expect that [Prime Minister Volodymyr] Groysman will bring this money to Ukraine after the Council of the Association. There is no contract on "macro financial assistance" and there will not be any for quite a long time.

"The rules of macro-financial assistance say that we can negotiate it only with a country that has an active ***programme*** of cooperation with the IMF, which means that unless you resume the work with the IMF, there will be no activity," a source in the structures said to Yevropeyska Pravda.

This means, in particular, that Europeans will give money only after the anticorruption court is launched, because this is one of the key requirements of the IMF. Automatic checking of declarations will also be another condition for issuing one of the first tranches. This is not required by the IMF, but this is the key point for Europeans.

By the way, earlier the EU already made a mistake in its relations with Ukraine, having made concessions in the issue of the second tranche - the money was provided without the fulfilment of some of the conditions. In particular, the Ukrainian authorities did not solve the problem with the moratorium on the export of raw timber.

Now the EU is looking for ways to avoid old mistakes. As several interviewees in Brussels have assured YevroPravda, the conditions for issuing the funds will be prescribed in detail. Meanwhile, there may be no mention of the round timber in the new agreement. At least, this idea is being discussed in Brussels.

What was it?

Why did the Rada, within three days, take a number of decisions that radically worsened the image of our country? In addition, having demonstratively done it on the eve of the Council of the Association. This question has several possible explanations.

Firstly, traditional pre-New ***Year*** budgetary bidding. The coalition does not have enough votes for the budget and therefore it needs to attract them from the side, paying for it with what it can.

This is a relatively optimistic explanation. At least, it leaves hope that after voting for the state budget-2018 (and it was approved on the Friday night), common sense will return to the coalition. Perhaps, this will allow it to avoid new populist decisions and minimise or eliminate some of the measures already taken. But there is a deeper problem.

The December of 2017 has, in fact, become the start to the election race.

Even though there is almost a ***year*** and a half before the next elections, the tension is felt right now. Within the next two ***years***, we will face victorious populism, which will be difficult to counter even for the EU, the USA and the IMF altogether.

Although even these two versions do not explain the attempt to destroy the independence of the anti-corruption bodies - a step that does not give any pre-election bonuses, but causes tough response from the West.

Most likely, the Ukrainian authorities sometimes fall into the illusion that support from the EU and the USAs is guaranteed, that macro-financial assistance will anyway be given to Ukraine and the abolition of visa-free travel is an empty threat.

And therefore, without any fear of consequences, it "is testing" the red lines of the EU, one after another. We failed to "push" the innovations with regard to the NABU? Okay, we will try to "modernise" the system of tenders.

This is a very dangerous path. As you know, sooner or later the straw breaks the camel's back. In recent days, Ukraine has been very close to this.

Source: Yevropeyska Pravda website in Ukrainian 1300 gmt 8 Dec 17

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[***BRIEF NEWS BULLETIN NO. 10495***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SV8-JN21-JDKJ-14D0-00000-00&context=1516831)

HINA Digest

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**Body**

Zagreb, 20 July 2018 (Hina) - President: Improving transport links vitalto boosting Croatia-Albania economic tiesZAGREB, July 19 (Hina) - Albanian Prime Minister Edi Rama and the visiting Croatian President, Kolinda Grabar-Kitarovic, held talks on the enhancement of bilateral economic relations notably on the improvement of transport connectivity during their meeting in Tirana on Thursday."There is huge roomfor broadening economic relations. A series of Croatian companies are already doing business in Albania and they would like to expand their activities," Grabar-Kitarovic told the press after the talks with Rama.Areas where cooperation can be expanded include the energy sector, construction industry and ***agriculture***, and for that to be achieved, it is necessary to improve transport connections, she added."The existing (transport) connections between Croatia and Albania, whichare so close and which are linkedby the Adriatic Sea, are in fact connections stemming from the 19th century. Therefore we must work onlaunching direct lines in both air and ferry transport, and it is good that Jadrolinija (a Croatian shipping operator) has signed a letter of intent on establishing a ferry line between Durres and Rijeka," the Croatian president said.Grabar-Kitarovic expressed hope thatthe construction of roads, notably those within the Adriatic-Ionian motorway corridor and of energy supply routes would be stepped up.We also discussed the Ionian-Adriatic Gas Pipeline (IAP) and its connection to the Trans-Adriatic Pipeline (TAP). This is also one of the ways to diversify energy supplies, she added.On Thursday afternoon, Grabar Kitarovic travelled to the Port of Durres to attend the presentation of the launch of the United Nations Development ***Programme*** (UNDP) project totackle marine pollution and prevent accidents affecting the Adriatic coast.

The project called "Management of marine and coastline pollution for increased safety at sea and ports in line with EU maritime law and policy" is partly bankrolled by Croatia."I think that the money invested in this project is an excellent investment. The Adriatic Sea is a source of wealth... This is our environment and we are all responsible for it," the president said.Preventing possible accidents is the most important step which we must take in the preservation of the coastalareas of the Adriatic, she added.She underscoredthe role of the Adriatic Sea in tourism as one of the pillars of the Croatian and the Albanian economies.Grabar-Kitarovic will wrap up her three-day visit to Albania on Friday when she is due to lay a wreath in front of theMother Albania Monument in Tirana.Grabar-Kitarovic says Croatia strongly supports Albania's EU integration pathZAGREB, July 19(Hina) - Croatia strongly supports Albania's EU integration path and welcomes the significant progress that Albania has made thus far in fulfilling the criteria required for EU membership, Croatian President Kolinda Grabar-Kitarovic said in the Albanian Parliament on Thursday."Today, as a nation of young, energetic and diligent people, committed to Western democratic values, Albania has excellent prospects. It is very important to note positive examples and the EU should value them accordingly," Grabar-Kitarovic said in her address on the second day of her visit to Tirana, during which she met with Parliament Speaker Gramoz Ruci.The Croatian president congratulated Albania on the European Council's decision to open accession talks with the country in June 2019."I would like to congratulate you on the Council's decision, which recognises the progress of Albania and paves the way for opening accession negotiations in June 2019," the Croatian president said.Croatia will continue to support the European integration process of Albania by ***transferring*** its experience and knowledge and by supporting capacity building of Albanian institutions, including the strengthening of administrative and institutional capacities for the absorption and management of EU funds, she said."We need to continue working together to establish better cooperation, including physical links such as transportation. It is almost unbelievable that in the 21st century our two countries, with such an immense potential of the Adriatic Sea, have 19th century traffic connections. This is without a doubt a serious obstacle to our cooperation. When it comes to economic cooperation, we should also put special emphasis in the fields of energy and environmental protection. The construction of the Ionian-Adriatic pipeline is a priority for both countries," the Croatian president said.Croatia attaches great importance to the stability, security and prosperity of Southeast Europe and strongly supports the European perspective of the whole area, the Croatian president said."Albania is an extremely important partner, both strategically and politically, and this has been recognised by the European Union," she added.In her address, the president also spoke about the "lasting and unbreakable friendship" between the two nations."Albania was our friend when we needed it," Grabar-Kitarovic said, recalling the contribution of the Albanian community in Croatia to the country's struggle for independence.She said that the opening of the Croatian Embassy in Tirana in March 1994 was "undoubtedly a historic moment"."As a nation of exceptional natural beauty, great tourism and ***agricultural*** potential, as well as a remarkable geostrategic position, Albania will continue to play an increasingly significant role in South East Europe. Croatia looks forward to further strengthening its strategic relations with Albania, as this is bound to facilitate the positive processes in all neighbouring countries, both in terms of security and political stability, and with the view of improving economic cooperation. Croatia and Albania can do so much more together!" the Croatian president said.Grabar-Kitarovic wrapped up her speech by saying "Long live the Croatian - Albanian friendship!"Minister says expects first reactions from Brussels regarding Uljanik restructuring planZAGREB, July 19(Hina) - Economy Minister Darko Horvat said before the government session on Thursday that the government was expecting the first reactions from Brussels regarding its ***programme*** for the restructuring of the Uljanik shipyard, expressing hope the reactions would be positive and that a restructuring model would be completed before the summer recess.Asked how the government planned to handle the Uljanik issue, Horvat said the restructuring ***programme*** was in Brussels and that the government was waiting for reactions from the European Commission, expressing hope theywould be positive.Asked how much money the state would have to give to cover Uljanik's debts,the minister said this was not a priority issue at themoment, adding that the priority was the effect the restructuring would have."Our plan is, just as it was in the case of Agrokor, to enable not only Uljanik, but the entire Uljanik group to continue operating and to do business in the black (...) and complete the orders, which at this moment stand at 17 ships and for which the shipyardwill need approximately EUR 570 million," Horvat said.FinMin wants to wait for detailsFinance Minister Zdravko Maric said he would refrain from commenting on the plan to salvage Uljanik, adding that preparations were still underway.The minister said that every restructuring plan foresees that the government should contribute financially to a certain extent.He also said the government was waiting for theEC's response, adding that due to the summer recess he was not sure if the response would arrive in August.EC suspends referral of Croatia to EU court over INA privatisation lawZAGREB, July 19(Hina) - The European Commission on Thursday decided to put on hold the referral of Croatia to the Court of Justice of the EUover its law on the privatisation of the INA oil company because the Croatian government has in the meantime published a new draft bill that could remove the reasons for the proceedings."The Commission had decided to refer Croatia to the Court of Justice on 13 July 2017, for failing to make the 2002 law on the privatisation of Industrija Nafte d.d. ('INA law') compliant with EU rules on the free movement of capital and the freedom of establishment."Since then, Croatian authorities have been discussing the necessary amendments with the Commission to bring the INA law in line with EU rules," the EC said, adding that recently Croatiasubmitted a draft amending the law to address the Commission's main concerns."The Croatian authorities also submitted a timeline for its adoption that would permit a solution before a possible Court judgment. Therefore, the Commission considers that the execution of the referral should be put on hold, pending the adoption of the INA amending law," the EC said.The EC found the said law disputable because it gave the Croatian state special powers in the company, including the right to veto its decisions regarding the sale of shares or property whose value exceedsa certain amount. Also, under the law, the state can oppose important decisions of the INA management, such as decisions concerning the change of the company's line of business, awarding of licences and the change of its mainoffice's address."In the Commission's view, these unconditional veto powers go beyond what is necessary to protect security of energy supply and are therefore disproportionate," the EC said in a press release at the time, referring the case to the Court of Justice of the EU.The Croatian government then issued a statement saying that the INA law was a complex issue that concerned energy security."Amendment of the INA law is a very complex issue precisely because it concerns energy security, which is why we tie its adjustment to theprocess of resolving overall relations between INA stakeholders and the ongoing arbitration proceedings,"the government said at the time.Ministry of the Interior to be reorganised for sake of accession to Schengen areaZAGREB, July 19(Hina) - The Croatian government on Thursday adopted a regulation to reorganise ten existing police stations into border police stations for the sake of achieving the level of technical preparedness needed to join the Schengen area of passport-free movement, and it also restored wage bonuses for police employees, which, Minister Davor Bozinovicsaid, had been unnecessarily and unfairly cut a few ***years*** ago.The police stations of Imotski, Vrgorac, Gruda, Hrvatska Kostajnica, Ilok, Tovarnik, Zupanja, Vrbanja, Vrpolje and Korenica will be reorganised into border police stations for the sake of meeting obligations from a 2018 evaluation of compliance with technical criteria for accession to the Schengen area.Station merger, introduction of new units, jobsThe government also proposed merging the maritime police station in Zadar and the airport police station in Zadar into a single police station, as well as the merger of the border police station in Donji Srb and the police station in Gracac into a single border police station, to be basedin Gracac.A total of 45 new jobs of police dog handlers will be introduced to meet the need for stronger external border control, said Bozinovic.Two new organisational units will be established - themobile border police unit South and the mobile border police unit East - to be set up at the Dubrovnik-Neretva County Police Department and the Vukovar-Srijem County Police Department respectively, as part of the border police force in the two counties, said the minister.Two new units will be formed at the Ministry of the Interior as part of the National Coordination Centre and Risk AnalysisService for the purpose of provision of accurate and timely information to all services in charge of external border control."This restructuring will help make additional progress in meeting the requirements in the field of external border control, which is crucial for meeting conditions for accession to the Schengen area," said Bozinovic.Gov't amends regulations on police employees' wagesThe government also adopted changes to regulations on police employees' wages, on police employees' job classification, and on police jobs with an accelerated retirement scheme, with the minister saying that the changes were in line with the main regulation on the reorganisation of police services.Among the changes are those that restore bonuses on police employees' wages abolished during the term of the government led by the Social Democratic Party."We propose restoring to the previous level police employees' wages that were unnecessarily and unfairly reduced a few ***years*** ago, by 2-4%. This increase will refer to 6,300 police employees with university qualifications," said Bozinovic.A total of HRK 6.7 million has been secured for that purpose through the re-distribution of Ministry of the Interior budget funds, while an additional HRK 1.1 million has been secured for an increase in wages of thespecial police flying squad.Gov't thanks police, citizens for dignified homecoming party for national football teamBozinovic and Prime Minister Andrej Plenkovic thanked police officers for having done a good job on providing for security at last Monday's event at which the national football team, the World Cup silver medalists, were welcomed in Zagreb upon their return from Russia, and they thanked citizens for the event's dignified atmosphere.The government today also made a decision to launch talks on changes to the Basic Collective Agreement for public sector employees and the Collective Agreement for government employees, and appointed its negotiating teams.It also expanded the Council for Slavonia, Baranja and Srijem to include the ministers of health and tourism,the head of the Croatian Chamber of ***Agriculture*** and the head of the Central Finance and Contracting Agency.The Council will hold its fifth meeting in Vinkovci on Friday.Electronic public procurement tenders could save more than HRK 2.6 bnZAGREB, July 19 (Hina) - The government on Thursday forwarded a draft bill on theonline issuance of invoices in public procurement procedures, with Economy, Entrepreneurship and Crafts Minister Darko Horvatunderscoring that once the entire public procurement procedure wasdigitised, it could help save more than HRK 2.6 billion.The existing law on the online issuance of invoices in public procurement procedures is being aligned with a European Parliamentdirective, under whichall institutions that are obliged to conduct public procurement procedures will have to accept electronic invoices in public procurement procedures as of 1 December 2018 and start issuing them as of 1 July, 2019.Minister Horvat noted that the bill waspart of the government's National Reform ***Programme*** for 2018 and that its main purpose was the 100% introduction of electronic invoicing in public procurement.Once e-invoicing isintroduced, administrative costs will be reduced, procedures will be conducted faster and it will ensure safe keeping of e-invoices in electronic archives, said the minister.He added that the cost of processing e-invoices will also be much lower than that of hard copy documents."With the establishment of a comprehensive electronic public procurement system, maximum impact and savings can be achieved andaccording to our estimates, they could be between 6% and 13% of the total value of public procurement procedures, whichcould save the state more than HRK 2.6 billion," Horvat underlined.He added that the exchange of e-invoices at the state and local level required ensuringa central platform for communication and inter-connectivity between public and sector clients and suppliers.Horvat recalled that under the law on state IT infrastructure and the regulation on organisational and technical standards for connection to the state IT infrastructure, the FINA financial agency is defined as one of the central service providers. The government-sponsored draft bill expands FINA's role as an IT mediator to include the reception and sending of electronic invoices.Gov't puts forward amendments to Consumer Protection ActZAGREB, July 19(Hina) - For the sake of aligning the Consumer Protection Act with the EU Directive on unfair commercial practices and the directive's obligation for businesses to display, during periods of special sales, both the regular price and the discounted price, the Croatian government on Thursday sent to the parliament amendments to the said law which note that the obligation to display the two prices refers exclusively to sales in business premises and not to advertisements.Under the European Commission's opinion, the existing legal provision does not make it entirely clear that the said obligation refers to sales in business premises and whether it also refers to advertisement. The amendments put forward by the government therefore define more clearly that the obligation to display two prices refers exclusively and only to sales in business premises and not to advertisements.In the area of public services, the existing Consumer Protection Act incorporates the obligation for advisory bodies in local government units and commissions set up by providers of public services to dealwith consumer complaints to include representatives of consumer associations."Given that the Act on Local and Regional Government defines that consumer protection is within the remit of local government units, we are proposing that the establishment of the advisory bodies should remain exclusively within the remit of local government units that decide on rights and obligations of consumers of public services as defined by the Consumer Protection Act," said Economy Minister Darko Horvat.The amendments also propose that consumer protection associations should post on their web sites lists of local government units and providers of public services whose advisory bodies include representatives of consumer associations, for the sake of better informing consumers.The government also proposes that the Croatian Chamber of Crafts and the Croatian Chamber of Commerce should publish on their web sites lists of commissions for complaints that include consumers' representatives and as part of the said chambers are in charge of individual economic activities performed by businesses with up to five employees.Gov't endorses draft bill on biofuels, reduction of greenhouse gas emissionsZAGREB, July 19(Hina) - The Croatian government on Thursday adopted final draft amendments to the Act on Transport Biofuels, which introduce the minimum target obligation of 0.1% for the use of advanced biofuelsand propose the reduction of greenhouse gas emissions in the coming ***years***, as well as the penalisation of noncompliance.Environmental Protection and Energy Minister Tomislav Coric said that the purpose of the amendments was the implementation of the EU Directive relating to the quality of petrol and diesel fuel used for road transport in the European Unionand of amendments tothe Directive on the promotion of the use of energy from renewable sources.The existing law has been amended to incorporate a limit of a maximum 7% contribution of first-generation biofuels in the total annual direct consumption of energy for transport, as well as to incorporate new factors for energy from renewable sources used in road and railway transport.The amendments also introduce the minimum target of 0.1% for the consumption of second-generation or advanced biofuels in transport and leave the possibility to reconsider that target in 2019, depending on the situation on the market.The amendments leave unchanged the current obligation to put on the market the minimum quantities of biofuel that meet the national target, in line with the national action plan for renewable energy sources in the period until 2020.The amendments envisage the obligation to reduce the emission of greenhouse gases by at least 2% until December 31, 2018, by at least 3% in the period until December 31, 2019, at least 6% in the period until December 31, 2020 and so on. The amendments also envisage the penalisation of noncompliance with the obligation.Under the amendments, city public transport operators and railways are obliged to use solely electricity from renewable sources for transport.Considering the EU energy legislation, the amendments envisage the strengthening of the energy market and cancel the possibility of subsidising the production of biofuel as well as the term preferred producer.Under the amendments, the research of advanced biofuels is to be promoted.Petrov accuses gov't of clientelism for rejecting Bridge micro solar plants billZAGREB, July 19 (Hina) - Leader of the Bridge Party, Bozo Petrov, on Thursday claimed that the government's rejection of Bridge-sponsored bill on micro solar power plants showed that the cabinet led by Prime Minister Andrej Plenkovic "is heading down the path of clientelism and currying favour with a few to the detriment of the majority of the population.""We have in good faith proposed the bill on micro solar plants. We wanted a law that would be fair and just and would not favour anyone. It would certainly enable lower electricity bills for a lot of citizens however that model obviously doesn't suit the government," Petrov told a press conference in Zagreb.He added that Bridge would continue to promote that idea and seek the support of citizens for investments in renewable energy sources because that was in line with the current times.Ante Cikotic, a former state-secretary in the Environment Protection and Energy Ministry said that the government hadnegatively assessed a sound and thought-out proposal motioned by the opposition. Cikotic called on the parliamentary majority to support the bill which he said is directed exclusively to the benefit of citizens."It's obvious that with its stance the government hasopted to curry favour with interest lobby groupsand not citizens because a lot of countries around the world have this same model. Our closest example is Slovenia and the city of Maribor alone has more photo-voltaic capacities than all of Croatia. If we refer to costs, those people opposed to the bill on micro power stations are exclusively concerned about HEP's revenue. This is protecting their interests within HEP, tribal energy and clientelism," Cikotic said.He underscoredthat Bridge's proposal would enable citizens and entrepreneurs to manage their energy consumption of their own accord."Our energy model in Croatia is for energy to be at the service of citizens and the economy and not clientilistic lobbies. Once citizens install photo-voltaic cells on their roofs, they will no longer be dependent on the state, that's the key. However that obviously isn't acceptable for import lobby groups," Cikotic concluded.Croatia praised for success in energy renovation of buildingy - EurActivZAGREB, July 19 (Hina) - Croatia's performance in the implementation of energy efficiency ***programmes*** can be compared with the success of the national football team at the World Cup in Russia, according to the article headlined "Croatia's renovation projects can teach us as much as their football" which the EurActiv web portal has recently published."Croatia's achievement in advancing the energy efficiency revolution is a beacon that should be celebrated, just as we have been thrilled by their triumphs on the football pitch," says the author of the article, Adrian Joyce, an expert for energy efficiency and the director of the Renovate Europe campaign."We know that we need to sharply accelerate our pace of building renovations to meet the climate promises made in Paris, and the question of how exactly to do this has been giving energy experts sleepless nights. Enter Croatia. The west Balkan state is currently in the throes of an energy renovation overhaul which will see (EURO)411m of structural funds invested by 2020, much of it through energy service companies (ESCO's).""Already, between 2014 and 2016, a (EURO)220m energy renovations ***programme*** benefitted more than 15,600 family homes, 2,300 multi-unit buildings, 80 commercial buildings and 262 public buildings," reads the article.Joyce points out the example of the Karlovac Hospital building as one of success stories."That hospital has been transformed after a (EURO)7.2m investment and four months of remedial work - with minimal disruption to patients and staff. Its ***yearly*** CO2 emissions have been more than halved - the climate mitigation equivalent of planting 113,000 more trees. Annual heating savings are also expected to be above 50%, as are annual financial savings."The article reads that the cost of the deep refurbishment should be paid off within 14 ***years***, "from the savings on energy bills brought by the renovation works. These include the installation of new heat pumps, cooling systems, solar thermal collectors and a 25% renewable energy supply."Joyce says that "the public-private partnership behind the makeover worked with an ESCO mobilising 60% of the finances from private investors and 40% from the Croatian energy efficiency fund.""Altogether, around 250 workers were employed on the build, with 32 mostly nearby companies giving a boost to the local economy."Simpler and standardised renovation contracts"Compared to traditional public procurement practice, renovation contracts in Croatia are simpler, standardised and more transparent. They have been completed up to seven times faster and with significantly lower administrative and total costs," Jouyce writes."That is because the relevant investments have been tightly codified. They must guarantee minimum energy savings of 50%, and no new costs for public budgets. And they have to take the form of energy performance contracts, negotiated in an open public procurement tendering process."Energy refurbishment ***programmes*** have been applied to Croatia's high-rise buildings, to private homes and commercial buildings. A guarantee scheme for ESCO's similar to the one set up in Bulgaria may be the next step. As with the national teams occasionally erratic defending, there is room for improvement in Croatia's energy renovation picture too," he says.Mistrust of banks remains a problem"Mistrust of banks remains a problem, although it is improving. The Croatian bank for reconstruction and development, for example, has recently begun extending credit lines for energy efficiency projects on extremely favourable terms. Perhaps the biggest concern for the country's investors is the lack of continuity in EU funding for efficiency projects, which very often become a de facto hostage to budgetary decisions in Brussels, and in national capitals," reads the article."The result is a 'Stop-Go' dynamic that denies businesses and investors the certainty they need to effectively plan ahead."Around 3,000 construction jobs may have been created in Croatia over a two-***year*** period, but it is also true that many construction workers have left the country because of the unpredictability that hangs over their future employment prospects.PM says gov't ready to work on ensuring sports infrastructureZAGREB, July 19(Hina) - Croatian Prime Minister Andrej Plenkovic opened a government session on Thursday by congratulating once again the national football team on winning the silver medal at the World Cup in Russia, noting that the government was willing to take part in efforts to find the best possible solution for a national stadium but without ignoring the football infrastructure in Split, Rijeka and Osijek."Mysincere congratulations to selector Dalic, the footballers, the Croatian Football Federation's leadership, and all those who gave everyone in Croatia and the Croatian people an opportunity for an amazing celebration and satisfaction with this brilliant result at the World Cup. In terms of sports, thiswas a fantastic success andin terms of phenomenology, Croatia has become a global brand," Plenkovic said, expressing also satisfaction with the way the football team was welcomed upon their return from Russia.The success of the national football team has again raised the issue of sports, notablyfootball infrastructure."The government is more than willing to care about the sports infrastructure, including the football infrastructure. Once the celebrations subside, we will inviteall interested stakeholders to see how the issue of a national stadium should be tackled but without disregarding the football infrastructure in Split, Rijeka and Osijek. We have to take account of the even development of the sports infrastructure as well as of the necessary funds," the PM said.Banking association downgrades GDP forecast to 2.7%ZAGREB, July 19 (Hina) - Chief analysts of the Croatian Banking Association (HUB) on average forecast the country's GDP growth of 2.7% this ***year***, which is slightly lower than their forecast of seven months ago (2.8%), and assessthat the economy is in a stage of sound growth momentum,which is reducing the macroeconomic imbalance.The HUB analysis Notes that " the greatest optimist expects a real GDP growth of 3% while the greatest pessimist expects it to grow at a rate of 2.3%.""In interpreting these figures, we always need to have in mind that Croatia's growth is slower than that in similar countries in the New Europe," HNB underscores.It notesthat Croatia's growth was gradually transforming from export-drivengrowth toward internally driven growth. Enlivened personal consumption is expected to increase on average by 3.2% (ranging from 2.8% to 3.3%), on the back of higher wages,and citizens' borrowing is dominating over gross investments.The expected growth rate for investments is forecast at an average of 5.4% (ranging from 4.9% to 5.8%) and accounts for about 20% of GDP compared to the personal consumption share of GDP of 60%HUB explainsthat investments have an indirect impact through imports as a significant portion of demand for investment goods overflows in increased import of those goods. A faster rate of increase in imports than in exports renders the net contribution of the foreign sector to GDP growth to be negative.Nevertheless, HUB's chief analysts expect the current account balance of ***payments*** to remain in the black by 2.4%. It is still not possible to speak about an overheated economy however. The unemployment rate is falling but is still high (expected to be about 10%). The inflation rate is expected to be about 1.3% which is significantly lower than the threshold of 2%. Public debt is decreasing and is expected to be about 74.6% and the foreign debt too should continue to fall.As far as risks are concerned HUB listssix factors and all of them are related to global risks and not one is inherently Croatian. These include protectionism, increasing energy prices and inflation, increased interest rates, political instability and crisis in the euro area, global political instability and global overindebtedness ofthe private sector and inflated real estate prices.Varazdin mayor sentenced to 2 yrs for favouring local businessmanZAGREB, July 19, 2018 (Hina) -Varazdin mayor Ivan Cehok was sentenced on Thursday pending appeal to two ***years*** in prisonafter the court found him guilty of the charges of having favoured companies owned by his co-defendant, Varazdin businessman Davor Patafta, and defrauding the city budget of 14 million kuna between late 2007 and mid-2011.Patafta was sentenced to 20 months for incitement to abuse of office.Also sentenced was Narcisa Huljev, who works for Patafta. She was given a sentence of 18 months of which she will spend nine in jail. Huljev must also pay a fine of HRK 450,000.The other indictees in this case were Tomislav Kezelj andHrvoje Vojvoda, who were acquitted, and three firms owned by Patafta. The national serious fraud office USKOK had accused them of conspiracy to commit crime, abuse of office, and incitement to abuse of office.Cehok resigned as mayor of Varazdin over the case in 2014. He was re-elected mayor at local elections held in 2017.He posted HRK 2.5 million bail for release from investigative detention at the time, while Patafta posted one of the highest bail amounts in Croatia's judicial history -- 12 million kuna (2 million in cash and 10 million in bills of exchange).The Varazdin branch of the Social Democratic Party (SDP) on Thursday demanded the resignation of the mayor of this northern city.The president of the SDP Varazdin city SDP branch, Miroslav Markovic, said in a press release that "although not final, the guilty verdic against mayor Ivan Cehok, the two ***year*** prison sentence, financial damage he had caused to the city and two other court proceedings against him were good enough reasons for Cehok to immediately resign.Cehok and USKOK to appeal convictionZAGREB, July 19 (Hina) - Both Varazdin Mayor Ivan Cehok and the nationalanti-corruption office USKOK on Thursday announced that they would appeal a ruling sentencing Cehok to two ***years*** imprisonment pending appeal on charges of having favoured companies owned by co-defendant Davor Patafta, who was sentenced to 20 months for incitement to abuse of office."This is a long-lasting and complex case with four different counts. In my appeal, I will prove that nodamage was caused," Cehok said. He explained that at first USKOK claimed that due to alleged unlawfulness, he had defrauded the City of Varazdin of HRK 50 million and then reduced the damages to HRK 13.5 million, whereas the court ruled that the city was defrauded of HRK 5.5 million.Cehok: The conviction is founded on unlawful expert evidence"Naturally, I am pleased that I have been acquitted for the major crime according based on the damages but I will have to prove the other matter, in my appeal. Unfortuantely, everything is based on the expert opinions. There were three expert opinions. One went in our favour. I consider that thatopinion should be taken into consideration and not the second two which aren't in accordance with the law. We will prove in the appeal that this is the matter of subjective expert testimony," Cehok said after the hearing.Asked whether he had been in contact with Patafta, Cehok said that Patafta was a city councillor and that they never had any deal."USKOK originally claimed that we conspired to commit a crimeand now it has come to that that there was never any deal," Cehok claimed.In addition to Cehok and Patafta, Narcisa Huljev, who workedfor Patafta, was given a sentence of 18 months, nine of which, she will spend nine in jail. Huljev was also ordered to pay a fine of HRK 450,000.Uskok: Sentence too mild considering Cehok's positionUSKOK prosecutor Tonci Petkovic said that he was satisfied with that part of the sentence convicting Cehok however he holds the sentence too mild considering the position Cehok had.USKOK intends to appeal that part of the sentence and will consider whether it will also appeal that part of the sentence acquitting Cehok.Asked to comment on Cehok's claims that the conviction is founded on incorrect expert opinion, Petkovic said that experts make their opinion based on their expertise and knowledge and it is the court in the end that decides on how the expert evidence was presented.Criminal charges for water pollution accident in Slavonski Brod droppedZAGREB, July 19 (Hina) -No one will be brought to account for an accidentwhen the water supplies in Slavonski Brod werepolluted with an oil spill in March this ***year***, as the county prosecutor's office in Slavonski Brod has dismissed the criminal charges against an unidentified perpetrator.At the time of the accident, the Crodux oil company was conducting tests in the near vicinity.The leak occurred on March 28 in an area where the soil is clay, 2.6 kilometres away from the nearest water well, and the company claims there is no way that the pollutant could have affected the Jelas water supply plant within 48 hours. Inspectors identified the pollutant that leaked out of the pipeline as motor petrol containing 2.7 percent of benzene, which was not found in any of the water samples, Crodux said then.Hydrogeologist Darko Mayer said that the pollution came from under the ground, adding that it appeared suddenly and disappeared suddenly.The county prosecutor also dismissed suspicion of criminal responsibility of thepeople who participated in the process of sampling the water and testing its quality.An investigation into the incident establishedthat anyone who came into contact with the water samples and testing apparatus could have led to the water pollution.During the investigation in the field the police tookseveral soil and water samples that were analysed in the forensics centre in Zagreb. The samples contained traces of components of heavy oil fractions that belong to motoroil, paraffin, lubricants and so on and concluded that the samples were accidentally contaminated.The water in Slavonski Brod and six surrounding municipalities was not safe for drinking for 10 days when the accident happened.Slavonski Brod mayor unhappy with water pollution accident probeZAGREB, July 19 (Hina) - Unhappy about the fact that criminal charges against an unidentified perpetrator for a water pollution accident in Slavonski Brod in March were dropped, Mayor Mirko Duspara on Wednesday told a press conference that the way the investigation into the incident was conducted was contentious because it did not incorporate the entire five kilometer route of the gas pipeline where the tests were conducted.The county prosecutor's office in Slavonski Brod on Tuesday reported on its web site that it had decided to drop the charges relating to an oil spill into the city's water system."It appears that something happened coincidentally and that no one is responsible. We have samples of increased levels of hydrocarbons in the water for three consecutive day. Something can be coincidental if it occurs once but if it occurs 12 times over a span of three days at 12 sample sites then that can't be coincidental," Duspara told the press conference.He said that he would call for an explanation from the state prosecutor's office."This refers to four-five wells, a cafe bar and a water tank. It could be coincidental if it was only in one well but not in five," he said and added that regardless of whether it was accidental or not, citizens have to know the truth."Citizens were without drinking water for 10 days. This is not an answer as far as we are concerned," he said and added that the city still hadn't received a response to the criminal charges filed during the accident when the oil pipeline busted.Reporters asked Duspara to comment announcements by Ivan Cermak, the owner of the Crodux oil company which conducted the pressure tests on the pipeline, that he was going to sue the City of Slavonski Brod for defaming his name."I don't think anyone defamed General Cermak nor the Crodux company. The environment protection inspector established that the company 'caused the accident' and called them to urgently rehabilitate the ground as the pipeline passes through protected water areas. She called for an urgent analysis of the water," Duspara said and added that after the request was made, it was established that there was an increased concentration of hydrocarbons in the water."This isn't clear to us. We are calling on the State Prosecutor's Office - DORH to explain how something can be coincidental 12-13 times and to explain that the accident in Slobodnica has nothing to do with the water pollution without controlling the rest of the pipeline," Duspara underscored and added that the pipeline has still not been repaired.He added that the latest tests on the water have shown that citizens were drinking good water and confirmed that the costs caused by the disruption of the provision of water supplies had not been completely offset yet."People Decide" demands that DIP check referendum signaturesZAGREB, July 19(Hina) -Representatives of the People Decide civil initiative on Thursday said that theyhadsent a written request to Prime Minister Andrej Plenkovic and his cabinet asking that the authenticity of signatures for the petition for a referendum on changingthe election law be checked by the State Election Commission (DIP).The activists said at a news conference that they doubted the neutrality of state bodies such as the Public Administration Ministry or Interior Ministry and insisted that those state departments no longer enjoyed citizens' trust.They therefore insistthat the State Election Commission (DIP) should inspect the signatures collected for the referendum petition, referring to the Venice Commission's "Code of good practice on referendums"which urgesoffice-holders to refrainfrom commenting on referendum questions and recommends that a referendum procedurebe conducted by an autonomous and impartial body.They accuse Prime Minister Andrej Plenkovic, Parliament Speaker Gordan Jandrokovic andPublic Administration Minister Lovro Kuscevic of making negative comments on the referendum initiative.Gov't tells Trump Montenegro contributes to peace and stabilityZAGREB, July 19(Hina) - The government of Montenegro, which U.S. President Donald Trump has recently labelled as "atiny country"with "very aggressive people", has said in its response that thecountry "contributes to peace and stability not only on the European continent but worldwide, along with US soldiers in Afghanistan".Following Trump's remarks in his interview with FOX TV station that Montenegro is a tinycountry in which people "may get aggressive, and, congratulations, you're in World War III", the government led by Prime Minister Dusko Markovic on Thursday issued apress release in Montenegrin and English reading that "Montenegro is proud of its history and tradition and peaceful politics that led to the position of a stabilising state in the region and the only state in which the war didn't rage during disintegration of the former Yugoslavia."It underscores that during the 1990s wars, it "hosted and protected 120,000 affected people and families.""The country...was the first in Europe to resist the Fascism, and today as a new NATO member and a candidate for the EU membership it contributes to peace and stability not only on the European continent but worldwide, along with US soldiers in Afghanistan," it underscores."We build friendships, and we have not lost a single one, and at the same time we are able to boldly and defensively protect and defend our own national interests."In today's world, it does not matter how big or small you are, but to what extent you cherish the values of freedom, solidarity and democracy," theMontenegrin government said in the press release.It alsounderlinedthat Montenegro isproud of itshistory, and that its "friendship and alliance with USA is strong and permanent".Potential Slovenian PM-designate without majority supportZAGREB, July 19 (Hina) - The leader of the Slovenian Democratic Party (SDS), Janez Jansa, on Thursday informed the country's president, Borut Pahor, that "for now" he cannot accept the role of prime-minister designate to form a new government but that he hopes that he could rally the necessary parliamentary majority in the coming weeks."Currently the necessary majority in parliament doesn't exist to form a stable government," Jansa, who was the relative winner of the June parliamentary election,wrote in amessage to Pahor.Jansa has thus forgone, for the time being, the role of PM-designate offered to him by the president, who wasexpected to nominate a PM-designate by July 23 so that theparliament couldvote on the future prime minister.As the first attempt to rally the parliamentary majority has failed, a second, 14-day period starts running during which candidates for the PM-designate can be proposed by both the president and parliamentary groups, withthe president's possible nominee takingprecedence and the parliament voting on the president's nominee first.The possibility of rallying the necessary parliamentary majority still exists "as avast majority of parties do not want yet another snap election, even though the stability and efficiency of the government could be questionable," Jansa said in his letter to the president.His party won a relative majority of 25 seats in the 90-member parliament but does not have much potential to form a coalitiongovernment as left and centre parties do not want to form acoalition with his party, claiming that in some issues, notably anti-migrant policy, Jansa had gone too far to the right, and that his general rhetoric caused divisions in Slovenian politics and society. Slovenia passes law designed to safeguard NLB against claims in CroatiaZAGREB, July 19 (Hina) -The Slovenian parliament on Thursday passed the legislation whereby claims regarding the ***transferred*** savings of Croatian nationals who had accounts in the now-defunct Ljubljanska Banka are contested, which is in line with the Slovenian stance that the issue of ***transferred*** savings is part of the issues stemming from the succession of the former Yugoslavia which is why Ljubljana does not recognise rulings of Croatian courts in those cases.The law on the protection of the state capital investment in Nova Ljubljanska Banka (NLB) was passed with 59 to 11 votes in the 90-seat parliament.The legislation is described by the Slovenian news agency as a bill that shields NLB bank from claims in Croatia and paves the way for the privatisation of the country's largest bank.A majority of Slovenian lawmakers believe that the legislation enables faster privatisation of NLB at a higher value than the one which investors may offer in the case that the lender is sold being burdened by lawsuits before the Croatian courts.Bosnian presidency member, Serbian presidents talk cooperationZAGREB, July 19 (Hina) - Serbia's President Aleksandar Vucic met in Belgrade on Thursday with the Croat member of the Bosnia and Herzegovina Presidency, Dragan Covic, saying that he supported the country's integrity and cooperation between its three constituent peoples, Vucic's office said in a press release.Vucic and Covic discussed the further advancement of relations between Serbia and Bosnia and Herzegovina, overall relations between the Serbs and Croats, and the situation in the region."President Vucic supported the advancement of relations, Bosnia and Herzegovina's territorial integrity and cooperation between all three peoples," the press release said.They discussed jointinfrastructure projects and the positive results of this ***year***'s International Economic Fair in Mostar, when Serbia was the partner country.Covic informed Vucic of the importance of maintaining regional stability, particularly after the elections in Bosnia, scheduled for October.He informed Vucic of the Bosnia and Herzegovina Presidency's initiative to organise a regional round table debate on the goals of sustainable development.According to the initiative, the presidents of neighbouring countries - Serbia, Croatiaand Montenegro, which are signatories tothe2030 Agenda for Sustainable Development, would participate in the round table debate which should "serve to boost additional rapprochement and cooperation in the region,"the press release said.In other news:Macan no longer PM's special adviser on strategic communicationZAGREB, July 19 (Hina) - Prime Minister Andrej Plenkovic on Thursday relievedKresimir Macan of the duty of his special adviser onstrategic communication at Macan's request, the government said in a press release.Macan became Plenkovic's special adviser onstrategic communication on 1 January.The government's press release reads that Macan was relieved of the duty at his own request and in linewith Article 23 of the Government Act.Macan is the founder and director general of the Manjgura PR agency which, according to its website, specialises in crisis communication, strategic communication in politics and new social media.Macan was hired to provide services onan occasional basis and his net monthly salary wasHRK 9,000.Dance and Non-Verbal Theatre Festival starts in SvetvincenatZAGREB, July 20(Hina) - The 19th edition of Dance & Non-Verbal Theatre Festival San Vincenti was opened on Thursday in the pictoresque city of Svetvincenat, in Istria.The four day festival features a rich ***program*** which includes performances of contemporary dance, physical theatre and other non verbal forms with artists coming from various parts of Europe.The festival celebrates diversity, authenticity and creativity of contemporary dance and non-verbal theatre.16th edition of Seasplash Festival startsZAGREB, July 20, 2018 (Hina) - The 16th edition of Seasplash Festival, the biggest Croatian reggae and dub fetival which this ***year*** will feature more than 80 Croatian and foreign performers, started on Thursday on five festival stages spread across the Austro-Hungarian fortress of Punta Cristo, on the Stinjan peninsula, located just across the National Park Brijuni.Lovers of reggae, drum'n'bass etc will be able to enjoy concerts until Sunday, July 22.Apart from listening to music, festival goers will be able to participate in a spontaneous drumming/percussion circle and learn about the skills required to freely, but responsibly, create music in a group.Artists, associations and collectives as part of the ArtSplash Colony will present their work at the festival.Indices head in opposite directionZAGREB, July 19 (Hina) - The main Zagreb Stock Exchange indices on Thursday closed the day in opposite directionsamid a meagre trading of less than two million kuna in regular trading and not one stock crossing the million kuna mark.The Crobex fell by 0.02% to 1,795.18 points while the specialised Crobex10 increased by 0.15% to 1,036.72 points.Regular turnover amounted to a mere HRK 1.7 million which was 5.8 million less than on Wednesday.(EUR 1 = HRK7.387267)THIS BULLETIN INCLUDES NEWS ITEMS RELEASED BY 0830 HRS FRIDAY. (Hina) ms Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulicev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentic, DirectorEditor in Chief: Serdo Obratov Bulletin Editor: Marija Sestan

ZAGREB, July 19 (Hina) - Albanian Prime Minister Edi Rama and the visiting Croatian President, Kolinda Grabar-Kitarovic, held talks on the enhancement of bilateral economic relations notably on the improvement of transport connectivity during their meeting in Tirana on Thursday.

ZAGREB, July 19(Hina) - Croatia strongly supports Albania's EU integration path and welcomes the significant progress that Albania has made thus far in fulfilling the criteria required for EU membership, Croatian President Kolinda Grabar-Kitarovic said in the Albanian Parliament on Thursday.

ZAGREB, July 19(Hina) - Economy Minister Darko Horvat said before the government session on Thursday that the government was expecting the first reactions from Brussels regarding its ***programme*** for the restructuring of the Uljanik shipyard, expressing hope the reactions would be positive and that a restructuring model would be completed before the summer recess.

ZAGREB, July 19(Hina) - The European Commission on Thursday decided to put on hold the referral of Croatia to the Court of Justice of the EUover its law on the privatisation of the INA oil company because the Croatian government has in the meantime published a new draft bill that could remove the reasons for the proceedings.

ZAGREB, July 19(Hina) - The Croatian government on Thursday adopted a regulation to reorganise ten existing police stations into border police stations for the sake of achieving the level of technical preparedness needed to join the Schengen area of passport-free movement, and it also restored wage bonuses for police employees, which, Minister Davor Bozinovicsaid, had been unnecessarily and unfairly cut a few ***years*** ago.

ZAGREB, July 19 (Hina) - The government on Thursday forwarded a draft bill on theonline issuance of invoices in public procurement procedures, with Economy, Entrepreneurship and Crafts Minister Darko Horvatunderscoring that once the entire public procurement procedure wasdigitised, it could help save more than HRK 2.6 billion.

ZAGREB, July 19(Hina) - For the sake of aligning the Consumer Protection Act with the EU Directive on unfair commercial practices and the directive's obligation for businesses to display, during periods of special sales, both the regular price and the discounted price, the Croatian government on Thursday sent to the parliament amendments to the said law which note that the obligation to display the two prices refers exclusively to sales in business premises and not to advertisements.

ZAGREB, July 19(Hina) - The Croatian government on Thursday adopted final draft amendments to the Act on Transport Biofuels, which introduce the minimum target obligation of 0.1% for the use of advanced biofuelsand propose the reduction of greenhouse gas emissions in the coming ***years***, as well as the penalisation of noncompliance.

ZAGREB, July 19 (Hina) - Leader of the Bridge Party, Bozo Petrov, on Thursday claimed that the government's rejection of Bridge-sponsored bill on micro solar power plants showed that the cabinet led by Prime Minister Andrej Plenkovic "is heading down the path of clientelism and currying favour with a few to the detriment of the majority of the population."

ZAGREB, July 19 (Hina) - Croatia's performance in the implementation of energy efficiency ***programmes*** can be compared with the success of the national football team at the World Cup in Russia, according to the article headlined "Croatia's renovation projects can teach us as much as their football" which the EurActiv web portal has recently published.

"Croatia's achievement in advancing the energy efficiency revolution is a beacon that should be celebrated, just as we have been thrilled by their triumphs on the football pitch," says the author of the article, Adrian Joyce, an expert for energy efficiency and the director of the Renovate Europe campaign.

"We know that we need to sharply accelerate our pace of building renovations to meet the climate promises made in Paris, and the question of how exactly to do this has been giving energy experts sleepless nights. Enter Croatia. The west Balkan state is currently in the throes of an energy renovation overhaul which will see (EURO)411m of structural funds invested by 2020, much of it through energy service companies (ESCO's)."

"Already, between 2014 and 2016, a (EURO)220m energy renovations ***programme*** benefitted more than 15,600 family homes, 2,300 multi-unit buildings, 80 commercial buildings and 262 public buildings," reads the article.

Joyce points out the example of the Karlovac Hospital building as one of success stories.

"That hospital has been transformed after a (EURO)7.2m investment and four months of remedial work - with minimal disruption to patients and staff. Its ***yearly*** CO2 emissions have been more than halved - the climate mitigation equivalent of planting 113,000 more trees. Annual heating savings are also expected to be above 50%, as are annual financial savings."

The article reads that the cost of the deep refurbishment should be paid off within 14 ***years***, "from the savings on energy bills brought by the renovation works. These include the installation of new heat pumps, cooling systems, solar thermal collectors and a 25% renewable energy supply."

Joyce says that "the public-private partnership behind the makeover worked with an ESCO mobilising 60% of the finances from private investors and 40% from the Croatian energy efficiency fund."

"Altogether, around 250 workers were employed on the build, with 32 mostly nearby companies giving a boost to the local economy."

Simpler and standardised renovation contracts

"Compared to traditional public procurement practice, renovation contracts in Croatia are simpler, standardised and more transparent. They have been completed up to seven times faster and with significantly lower administrative and total costs," Jouyce writes.

"That is because the relevant investments have been tightly codified. They must guarantee minimum energy savings of 50%, and no new costs for public budgets. And they have to take the form of energy performance contracts, negotiated in an open public procurement tendering process.

"Energy refurbishment ***programmes*** have been applied to Croatia's high-rise buildings, to private homes and commercial buildings. A guarantee scheme for ESCO's similar to the one set up in Bulgaria may be the next step. As with the national teams occasionally erratic defending, there is room for improvement in Croatia's energy renovation picture too," he says.

Mistrust of banks remains a problem

"Mistrust of banks remains a problem, although it is improving. The Croatian bank for reconstruction and development, for example, has recently begun extending credit lines for energy efficiency projects on extremely favourable terms. Perhaps the biggest concern for the country's investors is the lack of continuity in EU funding for efficiency projects, which very often become a de facto hostage to budgetary decisions in Brussels, and in national capitals," reads the article.

"The result is a 'Stop-Go' dynamic that denies businesses and investors the certainty they need to effectively plan ahead.

"Around 3,000 construction jobs may have been created in Croatia over a two-***year*** period, but it is also true that many construction workers have left the country because of the unpredictability that hangs over their future employment prospects.

ZAGREB, July 19(Hina) - Croatian Prime Minister Andrej Plenkovic opened a government session on Thursday by congratulating once again the national football team on winning the silver medal at the World Cup in Russia, noting that the government was willing to take part in efforts to find the best possible solution for a national stadium but without ignoring the football infrastructure in Split, Rijeka and Osijek.

ZAGREB, July 19 (Hina) - Chief analysts of the Croatian Banking Association (HUB) on average forecast the country's GDP growth of 2.7% this ***year***, which is slightly lower than their forecast of seven months ago (2.8%), and assessthat the economy is in a stage of sound growth momentum,which is reducing the macroeconomic imbalance.

ZAGREB, July 19, 2018 (Hina) -Varazdin mayor Ivan Cehok was sentenced on Thursday pending appeal to two ***years*** in prisonafter the court found him guilty of the charges of having favoured companies owned by his co-defendant, Varazdin businessman Davor Patafta, and defrauding the city budget of 14 million kuna between late 2007 and mid-2011.

ZAGREB, July 19 (Hina) - Both Varazdin Mayor Ivan Cehok and the nationalanti-corruption office USKOK on Thursday announced that they would appeal a ruling sentencing Cehok to two ***years*** imprisonment pending appeal on charges of having favoured companies owned by co-defendant Davor Patafta, who was sentenced to 20 months for incitement to abuse of office.

ZAGREB, July 19 (Hina) -No one will be brought to account for an accidentwhen the water supplies in Slavonski Brod werepolluted with an oil spill in March this ***year***, as the county prosecutor's office in Slavonski Brod has dismissed the criminal charges against an unidentified perpetrator.

ZAGREB, July 19 (Hina) - Unhappy about the fact that criminal charges against an unidentified perpetrator for a water pollution accident in Slavonski Brod in March were dropped, Mayor Mirko Duspara on Wednesday told a press conference that the way the investigation into the incident was conducted was contentious because it did not incorporate the entire five kilometer route of the gas pipeline where the tests were conducted.

The county prosecutor's office in Slavonski Brod on Tuesday reported on its web site that it had decided to drop the charges relating to an oil spill into the city's water system.

"It appears that something happened coincidentally and that no one is responsible. We have samples of increased levels of hydrocarbons in the water for three consecutive day. Something can be coincidental if it occurs once but if it occurs 12 times over a span of three days at 12 sample sites then that can't be coincidental," Duspara told the press conference.

He said that he would call for an explanation from the state prosecutor's office.

"This refers to four-five wells, a cafe bar and a water tank. It could be coincidental if it was only in one well but not in five," he said and added that regardless of whether it was accidental or not, citizens have to know the truth.

"Citizens were without drinking water for 10 days. This is not an answer as far as we are concerned," he said and added that the city still hadn't received a response to the criminal charges filed during the accident when the oil pipeline busted.

Reporters asked Duspara to comment announcements by Ivan Cermak, the owner of the Crodux oil company which conducted the pressure tests on the pipeline, that he was going to sue the City of Slavonski Brod for defaming his name.

"I don't think anyone defamed General Cermak nor the Crodux company. The environment protection inspector established that the company 'caused the accident' and called them to urgently rehabilitate the ground as the pipeline passes through protected water areas. She called for an urgent analysis of the water," Duspara said and added that after the request was made, it was established that there was an increased concentration of hydrocarbons in the water.

"This isn't clear to us. We are calling on the State Prosecutor's Office - DORH to explain how something can be coincidental 12-13 times and to explain that the accident in Slobodnica has nothing to do with the water pollution without controlling the rest of the pipeline," Duspara underscored and added that the pipeline has still not been repaired.

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[***Tunisia's new budget law builds on existing tax and legal investment framework***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4X1-DXYV-751R-00000-00&context=1516831)

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**Body**

Combining its strategic geographical location, a highly skilled labour force and competitive costs, Tunisia has always been a popular destination for foreign investors. Indeed, the country has positioned itself as a springboard for those looking to get involved in the African market and a centre for business process outsourcing. Committed to furthering its goals, the country has put in place legislation within its regulatory framework aimed at supporting the investment climate.

Investment incentives were first introduced into domestic legislation in the 1970s and reformed in the 1990s. Ventures are now governed by the latest version of the Investment Law, which was signed in 2016 and is expected to boost domestic and foreign investments, and bring down many barriers to launching a business. It provides guarantees, more flexibility and a less restrictive administrative process for a broad range of qualifying businesses. It also brings Tunisia in line with international standards regarding the management of disputes and litigations through international arbitration. Additionally, high-value-added projects are eligible for attractive tax incentives. Further details on the Tunisian tax and legal investment framework are provided in the following sections.

**Tax & Legal Investment Framework**

In September 2016 the Tunisian Chamber of Representatives enacted the latest Investment Law, which saw the repeal of the previous investment incentives code. Commencing from April 1, 2017, these measures aim to boost investments within the country by strengthening guarantees offered to foreign investors.

The legislation widens the scope of qualifying sectors by limiting the requirements needed to open a business in Tunisia. While qualifying businesses were restrictively listed under the previous regime, the new law reinforces investment freedom. Specific prohibited activities can still be laid down, but this can only be done by presidential decree. In addition, the new law has put a focus on accelerating administrative procedures, including those relating to repatriation of funds by foreign investors to their home countries. This was done by tightening deadlines for the Central Bank of Tunisia (Banque Centrale de Tunisie, BCT) to process ***transfer*** requests to 15 days. Failure to meet this deadline means the request is automatically deemed as authorised.

The acquisition of properties used for operational activities has also been made easier. Foreign investors can acquire immoveable properties (excluding ***agricultural*** properties) necessary to undertake their operating activities. Previously, only businesses operating in the tourism and industrial sectors could qualify for such consideration.

Other incentives include increasing the number of expatriates that can be recruited. Foreign investors are currently allowed to recruit foreign employees, with the number capped at:

· 30% of the whole staff number during the first three ***years*** of business activity; and

· 10% of the whole staff number starting from the fourth ***year*** onwards. According to the previous rules, only a handful of businesses were entitled to recruit foreign employees and only under strict conditions.

**International Arbitration**

The latest Investment Law offers the possibility to resolve any litigation with the Tunisian state before going to an international arbitration institution.

**Non-Discrimination**

he rules regarding non-discrimination between Tunisian and foreign investors have also been reinforced, implementing terms within domestic legislation. Under the previous rules, such principles were generally provided for through bilateral treaties between jurisdictions and not according to national legislation.

**Significant Projects**

There are also incentives available to companies that qualify as significant projects, including financial bonuses among other things. Furthermore, tax incentives are available for developments that are considered to be of interest to the national economy. Financial incentives include the following:

· A 10-***year*** period of corporate income tax breaks;

· An investment bonus up to 33% of the investment cost capped to the equivalent of (EURO)10m, including internal infrastructure cost; and

· A state contribution for infrastructure cost.

**Business Entities**

The most common structures set up by foreign investors are *société anonyme*, (joint stock companies) and *société à* as branches of foreign firms that have concluded a contract in Tunisia for a limited period.

**Foreign Exchange Regulation**

Under the latest Investment Law, profits realised through foreign investments, including both foreign-owned legal entities and the permanent establishments of foreign companies, may be freely repatriated to where such investments originate through the import of foreign currency.

***Payments*** abroad relating to other transactions are subject to prior authorisation by the BCT. Tunisian firms may borrow from abroad, with the total value capped at TD3m ((EURO)1.2m) per ***year***. The limit is increased to TD10m ((EURO)3.8m) per annum when the borrower is a banking institution.

**Corporate Income Tax**

The 2016 Investment Law better defines the scope of corporate income tax covering Tunisian-established companies as well as Tunisian permanent establishments of foreign companies. Non-resident companies with no Tunisian permanent establishment are liable to tax with respect to their Tunisian-sourced income. They are taxed under the withholding tax mechanism.

The standard corporate tax rate in the country is 25%. A higher rate of 35% is applied to oil and gas companies, banks, insurance and reinsurance institutions, debt collection companies, telecommunications operators, companies carrying on production and transport activity of hydrocarbons under particular conventions, firms transporting hydrocarbons via pipeline, and companies carrying out oil-refining activities and the wholesale of hydrocarbons products.

However, the 2018 fiscal law allows for certain reductions in the income tax rate:

· From 20% to 25% for small and medium-sized enterprises, that is those firms with turnover of less than TD1m ((EURO)384,000) in industry and trade, and under TD500,000 ((EURO)192,000) for services;

· New firms declared in 2018 and 2019 are fully exempted from income tax for a three-***year*** period starting from the first ***year*** of production. Profits derived from export sales are subject to corporate income tax at the rate of 10%. Companies operating in craft, fishing and ***agriculture*** are subject to corporate income tax at the rate of 10%. The minimum corporate tax is calculated at:

· 0.2% on annual gross domestic turnover for companies subject to rates of 25% or 35%; and

· 0.1% on annual gross domestic turnover for companies subject to the rate of 10%. Included in the budget law for 2018 were new sectors expected to pay the 35% corporate tax rate, including franchising, hypermarkets and car dealers.

The 2018 budget law also introduced a new contribution to social security by adding one percentage point to all incomes, including corporate income tax which will be either 26% or 36%. In addition, an exceptional contribution to the state budget was introduced for 2018 and 2019.

The contribution applies to the net income of banks, financial institutions and insurance companies and is outlined as follows:

· 5% of net profit in 2018 with a minimum contribution of TD5000 ((EURO)1900); and

· 4% of net profit in 2019 with a minimum contribution of TD5000 ((EURO)1900).

**Capital Gains Tax**

Capital gains made by resident companies are subject to corporate income tax at the rate applicable to the whole company's profit. The same rules are applicable to Tunisian permanent establishments of foreign companies.

With respect to capital gains realised by non-resident corporations with no Tunisian permanent establishment, and subject to a more favourable treatment under an applicable tax treaty, such gains are subject to tax with respect to capital gains derived from the disposal of shares held in Tunisian companies and immoveable properties situated in Tunisia.

Regarding shares held in Tunisian companies. Such gains will be subject to final withholding tax at a rate of 25% levied on the difference between the selling price and the acquisition cost. However, corresponding tax should not exceed 5% of the selling price. The seller may elect to submit a tax return corresponding to such an operation and be taxed at the net gain. In such a case, the withholding tax incurred may be credited against the corporate tax due. Any excess may be refunded upon application.

With respect to immoveable properties situated in Tunisia, the corresponding final withholding tax is levied at the rate of 15% on the selling price. The seller may elect to submit a tax return corresponding to the operation and be taxed on the net gain. In this case, as with shares held in Tunisian companies, the withholding tax incurred may be credited against the corporate tax due, with any excess refunded.

**Compliance Requirements**

The financial ***year*** generally corresponds to the ***calendar*** ***year***. Tunisian tax authorities may authorise taxpayers to adopt a different tax period upon application and provision of the main reasons behind such request.

Corporate income tax returns should be submitted by the 25th day of the third month following the date of conclusion of the company's financial ***year***.

The deadline for corporate income tax returns with regard to companies whose financial ***year*** corresponds to the ***calendar*** ***year*** is March 25.

Such a return is considered temporary for firms subject to mandatory external audit and for those which are authorised to submit another regularising return adjusting the taxable profit as disclosed under the previous temporary return. The deadline is the 25th day of the sixth month following the closing date of the company's financial ***year***.

Any corporate income tax liability should be settled upon submission of the corresponding tax return. However, any advance ***payment*** of tax may be credited against the tax liability. Advance ***payment*** of corporate taxes may be undertaken as follows:

· For withholding taxes incurred, the rates range between 0.5% and 20%, depending on the nature of the remuneration.

· In the case of provisional instalments, three provisional instalments should be submitted annually by companies commencing on their second ***year*** of operating activities. Advance ***payments*** under each instalment are calculated at 30% of the previous ***year***'s corporate income tax liability. The deadlines to submit the provisional instalment are the 28th day of the sixth, ninth and 12th months following the closing date of the financial ***year***.

· Advance ***payment*** upon the import of specific consumer products is required as set out under ministerial decree. E-filing of tax returns is mandatory for companies with turnover exceeding TD1m ((EURO)384,000).

**Taxable Profit**

The taxable profit is based on the net profit and/or loss as resulting from the accounting records. Such net profit and/or loss is adjusted to take into consideration non-allowable expenses and non-taxable incomes.

Under the current rules, the annual depreciation of fixed assets should be calculated, in accordance with the straight-line method on the basis of maximum depreciation rates. Any amount exceeding such rate will be disallowed for deduction.

Some of the depreciation maximum rates are detailed in the chart on this page.

It must be noted that the depreciation rate on equipment and machinery may be increased by 50% when such assets are used at least 16 hours a day. It can be doubled when the use of such assets lasts 24 hours a day. No deduction is allowed on the depreciation of goodwill and lands. The tax deduction of donations granted to charities and public-interest organisations engaged in philanthropic, educational, scientific, social and cultural activities is capped to 0.2% of the annual gross turnover. With regard to gifts and meal expenses, the tax deduction is limited to 1% of annual gross turnover, up to TD20,000 ((EURO)7700). Deductions of provisions expenses are limited to 50% of the taxable profit and are tax deductible only when they relate to the following:

· Doubtful debts where the taxpayer appealed in court to recover such debts;

· Inventory of final products, excluding semi-finished products, raw materials and spare parts

· Shares of listed companies. Such limits do not apply to banks concerning non-performing loans and shares of risk capital investment companies.

Furthermore, a specific additional deduction is allowed for Tunisian permanent establishments of foreign companies. The additional deduction relates to overhead expenses which are attributable to a Tunisian branch. The allowable deductible amount is calculated proportionally to the turnover of the Tunisian branch compared with total turnover at the head office.

Sumptuary expenses, including the amortisation of highly powered passenger cars, yachts, etc., are considered non-allowable expenses. The tax deduction of expenses settled in cash is excluded when the value of such expenses exceeds TD5000 ((EURO)1900).

Penalties incurred following the breach of any applicable law are not considered allowable expenses. All ***payments*** to tax havens for the purchase of goods and services cannot be deducted from the corporate tax base.

**Loss Carry Forward**

Losses may be carried forward up to a subsequent five tax ***years***. Losses resulting from fixed assets' depreciations may be carried forward for an unlimited period. However, no carry-back of losses is allowed. There are currently **Fixed asset Depreciation cap rate** Patent, trademark, capitalised, research & development costs 20% Buildings 5% Other construction 2.5% - 25% Equipment - machinery 15% Transport vehicles 20% Computer hardware & software 33.33% no rules regarding controlled foreign companies.

**Thin Capitalisation**

Under the current rules, interest on loans granted by shareholders is deductible for corporate income tax purposes only when the following conditions are met:

· The share capital is fully paid up.

· The interest rate does not exceed 8%.

· The loan value does not exceed 50% of the total share capital.

***Transfer* Pricing**

Under the rules in force, transactions undertaken by related entities should meet the arm's length principle. Otherwise, the Tunisian tax authorities are empowered to introduce adjustments to the taxable profit. However, domestic legislation does not provide any details regarding the acceptable ***transfer*** pricing methods or ***transfer*** pricing documentation. The current practice generally accepts the cost plus and the uncontrolled price, or CUP, methods, which are transactional methods prescribed by the OECD. Advance pricing agreements are not allowed under the current rules.

**Consolidated Tax Return**

A consolidated tax return is only allowed for a group of companies when the share capital of the parent company is listed on the Tunis Stock Exchange. Other restrictive conditions apply making the possibility of benefitting from such a consolidated tax return difficult.

**Dividends & Profit Remittance**

Subject to a more favourable treatment under an applicable tax treaty, dividends paid by a Tunisian company to non-resident shareholders, whether a legal entity or natural person, are subject to withholding tax at a rate of 5%, where the relating profits result from transactions carried out as of January 1, 2014. The 2018 budget law raised this rate to 10% for all distributed profits starting from January 1, 2018.

Furthermore, profits remitted abroad by Tunisian permanent entities of foreign companies are subject to a 10% withholding tax, up from 5%, as of January 1, 2018. The withholding tax increases to 25% when the recipient is based in a tax haven jurisdiction.

**Interest**

Interest arising in Tunisia and paid to non-residents is subject to withholding tax at a rate of 20% on the gross amount of interest, unless a more favourable treatment is available under an applicable tax treaty. Where the beneficiary recipient of the interest is a non-resident bank, the applicable withholding tax rate is 10%.

**Royalties**

Royalties arising in Tunisia and paid to non-residents are subject to withholding tax at a rate of 15%, unless a more favourable treatment is available under an applicable tax treaty. Tunisia has a vast network of tax treaties in operation, with more than 50 treaties already being implemented, including those with a number of OECD countries.

**Value-Added Tax (VAT)**

VAT is levied on the supply of goods and services in Tunisia as well as on the import of goods and services. For VAT purposes, territory rules are described as follows:

· The supply of goods is deemed to have taken place in Tunisia when such goods are delivered in Tunisia.

· The supply of services is deemed to have taken place in Tunisia when such services are consumed or used in Tunisia, even if rendered abroad. The standard VAT rate is 19%. Reduced rates of 7% and 13% are applicable for specific transactions, goods and services. These are restrictively enumerated under the list appended to the VAT code. The list of transactions, goods and services that are VAT-exempt is also appended to the VAT code. Export sales are eligible for a zero rate.

**Input VAT**

Under current regulations, input VAT may be credited against output VAT. Any excess may be credited during the subsequent months or refunded under specific conditions. VAT is refundable within three ***years*** following the date from which the VAT in question became claimable.

Export-oriented businesses qualify for VAT suspension with respect to their purchase of goods and services required for operating activities.

**VAT Returns**

Companies are currently required to submit VAT returns and make ***payments*** on a monthly basis. The deadline for submittal is the 28th day of the month following the month of reference in the case of legal entities, and the 15th day of the month following the one of reference for individuals carrying out business activities.

E-filing VAT returns is required for taxpayers with an annual turnover that exceeds TD1m ((EURO)384,000).

**VAT Withholding**

Different regulations apply in cases involving foreign firms.

When a foreign service supplier with no Tunisian permanent establishment provides services falling under the scope of Tunisian VAT, the Tunisian debtor is required to withhold the full amount of VAT and remit it to the tax authorities.

The foreign supplier is allowed, however, to register for VAT purposes on a temporary basis in order to qualify for the deduction of input VAT incurred on purchases of goods and services required for operating activities.

**Local Tax**

The local municipality tax, more commonly known as the TCL, is a tax on turnover levied at the following rates:

· 0.1% on export sales; and

· 0.2% on domestic sales.

**Registration Duties**

Various rates are applicable to formal documents falling under the scope of registration duties. Rates are as follows:

· Business contracts are subject to registration duties at a 0.5% rate on the contract's gross value.

· Documents relating to setting up, winding up, capital increase/decrease, merger or de-merger of companies are subject to a fixed rate of TD150 ((EURO)58) per document.

**Payroll Taxes**

The vocational training tax is calculated at the rate of 2% levied on gross wages. The rate can be reduced to 1% for firms operating in manufacturing industries. Contributions to the government-run *Le Fonds de Promotion de LogementsSociaux* social housing ***programme*** are calculated at the rate of 1% levied on total annual gross wages.

**Financial Incentives**

The 2016 Investment Law offers financial incentives including bonuses for specific companies that qualify. Furthermore, tax incentives are available for projects presenting an interest for the national economy. The relevant authorities will consider, on a case-by-case basis, applications for incentives, which can reach a period of up to 10 ***years*** for corporate income tax breaks.

The new 2016 investment legislation offers additional financial incentives including the following:

· Investment bonuses of up to 33% of the investment cost, including costs related to internal infrastructure; and

· A state contribution for infrastructure costs. The tax incentive system to investment, revised in February 2017 and applied as of April 1, 2017 is only applicable to priority sectors such as ***agriculture***, regional development, export, high-productivity services, and technological and innovative investment.

**Tax Framework for Individuals**

An individual is qualified as a tax resident in Tunisia if any of the following criteria exists:

· He/she has a permanent home in Tunisia.

· He/she is present in Tunisia for more than 183 days during the ***calendar*** ***year***. Resident individuals are taxed on their worldwide income regardless of where the income is derived. They are subject to income tax in Tunisia according to a progressive tax rate with an upper band of 35%. Details are presented in the table on this page.

The budget law for 2018 introduced a new contribution to social security by adding one percentage point to each rate applied to personal income brackets. Non-residents are subject to Tunisian tax on income from local sources. Tunisian-sourced income is defined as all remunerations paid for a job and/or activity carried out in Tunisia.

Non-resident individuals are taxable at a flat tax rate of 20%. This tax rate is subject to specific OBG would like to thank *KPMG* for its contribution to THE REPORT Tunisia 2018 conditions and mostly covers expatriates working for Tunisian hydrocarbons companies. Other tax rates will also apply depending on the nature of the revenue, unless covered by tax exemptions or relief, such as capital gains on the ***transfer*** of shares. Income tax returns should be submitted annually by resident individuals.

Residents with only employment income or pensions, must submit their tax return by December 5 of the ***year*** following the ***year*** of taxation. Non-resident individuals are exempt from the annual return submission requirement. It is the employee's responsibility to withhold and remit the tax to the tax authority when their employer is not based in Tunisia.

**Social Security Contributions**

As a common rule, social security contributions are calculated according to the following rates:

· 16.57% on gross wages for the employer contribution to social security;

· 0.5-4%, (depending on the nature of the activity) on gross wages for the employer contribution for workplace injuries; and

· 9.18% on gross wages for the employee contribution to social security. Several social security agreements are signed with other countries to determine the social security system to which the employee should be affiliated, offering the possibility of a relief ***payment*** in Tunisia. The Social Solidarity Contribution on all incomes has been introduced by the 2018 budget law to help reduce the social security deficit.

For personal income tax, one percentage point is added to the rate applied to every income bracket. For corporate tax, one percentage point is added to the appropriate corporate tax rate with a minimum ***payment*** of:

· TD300 ((EURO)115) for those paying a corporate tax rate of 35%;

· TD200 ((EURO)77) for those paying a corporate tax rate between 20% and 25%;

· TD100 ((EURO)38) for those paying a corporate tax rate of 10%; and

· TD200 ((EURO)77) for those not paying the corporate tax due to exemptions or deductions.

**Residence Visa Requirements**

Except for specific citizenships, such as EU nationals, a visa must be applied for before the individual plans to enter Tunisia. The category of visa required will depend on the purpose of the individual's stay in Tunisia.

**Income bracket (TD) Income tax rates** Less than 5000 0% Between 5001 and 20,000 26% Between 20,001 and 30,000 28% Between 30,001 and 50,000 32% Over 50,000 35%.

**Load-Date:** March 12, 2020

**End of Document**



[***Airtel Africa - Q1 2018***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RB6-81M1-F0J5-84XJ-00000-00&context=1516831)

Cameroon and Gabon Telecommunications Report

January 1, 2018 Monday

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**Length:** 1892 words

**Highlight:** Airtel Africa is a wholly owned subsidiary of India's Bharti Airtel. The company, which oversees Bharti Airtel's African operations, was formed following the acquisition of Kuwait-based Zain Group's telecoms assets in 15 Sub-Saharan African countries for USD10.7bn in March 2010.

**Body**

**SWOT Analysis**

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| Strengths | Backed by major international player Bharti Airtel. Extensive regional footprint with operations in 15 countries across Africa. Present in key regional markets, including Nigeria, Ghana, Kenya and Tanzania. Airtel is in top three positions in most of its markets, enabling it to influence competition dynamics. |
| Weaknesses | Low-margin strategy failed spectacularly in Africa, impacting revenue growth and profitability. Presence in many low-ARPU countries weighs on average regional ARPU levels. Limited investment in submarine cable systems compared to some of its regional rivals. Lags behind some major rivals in the development of enterprise services. Planned tower sales failed in Malawi, Tanzania, DRC and Chad. |
| Opportunities | Market consolidation in Kenya has somewhat improved Airtel's competitive position. Airtel is well placed to take advantage of growing opportunities in m-commerce services with its Airtel Money platform. Investments in 3G/HSPA+ networks enabling Airtel to respond to rising demand for data services. Divestment of tower assets has freed up much-needed capital and improved cost efficiency. Sale of operations in Sierra Leone and Burkina Faso will enable Airtel to have a more focused strategy in core African markets. Merger with Millicom-backed Tigo in Ghana will create a stronger player with economies of scale, but could be the precursor to the acquisition of the enlarged operator by a player such as Orange. |
| Threats | Insecurity and political conflicts in some of Airtel's markets could threaten the operator's investments. Airtel's large footprint intensifies the challenge of managing multiple cultural and macroeconomic factors at play in different markets, including language, inflation and forex movements. |

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| **Company Overview** | Airtel Africa is a wholly owned subsidiary of India's Bharti Airtel. The company, which oversees Bharti Airtel's African operations, was formed following the acquisition of Kuwait-based Zain Group's telecoms assets in 15 Sub-Saharan African countries for USD10.7bn in March 2010. The acquired assets were in Burkina Faso, Chad, Republic of Congo, Democratic Republic of Congo (DRC), Gabon, Ghana, Kenya, Madagascar, Malawi, Niger, Nigeria, Sierra Leone, Tanzania, Uganda and Zambia. Airtel Africa acquired the fixed and mobile networks and assets of Telecom Seychelles from Bharti Enterprises for USD62mn in July 2010 and won Rwanda's third mobile licence in September 2011 to take its footprint to 17 countries in Africa. Airtel Rwanda launched commercial 2G and HSPA+ services in April and July 2012 respectively. In 2016, Airtel Africa divested its Sierra Leone and Burkina Faso operations to Orange SA, bringing its regional footprint to 15 countries in Africa. In March 2017 it agreed to merge its operations in Ghana with Millicom's subsidiary Tigo, completing the merger in November and rebranding its operations under the AirtelTigo name. |

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| **Strategy** | Airtel introduced its famed low-margin, high-volume strategy into Africa in August 2010, stoking a brutal price war that ravaged the telecoms markets in many countries in the region between 2010 and 2013. However, the strategy was unsuccessful as African consumers channelled cost savings from lower call tariffs to other needs as opposed to making phone calls as Airtel had envisaged. Airtel's decision to sell its tower assets across the continent, beginning with the sale of 3,100 towers to Helios Towers in July 2014 and another 3,500 towers to Eaton Towers in September, had a positive impact on its bottom line. In the financial ***year*** ended 31 March 2017 Airtel reported the first pre-tax profit from its African operations, following ***years*** of loss, likely in part due to increased data demand in its key markets. However, foreign exchange losses following sharp currency depreciation in many key markets, notably Nigeria, Ghana, Zambia and, to a lesser extent, in Kenya and Tanzania continue to weigh on margins. Airtel has launched Facebook's Free Basics platform across its operations to stimulate mobile data appetite. Mobile value-added services (VAS) are also an important component in its Africa strategy. However, there is still much room for Airtel Africa to develop its VAS. This is necessary for it to both grow its revenue and stay relevant against regional competitors, such as MTN, Vodacom and Safaricom, enlarging VAS businesses. Airtel has turned to offloading its infrastructure assets, leasing towers from dedicated telecom infrastructure companies and backhaul capacity from Liquid Telecom's pan-African fibre-optic backbone instead, to reduce operational costs. We believe Airtel will also consider divesting non-core African assets, to opt for a depth over scale approach. This will involve retaining operations in markets like Nigeria, Gabon and the Democratic Republic of the Congo (DRC), where it has an influential market position and can invest in more targeted country-specific services for these markets. Nevertheless, Airtel continues to form partnerships with content providers across different interests, including education, entertainment, financial services, health, ***agriculture*** and information, to launch new non-voice services for consumers. The company is also investing its terrestrial fibre optic infrastructure to power its recently launched Airtel Connect initiative which is a network of fibre and satellite networks, with 42 points of presence (PoP) throughout Airtel's African footprint targeted at enterprise customers. |

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| **Developments** | **2017** In March, Airtel merged its Ghanaian operation with rival mobile operator Tigo, backed by Millicom. Both parent companies will have a 50% stake in the new venture which was reportedly given conditional approval by the regulator in September 2016. The merger was completed in November 2017, with the new entity named AirtelTigo. **2016** In December, Airtel Tanzania launched its first communication services at Cheleweni in Lindi Region, as it looks to provide coverage to the country's underserved rural population. The cellsite will provide communication services to residents in Ng'apa, Cheleweni, Nchee, Nantumbya, Nanyurua and its surrounding villages. In November, Bharti Airtel increased its stake in its Nigerian operation by acquiring Econet Wireless's 4.2% stake for USD127mn, increasing its stake to 83.25%. The operators were also reported to have settled all claims and disputes dating back to before Airtel bought Zain's African operations in 2010 for USD10.7bn. Zain Group also announced it would pay Bharti Airtel USD129mn for a settlement related to the sale of Zain's Africa operations to the latter in June 2010. Furthermore, Airtel Kenya lost a 16-***year*** battle with Kenya Revenue Authority (KRA) over a disputed KES531mn revenue claim from the operator's purchase of its operational licence in 2000. In September, the Tanzanian government regained full ownership of Tanzania Telecommunications Corporation (TTCL) after reportedly completing its deal to buy back a 35% stake in the operator from Bharti Airtel for an undisclosed amount. In August, Airtel Ghana launched a home solution dubbed Airtel Quonect, a Fibre-To-The-Home (FTTH) solution that provides internet access for home owners and developers. In July, Airtel Madagascar and Tecno Centre signed a partnership. Under this agreement, all users buying a phone from Tecno Centre will receive a free Airtel SIM with data connection ranging from 50MB to 1GB. In other developments, the Orange Group completed the acquisition of 100% of Airtel Sierra Leone, in partnership with its Senegal-based subsidiary Sonatel. In June, Orange Group completed the acquisition of 100% Airtel Burkina Faso through Orange Cote d'Ivoire. In May, Airtel, Ghana partnered with Fidelity Bank and Tiaxa to launch Airtel Money Bosea - a Nano loan scheme that provides access to financial services enabling customers to borrow money instantly through their Airtel Money wallet. Eligible subscribers can borrow up to GHS200 and have up to one month to pay back the fund through deductions via their Airtel Money wallets. In other developments, Airtel Congo launched an international money ***transfer*** service between Airtel Chad and Airtel Rwanda. The operator in partnership with Seychelles Trading Company (STC) also launched a 'Tay n Pay Service' in the Seychelles. In March, Airtel Zambia extended its partnership with Ericsson for the transformation of the operator's radio access network (RAN) infrastructure. The contract covers equipment, software and a range of professional services, including project management, systems integration and support, while also covering the transformation of Airtel's existing 2G infrastructure and the swapping out of existing 3G sites. In January, Airtel Zambia announced its plan to invest more than USD48mn to upgrade its network infrastructure across the country. **2015** In November Airtel announced an agreement with Facebook, which will see it become the first Sub-Saharan African partner operator to expand access to the Free Basics (rebranded from ) ***programme*** across its entire footprint. The Free Basics initiative provides free internet access to 18 partner websites covering news, information, education, health and communication. In October Airtel closed the sale of 2,500 towers in Burkina Faso, Ghana, Uganda and Kenya to Eaton Towers. The mobile operator has committed to a 10-***year*** tenancy contract in each country. Airtel further confirmed that by October it had concluded the sale of 9,000 towers across eight African countries. In September Airtel Africa agreed to use Liquid Telecom's 20,000km fibre optic backbone to interconnect its various mobile networks in East, Central and Southern Africa. Backhauling voice and data traffic in this way will free up capacity on the wireless elements of its networks, increasing data ***transfer*** speeds and eliminating congestion. The company - which has, so far, used very low prices to tempt customers away from rivals' networks - now needs to emphasise quality of service in order to retain users. In July, Airtel announced that it concluded its deal to sell around 4,700 towers in Nigeria to American Tower Corporation. In February, Airtel reportedly agreed to divest its 35% stake in Tanzania Telecommunication Company Limited (TTCL) to Tanzania's government. The shares will be sold for TZS14bn (USD7.7mn). In March, Airtel partnered with Visa to launch mobile ***payment*** services in seven African countries (Kenya, Gabon, Ghana, Madagascar, Rwanda, Seychelles and Tanzania). The two firms will build on the existing capabilities of Airtel's Mobile Money service, enabling subscribers to pay in stores and online - wherever Visa is accepted - through their Airtel Money account. Subscribers will also be able to withdraw money and make ***payments*** from their Airtel Money account with their Airtel Money Visa companion card. |

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| **Financial Data** | **Annual Revenues** March 2015: USD3.935bn March 2016: USD3.45bn March 2017: USD3.568 **EBITDA** March 2015: USD869mn March 2016: USD667mn March 2017: 859mn **Net Profit/Loss** Net Loss (March 2015): USD581mn Net Loss (March 2016): USD457mn Net Loss (March 2017): USD242mn |

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| **Operational Data** | **Mobile Subscriptions** March 2015: 76.263mn March 2016: 74.675mn March 2017: 80.061mn |

**Load-Date:** January 3, 2018

**End of Document**



[***Top news from Polish politics, economy, business & financial markets - 16:00; BUSINESS & EQUITY MARKET NEWS***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:64R9-6WR1-JCG5-H2JH-00000-00&context=1516831)

PAP Market Insider

June 20, 2018 Wednesday 4:08 PM CET

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**Length:** 2045 words

**Byline:** Dybinska Katarzyna

**Highlight:** Following is a digest of the day's top news as compiled by PAP Market Insider.

**Body**

BUSINESS & EQUITY MARKET NEWS

BANKING / PEKAO - Listed lender Pekao is enjoying stable sales of mortgage and cash loans in Q2 as compared with Q1, deputy CEO Marek Tomczuk told PAP.

FUEL / PKN ORLEN - Listed fuel group PKN Orlen secured a consent by the Czech National Bank to conduct squeeze out of minority shareholders at its Czech unit Unipetrol, PKN Orlen said in a market filing.

FUEL, NATGAS / BALTIC PIPE - Poland's natgas transit system operator Gaz-System has penciled in its preferred 275 km route for its planned Baltic Pipe gasline, Gaz-System said in a press release published ahead of a press conference.

PENSION FUNDS - Poland's Social Insurance Board (ZUS) ***transferred*** PLN 71.5 mln to open pension funds OFE this week, ZUS said in a statement. That ***transfer*** brought YTD ***transfers*** to PLN 1.481 bln, including PLN 115.4 mln so far in June ZUS said.

TELECOMMUNICATIONS / CYFROWY POLSAT, ORANGE POLSKA - Poland's mobile telephony market lost PLN 350 mln in revenues from roam like at home (RLAH) implementation in the first ***year***, telecom market regulator UKE said in a report.

BANKING / BGZ BNP PARIBAS - Listed lender BGZ BNP Paribas concluded with investors subscription agreements for 2.5 mln J-series shares with an aggregate value of PLN 150.38 mln, and for 10.8 mln K-series shares with an aggregate value of PLN 649.62 mln, the bank said in a market filing, adding that the cash contributions for the aforementioned shares were made in the full amount.

IT / CD PROJEKT - Blue-chip games developer CD Projekt might publish its new release Cyberpunk 2077 in the second half of 2019 or the first half of 2020, analysts surveyed by PAP say. The current high valuation of the company should raise caution, some experts believe, while others point that CD Projekt might enjoy further share price gains ahead of the long-awaited premiere of the new game.

IT / LIVECHAT SOFTWARE - Listed software developer LiveChat Software boosted net profits in its fiscal Q4 (ended March 31) by 6.3% to PLN 12.8 mln on a 3.9% gain in EBITDA to PLN 16.1 mln and a revenues gain of 6.7% to PLN 23.0 mln, management said in a results presentation. Annual 2017/18 fiscal ***year*** net profit rose 12.6% to PLN 48.3 mln on a 14.9% EBITDA gain to PLN 63.2 nln and a 17.3% revenue increase to PLN 89.4 mln, the company's financial report for the period shows.

PENSIONS / PPK - Poland should allow companies to offer their employees more than one employer-sponsored pension plan PPK, financial market watchdog said in an opinion on the latest version of the PPK draft bill.

PENSION SYSTEM, PPK - Poland risks premature decline in the activity of its employees on the labor market as a result of the solutions included in the improved draft on employer-sponsored pension plans PPK, which proposes that payouts be launched when an employee turns 60, central bank NBP wrote in an opinion to the bill. Preferential treatment to lowest earners might still not convince them to participate in PPK, NBP added. Employers in microfirms might cajole staff into giving up on PPK to avoid red tape, NBP said.

FUEL, NATGAS / BALTIC PIPE - Poland wants to launch construction of international seabed gas pipeline Baltic Pipe in April 2020 so that it can start receiving Norwegian gas via the pipeline as of October 2022, as foreseen by the signed contracts, national gas grid operator Gaz-System CEO Tomasz Stepien confirmed at a joint press conference with government point-person for strategic energy infrastructure Piotr Naimski. Poland plans to issue the first construction permits for the investment in late 2019, he added.

FUEL, NATGAS / BALTIC PIPE - Poland will secure sufficient natgas supply to meet its entire foreseeable demand via the planned international seabed gas pipeline Baltic Pipe and expansion of the existing LNG terminal, government point-person for strategic energy infrastructure Piotr Naimski told a conference. Annual imports via Baltic Pipe are seen at 10 bcm while the processing capacity of the LNG terminal following its expansion will reach 7.5 bcm, he confirmed.

FINANCIALS / ALTUS TFI - Lead shareholder in Altus TFI Piotr Osiecki bought 20k shares at PLN 9.18 apiece via an investment vehicle on 2018-06-19, according to a notification published by the firm in a market filing.

IT / COMP - IT solutions provider Comp sold 55% of unit PayTel to Portuguese card ***payments*** operator SIBS - SGPS for PLN 34 mln and signed a preliminary binding deal to sell SIBS - SGPS the remaining 45% stake in PayTel for up to PLN 166 mln in 2021 depending on PayTel's performance in 2018-2020, Comp management said in a filing. Comp hopes to cash in a sum close to the upper end of the PLN 34-200 mln range for selling PayTel to SIBS - SGPS, CEO Robert Tomaszewski suggested in a press release that followed.

RECYCLING / ELEMENTAL HOLDING - Recycling firm Elemental Holding bought 32% of Turkish unit Evciler Kimya, the company said in a filing without revealing the value of the transaction. In September 2011 Elemental Holding paid USD 11 mln for a 51% stake in Evciler Kimya.

BANKING / BOS BANK - Listed lender BOS will allocate the entire 2017 earnings of PLN 24.42 mln to retained earnings, according to a resolution of the company's GM published in a market filing.

FINANCIALS / GETBACK - Poland needs to establish no investigation committee for the defunct debt collector GetBack at this stage, PM Mateusz Morawiecki told a conference, while adding that the matter must be thoroughly examined, including alleged provocations, the origins of the company, and the firm's personal ties to the politicians of the opposition party PO.

FUEL / PERN - Oil infrastructure operator PERN seeks to increase loading capacities of its fuel storage depot in Debogorze, according to documents published in connection with a tender for compiling the project documentation put out by PERN.

BANKING / PEKAO - Poland's #2 bank by assets Pekao will make up its mind on branch network revamp in Q4 and expects to spread the process over two ***years***, with no quarterly cost cumulation, deputy CEO Marek Tomczuk told PAP. The bank is analyzing 4-5 formats of bank branches and will select the best options for the bank, he indicated.

SERVICES / DIVIDEND / RAINBOW TOURS - Listed tour operator Rainbow Tours will pay PLN 1.20 DPS from the 2017 profit, bringing the total payout to PLN 17.46 mln, according to the resolutions adopted by GM as published by the company in a market filing. Rights will be set on June 27, and ***payment*** made on July 11.

LOGISTICS / INPOST - Poland's leading courier firm InPost, owned by US private equity fund Advent International, will invest PLN 250 mln in parcel locker infrastructure and development of courier services in 2018, the firm's representatives told a conference.

FOOD / WAWEL - Listed confectionery maker Wawel appointed Dariusz Orlowski as CEO, the company said in a market filing.

ECONOMIC & FINANCIAL NEWS

TREASURY DEBT - Polish Treasury debt increased by 1.3% m/m or PLN 13.3 bln at end-May to ca. PLN 962.0 bln, the Finance Ministry said of its early estimate.

SENTIMENT - Poland's consumer sentiment in June picked up slightly vs. May levels, with both headline current and forward indicators up m/m, stats office GUS said in a report.

TAXES - Poland might implement new tax regulations on January 1, 2020, should works on the legislation progress according to the schedule, Finance Minister Teresa Czerwinska told a conference.

GDP GROWTH - Poland's GDP growth in Q2 will roughly match the Q1 reading, while FY growth will easily exceed 4%, Investment and Development Minister Jerzy Kwiecinski told reporters.

INDUSTRY, EXPORTS - Polish industry increased its turnover by 1.8% y/y in Q1 2018 vs. a 15.2% spike on the prior ***year*** period, stats office GUS said. Export turnover edged up by 0.1% y/y vs. a 19.0% surge in Q1 2017, according to GUS.

ECONOMIC INDICATORS - Poland's construction output is now expected to increase by 16.5% in the entire 2018 vs 10% forecast earlier, Ministry of Business and Technology wrote in the latest issue of its monthly bulletin.

***AGRICULTURE*** - Poland may suffer a decline in crops of cereals and rape due to the shortage of rainfall that has been lasting for several weeks now, according to experts and farmers participating in a conference of the lobby of national cereals harvesters KFPZ.

HOUSING, REAL ESTATE - Poland wants to introduce a number of facilitations to the process of housing development under the draft special housing bill adopted by the government at the Wednesday cabinet sitting. These facilitations include shortening the preparation stage of a housing investment from 5 ***years*** to 1 ***year***, as well as introducing statutory urbanism principles.

T-BOND DEBT - Poland faces PLN 618.2 bln in T-bond debt after the June 15 switching auction, Ministry of Finance said on its website.

***AGRICULTURE*** - Poland is facing major losses on account of drought currently affecting 4 mln of the country's 14 mln hectares of arable farming land, PM Mateusz Morawiecki told a conference after the Wednesday cabinet sitting.

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FX - The Polish zloty should trade relatively stable in the second half of 2018 in spite of the expected increased volatility on the FX market, and appreciate to the EUR/PLN 4.20 level to end-***year***, Raiffeisen Bank International analysts wrote in the latest report.

FINANCIAL MARKETS

The Polish zloty failed to take advantage of the improved investor sentiment and is trading above the EUR/PLN 4.31 level on Wednesday afternoon. T-bonds extended their gains at the belly and long end, by 2 bps and 3 bps, respectively.

FX & FI SPOT MARKET PRICES

|  |  |  |  |
| --- | --- | --- | --- |
| Wed | Wed | Tue |  |
| 15:45 | 09:19 | 16:11 |  |
| EUR/PLN | 4.314 | 4.310 | 4.306 |
| USD/PLN | 3.725 | 3.725 | 3.722 |
| OK0720 | 1.63 | 1.63 | 1.63 |
| DS1023 | 2.52 | 2.54 | 2.54 |
| WS0428 | 3.16 | 3.19 | 3.19 |

EQUITY MARKET

Warsaw stocks rebounded strongly on Wednesday from the previous days' losses. The large-cap WIG20 index is up by a hefty 2.27% less than an hour before the trade's end. Lender Pekao is gaining 1.94% amid the turnover of PLN 58.6 mln, followed by rival PKO BP and insurer PZU.

WSE INDEXES

|  |  |  |  |
| --- | --- | --- | --- |
| Index | Value | Change | Time |
| WIG | 56950,16 | +1,86% | 15:47:00 |
| WIG20 | 2168,85 | +2,27% | 16:02:00 |
| WIG30 | 2504,61 | +2,25% | 15:47:00 |
| mWIG40 | 4316,68 | +1,26% | 15:47:00 |
| sWIG80 | 13192,76 | -0,43% | 15:47:00 |

MOST ACTIVES

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Company | Time | Price | Change | Turnover |
| PLN | (%) | PLN mln |  |  |
| PEKAO | 15:46:49 | 115,60 | 1,94 | 58,6 |
| PKOBP | 15:46:41 | 38,81 | 2,97 | 38,4 |
| PZU | 15:46:50 | 37,98 | 2,68 | 38,0 |
| KGHM | 15:47:29 | 86,42 | 1,43 | 32,6 |
| PKNORLEN | 15:46:57 | 83,00 | 2,77 | 28,7 |
| CDPROJEKT | 15:47:21 | 166,70 | 0,91 | 21,3 |
| DINOPL | 15:45:45 | 100,10 | 0,60 | 18,8 |
| MBANK | 15:46:45 | 408,40 | 2,20 | 17,8 |
| BZWBK | 15:46:39 | 351,80 | 7,39 | 16,1 |
| CYFRPLSAT | 15:45:20 | 22,10 | 1,47 | 15,2 |

POLITICAL & GOVERNMENT NEWS

PARTIES, POLL - Poland's ruling party PiS regained voter support lost in recent months with a 5 pps rise month on month to mid-June, extending its lead over its top rival by 7 pps to 21 pps, a survey conducted by Kantar Public pollster showed.

GOVERNMENT, ***AGRICULTURE*** - President Andrzej Duda officially appointed ruling party PiS MP Jan Krzysztof Ardanowski as the new ***agriculture*** minister on Wednesday.

PRESIDENT, POLL - Polish president Andrzej Duda enjoyed a 1 pp m/m increase in approval ratings in June, with 63% of respondents giving a nod of approval to his actions as President, pollster CBOS said of a recent survey. At the same time, the number of respondents who view Duda's actions as negative also increased by 1 pp m/m, to 27%, CBOS said.

PARTIES / PIS - Ruling party PiS leader Jaroslaw Kaczynski has no plans to step down in a ***year***, the party's spokesperson Beata Mazurek suggested in a statement for PAP denying claims to the contrary by tabloid Fakt.

EU RELATIONS - Poland sees plans to create a common budget for the euro zone as disturbing, Finance Minister Teresa Czerwinska told reporters following the Tuesday meeting of German Chancellor Angela Merkel and French President Emanuel Macron, who agreed to pursue a separate EU funds pool for the euro zone economies.

fbe/ kd/ gty/ mbn

**Load-Date:** February 25, 2022

**End of Document**



[***Top news from Polish politics, economy, business & financial markets - 18:30; BUSINESS & EQUITY MARKET NEWS***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:64R9-6WR1-JCG5-H2JS-00000-00&context=1516831)

PAP Market Insider

June 20, 2018 Wednesday 6:30 PM CET

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**Length:** 2098 words

**Byline:** Bokszczanin Marcin

**Highlight:** Following is a digest of the day's top news as compiled by PAP Market Insider.

**Body**

BUSINESS & EQUITY MARKET NEWS

BANKING / PEKAO - Listed lender Pekao is enjoying stable sales of mortgage and cash loans in Q2 as compared with Q1, deputy CEO Marek Tomczuk told PAP.

FUEL / PKN ORLEN - Listed fuel group PKN Orlen secured a consent by the Czech National Bank to conduct squeeze out of minority shareholders at its Czech unit Unipetrol, PKN Orlen said in a market filing.

POWER/ TAURON - Listed power utility Tauron is interested in renewables project, including an offshore wind farm the company would like to run on its own, CEO Filip Grzegorczyk told PAP in an interview.

FUEL, NATGAS / BALTIC PIPE - Poland's natgas transit system operator Gaz-System has penciled in its preferred 275 km route for its planned Baltic Pipe gasline, Gaz-System said in a press release published ahead of a press conference.

PENSION FUNDS - Poland's Social Insurance Board (ZUS) ***transferred*** PLN 71.5 mln to open pension funds OFE this week, ZUS said in a statement. That ***transfer*** brought YTD ***transfers*** to PLN 1.481 bln, including PLN 115.4 mln so far in June ZUS said.

TELECOMMUNICATIONS / CYFROWY POLSAT, ORANGE POLSKA - Poland's mobile telephony market lost PLN 350 mln in revenues from roam like at home (RLAH) implementation in the first ***year***, telecom market regulator UKE said in a report.

BANKING / BGZ BNP PARIBAS - Listed lender BGZ BNP Paribas concluded with investors subscription agreements for 2.5 mln J-series shares with an aggregate value of PLN 150.38 mln, and for 10.8 mln K-series shares with an aggregate value of PLN 649.62 mln, the bank said in a market filing, adding that the cash contributions for the aforementioned shares were made in the full amount.

IT / CD PROJEKT - Blue-chip games developer CD Projekt might publish its new release Cyberpunk 2077 in the second half of 2019 or the first half of 2020, analysts surveyed by PAP say. The current high valuation of the company should raise caution, some experts believe, while others point that CD Projekt might enjoy further share price gains ahead of the long-awaited premiere of the new game.

IT / LIVECHAT SOFTWARE - Listed software developer LiveChat Software boosted net profits in its fiscal Q4 (ended March 31) by 6.3% to PLN 12.8 mln on a 3.9% gain in EBITDA to PLN 16.1 mln and a revenues gain of 6.7% to PLN 23.0 mln, management said in a results presentation. Annual 2017/18 fiscal ***year*** net profit rose 12.6% to PLN 48.3 mln on a 14.9% EBITDA gain to PLN 63.2 nln and a 17.3% revenue increase to PLN 89.4 mln, the company's financial report for the period shows.

PENSIONS / PPK - Poland should allow companies to offer their employees more than one employer-sponsored pension plan PPK, financial market watchdog said in an opinion on the latest version of the PPK draft bill.

PENSION SYSTEM, PPK - Poland risks premature decline in the activity of its employees on the labor market as a result of the solutions included in the improved draft on employer-sponsored pension plans PPK, which proposes that payouts be launched when an employee turns 60, central bank NBP wrote in an opinion to the bill. Preferential treatment to lowest earners might still not convince them to participate in PPK, NBP added. Employers in microfirms might cajole staff into giving up on PPK to avoid red tape, NBP said.

FUEL, NATGAS / BALTIC PIPE - Poland wants to launch construction of international seabed gas pipeline Baltic Pipe in April 2020 so that it can start receiving Norwegian gas via the pipeline as of October 2022, as foreseen by the signed contracts, national gas grid operator Gaz-System CEO Tomasz Stepien confirmed at a joint press conference with government point-person for strategic energy infrastructure Piotr Naimski. Poland plans to issue the first construction permits for the investment in late 2019, he added.

FUEL, NATGAS / BALTIC PIPE - Poland will secure sufficient natgas supply to meet its entire foreseeable demand via the planned international seabed gas pipeline Baltic Pipe and expansion of the existing LNG terminal, government point-person for strategic energy infrastructure Piotr Naimski told a conference. Annual imports via Baltic Pipe are seen at 10 bcm while the processing capacity of the LNG terminal following its expansion will reach 7.5 bcm, he confirmed.

FINANCIALS / ALTUS TFI - Lead shareholder in Altus TFI Piotr Osiecki bought 20k shares at PLN 9.18 apiece via an investment vehicle on 2018-06-19, according to a notification published by the firm in a market filing.

IT / COMP - IT solutions provider Comp sold 55% of unit PayTel to Portuguese card ***payments*** operator SIBS - SGPS for PLN 34 mln and signed a preliminary binding deal to sell SIBS - SGPS the remaining 45% stake in PayTel for up to PLN 166 mln in 2021 depending on PayTel's performance in 2018-2020, Comp management said in a filing. Comp hopes to cash in a sum close to the upper end of the PLN 34-200 mln range for selling PayTel to SIBS - SGPS, CEO Robert Tomaszewski suggested in a press release that followed.

CONSTRUCTION/ ZUE - Listed builder ZUE filed the lowest PLN 954 mln bid in a tender for refurbishing the Naklo Slaskie-Kalina railroad line, ZUE said in a market filing.

RECYCLING / ELEMENTAL HOLDING - Recycling firm Elemental Holding bought 32% of Turkish unit Evciler Kimya, the company said in a filing without revealing the value of the transaction. In September 2011 Elemental Holding paid USD 11 mln for a 51% stake in Evciler Kimya.

BANKING / BOS BANK - Listed lender BOS will allocate the entire 2017 earnings of PLN 24.42 mln to retained earnings, according to a resolution of the company's GM published in a market filing.

FINANCIALS / GETBACK - Poland needs to establish no investigation committee for the defunct debt collector GetBack at this stage, PM Mateusz Morawiecki told a conference, while adding that the matter must be thoroughly examined, including alleged provocations, the origins of the company, and the firm's personal ties to the politicians of the opposition party PO.

FUEL / PERN - Oil infrastructure operator PERN seeks to increase loading capacities of its fuel storage depot in Debogorze, according to documents published in connection with a tender for compiling the project documentation put out by PERN.

BANKING / PEKAO - Poland's #2 bank by assets Pekao will make up its mind on branch network revamp in Q4 and expects to spread the process over two ***years***, with no quarterly cost cumulation, deputy CEO Marek Tomczuk told PAP. The bank is analyzing 4-5 formats of bank branches and will select the best options for the bank, he indicated.

SERVICES / DIVIDEND / RAINBOW TOURS - Listed tour operator Rainbow Tours will pay PLN 1.20 DPS from the 2017 profit, bringing the total payout to PLN 17.46 mln, according to the resolutions adopted by GM as published by the company in a market filing. Rights will be set on June 27, and ***payment*** made on July 11.

LOGISTICS / INPOST - Poland's leading courier firm InPost, owned by US private equity fund Advent International, will invest PLN 250 mln in parcel locker infrastructure and development of courier services in 2018, the firm's representatives told a conference.

FOOD / WAWEL - Listed confectionery maker Wawel appointed Dariusz Orlowski as CEO, the company said in a market filing.

ECONOMIC & FINANCIAL NEWS

TREASURY DEBT - Polish Treasury debt increased by 1.3% m/m or PLN 13.3 bln at end-May to ca. PLN 962.0 bln, the Finance Ministry said of its early estimate.

SENTIMENT - Poland's consumer sentiment in June picked up slightly vs. May levels, with both headline current and forward indicators up m/m, stats office GUS said in a report.

TAXES - Poland might implement new tax regulations on January 1, 2020, should works on the legislation progress according to the schedule, Finance Minister Teresa Czerwinska told a conference.

GDP GROWTH - Poland's GDP growth in Q2 will roughly match the Q1 reading, while FY growth will easily exceed 4%, Investment and Development Minister Jerzy Kwiecinski told reporters.

INDUSTRY, EXPORTS - Polish industry increased its turnover by 1.8% y/y in Q1 2018 vs. a 15.2% spike on the prior ***year*** period, stats office GUS said. Export turnover edged up by 0.1% y/y vs. a 19.0% surge in Q1 2017, according to GUS.

ECONOMIC INDICATORS - Poland's construction output is now expected to increase by 16.5% in the entire 2018 vs 10% forecast earlier, Ministry of Business and Technology wrote in the latest issue of its monthly bulletin.

***AGRICULTURE*** - Poland may suffer a decline in crops of cereals and rape due to the shortage of rainfall that has been lasting for several weeks now, according to experts and farmers participating in a conference of the lobby of national cereals harvesters KFPZ.

HOUSING, REAL ESTATE - Poland wants to introduce a number of facilitations to the process of housing development under the draft special housing bill adopted by the government at the Wednesday cabinet sitting. These facilitations include shortening the preparation stage of a housing investment from 5 ***years*** to 1 ***year***, as well as introducing statutory urbanism principles.

T-BOND DEBT - Poland faces PLN 618.2 bln in T-bond debt after the June 15 switching auction, Ministry of Finance said on its website.

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HEALTHCARE/ MEDICALGORITHMICS - Listed telemedicine firm Medicalgorithmics saw pension fund OFE PZU increase its stake to 5.07% from 4.99%, Medicalgorithmics said in a market filing.

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FINANCIAL MARKETS

FX, FI - Poland's zloty traded little changed Wednesday at recent weaker levels and should remain stable to end-week on lack of interesting data, while T-bonds continue to gain, but upside seems limited and demand may soon weaken, local players say.

FX & FI SPOT MARKET PRICES

|  |  |  |  |
| --- | --- | --- | --- |
| Wed | Wed | Tue |  |
| 16:34 | 09:19 | 16:11 |  |
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| DS1023 | 2.52 | 2.54 | 2.54 |
| WS0428 | 3.16 | 3.19 | 3.19 |

EQUITY MARKET

The large-cap WIG20 index closed up by 1.58%, still markedly below session highs. Moods deteriorated also on the European markets in the afternoon, and they closed mixed despite midday gains.

WSE INDEXES

|  |  |  |
| --- | --- | --- |
| Index | Value | Change |
| WIG | 56 638,39 | 1,30 |
| WIG20 | 2 154,18 | 1,58 |
| WIG30 | 2 488,56 | 1,59 |
| mWIG40 | 4 311,72 | 1,15 |
| sWIG80 | 13 214,13 | -0,27 |

MOST ACTIVES

|  |  |  |  |
| --- | --- | --- | --- |
| Company | Price | Change | Turnover |
| PLN | (%) | PLN mln |  |
| PEKAO | 115,10 | 1,50 | 90,2 |
| PKOBP | 38,42 | 1,94 | 64,1 |
| PZU | 37,65 | 1,78 | 56,6 |
| KGHM | 84,40 | -0,94 | 48,9 |
| PKNORLEN | 82,30 | 1,91 | 45,1 |
| DINOPL | 100,50 | 1,01 | 38,7 |
| CDPROJEKT | 165,80 | 0,36 | 36,5 |
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fbe/ kd/ gty/ mbn

**Load-Date:** February 25, 2022

**End of Document**



[***A global nexus: Regulatory reform and an ambitious national development programme further connect the country with global trade flows***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4Y1-DXYV-711H-00000-00&context=1516831)

Oxford Business Group: Articles

November 2018

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**Length:** 3806 words

**Body**

Located at a juncture point between Africa, the Middle East and Asia, Djibouti's geography has become its principal economic advantage. Easy access to international trade routes via the Gulf of Aden and the Red Sea, as well as its border with fast-growing yet landlocked Ethiopia, make it an ideal continental hub to transport goods. New ports, railway links and road improvement projects are being integrated to enhance economic efficiencies and provide a more solid platform to bolster expansion in other sectors. These factors combined have led to two consecutive decades of GDP growth.

Fast growth rates, however, can mask some of the country's main challenges, such as high unemployment, persistent poverty, and insufficient access to education and health services for a large proportion of its citizens. Furthermore, the hot climate and arid landscape make it particularly vulnerable to the effects of climate change. Lacking in significant ***agricultural*** resources, Djibouti remains exposed to abrupt rises in the price of food and other commodities in international markets.

By improving the conditions for transport and logistics, however, the authorities hope to support the development of other sectors, and encourage economic efficiencies to be passed on to small and medium-sized enterprises (SMEs). This will require continued investment in infrastructure, easing of business regulations and addressing gaps in human resources.

DEVELOPMENT DRIVE: A handful of key factors have been jointly driving Djibouti's economic performance. GDP grew by 6.8% in 2017, according to figures from the African Development Bank (AfDB), which projected a 6.9% expansion in 2018 and 2019. According to IMF statistics, nominal GDP stands at $2.19bn in 2018, and is predicted to reach $2.38bn in 2019 and surpass $3bn by 2022. One major force behind this growth has been the burgeoning economic activity in neighbouring, landlocked Ethiopia, which has posted an annualised growth rate of 10% for the past decade. The country depends heavily on Djibouti to mobilise its heavy import and export traffic, which have been sustained by ***years*** of high growth rates. With Djibouti handling 95% of Ethiopia's inbound traffic, the spill-over effect has been significant to the country's maritime activity. The volume of containers handled by Djibouti increased from 600,000 twenty-foot equivalent units in 2010 to 987,000 in 2017, according to UN statistics.

Beyond trade towards Ethiopia, the rising tide of Chinese investment across Africa and the Middle East as part of the Belt and Road Initiative has seen it channel financing resources into large-scale transport and logistics assets. In Djibouti's case, this has led to the development of port infrastructure and a new railway link to Ethiopia. Chinese economic interests are also underlining the creation of several free trade areas to support growth in regional transit of goods.

Its strategic advantage for port operations, coupled with the rents it receives from military bases, are allowing to leverage its geographic position and attract foreign direct investment (FDI). However, Djibouti's natural conditions, with fewer than 1000 sq km of arable land and very limited rainfall, make the long-term case for diversified-development more challenging. "As the transport sector becomes increasingly automated, its ability to create jobs is now limited," Mamadou Ndione, senior economist at the World Bank, told OBG.

This underscores the need for economic diversification as a means to establish inclusive, long-lasting development. So far, Djibouti's economic growth has been based on capital-intensive activities with a limited impact on employment creation, something the authorities hope to change over the coming ***years***.

PLANNING AHEAD: As a means of improving conditions on the ground, policymakers are enacting a series of economic and development measures. Most of these are included within the government's national development strategy: Djibouti Vision 2035. Launched in 2014, the plan's central goal is to transform Djibouti into a middle-income economy, and a regional transport and logistics centre. It aims to triple per capita income, create an additional 200,000 jobs by 2035, and achieve annual growth rates of between 7.5 and 10% over the same period. Achieving this will depend on how well policymakers can harness current investment flows and GDP growth to secure economic diversification.

The implementation of the overall initiative will be divided over several five-***year*** plans. The Strategy for Accelerated Growth and Employment, the first of these plans, was launched to cover the priority policy measures during the 2015-19 period (see analysis).

GDP COMPOSITION: Planners hope this long-term policy approach will change the make-up of the Djiboutian economy. The strong emphasis on transport operations has elevated the services sector to a prominent position, accounting for 77.1% of the country's GDP, according to the AfDB's 2016 report "African Economic Outlook".

Within the services sector, two subsectors account for over half of GDP. Transport, logistics and communications, account for 28.4% of GDP; while commerce, retail, auto repair, and tourism, hotel and restaurant services, constitute 22.6% of GDP.

With the tertiary sector accounting for such an important slice of national output, the secondary sector contributes 19.3% of GDP, followed by the primary sector, representing just 3.6% of the Djiboutian economy. This is unusual when compared with other African economies, which tend to have larger ***agriculture*** sectors. A small ***agricultural*** output presents added challenges in terms of food availability, raising Djibouti's dependence on imports and exposing the country to commodity price shocks. However, the less developed ***agriculture*** sector also has some advantages, registering a smaller degree of informality compared to the many other African countries.

Djibouti's public sector makes up another critical part of national GDP, representing 17.3% of the economy. Construction remains an important economic driver, accounting for 11.1% of GDP in 2016, despite its dependence on foreign inputs. Manufacturing activities comprised a mere 2.7% of GDP, the same weight it had in 2011, according to figures by the AfDB. Fulfilling the aim of increasing industrial output is therefore one of the government's primary goals over the coming ***years***, a mission that will face a number of structural obstacles, such as the high cost of energy and labour relative to other countries in the region.

BUDGET: Although efforts to diversify remain a key priority, government spending is likely to continue to contribute to economic growth in the medium term. In December 2017 the government approved a 2018 budget of DJF126bn ($709m), a 5% increase on the 2017 budget. Deficit-reduction efforts have proved effective, although multilateral partners have warned Djiboutian authorities of the rising weight of debt, resulting from the loans used to finance infrastructure development. The actual size of the fiscal deficit, however, depends on the metrics employed. In a 2016 meeting with the IMF, Djiboutian authorities did not include two large infrastructure projects which depend heavily on borrowing - the rail link and water pipeline, both connecting Djibouti to Ethiopia - on their budgetary assessment, according to the IMF's 2016 Article IV consultation, which was published in April 2017. Without the inclusion of these commitments, the country's fiscal deficit reached 0.4% in 2016, down from 0.9% in 2015. A further reduction to reach a surplus of 0.3% of GDP was expected in 2017. However, if the two infrastructure projects are included in the budget analysis, the fiscal deficit rises to 16.3% in 2016, down from 21.7% of GDP in 2015.

Relative to other countries in the region, Djibouti has been able to sustain considerable tax revenue as a percentage of GDP. According to a 2016 report by the IMF, tax revenue over the 2000-14 period accounted, on average, for 19% of GDP. Tax and Customs revenue collection efforts are expected to improve over the coming ***years***, as the authorities implement a ***programme*** to improve e-government platforms, ease bureaucracy and digitalise a series of public administration procedures. A four-***year***, $15m World Bank financing ***programme*** is under way to accelerate government efforts in digitalisation (see analysis).

HANDLING DEBT: Current economic expansion is being led by large investments in transport infrastructure paid, to a large degree, through borrowing. The majority of the country's debt obligations, however, are tied to a number of costly but necessary infrastructure projects. Djibouti's portion of the new rail link between Addis Ababa and Djibouti was estimated at around $570m out of a total cost of $2.5bn. It is expected, though, that the long-term economic benefits will be significant, as the railway will boost the volume and curb the stream the stream of trucks across the border. Another large-scale project is the water pipeline that transports groundwater from Ethiopia into Djibouti, budgeted at $490m and financed by China's Export-Import Bank. Additional loans from the Kuwait-based Arab Fund for Economic and Social Development, and the Saudi Fund for Development, at $36m and $25m, respectively, were taken to pay for the construction of the port of Tadjourah, inaugurated in mid-2017. In general terms, most transport and energy infrastructure expansion plans are also likely to be funded by supranational or foreign actors.

External financing for these projects is expected to feature prominently on the country's debt sheets for the ***years*** to come. However, its strategy to specialise in transport and logistics makes these large-scale investments a necessity. "In many African countries, debt is not used for investment but for current expenses. But in the case of Djibouti, these loans have been invested in concrete projects, which generate capital," Ndione told OBG. "The only issue would be whether the financial income is enough to pay the debts."

The loans are nonetheless expected to push Djibouti's debt up over the coming ***years***. Between 2013 and 2017 total government debt rose from 48% of GDP to 87% of GDP. Despite the productive nature of the debt, its accumulation does pose a challenge for medium-term budgeting. "Because Djibouti is a small country with a $2bn economy, a loan of $500m is already a quarter of the GDP," Ndione told OBG. Additionally, Djibouti's publicly guaranteed debt reached $1.6bn in 2016, according to figures by the IMF, and it was expected to climb to over $2bn in 2018.

Although there is no question that the loans are essential for the country to fully leverage its geographic attributes, their value also underlines the necessity of accompanying these financial commitments with government measures that can unleash private sector development and sustain long-term economic growth. "A combination of strong growth and fiscal reforms are therefore necessary to generate enough resources for the government to service its debt," the IMF stated in its country report on Djibouti, published in July 2016.

GEOPOLITICAL ECONOMICS: Beyond transport and commerce, Djibouti's location has brought it a geostrategic importance that goes far beyond the country's physical size. A handful of nations, including the US, Japan, China, Italy and France, have located military outposts in Djibouti as a means to secure trade routes and direct regional anti-terrorism operations. The presence of these military bases has become an additional source of income for the state budget, with the UN citing the US and Chinese bases bring in $63m and $20m each ***year***, respectively. Camp Lemonnier, the only permanent US base on the African continent and Djibouti's largest, houses 4000 military personnel and covers over 40 hectares. In addition to the military base, the US also runs a centre for regional drone operations from another facility. Japan recently established a military support facility in a 12 hectare plot and with a resident 170-member force. China inaugurated its Djiboutian military facility in August 2017, its first overseas military base. Although little information about the new outpost has been made public, the Chinese government stated that it would work as a logistics centre and have the capacity to host up to 10,000 troops, according to international media reports. In 2017 local and international media reported that another regional power, Saudi Arabia, was also finalising plans to establish its own military base in the country.

Leasing out space for military bases brings both benefits and challenges. Despite the financial advantages of hosting the military presence of international forces on its soil, the constant movement of military aircraft through the Djibouti-Ambouli International Airport has put greater pressure on runway maintenance. In addition, it has restricted the airport's operational space, thus challenging the expansion of the civilian transport sector (see Transport and Logistics chapter). The string of nations with a military presence in the country, however, attests to Djibouti's important geopolitical role in a polarised region of the world.

CHALLENGING POVERTY: Although its commercial and geopolitical importance bode well for Djibouti's future economic development, poverty remains a key obstacle for the country's policymakers. Despite the recent increase in FDI, as well as the focus on largescale infrastructure projects, little impact has been seen in terms of comprehensive poverty eradication. A study conducted by the AfDB in 2014 found Djibouti's extreme poverty rate to be 23%, a 1% reduction relative to 2002 rates. According to the IMF's Article IV consultation, roughly 41% of the population is poor.

Compounding the challenges, the country's geographic position has also made it a recipient of economic migrants and refugees originating from nearby countries. Djibouti is home to around 60,000 asylum seekers and migrants, many of them war refugees arriving from neighbouring Yemen.

Despite the government's overall receptiveness, the influx has put a strain on housing and other public services, exacerbating existing disparities. "In terms of education and health, for instance, government policy has improved things on the ground," Ndione told OBG. "But beyond the capital, the rest of the country remains isolated, with insufficient transport links, limited employment and higher poverty rates."

DIVERSIFICATION: One clear option to accelerate employment creation is to focus on the development of labour-intensive sectors, such as manufacturing and tourism, though the fact that it remains a small market with limited domestic demand makes economic diversification more challenging than in countries with larger populations. One key factor, however, that will likely contribute to better employment opportunities are the planned free trade zones.

The biggest of these, the $3.5bn Djibouti International Free Trade Zone, is expected to take a decade to fully develop and could create up to 350,000 new jobs once fully operational. "Despite the higher manufacturing costs, Djibouti can do light manufacturing and assembly," Ndione told OBG. "The economic zones could attract new companies and investment, but they can also encourage other industries that already exist outside the zones to move there to improve their competitiveness on a global scale, and become more closely integrated into global value chains."

The tourism sector also represents untapped territory for economic growth. Despite the variety of desert landscapes, volcanoes and a Red Sea coastline, Djibouti remains a frontier destination for international tourists, with the majority of foreign visitors coming for business rather than leisure. Djibouti Vision 2035 aims to attract 500,000 tourists annually by 2030. (See Tourism chapter). This would certainly accelerate job-creation efforts, but several constraints remain. In addition to lagging hospitality infrastructure, barriers such as costly entry visas and substantial travel taxes charged for handling passengers with connecting outward flights are some of the challenges for tourism expansion moving forward.

ENERGY EQUATION: Another potential diversification avenue is linked to the country's intrinsic energy needs. Although it has significant potential for the development of renewable energy sources, especially in terms of wind and geothermal generation, they are still in their infancy. A 300-MW solar power plant is currently under construction at a cost of $390m, and the country's unharnessed geothermal generation potential could reshape the energy mix, with studies for the implementation of a handful of geothermal electricity generation projects under way in the Lac Assal region (see Energy chapter).

Currently, the country has a total of 126 MW of installed generation capacity, although just 67% of that capacity is ready to be used at will, according to World Bank figures. Generation is done through thermal power plants, run on imported fuel oil and diesel. Since 2012 a transmission line to Ethiopia also allows Djibouti to import hydroelectricity from its neighbour.

Renewable energy is a landmark economic opportunity for the country and could determine the success of current diversification efforts. Besides balancing electricity imports from neighbouring Ethiopia and reducing the carbon footprint of fossil fuel-powered electricity generation, the diversification of generation sources might also help mitigate one of the private sector's most pressing complaints: the high cost of electricity. Although a law covering independent power producers (IPP) was published in 2014, slow implementation and an unclear regulatory framework have persisted since its introduction.

BUSINESS ENVIRONMENT: Although the large-scale investments in infrastructure are an opportunity for the country, in order for these projects to benefit domestic firms, measures to improve Djibouti's business environment need to remain a government priority. Considerable progress has already been made in this regard, with Djibouti jumping 55 places to rank 99th out of 190 economies for ease of doing business in the World Bank's "Doing Business 2019" report. This represents a significant improvement from the country's 2018 standing of 154th, making it one of the top-10 most improved economies. Furthermore, alongside India, it is the only country to make the top-10 most improved list for the second ***year*** in a row.

The climb in ranking comes on the back of six reforms, including the establishment of a one stop shop for business start-ups; streamlining property ***transfers*** via stricter deadlines for property registration and the digitisation of the land registry; strengthening access to credit by making a wider range of assets acceptable as collateral; improving minority investor protections by requiring greater disclosure of transactions; easing contract enforcement with the creation of a dedicated division within the court of first instance to resolve commercial cases; and making insolvency proceedings more accessible for creditors.

Many of the improvements have come through better communication between the government and private sector actors. Policy was streamlined through the 2014 establishment of the High National Council of Public-Private Dialogue. Additionally, further improvements arose out of the National Meeting on Fiscal Policy in 2016, which provided a forum for the private sector and the government to discuss the tax burden on local firms. One resulting resolution was the cost reduction of operating licences for entrepreneurs, which were immediately lowered in 2016 and then eliminated for three ***years***. The next challenge will be for the government to enlarge the tax base, which continues to depend to a large extent on small domestic firms. The creation of free trade zones as well as additional tax exemptions for foreign investors has established parallel systems of taxation. "Only 3000 firms, typically domestic companies with an operating licence, end up absorbing the brunt of tax ***payments***," Zahra Omar Ahmed, head of information and economic studies at the Djibouti Chamber of Commerce, told OBG.

A key step was taken in 2017, with the enactment of the *guichet unique*, a one stop shop designed to accelerate the opening of new businesses, organisation of work and building permits, and ***payment*** of taxes. It aims to streamline and simplify processes for national and foreign companies and individuals to process all relevant legal formalities in one place. Set up by the Djiboutian Industrial and Commercial Property Office, in conjunction with the National Investment Promotion Agency and the tax office, the guichet unique has made it easier for entrepreneurs to set up new companies.

Another measure with the potential to improve the performance of Djiboutian SMEs is the creation of a collateral registry, set up by the Central Bank of Djibouti in early 2018 as a centralised listing of all assets used as loan collateral by SMEs and individuals (see Financial Services chapter). Regulatory authorities have also eased rules for the retrieval of assets by banks in case of non-***payment***. "Djibouti is working on an integrated information system to facilitate administrative procedures," Mahdi Darar Obsieh, general manager at Djibouti's National Investment Promotion Agency, told OBG. "Better coordination between 15 public institutions will be ensured, which will complement the efficiency of the single window and make Djibouti more attractive."

OUTLOOK: Building on consecutive ***years*** of robust headline growth, Djibouti has been able to leverage its geographic position, and specialise in transport and logistics operations. This has brought integration with global commerce routes and an increase in infrastructure investment. However, this strategy has yet to prove a reliable mechanism for poverty-reduction.

One way to ease the ***transfer*** of the economic advantages of large-scale FDI is to improve the operating environment for domestic firms, which often find regulations cumbersome. Crucially, this could help unlock the employment-creation aspect of the current infrastructure development surge. Another key aspect for the country's long-term investment attractiveness will be the evolution of energy prices. The follow-up to Djibouti's greatly improved transport connections may be a reduction in local production costs as electricity prices remain an obstacle. The country is well placed for continued growth over the coming ***years***, which could be aided by a better interconnection between the domestic business sector and the foreign investments reshaping Djibouti's transport infrastructure network.

**Load-Date:** March 12, 2020

**End of Document**



[***Banking - Côte D'Ivoire - Q3 2018***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SD0-0311-F0J5-841X-00000-00&context=1516831)

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**Highlight:** In general, the commercial banking sector provides attractive opportunities for market entrants, given the robust economic growth forecast for the country over the medium term, and its growing consumer base (which is being recognised by companies such as French retailers Fnac and Carrefour, as well as the likes of Burger King and Heineken). The physical presence of banks in Côte d'Ivoire has increased quite exponentially over the past decade or so. World Bank statistics indicate that there were only around 1.4 commercial bank branches per 100,000 adults in the country in 2004, and by 2015, this had grown to 4.8 commercial bank branches per 100,000 adults. The amount of ATMs in the country has grown from 3.76 per 100,000 people in 2010 to 6.9 per 100,000 people by 2015.

**Body**

In general, the commercial banking sector provides attractive opportunities for market entrants, given the robust economic growth forecast for the country over the medium term, and its growing consumer base (which is being recognised by companies such as French retailers **Fnac** and **Carrefour**, as well as the likes of **Burger King** and **Heineken**). The physical presence of banks in Cote d'Ivoire has increased quite exponentially over the past decade or so. World Bank statistics indicate that there were only around 1.4 commercial bank branches per 100,000 adults in the country in 2004, and by 2015 this had grown to 4.8 commercial bank branches per 100,000 adults. The amount of ATMs in the country has grown from 3.76 per 100,000 people in 2010 to 6.9 per 100,000 people by 2015.There is also opportunity for the country to emerge as a Francophone West African banking and financial services hub in the long term, as the Ivorian banking and financial services sectors hold substantial potential for growth over the coming decade. This is being recognised by important players in the banking and financial services space, such as **Visa**. In May 2017, it was announced that the international electronic ***payments*** and cards company is set to establish its regional headquarters for its West and Central African markets in Abidjan.

Visa plans to help accelerate the digitisation of commercial activity in Cote d'Ivoire and the wider West African region, and work with local institutions to improve financial inclusion in the region. Visa's other regional offices are situated in South Africa, Kenya, Rwanda and Nigeria.A huge positive for international market players is that, in Cote d'Ivoire, while banks do require a license to operate, there are no restrictions on foreign ownership of banks in the country. Consequently, several of Cote d'Ivoire largest banks are subsidiaries of foreign banks, with a European and Pan-African presence, and other notable international players include **Citibank** and **Standard Chartered**. The Ivorian banking sector is consequently well connected to the international banking system.Market players will nevertheless find several barriers to operation that are currently limiting or posing risks to banking sector growth. These largely include the low levels of public trust in the commercial banking sector, the low levels of financial inclusion rates amongst the Ivorian population, the risks posed to the banking sector by the poor performance of public banks, and the competition posed to banks from mobile money operators in Cote d'Ivoire.The majority of these barriers were confirmed by the findings of the World Bank's July 2016 Report on Cote d'Ivoire's financial sector entitled 'The race to emergence: why Cote d'Ivoire must adjust its financial system'. This report highlights that many Ivorians lost confidence in the local banking sector during the 2010-2011 political crisis (especially public banks), as many failed or historically have had to be closed, restructured or recapitalised.This loss of confidence has been one of the drivers of Cote d'Ivoire's very low levels of formal financial inclusion. Interestingly, the report found that only one in eight adult Ivorians chose to deposit their savings with a bank or financial institution. This is further confirmed by World Bank data found in their most recent Global Financial Inclusion Survey, which shows that in 2014 (latest available data), only around 34.3% of the adult Ivorian population had a bank account and that only around 0.7% of adults used a debit card to make ***payments***. Other factors that the World Bank's report cited as barriers to people making larger use of commercial banking services were the high associated travel costs of getting to a bank and expensive transaction fees. Other prevailing factors preventing higher levels of financial inclusion in Cote d'Ivoire are the high poverty rates in the country, as well as the fact that formal employment and urbanisation rates are still very low even by Sub-Saharan African standards.This distrust in the formal banking sector, paired with the growing levels of smartphone ownership in Cote d'Ivoire (and network coverage to more rural areas), has meant that an interesting trend has emerged of many Ivorians performing most of their money transactions (such as sending or receiving remittances) via mobile money accounts. The World Bank's 2016 report found that many Ivorians prefer to use mobile money accounts for ***payments*** and money ***transfers***. Furthermore, statistics show that around 24.3% of the adult Ivorian population had a mobile money account in 2014, and around 41.7% used mobile money accounts to send remittances, and over 50% used mobile money accounts to receive remittances. According to a 2014 report compiled by **Mastercard** and the **International Finance Corporation** (IFC), in terms of the volume distribution of mobile money transactions in 2014 across the WAEMU region, Cote d'Ivoire accounted for more than half of these.We expect that in the coming ***years***, banks are likely to pursue partnerships with telecoms companies in order to offer mobile financial services, which would support the introduction of the country's large unbanked population to the banking sector. This already saw some developments in 2017, as in early 2017, it was reported that **EcobankCote d'Ivoire** had launched the Ecobank Xpress mobile phone application in Abidjan. This mobile phone banking application allows customers to open an 'Xpress account' remotely, without paperwork. From there, customers can receive and make ***payments*** across borders to around 33 other African countries via their mobile phones, without paying additional fees for these routine transactions. Statistics indicate the Cote d'Ivoire is a good market for this. Additionally, in December 2017, Standard Chartered announced that in January 2018, it would launching a digital bank (a new mobile bank) via its subsidiary in Cote d'Ivoire, which would serve as a pilot project for further launches in their other emerging markets. Societe Generale de Banques en Cote d'Ivoire (SGBCI), which is the largest bank in the country, has also launched a mobile banking service 'Sogepay'.In terms of addressing the risks posed by public banks (which hold the bulk of the poor assets and NPL's in Cote d'Ivoire) and restoring public confidence in the banking sector, the Ivorian government has pledged since 2011 to clean up the sector and since 2013/2014 it has vowed to privatise or restructure various public banks. So far, the privatisation of the former **SocieteIvoirienne de Banque** (SIB) and the Banque Internationale pour l'Afrique Occidentale (BIAO) (which has been renamed as **NSIA Banque**) have been completed. The privatisation processes at **Banque de l'Habitat de Cote d'Ivoire** (BHCI) and **Versus Bank** are reportedly still occurring, and the BFA (which was an ***agricultural*** bank) has reportedly been fully liquidated.In December 2016, the IMF agreed to grant Cote d'Ivoire funding of around USD658.9mn under its tended Credit Facility (ECF) and the Extended Fund Facility (EFF) under two three-***year*** arrangements, in order to support the country's economic and financial reform ***programme***. As part of this ***programme***, the Ivorian government undertook to continue its efforts to recapitalise and strengthen public banks and to promote financial inclusion. The IMF released its first review of Cote d'Ivoire's performance under the ECF and EFF in June 2017. This review noted than Ivorian authorities are working on addressing the lingering weaknesses in public banks. There are reportedly four public banks in the portfolio in which the government is addressing weaknesses. Two are reportedly being privatised, one is being recapitalised and one's liquidity position is being strengthened. A recapitalisation plan for the public savings bank (CNCE) was submitted to the WAEMU Banking Commission at the end of 2016. Additionally, government stakes in two smaller private banks were still undergoing privatisation and the conversion of government debt held by state-owned BNI into marketable securities had improved the liquidity of the bank. This report also noted that the Ivorian government had hired a private consultant to further develop its public bank restructuring plans and had begun to implement them.In order to address the low levels of financial inclusion in the country, the Ivorian government is continuing to implement the Financial Sector Development Strategy, which is focusing on restoring public confidence in the banking sector via decreasing the risk posed by public banks and strengthening the microfinancing sector. In December 2017, the IMF completed its second review of Cote d'Ivoire's performance under the ECF/EFF-supported ***programmes***. The country's performance was announced as 'strong', and the IMF announced that 'all performance criteria and indicative targets for end-June 2017 were observed and all structural benchmarks were met' and that the country is continuing to implement structural reforms. The review notes that the future recapitalisation of one public bank will assist financial sector stability.Cote d'Ivoire's banking sector is dominated by foreign-owned and regional banks. According to the BCEAO, 26 banks manage the bulk (about 81%) of financial sector assets in Cote d'Ivoire. Of the banks, 10 are foreign-owned and control 51% of the assets, seven are subsidiaries of regional UEMOA banking groups with a 24% share, five are local private institutions with 16%, with the remaining 9% owned by four public banks. Given the concentration of borrowing among the country's largest firms and public entities, the degree of competition in the sector has put substantial pressure on operating margins.

**Top 10 Commercial And Retail Banks By Total Assets, XOFmn**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Total Assets | Total Common Equity | Financial ***Year*** End |
| Societe Generale de Banques en Cote d'Ivoire | 1,421,923 | 134,418 | 31/12/2016 |
| Ecobank Cote d'Ivoire | 1,332,408 | 62,229 | 31/12/2016 |
| Banque Atlantique de Cote d'Ivoire | 1,259,730 | 57,279 | 31/12/2016 |
| Societe Ivoirienne de Banque | 906,911 | 59,956 | 31/12/2016 |
| NSIA Banque | 843,226 | 59,199 | 31/12/2016 |
| Banque Int. pour le Commerce et L'Industrie | 643,084 | 57,429 | 31/12/2016 |
| Banque of Africa | 623,026 | 39,013 | 31/12/2016 |
| Bridge Bank Group | 219,113 | 13,851 | 31/12/2015 |
| Citibank Cote d'Ivoire | 161,236 | 19,294 | 31/12/2016 |
| Standard Chartered Bank Cote d' Ivoire | 143,335 | 11,036 | 31/12/2016 |

Note: All data is latest available. Source: Fitch Connect, company reports The largest bank by assets is **Societe Generale de Banques en Cote d'Ivoire** (SGBCI), a local subsidiary of one of Europe's largest financial services organisations. As of January 2017, it was serving 31mn customers across 66 countries with the support of around 145,700 employees. Present in Cote d'Ivoire since 1962, SGBCI is a bank of reference on the Ivorian banking market.The Group's total assets as of the end of 2015 stood at EUR1,334,391mn, up from EUR1,308,138mn a ***year*** earlier. Within this, loans to customers rose from EUR370,367mn in 2014 to EUR405,252mn a ***year*** later. Similarly, customer deposits increased across the course of 2015, reaching a total of EUR379,631mn by ***year***-end, up from EUR349,735mn a ***year*** earlier. As of the same date, the Group's total liabilities had reached a level of EUR1,271,716mn, an increase from liabilities of EUR1,249,264mn as of December 2014.In terms of the balance sheet, the Group saw its net income rise to EUR4,001mn in 2015, an increase from EUR2,679mn in 2014. Similarly, net banking income of EUR23,561mn in 2014 rose to EUR25,639mn by the close of 2015. Following the same trend, the Group's consolidated net income reached EUR4,395mn by the end of 2015, an increase from EUR2,978mn in 2014.On a less positive note, Group operating expenses climbed to a level of EUR16,893mn by the 2015 ***year***-end, up from EUR16,037mn a ***year*** earlier. As of the end of 2015, the bank's fully loaded CET 1 ratio was at 10.9%, comparing positively with a ratio of 10.1% in 2014. Its total capital ratio reached as high as 16.3% by the 2015 ***year***-end, up from 14.3% in 2014.

**Top 10 Banks - Asset Quality**

|  |  |  |
| --- | --- | --- |
|  | Growth of Gross Loans (%) | NPL Charges (% of gross loans) |
| Societe Generale de Banques en Cote d'Ivoire | 21.4 | na |
| Ecobank Cote d'Ivoire | -0.5 | 1.4 |
| Banque Atlantique de Cote d'Ivoire | 12.8 | 0.6 |
| Societe Ivoirienne de Banque | 16.3 | na |
| NSIA Banque | 17.4 | 0.5 |
| Banque Int. pour le Commerce et L'Industrie | 17.6 | 0.2 |
| Banque of Africa | 14.4 | 1.4 |
| Bridge Bank Group | 27.4 | na |
| Citibank Cote d'Ivoire | 36.1 | na |
| Standard Chartered Bank Cote d' Ivoire | -33.5 | na |

Note: All data for financial ***year*** ending December 31 2016, excluding Bridge Bank Group (December 31 2015). Source: Fitch Connect, company reports The second largest bank by assets, and the largest regional bank, is **Banque Atlantique de Cote d'Ivoire**, a subsidiary of the Morocco-based **Atlantic Business International** (ABI). Though Banque Atlantique was founded in Abidjan in 1978 and gradually expanded across the region, the bank now rests underneath ABI, the result of a partnership, active since September 2012, between the Atlantic Financial Group and the **Groupe Banque Centrale Populaire du Maroc**. ABI operates subsidiaries in all eight members of the UEMOA.

**Top 10 Banks - Earnings And Profitability**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Net Interest Income (% of earning assets) | Expenses (% of gross revenues) | Impairment Charges (% of operating profit) | Operating Profit (% of average assets) | Net Income (% of average equity) |
| Societe Generale de Banques en Cote d'Ivoire | 3.3 | 53.7 | na | 3.4 | 28.2 |
| Ecobank Cote d'Ivoire | 3.8 | 54.2 | 23.5 | 2.2 | 39.4 |
| Banque Atlantique de Cote d'Ivoire | 1.5 | 55.4 | 13.7 | 1.8 | 39.3 |
| Societe Ivoirienne de Banque | 3.1 | 54.6 | na | 2.7 | 30.3 |
| NSIA Banque | 4.6 | 60.1 | 12.2 | 2.7 | 31.0 |
| Banque Int. pour le Commerce et L'Industrie | 3.9 | 71.1 | 6.2 | 2.5 | 22.0 |
| Banque of Africa | 1.4 | 51.9 | 28.7 | 1.6 | 27.7 |
| Bridge Bank Group | 4.1 | 73.1 | na | 1.9 | 21.1 |
| Citibank Cote d'Ivoire | 1.7 | 51.4 | 1.3 | 3.3 | 20.7 |
| Standard Chartered Bank Cote d' Ivoire | 1.3 | 92.6 | na | 0.6 | 7.5 |

Note: All data for financial ***year*** ending December 31 2016, excluding Bridge Bank Group (December 31 2015). Source: Fitch Connect, company reports The third largest bank by assets is Ecobank Cote d'Ivoire. Ecobank was incorporated in 1985 and is headquartered in Togo. Ecobank is the largest pan-African bank, with operations in 36 countries across the continent. The Cote d'Ivoire affiliate was incorporated in 1989 through an acquisition of a Chase Manhattan subsidiary. The bank provides wholesale, retail, investment and transactional banking services. At end-2015, Ecobank reported USD23.6bn in total assets and USD2.5bn in total equity, servicing approximately 11mn customers through 1,268 branch offices. It operates affiliates in all eight members of the UEMOA, plus Cape Verde, where it counts 292 branches and USD7.1bn in assets.

**Top 10 Banks - Capital And Leverage**

|  |  |  |
| --- | --- | --- |
|  | Tangible Common Equity (% of tangible assets) | Net Income Minus Cash Dividends (% of total equity) |
| Societe Generale de Banques en Cote d'Ivoire | 9.3 | 11.4 |
| Ecobank Cote d'Ivoire | 4.7 | 5.3 |
| Banque Atlantique de Cote d'Ivoire | 4.2 | 35.7 |
| Societe Ivoirienne de Banque | 6.1 | 12.7 |
| NSIA Banque | 6.5 | 28.9 |
| Banque Int. pour le Commerce et L'Industrie | 8.8 | 12.1 |
| Banque of Africa | 6.1 | 10.4 |
| Bridge Bank Group | 6.2 | 20.4 |
| Citibank Cote d'Ivoire | 12.0 | 20.3 |
| Standard Chartered Bank Cote d' Ivoire | 7.7 | 7.3 |

Note: All data for financial ***year*** ending December 31 2016, excluding Bridge Bank Group (December 31 2015). Source: Fitch Connect, company reports The fourth largest bank is NSIA Banque, which was incorporated in 1906 as Banque de l'Afrique Occidentale in Abidjan. In 1965, the bank's name was changed to BIAO and in 1980 the bank was sold to the state. As part of a wave of privatisations, the bank was sold to the Belgian bank **Belgolaise** in 2000, whose shares in the bank were taken over by the NSIA Group in 2006.The NSIA Group is a pan-African group operating in 12 countries and active in banking, insurance (non-life), financial intermediation and real estate. In 2014, the company rebranded its Ivorian operations as NSIA Banque. The bank's capital is split between the NSIA Group (70%), the government social security fund CNPSS (20%) and the state (10%).The bank has more than 70 branches in the country. Total assets increased by 18% across 2015 to close the ***year*** at a level of XOF784,940mn, up significantly from XOF662,990mn a ***year*** earlier. Total liabilities increased by the same rate across the ***year***. Within this, client deposits rose by 22% from a level of XOF478,663mn in 2014 to XOF586,161mn in 2015. The bank endured an increase in total charges in 2015, which as of December 31 2015 stood at XOF74,452mn, up from XOF62,999mn in 2014.

**Top 10 Banks - Funding And Liquidity**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Loans (% of customer deposits) | Interbank Assets (% of interbank liabilities) | Customer Deposits (% of total funding) |
| Societe Generale de Banques en Cote d'Ivoire | 75.7 | 141.9 | 95.0 |
| Ecobank Cote d'Ivoire | 77.5 | 37.9 | 59.7 |
| Banque Atlantique de Cote d'Ivoire | 70.4 | 46.8 | 70.1 |
| Societe Ivoirienne de Banque | 94.1 | 8.6 | 75.6 |
| NSIA Banque | 102.6 | 14.0 | 80.7 |
| Banque Int. pour le Commerce et L'Industrie | 91.4 | 33.0 | 90.5 |
| Banque of Africa | 90.4 | 21.1 | 60.6 |
| Bridge Bank Group | 56.0 | 1,340,160.0 | 100.0 |
| Citibank Cote d'Ivoire | 54.4 | 1,463.6 | 96.6 |
| Standard Chartered Bank Cote d' Ivoire | 49.1 | 418.7 | 95.1 |

Note: All data for financial ***year*** ending December 31 2016, excluding Bridge Bank Group (December 31 2015). Source: Fitch Connect, company reports

**Load-Date:** May 23, 2018

**End of Document**



[***Kosovo: Staff Concluding Statement of the 2017 Article IV Mission***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R65-4NS1-F0YC-N2BN-00000-00&context=1516831)

Impact News Service

December 13, 2017 Wednesday

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**Body**

Washington, D.C: International Monetary Fund has issued the following news release:

A Concluding Statement describes the preliminary findings of IMF staff at the end of an official staff visit (or ‘mission’), in most cases to a member country. Missions are undertaken as part of regular (usually annual) consultations under Article IV of the IMF's Articles of Agreement, in the context of a request to use IMF resources (borrow from the IMF), as part of discussions of staff monitored ***programs***, or as part of other staff monitoring of economic developments.

The authorities have consented to the publication of this statement. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF’s Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF Executive Board for discussion and decision.

An IMF mission, led by Stephanie Eble, visited Pristina during November 29-December 12 to conduct the 2017 Article IV consultation discussions. The IMF mission is grateful to the authorities and all other counterparts for their excellent cooperation, frank and open discussions, as well as hospitality.

Kosovo has made significant progress during the last ***years***, including under the recent Stand-by Arrangements in ensuring fiscal discipline, strengthening the health and resilience of the financial sector, and enhancing growth. Policies should now focus on reforms to improve competitiveness to close the gap, reduce income inequality, and achieve stronger and more inclusive growth. This will require measures to further improve productivity and private sector activity; further enhance the budget composition within the limits of the fiscal rule; and support financial deepening, while safeguarding financial sector stability.

Macro-economic developments and outlook

Growth is expected to reach 4.1 percent in 2017 , among the highest in the region, led by high investment and exports. Continued growth in remittance inflows and bank lending also give support to this development. Headline inflation has increased on higher international food and fuel prices and is expected to average 1.5 percent this ***year***.

The medium-term outlook is favorable but subject to risks . Based on current policy objectives (fiscal discipline and gradual structural reforms), real GDP growth is expected to remain at 4 percent, driven by private consumption and investment, with exports making an increasing contribution to growth. Inflation is projected to remain slightly above the euro area average of 1.8 percent, reflecting moderate productivity gains. While this outlook is relatively favorable, higher growth is needed to accelerate job creation and lift incomes. Medium-term growth could surpass 4 percent should the planned new power plant project and reforms be implemented that attract more private sector foreign and domestic investments and mobilize large IFI financing for key capital projects. However, risks to political stability could undermine confidence and halt reforms. Also social spending pressures could crowd out productive spending. Furthermore, dependency on remittances continues to leave Kosovo vulnerable to potential external shocks.

Recent reform progress, but important challenges remain ahead

Kosovo has made significant progress in strengthening economic growth , containing the fiscal deficit while increasing infrastructure spending, and enhancing financial sector stability and deepening. Furthermore, there has been progress in structural reforms such as initiating more transparent public procurement (even though implementation is lagging), adopting a new bankruptcy law, and strengthening contract enforcement.

However, important structural challenges remain . Weak external competitiveness, informality, weaknesses in governance, low labor force participation and high unemployment rates particularly among young workers continue to constrain Kosovo’s growth potential. Resolving these structural problems is needed to develop a productive, export-oriented private sector to accelerate income-convergence with the European Union.

The mission discussed the following reform priorities:

Structural Reforms: Improving Investment Climate, Governance and Competitiveness

Kosovo needs to further improve its business environment . While Kosovo’s ranking on the World Bank’s “Doing Business Indicators” has improved significantly, in some areas, these improvements reflect legislative and regulatory changes, which need to be implemented in practice to further enhance the business environment. Implementation of recent legislative changes will reduce the costs of doing business and level the playing field between debtors and creditors.

Also, better governance and more efficient judiciary can help attract much needed investment . In this regard, the mandatory e-procurement platform should be used, the effectiveness of the anti-corruption agency and asset declaration strengthened, and large public investment projects should be subject to ex-post audits.

Addressing energy and infrastructure bottlenecks will help support private sector activity and strengthen competitiveness . This requires finally moving ahead with the much-delayed new power plant, and protecting the space in the budget for priority investments.

Plans to reduce inefficiencies in the public enterprise sector should be carried out and are critical to improve growth prospects and reduce fiscal risks . Reform priorities include improving governance by strengthening the independence of supervisory boards, timely publication of financial statements, external audits, and significantly reducing operating costs by rightsizing employment and reducing high wage bills. This should also pave the way for private sector involvement in the medium term, including privatization. The Privatization Agency’s institutional and governance structure should also be strengthened to accelerate the slow-moving privatization/liquidation process.

Planned reforms focused on increasing labor participation and addressing unemployment are welcome . To reduce the high unemployment rate, in particular amongst the youth and increase the low female labor market participation, the mission welcomes the government’s action plan that focuses on vocational training, active labor market polices, and increased availability of affordable child-care and urges for swift implementation.

In addition to these measures, any future increases in the minimum wage should be in line with the current rule-based minimum wage setting mechanism , given the still high level of unemployment, large competitiveness gap, and weak enforcement framework. Large discretionary increases in the minimum wage could, in the medium term, disadvantage low skilled workers and increase youth unemployment, as well as generate pressures to the already high social benefits, thus crowding out higher priority spending in the budget.

Fiscal Policy: Supporting Economic Growth through Macro-stability, and Structural Tax and Expenditure Policies

The fiscal stance remains appropriate from an economic stability and development perspective, and the “fiscal rule” is an appropriate anchor for fiscal policy . In line with the supplementary budget, the 2017 budget deficit (fiscal rule definition) is expected to be about 1.5 percent of GDP, well below the fiscal rule’s deficit ceiling of 2 percent of GDP. The draft 2018 budget targets a deficit of 1.8 percent of GDP, in line with the fiscal rule. The draft budget also keeps the wage bill constant as a share of GDP, in line with the wage bill rule. The authorities expect to start utilizing donor and privatization-financed investment (exempted from the fiscal rule’s deficit ceiling) to address the large infrastructure gap. Assuming past difficulties in mobilizing these resources are addressed, such project spending could reach 1 percent of GDP next ***year***. Bank balances have been restored to a prudent level of 4.5 percent of GDP and are expected to stay at that level.

However, the overall budget composition should be improved over time . Pressures for higher social spending are high, and against revenue constraints, could crowd out needed scaling up of investments in education, health, and infrastructure which are critical to improve productivity and growth. In this regard, the mission recommends the following structural measures:

• The authorities should broaden the tax base by further strengthening the tax and customs administration to reduce informality . Collections should be reinforced by setting quantitative and strategic performance targets, widening the tax filing requirements, improving the efficiency and productivity of audits and significantly scaling up debt collection. To meet the 2018 budget revenue target (which includes gains from tax administration improvements), the authorities are preparing specific tax and custom administration reforms, which should start in earnest. Introduction of tax holidays or exemptions that could weaken the tax base should be avoided.

• Social benefit ***programs*** should be reformed to more effectively address inequality, poverty and unemployment within the existing spending envelope . This includes strengthening mechanisms to ensure no double dipping, better means-testing, removing disincentives to remain employed, tightly administering and enforcing eligibility of schemes, and making the system more equitable by e.g aligning the disability threshold and ***payments*** for war veterans to the general disability benefits. Further, a credible re-classification and verification of war veterans, in line with the law, should be completed in early 2018, which is necessary for social spending to stay within the budget envelope. The mission urges not to introduce any non-contributory early retirement schemes for special groups (such as for the police) as this would undermine the fairness and financial soundness of the pension system.

• Efficacy of health and education spending should be improved . Healthcare and education spending levels and outcomes are poor. The mission welcomes the increased 2018 budget allocation and urges the authorities to accelerate efficiency improving reforms in the health care system to keep spending in check once the new insurance system is rolled out. Also, the contribution base must be broadened to secure sufficient revenue. Comprehensive education reforms should move ahead in earnest to upgrade skills and address mismatches, often quoted as one of the key impediments to growth.

• The wage bill should make space for hiring in priority sectors within the limits of the rule . The mission recommends that across the board wage increases be more restrained, given the already high public sector wage level. This would create space for priority hiring in the judiciary, health and education. It would also reduce pressure from public sector wages on private sector ones.

• The public investment framework needs to be strengthened to increase the efficiency of capital spending and improve the absorption of donor financing . This includes introducing a requirement for cost-benefit analysis of major capital projects, strengthening project appraisal, selection, preparation, and execution; adopting multi-***year*** budgeting; and ensuring ex-post independent audit and assessment of large-scale projects.

Financing should be diversified, and its costs and roll-over risks reduced . The mission welcomes the continued extension of maturities, but urges to improve absorption of available IFI/EU financing (especially for investment) to minimize any crowding out once Euro area monetary policy normalizes. In line with the development of domestic debt market, the mission encourages the authorities to promote a diversified participant base on both primary and secondary markets.

Financial Sector: Supporting Economic Growth through Financial Deepening and Stability

Kosovo’s banks are well capitalized, liquid and profitable, but bank oversight could be further strengthened . In particular, the mission welcomes the low level of non-performing loans and adequate provisioning. Notwithstanding, the authorities should continue to strengthen their supervisory framework, for instance by advancing work on an off-site bank examination manual and further strengthening their macroprudential policy framework.

Further efforts are also needed to deepen financial intermediation . Credit penetration has increased in recent ***years***, and interest rates have dropped significantly. However, at 38 percent of GDP, it is low relative to other CESEE and Western Balkan countries. Further, credit growth has been largest in mortgage and unsecured consumer lending, while lending to productive sectors remains low. Reform priorities to ensure larger and more balanced lending include the full implementation of the amended Law on Enforcement Procedures, addressing the still-large court backlog, establishing a fully-functioning property registry that covers all of Kosovo, and allowing banks access to the ***agriculture*** registry. It is also critical that the authorities continue to show supervisory vigilance amid strong and sustained consumer and construction lending.

Article VIII

Legal and financial experts that joined the mission found that Kosovo is free from multiple currency practices and restrictions on the making of ***payments*** and ***transfers*** for current international transactions, except for sanctions measures maintained solely for reasons of international or national security. The authorities expect to move shortly to Article VIII status from Article XIV (a transitional status available to new member countries in the Fund).

**Load-Date:** December 16, 2017

**End of Document**



[***EXECUTIVE SESSION (Senate - October 11, 2018)***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SGN-0TR1-JDG9-Y4C8-00000-00&context=1516831)

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**Body**

Washington: The Library of Congress, The Government of USA has issued the following house proceeding:

 EXECUTIVE ***CALENDAR*** The PRESIDING OFFICER. Under the previous order, the Senate will proceed to executive session to resume consideration of the following nomination, which the clerk will report. The senior assistant legislative clerk read the nomination of Jeffrey Bossert Clark, of Virginia, to be an Assistant Attorney General. The PRESIDING OFFICER. The Senator from Missouri.

FAA/Consumer Protections Mr. BLUNT. Madam President, I think by any standard, as we conclude this Congress, the House and Senate, working together, have put more legislation on the President's desk that has long-term impact than at any time in a long time, whether it was the opioid legislation or healthcare research funding. I want to talk a little bit today about the Federal Aviation Administration extension that, just last week, the Senate passed and the President signed. I believe the 5-***year*** reauthorization is the longest reauthorization since the 1980s. So the traveling public, the FAA itself, the Department of Transportation, and the airline carriers of both people and freight have an understanding of what the next 5 ***years*** should look like. [[Page S6780]] One of the things that will happen during the time that begins right now--the Senate and the House listened and the President listened to the traveling public about their concerns about what happens on airplanes and in airports. This is a bill that I worked on in the Aviation Subcommittee, along with Senator Cantwell, Senator Thune, and Senator Nelson. We worked for almost 2 ***years*** to get this bill to where it was when the President signed it, to address the safety, security, and comfort of the traveling public. In the wake of consumer complaints about the shrinking seat size on airplanes, the law directs the FAA to set minimum legroom standards and width and length requirements for airline seat size to ensure passenger comfort and safety. I think all of us have had some experience with seeing seats get smaller all the time. Like every other Member of the Senate, when I am flying back and forth every week, usually in one of those coach seats, somebody says: I thought you came back and forth on a private plane. Actually, only a few Members--maybe less than a handful--are able to do that. Most of us fly just like everybody else does, with no particular benefit. But you can sense those seats getting a little smaller and the legroom getting a little tighter. We have given new responsibility for the FAA to set standards, so the traveling public knows somebody is paying attention to them and how long they are going to be in that seat and what it is going to be like when they are there. We also have a provision that you can't take somebody off an airplane once they have been allowed to board because you somehow oversold. If somebody is on that plane, they can't be taken off that plane unless they agree to be taken off that plane or the passenger acts in a way that the safety and security and the health of other passengers could be a problem. So there is no more involuntarily bumping of passengers who are on a plane. The law prohibits placing live animals in overhead compartments. More and more people seem to travel with pets, and people have had bad experiences with that in the last few ***years***. So overhead storage is not appropriate storage any longer for your pet if you are traveling with a pet. It also sets minimum standards for service animals that are allowed on flights. We all see that more all the time, too--a pet not in a cage but important to the individual who has a service animal. Many veterans now have a service animal. There are now standards on what that animal can be and how it has to behave on a plane. It bans in-flight cell calls. If you have ever sat by somebody before the plane takes off and learned way more about them than you want to know, you can imagine what it would be like if you had to learn way more about them based on every call they could make all the time you were flying. So that is not going to happen. The next time you are on the ground and somebody continues to talk until they are told they can't do that any longer, just be grateful that can't continue once the plane gets in the air for the whole time of the flight, which would technically have been allowed with Wi-Fi or whatever allowed that phone to be connected. That is not going to be the case now. Airline fees have changed. I don't like airline fees. Most people don't like airline fees. But if you pay a fee and you don't get the service--if you pay for a seat assignment that doesn't work out to be the kind of seat you paid for or early boarding, and that didn't happen or baggage that somehow wasn't handled the way your special fee was charged--the airlines now have to keep track of that and get you that money back as soon as they reasonably can or face a penalty. The law requires air carriers to submit to the Department of Transportation a one-page summary of passengers' rights, including compensation for flight delays, cancellations, and mishandled bags. Every airline has to have that available for you to look at. By the way, the Department of Transportation is going to have a Consumer Aviation Advocate. There will now be somebody at the Department of Transportation--it will be their job, their only job, to respond to you; they and their team will respond to you if you have had a problem on an airline and want to see what can be done about it. Provisions are included to address disability issues on planes, whether restrooms are accessible, whether anything happens that would harm a disabled passenger or damage their wheelchair or the other aids they have. We have a 3-***year*** reauthorization of the Transportation Security Administration. There are some real needs there in both TSA Precheck and TSA generally that are met with this. One of those needs is more access to dogs. We all see dogs in airports, but every study since 9/ 11--and there have been a lot of them--indicates that nothing is more effective than a dog for finding most of the things you are looking for. Some of us have gone through security lines lately where the line moves pretty fast, but a dog checks everybody in that line. We will see what happens there, but dogs generally are doing the kinds of things that need to be done. So whether it is the FAA Reauthorization Act or America's Water Infrastructure Act, which we passed yesterday--I think the vote on that was 99 to 1, but that doesn't mean it was easy to get it to the floor, and it doesn't mean it normally gets done by a Congress. But that has happened as well. The insurance policies that Democrats voted to take away yesterday have been mentioned here this morning. Those short-term health policies were available until the very last days of the Obama administration. I don't know the reason the administration had to suddenly decide that it didn't want that ability that several hundred thousand--maybe a couple of million--people had to get short-term coverage at a rate they could afford. For people in a job transition or something else, those were available that entire time. The Urban Institute says that 1.5 million people who otherwise would have no insurance will be able to have insurance under those short-term policies. The policies under the Affordable Care Act are still available; they are still subsidized; they still do everything that is the maximum of ObamaCare. If that is what you want to have, particularly if you are subsidized in that marketplace, that is probably where you should be. But a lot of people aren't, and a lot of people don't have immediate access, and a lot of people are in transition. The Urban Institute is not normally seen as a conservative watchdog, but they said that 1.5 million people will have insurance with these policies, which will continue to be available for people who wouldn't have insurance if they hadn't have been. So you can say anything you want to say. You are entitled to your own opinion, but you are not entitled to your own facts, and I think the facts on the vote we took this week on those short-term policies are pretty clear. I yield the floor. The PRESIDING OFFICER. The Senator from Georgia. Mr. ISAKSON. Madam President, I want to acknowledge what Senator Blunt just said about the success of this Congress over the last 2 ***years***. It has been remarkable. What they did on FAA is tremendous. I enjoyed working with them on that. But I want to rise and talk about our veterans and what we have done for our veterans and what we need to do for our veterans. Before I do, my State of Georgia had a tough day and a tough night last night. The hurricane hit about 10 o'clock last night. Unfortunately, we lost one 11-***year***-old with a tree crashing through the roof. The Governor has declared a state of emergency for 108 of our 159 counties. We have 1,500 National Guard troops activated and ready to deploy if needed to help law enforcement, emergency medical, and hospitals to see to it that we meet the needs of the people in our State. There is a lot of search and rescue going on. We are blessed that a lot of things didn't happen, but we were certainly hurt by those that did. For families who have lost property and families who need help, our sympathy is with them, and we are taking action. GEMA and FEMA are working hard. Governor Deal is working extremely hard. We have recovered a couple of times already in the last 5 ***years*** from hurricanes, and we will do it again. But on behalf of myself, Senator Perdue, and the United States Senate, [[Page S6781]] I send our best wishes to our people back in Georgia and also to our people in South Carolina, North Carolina, and Florida. Florida was hit worse last night. But now the storm has passed Atlanta and is going over South Carolina, and then North Carolina, which just came back from almost the worst storm in history, in which we had 48 inches of rainfall in one county. I couldn't believe that much water fell in one day, but it did. They are recovering and doing it nicely. They have done a good job. But all of us know these acts of nature and acts of God we have gone through affect our citizens, and we need to keep them safe. I urge all of our citizens in Georgia and in every State in the Union to play close attention to what their Federal emergency management people say. If they tell them to evacuate, they should. If they tell them to hunker down, they should. They should do whatever they can to follow the rules the best they can. Everybody we have to rescue takes a law enforcement officer and a medical person out of play to help somebody else. Veterans Madam President, as chairman of the Veterans' Affairs Committee, I have the honor of representing the U.S Senate to our veterans and responding, along with the House committee chaired by Chairman Roe of Tennessee, on veterans' issues. All of us are for veterans. There is one place you never have an argument on appropriations, and that is for veterans. We don't have partisan arguments about veterans either. On the battlefield, you don't see Democratic veterans or Republican veterans; you see American veterans. We are all for the veterans. We have had some great successes with our veterans, but we have had some failures over the last decades. Sometimes they are on the front page of the newspaper, most recently last week when the hospital ratings came out. Two of the three hospitals servicing my State fell from three stars to one star, which meant they failed in their performance for our veterans, and we want to work to see that improve. But we also want everybody to understand how big the problem is, what we have done the last 2 ***years*** to address the problem, and what is coming soon for all of us, which I think is good news for everybody. First of all, starting 2 ***years*** ago, Senator Tester, the ranking member on the committee, and I sat down and made a pledge that we were going to work together from the beginning to address the tough issues that had been put behind the backdoor for a long time and hadn't been dealt with. We have done that. In fact, we have tackled every single one of them, except one that we are going to tackle in a couple of weeks. In so doing, we have helped our veterans. We had the help of the President as well. President Trump embraced our committee's work from the beginning. We had to find a new Secretary because the old Secretary resigned, and we worked hard to do that. We had a few bumps in the road. The President gave us his full support. Robert Wilkie, who is the new Secretary of the VA, is a terrific guy. He has a family history in the military. He loves the VA and worked for DOD, or the Department of Defense, which is the precursor in working for the VA if you are a veteran, because you have to be in DOD first to be a veteran, second. In fact, Robert Wilkie is a godsend for us. In a few short weeks, he has already proven to be a big help for our veterans. He is not unwilling to tackle the hard problems. In fact, he is willing to tackle them. Interoperative software for medical information has been a problem at the VA for ***years***. The DOD and VA software didn't talk to each other. We have a guy who left the battlefield in Afghanistan, came back to Georgia, and went to Fort Benning. He decided to leave the military and retire and go into veteran status, and we couldn't get his records ***transferred*** from Active Duty to veteran status because we didn't have interoperable software. We didn't have a way to do it. This committee worked hard. We developed the largest contract in history with Cerner, a great software company. Cerner has a tremendous medical outreach product, and they are now installing that. Hopefully, over the next 15 ***years***, we will have an interoperative system around the world that services our veterans who need medical service and have their records available instantaneously and immediately. We have a 20th century soldier in the battlefield, but we have a 15th century VA when it comes to information technology. We have invested the money now with Cerner to put in the system, and we are going to get it done. I will stay on their back every day to see to it they do it. I appreciate the cooperation of the employees of the VA. I tell them, as I make these remarks, that we are going to see to it they have every bit of backing they can get from us. We had too many vacant spaces in the VA. We had too many ``acting this'' and ``acting that.'' I hate it when we appoint acting directors and acting bankers and acting soldiers. We don't need them to act. We need them to take action. We will start to do that as soon as we fund the places that go vacant, where it hurts our veterans. I thank President Trump and Secretary Wilkie for their work and their support. It has been complete and seamless. We signed the VA MISSION Act in the Rose Garden a couple of weeks ago. The President came out and talked about his pride in the VA and what the veterans did for all of us and what he was going to do as President, as long as he was there, to see to it that he gave them at least the best of all of us like they have given us the best as veterans. President Trump has been a great leader for our VA, and he understands the problems and has been supportive of our trying to make the changes we want to make. Senator Tester has been a great ranking member and a great partner with me on those things, and we made sure everything we did was bipartisan. To be honest with you, we passed 22 pieces of legislation and made 14 appointments. We had one ``no'' vote on one bill. We had complete unanimity on the committee--Republicans and Democrats--all the way through because we worked together, we set our goals, and we decided to make this work as seamlessly as our military works for us. Let me talk about a few of those things we have done because I think they are impressive when you look at them. We passed 22 pieces of legislation, which include the VA MISSION Act, most recently passed a month ago. We redefined the mission and the actions of the VA to see that it does everything it needs to do to be a 20th century benefit ***program***, like the new modern-day GI bill, which is a part of that. The new GI bill says the old rule in the VA that you have to use your VA benefits within 15 ***years*** or you lose them on education is gone. We all know people's skills are changing about every 5 ***years*** or 6 ***years***. If a person doesn't keep up with their continuing education, they are going to lose their job. They would lose their benefits because they have been in the VA 15 ***years***. That is ridiculous. We removed that cap. Now they can take new courses and new training with their GI benefits for 25 ***years*** if they want to, if they are still eligible. We are not putting any time limit on it. There is no time limit on education. Education is the necessary product we have to use to produce the military of the 21st century. It used to be that we drafted our soldiers. We can't draft the soldiers anymore. The average draftee can't operate the type of equipment our men and women operate in the battlefield. You have to have people who understand technology, understand the STEM subjects, and are good with games. Video games is one of the biggest qualifications now for pilots because all of our airplanes are like video games. It looks like Pac-Man when you get in the cockpit. It is because of high technology, and they are training for that. We have to have an attractive job for them and attractive VA benefits for them if they want to come to work for the United States of America and stay with us, or else we will never be able to keep the military we have today as strong and powerful as it is. We also put a new law in on accountability. I served in the National Guard, and I understand accountability. In the military, you really understand accountability. You don't ask questions in the military. You give answers. If [[Page S6782]] your drill sergeant tells you to do 20, you drop and you do 20. If you can't do 20, you practice until you can and you get it right. That is what we have to do in the military because you don't fight wars for people who say: I am not interested today; I am not going to fight. You have to know what we are doing and do it right. We have to do the same thing and provide services to those veterans once they leave. We don't need to be casual about it. We need to be committed about it and make sure we are doing everything we can to see our veterans get the services they want, the services they need, and the information they need. Veterans Day is coming up in about 4 weeks. Every Veterans Day we are usually here, but I don't think we are going to be here on Veterans Day this ***year***, if I understand the ***calendar*** right. I will be making speeches back home. Every ***year*** I have been here, I have made a speech on this floor about our veterans and how important they are to us. I try to point out a few people I have known in my lifetime who are veterans of the U.S military and made a difference in my life forever. I talked about my friend Jack Cox, of the U.S Marine Corps. He was killed by a sniper in Vietnam in 1968. He was my best friend. He volunteered. He came to the fraternity house. He was 2 ***years*** older than me. So I was still in school when he got out and graduated. After graduating, he went from the University of Georgia into the Marine Corps recruiting office and signed up for OCS. He went to Parris Island. From there, he went to Vietnam. On the 12th month of his 13- month assignment, he was, unfortunately, killed by a sniper in Vietnam. He went to Vietnam because he wanted to represent his country, fight for his country, pay his price, and do his due diligence. Jack was a great man. I have a bracelet on--two, as a matter of fact. One is a bracelet for Matt Cooper, a law enforcement officer who was killed a couple of weeks ago. The other one is for John McCain--John McCain, a former Member of this body, who a few weeks ago was buried at the Naval Academy, and his funeral was at the National Cathedral. He was a pilot in the Vietnam war and was captured. He was held captive by the North Vietnamese for 6 ***years***. When he got out, he was badly wounded, badly injured, badly hurt. He came back to the military, rehabilitated himself, and went into the VA healthcare, and they rehabilitated him from his broken arms, his broken back, and all the other problems he had. He ran for the U.S Senate, came to the U.S Senate, and was a star, as you know, in this Senate Chamber from the day he got in the Senate until the day he died. He had a pervasive commitment to his country. He was exactly for our country what I want all of us in the Senate to be for this body--committed to the job, committed to the task, always ready, always prepared. Marines are that way. The Army is that way. The Air Force is that way, and the Senate ought to be that way. We are committed that way to our veterans in what we do today. We also have to hold them accountable in the military. Accountability is important. Veterans want us to hold the VA accountable. That is why we put in the accountability bill, which, among other things, allows us to fire senior executives in the VA for not doing their job. You can't do that in many government jobs. As a matter of fact, people were surprised that we were able to pass it, and we passed it bipartisan. It passed bipartisan because everybody knew if your job wasn't subject to your doing your job, you didn't have accountability. The first person taken to court for violating the law by not doing their job was in Georgia. I saw to it we prosecuted that case and used our lawyers to be able to do it. I wanted people at the VA to know we are not going to take bad behavior--break-the-law behavior--or bad attitudes in the VA. We are only going to give the best to our veterans. We have a number of title 38 veteran leaders who have been suspended, moved, or otherwise fired because they weren't accountable for their job. We have some openings now that need to be filled because we got rid of them. We got rid of people who weren't doing the job and put in people who did the job. In the military, your accountability is doing the job, and there are no excuses if you don't. We have done a lot of other things to help our veterans and help our country. I commit that we will continue to do so and make sure this Congress is as helpful and beneficial as we can. There are three quick things I want to talk about. I want to thank the private sector for its support of our veterans. Morehouse School of Medicine in Atlanta, GA, is helping the Atlanta VA now with our doctor shortage in the VA. Yes, we have a doctor shortage. We need the doctors to do the jobs. Some of these waiting times you have heard about from a lot of our veterans are not because we are making them wait because we are slow. We are making them wait because we don't have enough doctors. We are working on joint ventures with medical schools to do so. Seventy-two percent of the doctors in the United States did a residency or an internship at the Veterans Administration. It is the key training center of all our doctors, and we have to expand that and improve it. On the appeals process for benefits, there are people who are having to wait 2 and 3 ***years***. We have one veteran whose case has been on appeal for 25 ***years***. You can keep it on appeal as long as you file new information every ***year***. He has found a way to file new information for every ***year***. For 25 ***years***, he has been putting something new in his file. He is blocking other veterans who need to get their attention to get their service because he is making the line longer than it should be. We put an accountability on the Veterans' Administration, as well, to see that our benefits are handled quickly and expeditiously and that the appeals are fair, and veterans can get an answer. We are cutting the average time of wait, and we are going to get it down to below half a ***year*** pretty soon. Pretty soon, we will have it as instantaneous as you can make it. You shouldn't have to wait to have a benefit paid if you didn't wait to complete an order from the officer whom you worked for. Lastly, I want to thank Shepherd Center in Atlanta, GA. That is my hometown and my home State. Shepherd takes the most seriously injured veterans in the United States who we no longer can help because we don't have the expertise. They take them and help them. More often than not, they turn their lives around and make it where they can communicate, they can work, and they can do their job. In other words, the veterans are getting the best of care and the best of attention because the Committee on Veterans' Affairs in the Senate is giving 100 percent of their attention to them. I am proud of what we have done, proud of what the Senate has done, and I am proud of our military and proud of our country. I hope we continue doing in the Senate as we have always done: do our job, do it well, and support our country. May God bless the United States of America. I yield back. I suggest the absence of a quorum. The PRESIDING OFFICER (Mr. Daines). The clerk will call the roll. The senior assistant legislative clerk proceeded to call the roll. The PRESIDING OFFICER. The Senator from Oregon. Mr. MERKLEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded. The PRESIDING OFFICER. Without objection, it is so ordered. No Internment Camps Act Mr. MERKLEY. Thank you, Mr. President. Today I rise to bring attention to the No Internment Camps Act. This is an important bill to make sure that America does not repeat the mistake of World War II and develop and expand internment camps here in the United States of America. One may think that this is something that is farfetched, that of course the United States would not establish internment camps, but the fact is, we already have 3, and the House passed a bill to greatly expand those internment camps. We have 35 sponsors of a bill here in the Senate to expand internment camps. We have the President issuing an Executive order asking Congress to expand internment camps. Recently, the President put forward a draft regulation to expand internment [[Page S6783]] camps without the consent of Congress. So it is all very real. Where did this story begin? It began, as far as public awareness, on May 7, when Attorney General Jeff Sessions gave a speech. He called this his zero-tolerance policy. I listened to the description of the zero-tolerance policy on arresting people at the border, and I said: You know, when you take away the fancy rhetoric, it sounds like he has criminalized families who are fleeing persecution from overseas. I thought, that is a pretty stunning situation because we in America often look to Lady Liberty and the words inscribed on the base or pedestal of Lady Liberty that say ``Give me your tired, your poor, your huddled masses yearning to breathe free.'' The idea that our Attorney General is saying we are going to criminalize flight from persecution--and it was found, furthermore, that they were going to immediately throw adults into jail and rip away the children from their families. That is not possible. That is not possible here in the United States of America. So I arranged to go down to the border. I went down on June 3 and visited the McAllen processing center. The McAllen processing center is a location that the press had never been allowed into, so they were stationed outside saying: What are you going to find inside? What are you going to see? What is in there? I expressed surprise that the press here in America was excluded from this facility to see what was going on. I went in. I was given a tour. What I found was pretty shocking--a room in which huddled masses of families were shoved into wire link cages with nothing but an aluminum foil Mylar blanket. Then in an adjoining larger space, a warehouse space, we saw larger cages, 30-by- 30 foot cages where families were being separated into fathers in one cage, mothers in another, daughters in a third, and sons in a fourth. I stood in front of one 30-by-30 foot chain link cage and said: These young boys, who are lining up by height to prepare for being fed; these young boys, with the smallest being just knee-high to a grasshopper, maybe 4 ***years*** old; these young boys have been separated from their parents? The answer was this: Well, Senator, not all of them. Some of them arrived unaccompanied. I said: But many of these boys in this cage were taken away from their parents? They said: Yes. I said: Well, where did that happen? They said: Well, we brought the family in that door over there, and then, with some explanation, we said, ``We need to take your son away. We need to take your daughter away. We need to take your spouse away.'' And they were locked up in these various locations inside that warehouse. So it turned out it was real. The administration was criminalizing a flight from persecution, a flight that our ancestors know all too well, fleeing from civil war, from religious persecution, from famine to come here to the United States of America and see that beautiful, welcoming Statue of Liberty--``Give me your tired, your poor, your huddled masses yearning to breathe free''--but instead of that welcoming embrace, prison for the parents and, quite frankly, prison for the children, separating them. I went from there up to Brownsville. I had been told by immigration advocates that many of these young men were being stuffed into a single building up in Brownsville, a former Walmart run by a nonprofit called Southwest Key. I had asked permission to visit this location, and I had been told: No, no, no. You have to give 2 weeks' advance notice. They had a waiver system, so I asked for a waiver to be able to see what was going on inside this former Walmart. The waiver was turned down. Clearly the administration did not want any Member of Congress to see what was going on inside that building. Since I was there in Texas, I drove up the road to Brownsville and said: Well, I will just call them up when I get there and say, ``Surely you have enough members on your staff that one of them could come out and talk to me, or maybe one of them could give me a tour of what is inside.'' When I arrived and walked up to the door of this former Walmart, there was a phone number posted on the front of it. I proceeded to call that phone number and talk to the assistant to the supervisor of the facility. The assistant said: Yes, the supervisor would be happy to come out and talk to you. I waited 10 minutes. No supervisor appeared. I called again, and they said: Oh, no, the supervisor is on his way. Well, what the supervisor was really doing was waiting for the police to arrive. They called the police to come and arrest me. Very interesting--you are arrested for knocking on the door and asking to have a supervisor talk to you? Well, they didn't arrest me. They hadn't actually formally asked me to leave the property, but they certainly weren't going to let me inside to see what was going on or even talk to me about what they were doing. The immigration advocates have said: We have heard a rumor that possibly up to 1,000 young boys have been stuffed into that Walmart. I thought, that is not possible. As I was standing there and talking to the press, I repeated that. I thought, I shouldn't say this. I shouldn't say this because that is so outlandish. Surely no administration would try to stuff 1,000 boys into one building. So I was refused entry. I brought attention to this scandalous child- separation strategy--this strategy of deliberately inflicting trauma on children in order to send a political message. No one in the world can justify inflicting trauma on children to send a political message. It is not acceptable under any moral code. It is not acceptable under any religious tradition. But the dark heart of this administration had hatched this evil plan, and it was being implemented. I went back 2 weeks later, on June 14, and I went back with reinforcements--other Members of Congress. We went to that facility, and this time they granted a waiver and said: Yes, you may see what is going on. They allowed the press in as well. So we went in for a tour. I asked ``How many boys are here?'' thinking, at most a couple hundred. They said: Well, we are now ready to put 1,500 boys in this facility, and we are one busload short of filling it. I think they said there were 1,467 residents in this one building. They took me out to the outside area, where they had set up a soccer field. They said: Isn't this wonderful? We have a soccer field. Imagine how long it takes for nearly 1,500 young boys to circulate through a soccer field. They took me to a game room, and there was a broken Foosball machine. I thought, how long does it take 1,500 boys to circulate through a single broken Foosball machine? Maybe there were a couple of them; I remember seeing one. They were very proud that they had this soccer field and this game room. I said: You know, you expanded so fast. At the beginning of the ***year***, how many boys did you have? They said: Well, we planned for 300. We had 300 bedrooms and 300 boys. They said that 2 months ago, they had increased to 500, and now they have 1,500 or almost 1,500. I asked: This rapid expansion--did you plan carefully for this? They said: Oh, yes. I said: Was there anything that you needed that you fell short on? The director of Southwest Key said: Yes. We don't have mental health counselors, or at least we are short. I said: How many are you short? They said: Ninety mental health counselors. Ninety? Wow. That is a big shortfall. Realize that these boys were fleeing persecution from overseas. So they had experienced trauma in their lives abroad, they probably experienced trauma en route, and now they are experiencing the trauma of being ripped away from their families and shuttled off to this warehouse. Yet there was no plan to have the mental health counselors needed for this population. This is one feature of the incompetence and callousness of this administration in implementing this policy. Public outcry was significant. I thank all Americans who participated in that public outcry, saying that this is not our America-- criminalizing a flight from persecution, locking people up while they await asylum hearings-- [[Page S6784]] that is not our America and you must stop. The courts said the same thing because it is actually illegal to lock up children for more than 20 days under the Flores consent agreement. So President Trump sent a message. He sent an Executive order titled ``Affording Congress an Opportunity to Address Family Separation.'' Oh, how nice. The President is giving us an opportunity to address family separation. And what did the President ask for in that Executive order? He asked for us to pass a law to overrule the Flores consent agreement and allow the administration to establish family internment camps. Imagine--family internment camps here in the United States. That is what the President was asking for, that is exactly what the House of Representatives passed, and that is exactly what 35 Members of this body have signed on to cosponsor--family internment camps in the United States of America. That is absolutely wrong, it is absolutely unacceptable, and it is absolutely unneeded. You may say: Wait. You are saying that the children shouldn't be separated from their parents and that you shouldn't lock up families together, so what do you propose, Senator Merkley? What do you propose that we do? Well, the answer is, we had a very good ***program***. It was called the Family Case Management ***Program***. This Family Case Management ***Program*** said that when a family comes and is seeking asylum, they will be placed into the community and they will have intensive case management with somebody who speaks and writes their language, an individual who is in continuous contact with them, who makes sure they know exactly when their check-ins are and how to attend them and who knows exactly when the court hearing is and how to get to those court hearings. So I wondered, did this work? How well did this ***program*** work? It turns out that there is an inspector general report from Homeland Security that came out--I think the date was November 30, 2017. Here is what the inspector general found: ``According to ICE, overall ***program*** compliance for all five regions is an average of 99 percent for ICE check-ins and appointments, as well as 100 percent attendance at court hearings.'' So 100 percent--you can't get better than that. The Family Case Management ***Program***--the inspector general under this administration said that there was 100 percent attendance at court hearings. So if you hear a Member of the Senate say ``Well, we are concerned about this catch-and-release because people don't show up for their hearings,'' that is a lie. That is inaccurate. That is inaccurate. If you hear the President saying, well, we are going to lock families up if they don't appear for their court hearings, that is inaccurate. That is a lie. The inspector general of this administration found 100 percent attendance at court hearings. Fortunately, Members of this body have come to their senses and rejected the language from the House establishing internment camps, expanding them, authorizing them. Fortunately, Members of the Senate have come to their senses and abandoned their effort--for now, at least--to establish permission, authorization, and funding for internment camps, as well they should because it doesn't fit the vision of America: a nation where most of us are the children of immigrants, if not immigrants ourselves; a nation where in our family tree we have individuals who fled persecution, religious persecution, who fled famine, who fled conflict to be welcomed by the vision of the Statue of Liberty. The story, unfortunately, doesn't end here. The President has now issued a draft regulation. That draft regulation says we in the executive branch are granting ourselves the authority to establish internment camps without permission or direction from Congress. Are you kidding me? A lengthy regulation designed to authorize themselves, without Congress acting, to establish family internment camps is totally out of sync with the traditions of America, with the values of America, or the law as it exists under the Flores consent agreement. Let me put this as simply as I can: Children belong in homes and playgrounds and schools. They don't belong behind barbed wire. I will fight as fiercely as I possibly can any proposal to put children behind barbed wire as they wait their asylum hearing. It is wrong. It is morally wrong. It is, from a policy perspective, totally unjustified, as was child separation. That is why I am introducing the No Internment Camps Act. Let us not repeat the mistakes of World War II. This act ensures that no Federal dollars will be used for the operation and construction of family internment camps. It creates a 1-***year*** phaseout of three family detention centers currently in operation, and it saves money from the family detention centers and ***transfers*** it to the Alternatives to Detention ***Program*** in order to reestablish the Family Case Management ***Program***--the ***program*** that had a 100-percent success rate in getting people to their hearings. Put money into ***programs*** that work, not into prisons that afflict children. There are many groups that have said how important this is and have endorsed the no internment camps legislation: Japanese American Citizens League, Human Rights Watch, Asian Americans Advancing Justice, Women's Refugee Commission, the Anti-Defamation League, the Asian Pacific American Network of Oregon, the American Immigration Lawyers Association of Oregon, Human Rights First, the Leadership Conference on Civil and Human Rights, Karen Korematsu, the daughter of Fred Korematsu, the lead plaintiff in the Supreme Court case that challenged Japanese internment camps in World War II. Let us put an end to the prospect of the administration expanding on its own, through Executive order, internment camps in the United States. Let's do so by passing the No Internment Camps Act. The PRESIDING OFFICER. The Senator from Texas. Republican Agenda Mr. CORNYN. Mr. President, after the vote was called on the Kavanaugh nomination--I should say immediately before it--the minority leader, the Senator from New York, told America that the most important thing they could do in response to that vote is go to the polls in the midterm elections. It is true that on November 6, Americans will head to the polls and select their Members of Congress, including the Senate, and as Ronald Reagan's famous speech said, it will be ``a time for choosing.'' Many people are wondering how they should choose, how they should exercise that most fundamental privilege of American citizenship, and that is the right to vote. Should they choose to vote for mob rule or do they choose to vote for the rule of law? Do they choose to endorse threats, intimidation, and incitement or do they choose to treat everybody--no matter how much you disagree with them--with dignity and respect? I believe those are our choices. I was very disappointed to hear the former Secretary of State Mrs. Clinton say that you cannot be civil with a political party that wants to destroy what you stand for and what you care about. She said civility is only possible if Democrats were to win back the House or the Senate. In other words, her commitment to civility in our political discourse is contingent upon political outcomes. Did you notice the verb she used? She used the word ``destroy,'' which I think is telling. It is not that people may disagree with her or her party, it is that people who disagree with her want to destroy what you stand for and what you care about. In other words, this mindset, I think, is very disturbing and should be of concern to all of us who want to restore some civility, and decorum, and bipartisan cooperation. We are going to have our differences, there is no doubt about it. I welcome the opportunity to debate those differences. That is what the Senate is all about, but there is a line we saw crossed last week during the confirmation hearing. We learned it is our Democratic colleagues, unfortunately, who have associated themselves with special interest groups that are willing to go to just about any length to achieve their desired ends. In other words, the ends justify the means. That includes climbing statues, disobeying Capitol Police, getting arrested, chasing Senators and their spouses from restaurants, screaming at Members in elevators, sending coat hangers to Senators at their offices, and offering what amounts to a bribe. That doesn't sound very civil to me. [[Page S6785]] Then you have former Attorney General Eric Holder, who was captured on video saying things that I, frankly, am shocked about. You would think the former head law enforcement officer for the U.S Government, the Attorney General, would understand the need to be careful with your words and not stoke the ambers of conflict and civil unrest, but apparently disregarding that, he intentionally poured gasoline on the fire. He said last week, it is time to ditch the old slogan ``when they go low, we go high.'' He attributed that to Michelle Obama, and good for her. He said instead: ``When they go low, we kick them.'' That is what the new Democratic Party is all about. The Washington Post has said Holder is proposing ``the party pursue a meaner, more combative approach,'' and noted he was alluding to metaphorical violence. This is from the former Attorney General of the United States. I believe former First Lady Michelle Obama rightfully condemned this ugly and shameful statement. Meanwhile, one Democratic Member of the Senate has recommended activists get up in the face of your Congresspeople. Another one has justified mob rule as entirely appropriate to our current political situation. We had members of the Senate Judiciary Committee, during the Kavanaugh hearings, say: I am violating the rules intentionally. I am releasing committee-confidential information in violation of the rules, and, apparently, they were proud of it. I hope the voters are listening. I think they are. They are coming from some of the most powerful voices of the Democratic Party, voices that could represent you in the next Congress. That is the choice-- between incitement, intimidation, mob rule, or civility and treating people you disagree with, with the respect all of us are entitled to in a democracy. I don't think the voters will reward a party that is spitting out this sort of venom about what our politics should be about: sowing division, alluding to violence, rejecting civility. Is that what supposedly passes for leadership? Should the voters reward that in this midterm election? I think our forefathers would be shocked, but this election is about more than just the rhetoric. I think the voters also have a choice when it comes to looking at who is interested in solving the problems that confront our country, who is willing to work on a bipartisan basis together with the administration to make the country a better place, more prosperous place, a safer place. All they need to do is look back at the last 22 months. Yesterday, for example, we passed a major water infrastructure bill that will keep our communities safe by maintaining dams and levees and addressing drinking water and wastewater systems across the country. It will also expedite, in my part of the world, an important coastal study and authorize flood mitigation projects back home. Then the President signed, just 2 days before that--I am sure most of this was lost in the furor over the Kavanaugh nomination--but just 2 days before that, the President signed another bipartisan bill I cosponsored called the Justice Served Act that will provide funds to prosecute cold cases solved by DNA evidence obtained from rape kits. Then, of course, there was the Supreme Court confirmation last Saturday. In the last 6 days, we have accomplished three major things: water infrastructure, funding cold case prosecutions, and filling Justice Kennedy's seat on the U.S Supreme Court. I would say that is a pretty good week, but our record of success is much lengthier than that. Judge Kavanaugh was far from the only Federal judge we have confirmed. Last ***year***, we confirmed another superb Justice, Neil Gorsuch. On top of that, we have confirmed 69 judges under President Trump. That includes three Texas judges on the Fifth Circuit Court of Appeals and four that preside over Texas district courts. Those numbers begin to show you that since President Trump took office in January of last ***year***, we haven't taken our foot off the gas when it comes to doing the people's work. Under this Congress, we have confirmed the most appellate judges ever during a President's first 2 ***years***. Of course, these nominees, once confirmed, have a lifetime tenure, so they will be there long beyond this President's term or maybe our term in the Congress. Our work extends far beyond filling the courthouses of this country. What we have done, working together with the entrepreneurs and the investors and the small businesses of America, is we helped reenergize the state of the American economy. This started with tax reform, which has been the biggest game changer. This is the first major overhaul of the Tax Code in 31 ***years***. It lowered rates, doubled the child tax credit to help working families, and made American businesses more internationally competitive. I am sorry we had to do that all by ourselves without a single Democratic vote, but we thought it was so important to do that we stepped up, and we did it. I think the benefits are pretty manifest. Ms. Pelosi likes to say the savings individual taxpayers got were merely ``crumbs,'' but I would like to tell her about some of my constituents and what they told me. One of them, Kim Ewing from Mesquite, wrote me and talked about how tax reform was hugely helpful because she hadn't had a raise in 7 ***years***. Now she enjoys a boost in her paycheck each month. She called tax reform a no-brainer or what she referred to as merely ``common sense.'' Then there is Claudia Smith, owner of the Aggieland Carpet One in College Station, who told me earlier this ***year*** that she has been able to reinvest the savings she received under the new tax law to buy new equipment for her small business, as well as provide healthcare coverage for her employees. She says she will also have enough left over to hire more people. Claudia's story is the same one that is being told all across the country. More than 700 businesses have used the tax savings to benefit their employees and customers. They have announced pay raises, 401(k) match increases, cuts to utility rates, bonuses, and other benefits to American workers. These developments are just part of the reason this economy is growing again and why people have renewed confidence and optimism in their future. As the majority leader reported yesterday, unemployment in this country has now fallen to 3.7 percent, which is the lowest rate since 1969. People are going back to work; they are earning more; they are keeping more of what they earn; and they are investing. This is what it looks like when that sleeping giant of the American economy wakes up and is unleashed from the constraints of high taxation and overregulation. It is not just the economy that deserves mention. One of our accomplishments has been repealing burdensome regulations--I have mentioned that overregulation--and we have done that through the Congressional Review Act. Previously, it had only been used 1 time, but we have used this device 16 times to eliminate Agency rules which really had been the ropes that tied down that sleeping giant of the American economy. It allowed it to come roaring back. We have repealed the Independent ***Payment*** Advisory Board under ObamaCare, which will allow seniors and their families to take greater control of their healthcare decisions without being subject to the whims of unelected bureaucrats. We have also eliminated the root of ObamaCare--the individual mandate. This was literally a coercion by the Federal Government, forcing people to buy something that, in many cases, they couldn't afford, and they didn't want. We literally made ObamaCare voluntary now so people have choices, but this was essentially a tax on some of the most disadvantaged people in the country who were coerced into buying healthcare they didn't want or couldn't afford, and if they were unable to even do that, they were forced to pay a tax or a penalty. Recently, we have been accomplishing a lot more for our men and women in uniform, our intelligence officers, and our veterans. We have helped restore America's defense with [[Page S6786]] the greatest investment in the military in decades, including the largest troop pay raise in nearly 10 ***years***. We have reauthorized important intelligence-gathering tools, like section 702 of the Foreign Intelligence Surveillance Act--a vital tool in tracking foreign terrorists abroad who try to hurt us at home. For our veterans, we passed the VA MISSION Act, which will make significant reforms to the Department of Veterans Affairs by strengthening healthcare and community care options that are available to those who have served our Nation in uniform. Last, but not least, is our series of accomplishments. We have taken other important steps, like passing the Federal Aviation Administration Reauthorization Act just last week. It is legislation that modernizes our airports, improves service for travelers, enhances safety, and boosts industry innovation. Then, almost without anybody paying any attention at all, we passed a huge bipartisan bill to address the opioid crisis. Senator Alexander, the chairman of the Health, Education, Labor, and Pensions Committee, ushered this bill through the House and the Senate, along with Senator Murphy and others. It has contributions from 70 Members of the Senate and 5 standing committees. That takes a lot of hard bipartisan effort, but it is important because it combats the nationwide epidemic that has led to the death of 49,000 Americans in just 2017 alone. We have done important work in terms of improving public safety by enacting a bill I sponsored and that was supported by our colleagues here called Fix NICS; that is, the National Instant Criminal Background Check System. We also passed a bill sponsored by Senator Hatch called the STOP School Violence Act. The Fix NICS bill helped fix our broken background check system and ensures that criminals aren't able to purchase or possess firearms after they are convicted. In the wake of the Texas shootings at Santa Fe and Sutherland Springs, we know there were a lot of people crying out for Congress to do something, and this was the one thing we could all agree to, on a bipartisan basis, across the ideological spectrum. These two bills-- mine and Senator Hatch's--are a part of the way we have answered that call. We have tried to protect our young people--especially women--in another important way as well. We enacted what is known as SESTA, the Stop Enabling Sex Traffickers Act. This legislation by the junior Senator from Ohio helps to stop online trafficking and adds to a bill I sponsored called the Abolish Human Trafficking Act. It strengthens ***programs*** and supports survivors of human trafficking and provides resources to law enforcement officials on the frontlines of the fight against modern-day slavery. I understand why most Americans have not heard of all or many of these accomplishments, but I think it is important to note what we have been able to do while we have fought mightily over some things, like judicial nominations. We have also worked in a bipartisan way to get the people's work done. I believe we have done so mainly by treating each other respectfully and by demonstrating civility, not by yelling at each other, by making threats, or inciting people to violence. That is not the American way. I am hopeful that after the scenes we saw here last week during the confirmation proceedings for the Supreme Court, that the American people will reject that sort of conduct and demand that their elected officials act in a way they can be proud of. Yes, we put money back into America's pockets. We have rolled back regulations to make their lives a little bit easier. We have strengthened our military, given our veterans access to better healthcare, and protected our communities from harm. As the minority leader, the Senator from New York, said right before the confirmation vote on Judge Kavanaugh, the people need to vote. They will, I hope, exercise that franchise--that right of every American citizen to determine the direction of our country and who will represent them in the Halls of Congress. It is my sincere hope that they will remember some of these accomplishments we have made together during this administration and know we can continue to do more for them in the future. I yield the floor. The PRESIDING OFFICER. The Senator from Illinois. Freedom of Speech Mr. DURBIN. Mr. President, this morning the front page of the Washington Post tells the story about our intelligence agencies intercepting some communications among the Saudi Government officials. It appeared they were exchanging information about how to lure a man named Khashoggi back into Saudi Arabia. Khashoggi is a person who has been openly critical of the Saudi Arabian leadership. He has published articles around the world, including in the Washington Post. We have a video that shows Mr. Khashoggi entering the Saudi consulate in Istanbul, Turkey. We have no video that shows him exiting that same building. He has disappeared. This intelligence data, as well as other information, leads us to believe he has been assassinated--assassinated because he was critical of the leadership of the Saudi Arabian kingdom. That is what happens in a country of authoritarian rule that does not protect the right of dissent. We see it over and over in history--strong authoritarian rulers can't stand dissenters. Many of them are killed, imprisoned, tortured, or run out of the country. It still happens in China. It still happens in Russia. It happens, obviously, when it comes to Saudi Arabia, Turkey, and other countries. We are different. I hope we are. The reason we are different is because of 45 words--45 words--that were written over 200 ***years*** ago. They are worth repeating. These are 45 words that have guided our country and still should guide us today. I am going to take a minute to read them. It is the First Amendment to the Constitution of the United States, the First Amendment to our Bill of Rights, credited to James Madison. Here is what it says: ``Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.'' These are 45 words that distinguish us from virtually every other country in the world, where we expressly guarantee to ourselves and our posterity freedoms that are fundamental to being an American. I have heard my friend the senior Senator from Texas come to the floor repeatedly now to talk about what happened last week during the Kavanaugh nomination and in the weeks before, during the committee hearing, and there were people who came to this Capitol because of their intense personal and political feelings about that nomination and what it meant to them personally and what they believed it meant to the country. They brought their emotions to this place, and they did it because they are guaranteed the right to do it in this Constitution. Each of us is guaranteed the right to peaceably assemble and to petition the government for a redress of grievances. The Senator from Texas has referred to this as ``mob rule.'' I will tell you, if you believe these 45 words and what the First Amendment in the Bill of Rights instructs us in terms of this democracy, then it gives these people--all people in this country--the right to speak, the right to express their opinion, and the right to petition their government for a redress of grievances. Now, of course, that should never--never--condone violence nor the incitement to violence. That is where we must draw the line. If you are going to stand and defend this article of the Constitution, which we have all taken an oath to defend, then you are going to defend the right of individuals to speak in this country and say things that are unpopular and maybe even unacceptable to you personally. I have found myself in that position, gritting my teeth and thinking I wish to heck that person wasn't saying what they were saying, but they have a constitutional right to do so. They don't have a constitutional right to be violent or to incite to violence. I might add, I think they cross the line when they go after politicians' [[Page S6787]] family members and others. That clearly crosses the line. I have seen it happen in my political life, and I am sure all my colleagues can tell a similar story. To call this mob rule is to take the actions of a few and to really use those as a standard to judge everyone. That is fundamentally unfair. There were people on both sides of the Kavanaugh nomination who had intense, strong personal feelings and used their constitutional rights under the Bill of Rights to express that. They did it peaceably. They did it in a constructive way. As far as I am concerned, they have a constitutional right to do it. For those who crossed the line, they need to accept whatever consequences come their way. For some, it means being arrested and maybe more, but for those who complied with this article in the Bill of Rights, I think we all ought to stand up and say, regardless of party, this is the Constitution both parties swore to uphold. To say that what happened last week--even in this Chamber and even in this Gallery here--is really the whole story is ignoring the obvious. When the Senator from Texas asks about mob rule, my response is to say three words: ``Lock her up.'' This week in Iowa, the President held a rally. During the course of that rally, he was critical of the senior Senator from California. As he was critical of her, the people attending the rally started chanting ``Lock her up. Lock her up,'' referring to my colleague from California. I am sure the Senator from Texas heard about this. I hope that when he heard about it, he realized that an incitement to hold someone criminally liable for using their office in a legal way really steps over the line. Let's be honest about this. In the last 2 ***years***, we have seen a coarsening of the rhetoric in politics in America. Things are being said now that have never been said before. Oh, they were said in private or maybe on some website, but now they are being said openly on a regular basis. If someone speaks up at a rally, to have a Presidential candidate say: Let the crowd take care of that, and I will pay the legal fees of whoever does it--that happened. It suggests to me a coarsening of our rhetoric in this political world that we live in that is not conducive to a civilized and constructive democracy. As the Senator from Texas suggested, we need to really reward civility, and we need to show it ourselves in the things we say and do as Members of the U.S Senate. No, I don't think it is evidence of mob rule in America. It wasn't a mob that voted here on the floor of the Senate. One hundred Senators voted, as the Constitution requires us to do, and we did it in an orderly, democratic way, regardless of whether you agree with the outcome. The mob didn't rule; the Constitution ruled, and the Constitution needs to continue to rule. There are limits to speech. The courts have talked about this for 200 ***years***. But let us never forget that the first 45 words of the Bill of Rights guarantees to us the right of free speech, peaceful assembly, and the right to petition our government for redress of grievances. Climate Change Madam President, on Monday, two things were made clear. This last Monday, we came to realize that we need to take immediate action-- immediate action--to deal with human-caused global warming. Secondly, American innovation has already given us many of the tools to do so. I know there are those who think that climate change is an issue that will only affect us in the far-distant future or that the challenge is so big that we can't really do much about it, but the truth is that we are already dealing with the effects of climate change, and we have it within our power to address them with technology that already exists. Earlier this ***year***, rainstorms and melting snow caused flooding across my State of Illinois. More than 20 counties throughout the State were placed under flood warning. As the water level of rivers continued to rise, several communities in Illinois had to evacuate their homes for their own safety. Illinois farmers know all too well that changing weather is impacting the way they farm and the crops they produce. As I speak, recovery efforts are already underway after Hurricane Michael left the Panhandle region of Florida in ruins. Our hearts go out to the families who are waking up this morning and don't know whether their loved ones are safe or whether they have a home to return to. Earlier this summer, in the western part of our country, we saw vast acreage destroyed by wildfires, and it has been one ***year*** since Hurricane Harvey hit Texas and Hurricane Maria devastated the entire island of Puerto Rico. It is obvious to anyone that natural disasters are becoming more powerful, more costly, and more deadly, and it is time we take climate change's role in causing them seriously, or it will get worse. On Monday, the United Nations Intergovernmental Panel on Climate Change released a report stating that we have just over a decade--less than 10 ***years***--to drastically reduce our carbon emissions if we want to maintain life on Earth as we know it today. It is an ominous warning but a serious one. The U.N report states that we must reduce global emissions by 45 percent by the ***year*** 2030 and reach net zero emissions by 2050 if we want to avoid a world where deadly storms, unbreathable air, widespread famine, and multiyear droughts become the norm. According to the national security community that we count on to keep Americans safe, failing to address climate change will inundate our military bases and installations, and it will incite international conflicts and put our military--the men and women serving our country-- at risk in terms of readiness, operations, and strategy. The fact is, no one can claim to be serious about our national security if we don't face the reality of climate change. That isn't a declaration by the Sierra Club or some liberal Democratic Senator; it is a declaration of our defense community. We will continue to face weakened states and unprecedented refugee migration in the decades to come if we ignore this reality. There is good news, though. We have the tools and the technology to prevent this dystopian future, and the United States can lead in this effort. America is already showing the world how to reduce emissions and grow our economy by increasing energy efficiency measures and renewable energy usage and switching to electric vehicles. Think about the gains we have made, the progress that has been made when it comes to the fuel efficiency of the cars and trucks we drive today. There was a time in the Senate not that long ago when Detroit automobile and truck manufacturers were in complete denial. They said that there is just no way to hit these targets in terms of miles per gallon. We are doing it, and we see it every day. It is the same American innovation that can power us to make the far-reaching transitions in energy and infrastructure we need to limit our emissions to meet the recommendations of this United Nations panel. On Monday, the Nobel Prize in economics was given to two Americans-- William Nordhaus and Paul Romer--for their work on innovation, climate, and economic growth. Their work shows that addressing climate change can be an incredible opportunity for job growth and new investments in American competitiveness. New jobs can be created designing more efficient solar panels, wind turbines, and batteries, as well as manufacturing the components for export all over the world. If you visit downstate Illinois--an area which is one of our most bountiful ***agricultural*** areas--you can't help but be struck by the number of wind turbines that have been built all around my State. The farmers love it because they are receiving monthly checks for the wind turbines located on their property, and the wind turbines are generating electricity for nearby communities without polluting. Twenty ***years*** ago, no one would have thought of that as a serious alternative. Today, it is. It is an alternative renewable source of energy that is not going to make the world worse for future generations. There was a Paris Agreement in terms of setting global goals that all the countries in the world would sign up for to reduce carbon emissions and [[Page S6788]] to work together to develop a worldwide clean energy economy, and 195 countries--every country in the world--has agreed to this Paris Agreement and signed on, including the United States. However, last ***year*** President Trump decided that the United States would step away from the rest of the world, step away from our allies and trading partners, and leave this agreement. When I think about the decisions being made by this Trump administration, this may be one of the most long-term, disastrous decisions he has made. To think that this great Nation, with its great economy, its great technology and innovation, would step away from an agreement that every country in the world has signed to deal with our climate challenges is unthinkable. I hope that after this week's announcement from the United Nations, at least someone at the White House will have second thoughts about this disastrous decision. We should not give up U.S leadership and risk the world moving forward without us. If we step aside from this responsibility, others will step into our place--starting with China-- leading the rest of the world outside of the United States into new technology innovations to deal with climate change. It is clear that it is in America's best interest to take immediate action to limit our greenhouse gas emissions and face the realities of climate change head-on. Will it result in a change in our lifestyle? Perhaps, but only on the margins. Is it worth it? This weekend, I am going to get a treat: I get to visit my grandkids. They are 7 ***years*** old, twins, a little boy and a little girl, and I have a lot of fun with them. I think about what I do for a living and how it might impact the world they will live in for ***years*** to come. I would like to let them know that I am doing my part in the Senate and others are doing their part in Washington to leave them a world that they can live in--one that is not compromised by the selfishness and political agendas we see today. The livelihood of people in my State, including the farmers in my home of Illinois, depend on us. The PRESIDING OFFICER (Mrs. Fischer). All time has expired. Mr. DURBIN. Madam President, I ask unanimous consent for 60 additional seconds. The PRESIDING OFFICER. Without objection, it is so ordered. Mr. DURBIN. The livelihoods of farmers in my home of Illinois depends on our acting and preventing an endless cycle of historic storms, floods, and droughts, causing millions of dollars in damage and crop loss. We have a moral obligation to our kids and grandkids to leave future generations with a planet that is not plagued by catastrophic drought, famine, wildfires, hurricanes, and sea level rise. We have the tools, and we know how to do it. It is time we rise to the challenge. The PRESIDING OFFICER. The Senator from Kansas. Mr. MORAN. Madam President, I ask unanimous consent to speak. The PRESIDING OFFICER. Without objection, it is so ordered. FAA Reauthorization Mr. MORAN. Madam President, I am here to speak and once again highlight the importance of aviation to my State, to the country, and to the world, but also to point out the significance of the 5-***year*** FAA reauthorization bill the Senate passed last week. I have come to the floor many times on this topic. I am pleased to be here today to tell about the many wins that are included in this legislation. They are beneficial to the country, and they are certainly beneficial to my home State. I am most pleased to highlight the fact that this legislation does not include--excluded from this legislation are any efforts to privatize our Nation's air traffic control system. Kansas is the air capital of the world and for good reason. Kansans have built three out of every four general aviation aircraft since the Wright brothers' first flight at Kitty Hawk. Today, over 40,000 Kansans make a living manufacturing, operating, and servicing the world's highest quality airplanes. I cannot overstate the importance of this reauthorization and the stability it provides to the aviation community. We are doing something that we have been unable to do for ***years***: a long-term FAA reauthorization. In the ongoing efforts to pass the long- term bill, Republicans and Democrats in both Chambers of Congress have found common ground and consensus among the entire aviation community on a wide range of important issues. The chairman of the Commerce Committee, Senator Thune from South Dakota, as well as the ranking member, Senator Nelson from Florida, deserve credit for the bipartisan manner in which they have worked through the FAA reauthorization process in recent ***years*** and their efforts to negotiate a final piece of legislation with the House that was strong enough to receive 93 votes in the Senate. I am pleased that included in this legislation are numerous provisions that I have introduced and supported and advocated for since the reauthorization process began, and I look forward to sharing these accomplishments in short fashion. I thank the many aviation and aerospace leaders in my State for informing my work on this topic. First, the FAA reauthorization bolsters FAA manufacturing by streamlining the aircraft certification process. With the short amount of time before a vote, I will highlight these for the Record. In addition, it authorizes the FAA Center of Excellence for Advanced Materials at Wichita State University. This research has played a critical role in the evolution and integration of aircraft materials and technologies by providing valuable research to validate the safety and integrity of new aircraft to the general public. This bill helps close the skills gap for the aviation workforce. Senator Inhofe and I have worked to provide legislation to create a pilot ***program*** within the FAA through which grants would be authorized to support tech education and career development. The grants would encourage collaboration between businesses, schools, and local governments, and these entities would develop innovative workforce ***programs*** to help close the skill gap in the aerospace industry. The FAA Reauthorization Act reduces regulatory barriers for educational use of drones--unmanned aerial vehicles or systems. Last Congress, I was co-lead on this legislation with Senator Peters of Michigan to reduce barriers for the use of small UASs at institutions of higher education. This bill accelerates the safe integration of innovative UAS technology, another significant development. This legislation strengthens the Federal Contract Tower ***Program***. Kansas is home to eight air traffic control towers that participate in FAA's FCT ***Program***, which provides important safety services at small airports nationwide in a cost-effective manner that saves the taxpayers $200 million annually. This FAA reauthorization includes several reforms that strengthen the Contract Tower ***Program***, and I am pleased to be able to report that. It provides access and flexibility for additional airport construction funding. Again, this is something that is important in all of our communities that have an airport. How do we make certain that we have the latest infrastructure available for safe flights to and from our airports? It improves child safety on commercial airlines, legislation that Senator Schatz from Hawaii and I introduced to advance the safety of children who fly with their parents. This bill reauthorizes the FAA's Essential Air Service ***Program***, connecting rural airports to the national system. That is something which is important to many of us who represent rural States. It safeguards small airports in the event of sudden loss of commercial service. Last Congress, I sponsored the Small Airport Regulatory Relief Act that is included in this legislation. It is to make certain that certain airports, such as the Hays Regional Airport and the Liberal Mid-America Regional Airport, would not lose Federal Airport Improvement ***Program*** funding due to inconsistent commercial service through no fault of their own. Unfortunately, regional airlines continue to struggle because of a lack of pilots. There is a pilot shortage, and our airports and the traveling public ought not be damaged as a result of the [[Page S6789]] inability of the airlines to hire a sufficient number of airline pilots. It also increases the fairness and reduces regulation for general aviation projects and activities. This is legislation that was originally introduced, which I am a sponsor of, called the FLIGHT Act. It effectively targets AIP funding to general aviation airports and provides those airports with flexibility on their use of passenger facility charges. It has a provision that fosters the exchange of aircraft through fair regulatory treatment in airplane joint ownership--again, another small but important development. It includes provisions that preserve the Contract Weather Observers ***Program***, something that was at risk over the last several ***years***. There are many things to highlight in this legislation. I would also point out that it has provisions to help provide for talented women in the aviation workforce and facilitate their recruitment. Women currently comprise only 4 percent of flight engineers, 6 percent of pilots, and 26 percent of air traffic controllers, representing a huge untapped pool for talent in the aviation industry. I am grateful to my colleagues for coming together and creating this compromise bill that will have a positive and immediate effect upon the economy and the Kansas aviation community. It is a good day for the Senate, it is a good day for Congress, it is a good day for the country, and it is especially a good day for me and for Kansans. I yield the floor. NOMINATION OF JEFFREY CLARK Mr. VAN HOLLEN. Madam President, Mr. Clark's nomination is yet another example of the Trump administration nominating individuals to lead government offices whose missions they have opposed. The Environment and Natural Resources Division of the Department of Justice is uniquely charged with the ``stewardship of the nation's natural resources and public lands.'' Yet, in the face of the overwhelming evidence of climate change, Mr. Clark says the science is debatable. It isn't, and this is not the time to have someone in this position who refuses to acknowledge facts and confront the costs and risks of inaction. In addition, like many Trump nominees, Mr. Clark is skeptical of the longstanding Chevron doctrine which states that courts must give deference to agency regulations because agencies are staffed with subject matter experts and that judges, who are only supposed to interpret the law, are not qualified to substitute their opinions. Large corporate polluters frequently challenge EPA regulations designed to safeguard our waters, endangered species, and natural resources, and we need a person in this position who will side with the scientists and public health experts, not big polluters. Americans deserve an associate attorney who is committed to protecting their interests and not big-monied special interests. I do not believe that Mr. Clark is that person, and I will be voting against his nomination. The PRESIDING OFFICER. Under the previous order, all postcloture time is expired. The question is, Will the Senate advise and consent to the Clark nomination? Mr. ROUNDS. Madam President, I ask for the yeas and nays. The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second. The clerk will call the roll. The senior assistant legislative clerk called the roll. Mr. CORNYN. The following Senator is necessarily absent: the Senator from Florida (Mr. Rubio). Further, if present and voting, the Senator from Florida (Mr. Rubio) would have voted ``yea.'' Mr. DURBIN. I announce that the Senator from North Dakota (Ms. Heitkamp) and the Senator from Florida (Mr. Nelson) are necessarily absent. The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote? The result was announced--yeas 52, nays 45, as follows: [Rollcall Vote No. 228 Ex.] YEAS--52 Alexander Barrasso Blunt Boozman Burr Capito Cassidy Collins Corker Cornyn Cotton Crapo Cruz Daines Enzi Ernst Fischer Flake Gardner Graham Grassley Hatch Heller Hoeven Hyde-Smith Inhofe Isakson Johnson Kennedy Kyl Lankford Lee Manchin McCaskill McConnell Moran Murkowski Paul Perdue Portman Risch Roberts Rounds Sasse Scott Shelby Sullivan Thune Tillis Toomey Wicker Young NAYS--45 Baldwin Bennet Blumenthal Booker Brown Cantwell Cardin Carper Casey Coons Cortez Masto Donnelly Duckworth Durbin Feinstein Gillibrand Harris Hassan Heinrich Hirono Jones Kaine King Klobuchar Leahy Markey Menendez Merkley Murphy Murray Peters Reed Sanders Schatz Schumer Shaheen Smith Stabenow Tester Udall Van Hollen Warner Warren Whitehouse Wyden NOT VOTING--3 Heitkamp Nelson Rubio The nomination was confirmed. The PRESIDING OFFICER. Under the previous order, the motion to reconsider is considered made and laid upon the table. The President will be immediately notified of the Senate's action.

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**End of Document**



[***Banking - Côte d'Ivoire - Q2 2018***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RH3-K3M1-JD33-J0TR-00000-00&context=1516831)

Cote d'Ivoire Banking & Financial Services Report

April 1, 2018 Sunday

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**Length:** 2957 words

**Highlight:** In general, the commercial banking sector provides attractive opportunities for market entrants, given the robust economic growth forecast for the country over the medium term, and its growing consumer base (which is being recognised by companies such as French retailers Fnac and Carrefour, as well as the likes of Burger King and Heineken). The physical presence of banks in Côte d'Ivoire has increased quite exponentially over the past decade or so. World Bank statistics indicate that there were only around 1.4 commercial bank branches per 100,000 adults in the country in 2004, and by 2015, this had grown to 4.8 commercial bank branches per 100,000 adults. The amount of ATMs in the country has grown from 3.76 per 100,000 people in 2010 to 6.9 per 100,000 people by 2015.

**Body**

In general, the commercial banking sector provides attractive opportunities for market entrants, given the robust economic growth forecast for the country over the medium term, and its growing consumer base (which is being recognised by companies such as French retailers **Fnac** and **Carrefour**, as well as the likes of **Burger King** and **Heineken**). The physical presence of banks in Cote d'Ivoire has increased quite exponentially over the past decade or so. World Bank statistics indicate that there were only around 1.4 commercial bank branches per 100,000 adults in the country in 2004, and by 2015 this had grown to 4.8 commercial bank branches per 100,000 adults. The amount of ATMs in the country has grown from 3.76 per 100,000 people in 2010 to 6.9 per 100,000 people by 2015.There is also opportunity for the country to emerge as a Francophone West African banking and financial services hub in the long term, as the Ivorian banking and financial services sectors hold substantial potential for growth over the coming decade. This is being recognised by important players in the banking and financial services space, such as **Visa**. In May 2017, it was announced that the international electronic ***payments*** and cards company is set to establish its regional headquarters for its West and Central African markets in Abidjan.

Visa plans to help accelerate the digitisation of commercial activity in Cote d'Ivoire and the wider West African region, and work with local institutions to improve financial inclusion in the region. Visa's other regional offices are situated in South Africa, Kenya, Rwanda and Nigeria.A huge positive for international market players is that, in Cote d'Ivoire, while banks do require a license to operate, there are no restrictions on foreign ownership of banks in the country. Consequently, several of Cote d'Ivoire largest banks are subsidiaries of foreign banks, with a European and Pan-African presence, and other notable international players include **Citibank** and **Standard Chartered**. The Ivorian banking sector is consequently well connected to the international banking system.Market players will nevertheless find several barriers to operation that are currently limiting or posing risks to banking sector growth. These largely include the low levels of public trust in the commercial banking sector, the low levels of financial inclusion rates amongst the Ivorian population, the risks posed to the banking sector by the poor performance of public banks, and the competition posed to banks from mobile money operators in Cote d'Ivoire.The majority of these barriers were confirmed by the findings of the World Bank's July 2016 Report on Cote d'Ivoire's financial sector entitled 'The race to emergence: why Cote d'Ivoire must adjust its financial system'. This report highlights that many Ivorians lost confidence in the local banking sector during the 2010-2011 political crisis (especially public banks), as many failed or historically have had to be closed, restructured or recapitalised.This loss of confidence has been one of the drivers of Cote d'Ivoire's very low levels of formal financial inclusion. Interestingly, the report found that only one in eight adult Ivorians chose to deposit their savings with a bank or financial institution. This is further confirmed by World Bank data found in their most recent Global Financial Inclusion Survey, which shows that in 2014 (latest available data), only around 34.3% of the adult Ivorian population had a bank account and that only around 0.7% of adults used a debit card to make ***payments***. Other factors that the World Bank's report cited as barriers to people making larger use of commercial banking services were the high associated travel costs of getting to a bank and expensive transaction fees. Other prevailing factors preventing higher levels of financial inclusion in Cote d'Ivoire are the high poverty rates in the country, as well as the fact that formal employment and urbanisation rates are still very low even by Sub-Saharan African standards.This distrust in the formal banking sector, paired with the growing levels of smartphone ownership in Cote d'Ivoire (and network coverage to more rural areas), has meant that an interesting trend has emerged of many Ivorians performing most of their money transactions (such as sending or receiving remittances) via mobile money accounts. The World Bank's 2016 report found that many Ivorians prefer to use mobile money accounts for ***payments*** and money ***transfers***. Furthermore, statistics show that around 24.3% of the adult Ivorian population had a mobile money account in 2014, and around 41.7% used mobile money accounts to send remittances, and over 50% used mobile money accounts to receive remittances. According to a 2014 report compiled by **Mastercard** and the **International Finance Corporation** (IFC), in terms of the volume distribution of mobile money transactions in 2014 across the WAEMU region, Cote d'Ivoire accounted for more than half of these.We expect that in the coming ***years***, banks are likely to pursue partnerships with telecoms companies in order to offer mobile financial services, which would support the introduction of the country's large unbanked population to the banking sector. This already saw some developments in 2017, as in early 2017, it was reported that **EcobankCote d'Ivoire** had launched the Ecobank Xpress mobile phone application in Abidjan. This mobile phone banking application allows customers to open an 'Xpress account' remotely, without paperwork. From there, customers can receive and make ***payments*** across borders to around 33 other African countries via their mobile phones, without paying additional fees for these routine transactions. Statistics indicate the Cote d'Ivoire is a good market for this. Additionally, in December 2017, Standard Chartered announced that in January 2018, it would launching a digital bank (a new mobile bank) via its subsidiary in Cote d'Ivoire, which would serve as a pilot project for further launches in their other emerging markets. Societe Generale de Banques en Cote d'Ivoire (SGBCI), which is the largest bank in the country, has also launched a mobile banking service 'Sogepay'.In terms of addressing the risks posed by public banks (which hold the bulk of the poor assets and NPL's in Cote d'Ivoire) and restoring public confidence in the banking sector, the Ivorian government has pledged since 2011 to clean up the sector and since 2013/2014 it has vowed to privatise or restructure various public banks. So far, the privatisation of the former **SocieteIvoirienne de Banque** (SIB) and the Banque Internationale pour l'Afrique Occidentale (BIAO) (which has been renamed as **NSIA Banque**) have been completed. The privatisation processes at **Banque de l'Habitat de Cote d'Ivoire** (BHCI) and **Versus Bank** are reportedly still occurring, and the BFA (which was an ***agricultural*** bank) has reportedly been fully liquidated.In December 2016, the IMF agreed to grant Cote d'Ivoire funding of around USD658.9mn under its tended Credit Facility (ECF) and the Extended Fund Facility (EFF) under two three-***year*** arrangements, in order to support the country's economic and financial reform ***programme***. As part of this ***programme***, the Ivorian government undertook to continue its efforts to recapitalise and strengthen public banks and to promote financial inclusion. The IMF released its first review of Cote d'Ivoire's performance under the ECF and EFF in June 2017. This review noted than Ivorian authorities are working on addressing the lingering weaknesses in public banks. There are reportedly four public banks in the portfolio in which the government is addressing weaknesses. Two are reportedly being privatised, one is being recapitalised and one's liquidity position is being strengthened. A recapitalisation plan for the public savings bank (CNCE) was submitted to the WAEMU Banking Commission at the end of 2016. Additionally, government stakes in two smaller private banks were still undergoing privatisation and the conversion of government debt held by state-owned BNI into marketable securities had improved the liquidity of the bank. This report also noted that the Ivorian government had hired a private consultant to further develop its public bank restructuring plans and had begun to implement them.In order to address the low levels of financial inclusion in the country, the Ivorian government is continuing to implement the Financial Sector Development Strategy, which is focusing on restoring public confidence in the banking sector via decreasing the risk posed by public banks and strengthening the microfinancing sector. In December 2017, the IMF completed its second review of Cote d'Ivoire's performance under the ECF/EFF-supported ***programmes***. The country's performance was announced as 'strong', and the IMF announced that 'all performance criteria and indicative targets for end-June 2017 were observed and all structural benchmarks were met' and that the country is continuing to implement structural reforms. The review notes that the future recapitalisation of one public bank will assist financial sector stability.Cote d'Ivoire's banking sector is dominated by foreign-owned and regional banks. According to the BCEAO, 26 banks manage the bulk (about 81%) of financial sector assets in Cote d'Ivoire. Of the banks, 10 are foreign-owned and control 51% of the assets, seven are subsidiaries of regional UEMOA banking groups with a 24% share, five are local private institutions with 16%, with the remaining 9% owned by four public banks. Given the concentration of borrowing among the country's largest firms and public entities, the degree of competition in the sector has put substantial pressure on operating margins.

**Top 10 Commercial And Retail Banks By Total Assets, XOFmn**

|  | **Total Assets** | **Total Common Equity** | **Financial *Year* End** |
| --- | --- | --- | --- |
| Societe Generale de Banques en Cote d'Ivoire | 1,421,923 | 134,418 | 31/12/2016 |
| Ecobank Cote d'Ivoire | 1,332,408 | 62,229 | 31/12/2016 |
| Banque Atlantique de Cote d'Ivoire | 1,259,730 | 57,279 | 31/12/2016 |
| Societe Ivoirienne de Banque | 906,911 | 59,956 | 31/12/2016 |
| NSIA Banque | 843,226 | 59,199 | 31/12/2016 |
| Banque Int. pour le Commerce et L'Industrie | 643,084 | 57,429 | 31/12/2016 |
| Banque of Africa | 623,026 | 39,013 | 31/12/2016 |
| Bridge Bank Group | 219,113 | 13,851 | 31/12/2015 |
| Citibank Cote d'Ivoire | 161,236 | 19,294 | 31/12/2016 |
| Standard Chartered Bank Cote d' Ivoire | 143,721 | 10,235 | 31/12/2015 |

Note: All data is latest available. Source: Fitch Connect, company reports The largest bank by assets is **Societe Generale de Banques en Cote d'Ivoire** (SGBCI), a local subsidiary of one of Europe's largest financial services organisations. As of January 2017, it was serving 31mn customers across 66 countries with the support of around 145,700 employees. Present in Cote d'Ivoire since 1962, SGBCI is a bank of reference on the Ivorian banking market.The Group's total assets as of the end of 2015 stood at EUR1,334,391mn, up from EUR1,308,138mn a ***year*** earlier. Within this, loans to customers rose from EUR370,367mn in 2014 to EUR405,252mn a ***year*** later. Similarly, customer deposits increased across the course of 2015, reaching a total of EUR379,631mn by ***year***-end, up from EUR349,735mn a ***year*** earlier. As of the same date, the Group's total liabilities had reached a level of EUR1,271,716mn, an increase from liabilities of EUR1,249,264mn as of December 2014.In terms of the balance sheet, the Group saw its net income rise to EUR4,001mn in 2015, an increase from EUR2,679mn in 2014. Similarly, net banking income of EUR23,561mn in 2014 rose to EUR25,639mn by the close of 2015. Following the same trend, the Group's consolidated net income reached EUR4,395mn by the end of 2015, an increase from EUR2,978mn in 2014.On a less positive note, Group operating expenses climbed to a level of EUR16,893mn by the 2015 ***year***-end, up from EUR16,037mn a ***year*** earlier. As of the end of 2015, the bank's fully loaded CET 1 ratio was at 10.9%, comparing positively with a ratio of 10.1% in 2014. Its total capital ratio reached as high as 16.3% by the 2015 ***year***-end, up from 14.3% in 2014.

**Top 10 Banks - Asset Quality**

|  | **Growth Of Gross Loans (%)** | **NPL Charges (%OfGrossLoans)** |
| --- | --- | --- |
| Ecobank Cote d'Ivoire | 21.4 | na |
| Societe Generale de Banques en Cote d'Ivoire | -0.5 | 1.4 |
| Banque Atlantique de Cote d'Ivoire | 12.8 | 0.6 |
| Societe Ivoirienne de Banque | 16.3 | na |
| NSIA Banque | 17.4 | 0.5 |
| Banque of Africa | 17.6 | 0.2 |
| Banque Int. pour le Commerce et L'Industrie | 14.4 | 1.4 |
| Bridge Bank Group | 27.4 | na |
| Standard Chartered Bank Cote d' Ivoire | 36.1 | na |
| Citibank Cote d'Ivoire | 62.3 | 0.1 |

na = not available. Note: All data for financial ***year*** ending December 31 2016, excluding Bridge Bank Group and Standard Chartered Bank (December 31 2015). Source: Fitch Connect, company reports The second largest bank by assets, and the largest regional bank, is **Banque Atlantique de Cote d'Ivoire**, a subsidiary of the Morocco-based **Atlantic Business International** (ABI). Though Banque Atlantique was founded in Abidjan in 1978 and gradually expanded across the region, the bank now rests underneath ABI, the result of a partnership, active since September 2012, between the Atlantic Financial Group and the **Groupe Banque Centrale Populaire du Maroc**. ABI operates subsidiaries in all eight members of the UEMOA.

**Top 10 Banks - Earnings And Profitability**

|  | **Net Interest Income (%OfEarningAssets)** | **Expenses (%OfGrossRevenues)** | **Impairment Charges (%OfOperatingProfit)** | **Operating Profit (%OfAverageAssets)** | **Net Income (%OfAverageEquity)** |
| --- | --- | --- | --- | --- | --- |
| Ecobank Cote d'Ivoire | 3.3 | 53.7 | na | 3.4 | 28.2 |
| Societe Generale de Banques en Cote d'Ivoire | 3.8 | 54.2 | 23.5 | 2.2 | 39.4 |
| Banque Atlantique de Cote d'Ivoire | 1.5 | 55.4 | 13.7 | 1.8 | 39.3 |
| Societe Ivoirienne de Banque | 3.1 | 54.6 | na | 2.7 | 30.3 |
| NSIA Banque | 4.6 | 60.1 | 12.2 | 2.7 | 31.0 |
| Banque of Africa | 3.9 | 71.1 | 6.2 | 2.5 | 22.0 |
| Banque Int. pour le Commerce et L'Industrie | 1.4 | 51.9 | 28.7 | 1.6 | 27.7 |
| Bridge Bank Group | 4.1 | 73.1 | na | 1.9 | 21.1 |
| Standard Chartered Bank Cote d' Ivoire | 1.7 | 51.4 | 1.3 | 3.3 | 20.7 |
| Citibank Cote d'Ivoire | 2.0 | 96.0 | 20.1 | 0.2 | 3.3 |

na = not available/applicable. Note: All data for financial ***year*** ending December 31 2016, excluding Bridge Bank Group and Standard Chartered Bank (December 31 2015). Source: Fitch Connect, company reports The third largest bank by assets is Ecobank Cote d'Ivoire. Ecobank was incorporated in 1985 and is headquartered in Togo. Ecobank is the largest pan-African bank, with operations in 36 countries across the continent. The Cote d'Ivoire affiliate was incorporated in 1989 through an acquisition of a Chase Manhattan subsidiary. The bank provides wholesale, retail, investment and transactional banking services. At end-2015, Ecobank reported USD23.6bn in total assets and USD2.5bn in total equity, servicing approximately 11mn customers through 1,268 branch offices. It operates affiliates in all eight members of the UEMOA, plus Cape Verde, where it counts 292 branches and USD7.1bn in assets.

**Top 10 Banks - Capital And Leverage**

|  | **Tangible Common Equity (%OfTangibleAssets)** | **Net Income Minus Cash Dividends (%OfTotalEquity)** |
| --- | --- | --- |
| Ecobank Cote d'Ivoire | 9.3 | 11.4 |
| Societe Generale de Banques en Cote d'Ivoire | 4.7 | 5.3 |
| Banque Atlantique de Cote d'Ivoire | 4.2 | 35.7 |
| Societe Ivoirienne de Banque | 6.1 | 12.7 |
| NSIA Banque | 6.5 | 28.9 |
| Banque of Africa | 8.8 | 12.1 |
| Banque Int. pour le Commerce et L'Industrie | 6.1 | 10.4 |
| Bridge Bank Group | 6.2 | 20.4 |
| Standard Chartered Bank Cote d' Ivoire | 12.0 | 20.3 |
| Citibank Cote d'Ivoire | 7.1 | 3.2 |

Note: All data for financial ***year*** ending December 31 2016, excluding Bridge Bank Group and Standard Chartered Bank (December 31 2015). Source: Fitch Connect, company reports The fourth largest bank is NSIA Banque, which was incorporated in 1906 as Banque de l'Afrique Occidentale in Abidjan. In 1965, the bank's name was changed to BIAO and in 1980 the bank was sold to the state. As part of a wave of privatisations, the bank was sold to the Belgian bank **Belgolaise** in 2000, whose shares in the bank were taken over by the NSIA Group in 2006.The NSIA Group is a pan-African group operating in 12 countries and active in banking, insurance (non-life), financial intermediation and real estate. In 2014, the company rebranded its Ivorian operations as NSIA Banque. The bank's capital is split between the NSIA Group (70%), the government social security fund CNPSS (20%) and the state (10%).The bank has more than 70 branches in the country. Total assets increased by 18% across 2015 to close the ***year*** at a level of XOF784,940mn, up significantly from XOF662,990mn a ***year*** earlier. Total liabilities increased by the same rate across the ***year***. Within this, client deposits rose by 22% from a level of XOF478,663mn in 2014 to XOF586,161mn in 2015. The bank endured an increase in total charges in 2015, which as of December 31 2015 stood at XOF74,452mn, up from XOF62,999mn in 2014.

**Top 10 Banks - Funding And Liquidity**

|  | **Loans (% Of Customer Deposits)** | **Interbank Assets (%Of Interbank Liabilities)** | **Customer Deposits (% Of Total Funding)** |
| --- | --- | --- | --- |
| Ecobank Cote d'Ivoire | 75.7 | 141.9 | 95.0 |
| Societe Generale de Banques en Cote d'Ivoire | 77.5 | 37.9 | 59.7 |
| Banque Atlantique de Cote d'Ivoire | 70.4 | 46.8 | 70.1 |
| Societe Ivoirienne de Banque | 94.1 | 8.6 | 75.6 |
| NSIA Banque | 102.6 | 14.0 | 80.7 |
| Banque of Africa | 91.4 | 33.0 | 90.5 |
| Banque Int. pour le Commerce et L'Industrie | 90.4 | 21.1 | 60.6 |
| Bridge Bank Group | 56.0 | 1,340,160.0 | 100.0 |
| Standard Chartered Bank Cote d' Ivoire | 54.4 | 1,463.6 | 96.6 |
| Citibank Cote d'Ivoire | 78.4 | 87.6 | 80.9 |

Note: All data for financial ***year*** ending December 31 2016, excluding Bridge Bank Group and Standard Chartered Bank (December 31 2015). Source: Fitch Connect, company reports

**Load-Date:** January 26, 2018

**End of Document**



[***Ukraine: Donetsk Region media highlights 21-27 Jul 18***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SYH-4TX1-JC8S-C534-00000-00&context=1516831)

BBC Monitoring Kiev Unit

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**Length:** 2790 words

**Body**

The following are media highlights from Donetsk Region's newspapers Donetskiye Novosti, Vostochnyy Proekt, and websites DNR Live, Novosti Donbassa, Novosti DNR, Orbita TV, OstroV, Donetsk News Agency and newspaper and Vchasno news agency websites for 21-27 July 2018:

Political

Activists of Hromadskyy Patrul (Public Patrol) NGO have carried out an investigation in the city of Pokrovsk and revealed links between local businesspeople, former law enforcers, "business managers" from the time of the ousted President Viktor Yanukovych and the Rozumna Syla (Rational Force) party, the Vchasno website, covering news from Chervonoarmiysk, Dymytrov and the region, reported. It took several months for the activists to study facts and documents. According to NGO head Denys Myronov, "it is at this particular moment that a single plot line has taken shape, having blended together the corrupt authorities and their subcontractors worth millions, the runaway mayor, an attempt on the life of the opposition Russian journalist, [the far-right group] C14, propagandist [Anatoliy] Shariy and the unbelievable quantity of top-rank law enforcers from the times of Yanukovych and [former Interior Minister Vitaliy] Zakharchenko". The investigation, which was supported by the National Endowment For Democracy, has revealed that road repair services and fuel supplies provided for the city's organisations financed from the public budget are all delivered by companies linked to the former policeman and the head of the Rational Force party, Oleksandr Solovyov. (Vchasno website, 1000 gmt 26 Jul 18)

On 23 July, 60 residents of Myrnohrad blocked a central street to draw the local authorities' attention and demand a meeting on the week-long absence of running water in the city, Vchasno said. About 15 minutes later, Myrnohrad mayor Oleksandr Brykalov arrived at the scene and after a lengthy discussion promised to fix the problem with water supplies. Residents say they are prepared to protest again at any time and may even resort to more radical measures if the city authorities fail to keep their promises. (Vchasno website, 1038 gmt 24 Jul 18)

On 25 July, several armed people in face masks three activists' arms when they came to meet the head of Avdiivka's military-civil administration, Pavlo Malyhin, led them outside the building, pushed them into a car and drove away, Vchasno reported, citing Viktor Hrynnik, who witnessed the incident. According to one of the activists, Volodymyr Derhilyov, the attackers threatened the activists with physical violence if they would keep "visiting the administration and asking difficult questions". "All personal items that we had with us were destroyed. We were beaten up, and then thrown out in a forest - probably, to let separatist snipers eliminate us," Derhilyov said. The conflict between the activist and Avdiivka's authorities has been going on for quite a while. Reportedly, the activist often asked the authorities "difficult" questions about the construction of a gas pipeline, dysfunctional wells and "corruption schemes". (Vchasno website, 1149 gmt 27 Jul 18)

Toretsk, a city located 20 km away from the front line, has for the first time celebrated the anniversary of its liberation from the armed groups of the self-proclaimed Donetsk People's Republic (DPR) in 2014, Vchasno said. The city held a "requiem rally", while Your New City NGO, with the support from the Toretsk military-civil administration and the public network OURS, organised a string of festivities including exhibitions, a concert and various other public events. Local residents pointed out that they had never had such celebrations before and that Toretsk should hold more of such happy and patriotic events. (Vchasno website, 0637 gmt 22 Jul 18)

Residents of Selydove are considering holding a vote of no confidence in the mayor on grounds of his ineffective management of the city and the "complete absence of any dialogue between the authorities and the public", Vchasno said. The organiser of the event, the head of the local branch of the Union of the Veterans of the ATO (the Ukrainian government's security operation in Donbass), Bohdan Kruzhko, said that all infrastructure projects planned for implementation in the city are currently "at the unclear stage". "Social problems faced by local coal miners and ignored by the local authorities were the last straw," Kruzhko said. He added that the city authorities were not even trying to help the workers of the state-run mines. Wages are paid late, which is why many miners cannot afford to pay housing and utility bills and get electricity and water cut off. The organisers of the protest have set up a tent to collect city residents' signatures in support of the move. They have collected several hundred signatures in just a few days. To have a public discussion on a no confidence vote in the mayor, the activists will have to collect about 5,000 signatures. (Vchasno website, 0951 gmt 23 Jul 18)

According to the Committee of Ukrainian Voters, seven MPs from Donetsk and Luhansk regions have ignored over 90 per cent of votes in parliament, Vchasno said. Two Donbass MPs, Yevhen Bakulin and Serhiy Klyuyev, who top the rating of "truants", have never voted during the eighth parliamentary session. The list of 50 top "truants" includes Yefim Zvyahilskyy, Denys Omelyanovych, Yuriy Solod, Ihor Shkyrya and Yevhen Heller. (Vchasno website, 0530 gmt 24 Jul 18)

The acting head of the Pension Fund's Pokrovsk directorate, Olena Drehval, has said that the directorate does not have enough money to pay out pensions because of the irregular stream of revenues from the single social insurance contribution paid by local businesses, which affected the July pension ***payment*** schedule, the website of the regional television company Orbita reported. The directorate's revenues from locally paid social insurance contributions usually cover only about 50 per cent of the required funding. In the past, the deficit was routinely compensated by the Pension Fund. During a video link with the Pension Fund in July, the local management was warned that the directorate would have to cover the deficit by collecting overdue contributions from local companies. (Orbita TV website, 1412 gmt 27 Jul 18)

The first deputy head of the Donetsk military-civil administration, Yevhen Vylynskyy, has said that he is happy that "one of the directorates of the State Investigation Bureau will be operating in Kramatorsk", private website Obshchezhytiye Online, covering news from Kramatorsk and Donetsk, reported, citing the agency's press service. "I hope that the territorial directorate will start its active work very soon and that we will cooperate," the official said. The State Investigation Bureau registered its first territorial directorates in Kramatorsk and Kiev on 26 July. (Obshchezhytiye Online website, 26 Jul 18)

A former governor of Donetsk Region, Pavlo Zhebrivskyy, has said that the leading party in the region is the Our Land party, which is "worse than the [former ruling] Party of Regions", the Ostrov regional news website said, citing Zhebrivskyy's interview with website Gazeta.ua. "The key problem is that the parties that present themselves as national-democratic ones hardly care about party development," Zhebrivskyy said. The official added that in Donbass there is a demand for a political force that will speak frankly. "I am going to start building an ideological right-wing party. And this political force will have serious offices in Donbass Region. We will be preparing for the parliamentary election in 2019," Zhebrivskyy summed up. The leader of the Donetsk regional branch of the Our Land party is Oleh Nedava, an MP from the pro-presidential party Petro Poroshenko Bloc. (OstroV news website, 1045 gmt 23 Jul 18)

A representative of the self-proclaimed Donetsk People's Republic (DPR) at the negotiations in Minsk, Oleksiy Nikonorov, has said that the DPR negotiators at the last meeting of the security sub-group offered an alternative phased approach to implementing agreements to withdraw heavy weapons, the website of the Ukrainian pro-rebel Donetsk News Agency (DAN) reported. The DPR representatives suggested that weapons should be pulled "from pilot sections" in Luhansk Region. "Tanks and mortars must be withdrawn to the distance of up to 15 km from the centre of the pullout area, and artillery systems with the calibre of 100 mm and more - up to 25 km," Nikonorov said. The proposal was supported by representatives of the OSCE Special Monitoring Mission but turned down by representatives of Ukraine. (Donetsk news agency website, 1412 gmt 25 Jul 18)

In May, the DPR resumed its squeezing out of the 'undesirable' churches, the Donetskiye Novosti weekly website, controlled by tycoon Rinat Akhmetov, said, citing website Krym.Realii. Priests of the Ukrainian Greek Catholic Church, the Ukrainian Orthodox Church of the Kiev Patriarchate and the Protestant churches were summoned to the DPR state security ministry and told to re-register their "religious communities". These communities are being threatened with closures, and the priests have been told that they and their families may be deported if they do not comply. Religious organisations in the DPR must re-register by 1 March 2019. However, there is no clear procedure for the re-registration in the DPR, and the religious communities have already been subjected to pressure. The priests are routinely called to report for questioning, some of the remaining Protestant prayer houses have been closed, and the only active mosque in Donetsk, located in its Kalinin district, was searched and then sealed. (Donetskiye Novosti weekly, 1559 gmt 26 Jul 18)

The head of the DPR executive service's sector, Yevhen Surzhko, has said that there have been no precedents in the self-proclaimed republic yet where its residents' immovable properties were seized to cover their overdue utility ***payments***, pro-separatist Novosti DNR website said. However, officers of the DPR state executive service do have the right to seize privately-owned real property to pay off the debt, even if this property is the debtor's only residence, but only if the amount of the debt exceeds 24,000 roubles (approximately 380 dollars). Officers are also allowed to take measures of "compulsory nature and seize the debtor's monetary and other assets, wages, pension, stipends and other incomes". They also may temporarily ban debtors from leaving the DPR, provided that they have necessary court permission. (Novosti DNR website, 0923 gmt 24 Jul 18)

Economic

According to the main statistics directorate in Donetsk Region, the average salary in January-May 2018 in the region increased by 29.6 per cent compared with the same period last ***year*** and is now 9,173 hryvnyas (about 353 dollars), the Donetskiye Novosti weekly website, controlled by tycoon Rinat Akhmetov, said. The real salary, adjusted for inflation and taxes paid, has increased by 12.3 per cent. In May 2018, the average salary in the region amounted to 10,166 hryvnyas (some 391 dollars). (Donetskiye Novosti weekly, 2057 gmt 24 Jul 18)

The main statistics directorate in Donetsk Region has reported that by the end of June there were seven registered unemployed persons competing for one job, which is three jobless persons less than in the end of June of 2017, Novosti Donbassa website, covering news for Donetsk and Luhansk regions, reported, citing news agency Ukrinform. Women account for 66 per cent of the unemployed, and young people make up almost one third. The number of vacancies in the end of June officially reported by employers to the regional employment service was 1,800, which is 43.1 per cent more than in the end of June 2017. The number of the unemployed registered by the same time was 12,600 persons, which is 5.5 per cent less than in the end of June 2017. (Novosti Donbassa website, 1839 gmt 26 Jul 18)

The head of the independent trade union of the Mariupol merchant seaport, Oleh Husak, has said that the port is "simply ripping the people off" by knowingly abstaining from hiring persons with disabilities and paying millions in fines for that at the expense of the port's workers. "The number of people working in the port is 3,500, and four per cent of the jobs must be given to persons with disabilities, but instead of 144 such workers the port has only 20. The port has been paying fines for the 120 unfilled vacancies reserved for persons with disabilities for at least three ***years***, and in 2018 alone it paid about 2m hryvnyas [about 77,000 dollars] in fines," Husak said. A woman with a second-degree disability, who works at the port, "was subjected to actual repressions" after her husband joined the trade union. In connection with this incident, the port's trade union has appealed to the head of the Donetsk regional military-civil administration, Oleksandr Kuts, Prosecutor-General Yuriy Lutsenko and the head of the National Anticorruption Bureau of Ukraine (NABU), Artem Sytnyk. (Vchasno website, 1220 gmt 26 Jul 18)

A member of the DPR people's council, Yevhen Orlov, who represents the Free Donbass faction, has said that the DPR has set up a number of state-run companies which have now monopolised entire sectors of the economy, and "these are not natural monopolies", pro-separatist website DNR Live reported. Thus, state company Rynki Donbassa is a monopoly regulator of market activities. The ***agricultural*** sector is completely dominated by the state concern Agro-Donbass, which incorporates most large producers of various agricutural products. State company DonbassTeploEnergo combines all central heating systems in the republic's cities. "A company that supplies thermal energy to our home is now part of the concern whose aim is to selling natural gas at higher prices". According to Orlov, information about thermal energy calculations "is now completely classified and is kept away from the public". (DNR Live website, 23 Jul 18)

Health

According to the deputy head of the Kramatorsk city health department, Iryna Kulakova, the sum of 247,000 hryvnyas (about 9,500 dollars), which the department receives every month from the state budget under the state ***programme*** for compensation for the cost of medical drugs, is not sufficient, the website of Vostochnyy Proekt newspaper reported. The department has sent a letter to the regional health department, asking it to increase the funding for the ***programme*** by 1.8m hryvnyas (some 69,230 dollars). "The ***programme*** has grown very popular among patients, and the medical drugs worth this amount are all gone in just two or three days," Kulakova said. (Vostochnyy Proekt newspaper website, 26 Jul 18)

Crime

The head of the Mariupol city prosecutor's office No 2, Andriy Kramchaninov, has said that one city prosecutor on average handles about 370 criminal proceedings, , a Mariupol city news website, reported. "During the last six months, the prosecutors managed 11,000 criminal proceedings, including 2,000 cases registered in 2018. Based on the findings of the investigations, 312 indictment statements were submitted to court, seven of which included admission of guilt and reconciliation," the official said. "The prosecutor's office identified 46 corruption cases, five protocols reached the court, and several officials were held administratively responsible," journalist Kira Bulhakova wrote. ( website, 1001 gmt 25 Jul 18)

Human rights

The prosecutor's office in Mariupol has established serious violations of prisoner rights in the Pryazovska correctional facility No 107, mrpl.city,m a Mariupol city news website, reported, citing a statement of the prosecutor's office in Donetsk Region posted on Facebook. Thus, a woman infected with tuberculosis was not isolated from other inmates. "The management of the facility did not take any measures to control the situation" and did not ***transfer*** the woman to a specialised penitentiary facility. "Even though Ukrainian law does not envisage a punishment for offences like this, the prosecutor's office has issued instructions to immediately rectify the situation," journalist Kira Bulhakova wrote. ( website, 1001 gmt 25 Jul 18)

Telecom

A member of the National Council for Television and Radio Broadcasting, Serhiy Kostynskyy, has said that analog television will not be taken down in all areas where the "special broadcasting regime" has been enacted, including such areas in Donetsk and Luhansk Regions, Novosti Donbassa website, covering news for Donetsk and Luhansk regions, reported. Analog television in the region will be "further developed, where possible, with a view to broadcasting to the occupied territories", Kostynskyy said. (Novosti Donbassa website, 1246 gmt 26 Jul 18)

Source: BBC Monitoring

**Load-Date:** August 4, 2018

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[***Argentina media highlights 1 August 2018***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SY1-JJ21-JC8S-C18Y-00000-00&context=1516831)

BBC Monitoring Latin America - Political

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August 1, 2018 Wednesday

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**Length:** 1317 words

**Body**

By BBC Monitoring

Judge orders arrest of former Kirchnerite government officials, businessmen allegedly involved in bribery scheme

Judge Claudio Bonadio ordered more than 15 arrests following the arrest on 31 July of Oscar Bernardo Centeno, who was the driver of Roberto Baratta, former Secretary of Coordination and Management of the Planning Ministry during the 12 ***years*** of Kirchnerism in office, Omar Lavieri reported in Infobae.com on 1 August. Baratta is among the detainees, as well as Walter Fagyas, former president of the State Energy Company, Inc. (Enarsa), and other former government officials on the payroll of the Planning Minister that was headed by former Minister Julio De Vido. The arrests were made after Centeno was accused of transporting travel bags full of money that was actually the ***payment*** of bribes following Baratta's orders.

Macri confirms military reform, sending 500 military troops to northern border

President Mauricio Macri confirmed the implementation of the military reform he announced last week despite the fact of criticism made by opposition sectors and human rights organisations, Mariano De Vedia reported in lanacion.com on 31 July. Macri made these remarks at the comradeship dinner with the Armed Forces on 30 July. Macri contended that "we are being accused of violating the defence democratic consensus", "but that is not so, we all invite you to hold a debate, to take part in the joint work", because "these are the Armed Forces of all the Argentine people". Macri pointed out that "we have a national defence system that is outdated, following decades without investment and the lack of long-term policies". Macri also confirmed that approximately 500 troops will be sent to the northern border to collaborate with logistical support in prevention operations against drug trafficking.

Macri presents plan to fight human trafficking

President Macri presented the National Plan For Combating Human Trafficking, which is the first state plan formulated to fight human trafficking and the exploitation of persons that establishes measures and actions based on crime prevention and victim protection and assistance ***programmes***, the official website of the Argentine Presidency reported on 31 July. Macri pointed out that this "is the first time ever in our history that a plan to fight these crimes" has been presented.

Macri's nominee for attorney general attends public hearing at Senate's Ratification Committee

Ines Weinberg de Roca, who was nominated for attorney general by President Macri, attended a public hearing at the Senate's Ratification Committee, which must give a green light to her nomination, Laura Serra reported in lanacion.com on 1 August. Weinberg de Roca answered the questions without unexpected problems. She said that she will assign priority to the prosecution of crimes against mankind and denied having ties with President Macri. She added that she will not hire new personnel for the Office of the Attorney General.

Senator Pichetto says he is willing and has made political decision to launch presidential bid

Peronist Senator Miguel Angel Pichetto said on a TV show that he is willing and has made the political decision to launch his presidential bid, Infobae.com reported on 1 August. He added that he will coordinate a rally of Federal Peronism, which represents non-Kirchnerite Peronism, to be held next week in the city of La Plata, where he will present its plans. He pointed out that the Federal Peronism includes Sergio Massa (Renewal Front), Salta Governor Juan Manuel Urtubey, Cordoba Governor Juan Schiaretti, San Juan Governor Sergio Unac, who are also contenders for a presidential nomination, but made it clear that nobody will present a nomination in the La Plata rally. He foresees an electoral scenario with Let's Change, Citizen Unity (Kirchnerism), and the Federal Peronism. He thus ruled out an alliance between the Federal Peronism and Senator Cristina Fernandez de Kirchner (CFK). Pichetto added that Federal Peronism leaders have decided to create a movement that includes Peronism as well as other political parties focusing on a modern, intelligent approach. He contended that the "interventionist economic" policy implemented by CFK had failed and that the living standards of Argentines have also worsened with the economic model implemented by President Macri. Pichetto proposed encouraging an "exporting revolution" and to promote an industrial re-conversion in the ***agriculture*** sector, as well as domestic consumption. He added that the debt taken on by this administration must be paid, despite the fact that it has been a bad decision. Pichetto explained that the world of ideal globalisation is over, because countries are now integrated, but they strongly defend domestic industry. He added that Peronism must build a project with the governors and also with other political sectors. He also contended that there are political "sectors that want that everything goes wrong, but we do not endorse that" and added that those who promote violence or the ouster of a president will not be part of their project. He stressed that Peronism needs a reconciliation with the middle class, the Armed Forces, trade unions, the ***agricultural*** sector, the judiciary, and the media given that Peronism has fallen out with all of them.

Labour Ministry imposes fine on labour union for ignoring order to lift strike

The Labour Ministry imposed a fine of 660m pesos (23.57m US dollars) on the United Trade Union of Education Workers of Buenos Aires (Suteba) for violating a compulsory conciliation ordered by the government and ignoring the order to lift a strike, Clarin.com reported on 1 August.

Macri says inflation in 2018 to reach 30 per cent

President Macri admitted on 31 July that inflation in 2018 will reach 30 per cent, which is 3 per cent above the inflation target set by the Finance Ministry, El Cronista.com reported on 1 August in an article by Martin Toro. In an interview by Cadena 3 from Cordoba, Macri admitted that the economic policy of "gradualism" has not worked and added that after reaching an agreement with the International Monetary Fund (IMF), his administration will now seek to reduce fiscal deficit faster. He explained that the 2018 inflation will total approximately 30 per cent, which is the result of the "big storm" caused by the increase in oil prices and the currency run. Macri called on the people to "walk more" to compare and find better prices. Macri suggested that inflation may reach a single-digit figure in three ***years***. Macri explained that his original plan was to reduce inflation fast and to reduce public spending slowly, and meanwhile hold a debate among mayors, governors, and organisations to promote awareness and work together. President Macri's active work schedule for this week seeks to keep the economic agenda under control. For the second consecutive day, Macri has tried to convey an optimistic message by highlighting the value of the Vaca Muerta nonconventional oil and gas deposit. Moreover, he added that "next ***year*** we will export oil again" and promised that thanks to Vaca Muerta, 500,000 new jobs will be created over the next four ***years***.

Government makes gesture toward governors to pass Budget Bill in Congress

Macri confirmed that he will ***transfer*** the concession contracts of the Northern Power Distribution Company (Edenor) and Southern Power Distribution Company (Edesur) to the City of Buenos Aires and to Buenos Aires Province as a gesture toward the governors, with whom the government is holding negotiations to pass the 2019 Budget Bill in Congress, Ambito.com reported on 31 July. The City and the Province of Buenos Aires are currently benefiting from the subsidies they receive from the national government in connexion with electric services to the detriment of the other provinces.

Source: BBC Monitoring in Spanish 1841 gmt 1 Aug 18

**Load-Date:** August 2, 2018

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[***Meta Financial Group announces Q1 fiscal 2018 financial results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RJ8-T1X1-JC0X-H4GS-00000-00&context=1516831)

MarketLine NewsWire (Formerly Datamonitor)

January 30, 2018 Tuesday 12:00 AM GMT

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**Section:** FINANCIAL SERVICES

**Length:** 5107 words

**Highlight:** Meta Financial Group has reported its financial results for First Quarter of Fiscal 2018.

**Body**

Business DevelopmentsOn January 9, 2018, Meta announced that it entered into a definitive merger agreement with Crestmark Bancorp, Inc. ("Crestmark"), the holding company of Crestmark Bank, whereby Meta will acquire Crestmark in an all-stock transaction.Pursuant to the terms of the merger agreement, at the effective time of the merger, Crestmark will merge with and into Meta, and Crestmark Bank will merge with and into MetaBank (the "Bank"). As of September 30, 2017, MetaBank had $5.2 billion in assets and $1.3 billion in total loans and, on a pro forma consolidated basis, the combined company would have had approximately $6.4 billion in assets and $2.2 billion in loans and leases, or 34% of total assets, with lending operations throughout the U.S.Under the terms of the merger agreement, Crestmark shareholders will receive 2.65 shares of Meta common stock for each share of Crestmark common stock. The aggregate value of the acquisition consideration, based on the closing price of Meta shares on January 8, 2018, of $91.35, is $320.6 million. Giving effect to the transaction, existing shareholders of Meta are expected to own approximately 75%, and Crestmark shareholders are expected to own approximately 25%, of the outstanding shares of Meta.Crestmark, through Crestmark Bank, is a commercial lender that primarily offers asset-based loans, equipment finance leases and government guaranteed loans to small and mid-sized businesses across the U.S. Crestmark focuses on working with a broad range of industries, including manufacturing, transportation and health care.

Crestmark will operate as a division of MetaBank and will continue to be headquartered in Troy, Michigan. See the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 9, 2018, for additional information regarding the proposed transaction and the merger agreement entered into with Crestmark, as well as an investor presentation regarding the proposed transaction included as an exhibit to the Form 8-K.On January 25, 2018, Meta announced that it entered into a three-***year*** ***program*** agreement with Liberty Lending, LLC ("Liberty Lending"), whereby MetaBank will provide personal loans to Liberty Lending customers. Under this agreement, MetaBank expects to originate between $500 million and $1 billion in personal loans during the term of the ***program***. This marks the entry point for Meta into a direct-to-consumer credit business, leveraging its balance sheet to generate high income on higher margin products.As previously disclosed, on October 11, 2017, the Company completed the purchase of a $73.0 million, seasoned, floating rate, private student loan portfolio. All loans are indexed to one-month LIBOR. The portfolio is serviced by ReliaMax Lending Services LLC and insured by ReliaMax Surety Company. This portfolio purchase builds on the Company&#39;s existing student loan platform.Highlights for the 2018 Fiscal First Quarter Ended December 31, 2017The Company recorded net income of $4.7 million, or $0.48 per diluted share, for the three months ended December 31, 2017, compared to net income of $1.2 million, or $0.14 per diluted share, for the three months ended December 31, 2016, an increase of 275%. Included in the 2018 fiscal first quarter net income was an income tax expense of $3.6 million from a reduction in the value of certain deferred tax assets as a result of the Tax Cuts and Jobs Act (the "Tax Act") signed into law on December 22, 2017 (see non-interest expense section for further discussion). The 2018 fiscal first quarter pre-tax results included a $1.0 million loss on sale of investments and $1.3 million of acquisition expenses. The 2018 fiscal first quarter pre-tax results also included $1.7 million in amortization of intangible assets and $1.3 million in non-cash stock-related compensation associated with executive officer employment agreements (see Select Quarterly Expenses table).Net interest income was $26.2 million in the 2018 fiscal first quarter, an increase of $6.4 million, or 32%, compared to $19.8 million in the first quarter of fiscal 2017. This increase was primarily a result of high credit quality loan growth in both the commercial insurance premium finance loan portfolio and community banking loan portfolio, as well as the purchased floating rate student loans. Also contributing to the improvement were increases in higher yielding securities balances, primarily due to highly-rated tax-exempt municipal securities at relatively high tax equivalent yields and a continuing improvement in the overall interest-earning asset mix.Card fee income increased $6.8 million, or 37%, for the 2018 fiscal first quarter when compared to the same quarter in 2017. This increase was primarily due to residual fees related to a wind-down of two of our non-strategic ***programs***. The Company expects fiscal ***year*** 2018 total card fee income to be between $95.0 million and $101.0 million and expects total card processing expense to be between $23.0 million and $27.0 million.Total tax product fee income increased $1.5 million, or 242%, from $0.6 million for the three months ended December 31, 2016 to $2.1 million for the three months ended December 31, 2017. This increase was primarily due to the volume of pre-season tax advance loans originated during the first quarter of fiscal 2018 compared to the first quarter of fiscal 2017. All of these loans are being held during fiscal 2018, as opposed to the previous ***year*** when many of these loans were sold, which also contributed to the increase.The Company&#39;s 2018 fiscal first quarter average assets grew to $4.12 billion, compared to $3.49 billion in the 2017 first quarter, an increase of 18%, primarily driven by growth in loan and securities balances.Total loans receivable, net of allowance for loan losses, increased $393.2 million, or 36%, at December 31, 2017, compared to December 31, 2016. This increase was primarily related to growth in commercial real estate loans of $213.5 million, or an increase of 48%, growth in consumer loans of $101.8 million, or an increase of 59%, of which $56.7 million was attributable to the Company&#39;s purchased student loan portfolios and $44.0 million was related to refund advances, growth in commercial insurance premium finance loans of $56.2 million, or an increase of 31%, and growth in residential mortgage loans of $31.1 million, or an increase of 18%. The growth in net loans receivable from December 31, 2016 to December 31, 2017 was partially offset by an $11.6 million decrease, or a 12% decrease, in total ***agricultural*** loans. Excluding all purchased student loan portfolios and refund advance loans, total loans receivable, net of allowance for loan losses, at December 31, 2017 would have increased $293.1 million, or 30%, compared to the same period of the prior ***year***. At December 31, 2017, community banking loans increased $223.3 million, or 29%, compared to December 31, 2016.***Payments*** division average deposits increased $295.2 million, or 15%, for the 2018 fiscal first quarter when compared to the same quarter of 2017.Non-performing assets ("NPAs") were 0.61% of total assets at December 31, 2017, compared to 0.05% at December 31, 2016. The increase in NPAs was primarily related to a large, well-collateralized ***agricultural*** loan relationship being more than 90 days past due, which was still accruing at December 31, 2017. On January 2, 2018, a deed in lieu of foreclosure was executed on the collateral for this relationship upon which the Company took ownership of the properties serving as collateral and ***transferred*** the loans to foreclosed real estate and repossessed assets. If the properties are sold prior to the end of the agreed-upon receivership period set forth in the settlement agreement as expected, the Company will be entitled to all principal, note interest, legal and other fees and expenses. After the receivership period ends, if the properties are not sold, the Company will be entitled to the fair value of the properties, which the Company believes to be significantly in excess of all principal, note interest, legal and other fees and expenses. At September 30, 2017, NPAs were 0.72% of total assets. The decrease in NPAs from September 30, 2017 to December 31, 2017 was primarily due to the payoff of a $7.0 million nonperforming ***agricultural*** loan relationship during the first quarter of fiscal 2018."Fiscal 2018 is off to a fast and exciting start," said Chairman and CEO J. Tyler Haahr. "We are thrilled to have announced that we entered into an agreement to acquire Crestmark Bancorp. With this strategic acquisition, we continue to deliver on our goal of growth and innovation through diversification. This transaction will allow us to provide incremental value to our partners through new offerings. Additionally, it will create complementary cross-selling opportunities among our and Crestmark's client bases. Crestmark has built an enviable lending platform. We believe the business is poised for further, profitable growth. We look forward to welcoming their tenured management team and talented workforce to Meta. The Crestmark acquisition ideally supports our strategy to pursue higher margin lending and ***payments*** opportunities while deemphasizing certain lower margin deposit relationships."We expect that this acquisition will moderate Meta&#39;s inherent earnings seasonality, which we believe shareholders will value. In addition to Crestmark's commercial loan portfolio, we expect to launch a number of consumer lending initiatives over the coming months."Adding to our exciting announcement regarding our transaction with Crestmark, a new tax season is now underway and we will be able to showcase improved products, new partners, and enhanced synergies from our acquisitions of Refund Advantage, EPS, and Specialty Consumer Services over the last few ***years***. Finally, we were able to continue to profitably grow our core businesses with earnings of over $4.7 million for the first quarter of 2018, an increase of $3.4 million from the same period in 2017."Financial SummaryRevenueTotal revenue for the fiscal 2018 first quarter was $55.5 million, compared to $39.2 million for the same quarter in 2017, an increase of $16.3 million, or 42%. This increase was primarily due to growth in card fee income, interest income from commercial insurance premium finance and community banking loans, as well as the student loan purchases and income from tax-exempt securities (included in other investment securities), and growth in tax product fee income. Non-interest income as a percentage of total revenue for the three months ended December 31, 2017, increased to 53% compared to 49% of total revenue for the three months ended December 31, 2016, even though the Company&#39;s interest income from loans increased 54% over that same time period.Net IncomeThe Company recorded net income of $4.7 million, or $0.48 per diluted share, for the three months ended December 31, 2017, compared to net income of $1.2 million, or $0.14 per diluted share, for the three months ended December 31, 2016. The increase in net income was due to increases of $10.0 million in non-interest income and $6.4 million in net interest income, partially offset by an increase of $7.3 million in non-interest expense and an increase in income tax expense of $5.3 million.Included in 2018 fiscal first quarter net income was the aforementioned income tax expense of $3.6 million resulting from a reduction in the value of certain deferred tax assets due to the Tax Act. The 2018 fiscal first quarter pre-tax results included $1.7 million of amortization of intangible assets and $1.3 million of acquisition expenses. In addition, pre-tax results included $1.3 million in non-cash stock-related compensation in connection with three executive officers signing long-term employment agreements in the first and second quarters of fiscal 2017. These stock awards vest over eight ***years*** but the associated expense is heavily front loaded (see Select Quarterly Expenses table).Our tax business is expected to continue to generate the vast majority of its revenues in the Company&#39;s fiscal second quarter, with some additional revenues generated in the third quarter, while most expenses are expected to be spread throughout the ***year*** with some elevated expenses in the quarters ending in December and March related to the Bank&#39;s tax related business.Net Interest IncomeNet interest income for the fiscal 2018 first quarter was $26.2 million, up $6.4 million, or 32%, from the same quarter in 2017, primarily due to significant increases in the community banking loan portfolio, commercial insurance premium finance loans, and the purchased student loan portfolios. Growth in investment security balances also contributed to the increase in net interest income. Additionally, the overall increase was driven by a better mix and higher percentage of loans as a percentage of interest-earning assets, with loan yields driving a sizable increase due in part to the recently acquired student loan portfolios and their floating rate yields. The quarterly average outstanding balance of loans from all sources as a percentage of interest-earning assets increased from 30% as of the end of the first fiscal quarter of 2017 to 37% as of the end of the first fiscal quarter of 2018. In addition, lower-yielding agency Mortgage-Backed Securities ("MBS") decreased from 21% of interest-earning assets in the fiscal first quarter of 2017 compared to 18% of interest-earning assets for the same quarter in 2018. Net interest income for the fiscal 2018 first quarter was up $1.7 million from the Company&#39;s fiscal 2017 fourth quarter, as anticipated, primarily due to a better mix of earning assets.Net Interest MarginNet interest margin, tax equivalent ("NIM") increased from 2.90% in the fiscal 2017 first quarter to 3.06% in the fiscal 2018 first quarter. The reported 3.06% NIM reflects the lowered corporate prorated tax rate on the Company&#39;s tax-exempt municipal portfolio. Had corporate tax rates remained at previous rates, excluding changes resulting from the adoption of the Tax Act, the reported NIM of 3.06% would have been 3.26%. The reported NIM of 3.06% was impacted by 16 basis points due to tax service loans and wholesale deposits.NIM continues to be supported by the growing loan portfolio, which represented 37% of earning assets as of the end of the fiscal first quarter of 2018, as compared to 30% as of the end of the fiscal first quarter of 2017. Also contributing to the increase in NIM in the fiscal first quarter of 2018 was the addition of the higher-yielding student loan portfolio purchased in October 2017.The overall reported tax equivalent yield ("TEY") on average earning asset yields increased by 31 basis points to 3.55% when comparing the fiscal 2018 first quarter to the 2017 first quarter, which was driven primarily by the Company&#39;s improved earning asset mix, with increased exposure to its high-quality commercial insurance premium finance, student, and community banking loan portfolios. The increase in TEY continues to highlight the beneficial tailwind provided by this rotation among earning assets. The Company expects earning assets yields to continue to increase in the near term due to the aforementioned recently purchased, higher-yielding student loan portfolio being included for nearly the full fiscal first quarter of 2018. The reported 3.55% TEY on earning assets reflects the lowered corporate prorated tax rate on the Company&#39;s tax-exempt municipal portfolio. Had corporate tax rates remained at previous rates, excluding changes resulting from the adoption of the Tax Act, reported TEY on earning assets would have been 3.75%.The fiscal 2018 first quarter TEY on the securities portfolio increased by one basis point compared to the prior ***year*** fiscal first quarter, primarily due to the continued shift in new investments being made in higher-yielding investment securities, primarily mortgage-related, tax-exempt municipal securities rather than traditional agency MBS securities. The TEY on the securities portfolio of 2.93% for the first fiscal quarter of 2018 reflects the lowered corporate prorated tax rate on the Company&#39;s tax-exempt municipal portfolio. Had corporate tax rates remained at previous rates, excluding changes resulting from the adoption of the Tax Act, reported securities portfolio yield would have been 3.25%.The Company's average interest-earning assets for the fiscal 2018 first quarter grew by $539.4 million, or 17%, to $3.76 billion, from the comparable quarter in 2017, primarily from growth in loan portfolios and tax-exempt investment securities of $436.8 million and $236.3 million, respectively. This increase was partially offset by a decrease in cash and fed funds sold of $86.2 million.Overall, the Company&#39;s cost of funds for all deposits and borrowings averaged 0.51% during the fiscal 2018 first quarter, compared to 0.36% for the 2017 first quarter. This increase was primarily due to the addition of wholesale deposits, an increase in the overnight borrowing rates and higher average overall funding balances due to the Company&#39;s utilization of more of its capital during non-tax season with higher investment balances and funding, and in preparation to hold more tax loans on the balance sheet. Notwithstanding this increase, the Company believes that its growing, low-cost deposit base gives it a distinct and significant competitive advantage over most banks, and even more so if interest rates continue to rise, because the Company anticipates that its cost of deposits will likely remain relatively low, increasing less than at many other banks. The Company&#39;s overall cost of deposits was 0.24% in the fiscal first quarter of 2018, compared to 0.14% in the same quarter of 2017, which was driven primarily by its MPS-related non-interest-bearing deposits which the Company believes is a significant competitive advantage. When excluding wholesale deposits, the Company&#39;s cost of deposits for the first quarter of fiscal 2018 would have been 0.07%.Non-Interest IncomeFiscal 2018 first quarter non-interest income of $29.3 million increased $10.0 million, or 51%, from $19.3 million in the same quarter of 2017, largely due to increases in card fee income of $6.8 million, or 37%, and tax product fee income of $1.5 million, or 242%. The increase in card fee income was primarily driven by residual fees related to wind-downs from two of our non-strategic ***programs***. The Company expects fiscal ***year*** 2018 total card fee income to be between $95.0 million and $101.0 million. The increase in tax product fee income was primarily due to the volume of pre-season tax advance loans originated during the first quarter of fiscal 2018 compared to the first quarter of fiscal 2017. All of these loans are also being held during fiscal 2018, as opposed to the previous ***year*** when many of these loans were sold, which also contributed to the increase.Non-Interest ExpenseNon-interest expense increased $7.3 million, or 20%, to $44.0 million for the 2018 fiscal first quarter, compared to the same quarter in 2017. This increase was largely caused by a $4.5 million increase in compensation expense, a $1.0 million increase in card processing expense and a $0.9 million increase in occupancy and equipment. The increase in compensation expense was primarily due to a full quarter of expenses related to the EPS Financial ("EPS") and Specialty Consumer Services ("SCS") acquisitions, both of which closed during the first quarter of fiscal 2017, along with increased staffing to support the Company&#39;s growing business initiatives. The integration of EPS and SCS allowed the Company to gain scale in the tax services divisions this ***year*** and the Company expects to gain further efficiencies during fiscal 2018. The Company expects fiscal ***year*** 2018 total card processing expense to be between $23.0 million and $27.0 million. See Select Quarterly Expenses table for a breakdown of anticipated select expenses for future quarters.Income tax expense for the fiscal 2018 first quarter was $5.7 million, resulting in an effective tax rate of 54.9%, compared to $0.3 million, or an effective tax rate of 21.6%, for the 2017 fiscal first quarter. The increase in the effective tax rate is primarily due to a non-recurring income tax expense of approximately $3.6 million from a reduction in the value of certain deferred tax assets as a result of the Tax Act. The Company will continue to analyze the financial impact of the Tax Act. As the Company's fiscal ***year*** end falls on September 30, the statutory federal corporate rate for fiscal 2018 will be prorated to 24.53%.LoansTotal loans receivable, net of allowance for loan losses, increased $393.2 million, or 36%, from $1.11 billion at December 31, 2016, to $1.50 billion at December 31, 2017. Among lending categories, this included a $213.5 million, or 48%, increase in commercial real estate loans from $440.5 million at December 31, 2016, to $654.0 million at December 31, 2017. Also contributing to the loan growth was a $101.8 million, or 59%, increase in consumer loans, $56.7 million of which was attributable to the purchased student loan portfolios and $44.0 million of which was attributable to refund advance loans, an increase in commercial insurance premium finance loans of $56.2 million, or 31%, from $179.5 million at December 31, 2016, to $235.7 million at December 31, 2017, and an increase in residential mortgage loans of $31.1 million, or 18%. The growth in net loans receivable from December 31, 2016, to December 31, 2017, was partially offset by a decrease of $11.6 million, or 12%, from $97.6 million to $86.0 million in total ***agricultural*** loans, which made up only 1.59% of total assets at December 31, 2017. Excluding the purchased student loan portfolios and refund advance loans, total loans receivable, net of allowance for loan losses, at December 31, 2017, would have increased $293.1 million, or 30%, compared to December 31, 2016. Community banking loans increased $223.3 million, or 29%, from $769.3 million at December 31, 2016, to $992.6 million at December 31, 2017.The Company recorded a provision for loan losses of $1.1 million during the three months ended December 31, 2017, compared to a provision for loan losses of $0.8 million for the three months ended December 31, 2016. The current provision was predominantly related to the reserve on tax advance loans.The Company's allowance for loan losses was $8.9 million, or 0.6% of total loans, at December 31, 2017, compared to an allowance of $6.4 million, or 0.6% of total loans, at December 31, 2016. This increase was primarily due to the additional provision expense related to tax advance loans as well as growth in the loan portfolio.Credit QualityMetaBank's NPAs at December 31, 2017, were $33.3 million, representing 0.61% of total assets, compared to $2.3 million and 0.05% of total assets at December 31, 2016, and $37.9 million and 0.72% at September 30, 2017. The increase in NPAs from the comparable previous ***year*** period was primarily related to a large well-collateralized ***agricultural*** loan relationship being more than 90 days past due, which was still accruing at December 31, 2017. On January 2, 2018, a deed in lieu of foreclosure was executed on the collateral for this relationship. Upon execution of the deed in lieu, Meta took ownership of the properties serving as collateral and ***transferred*** the loans to foreclosed real estate and repossessed assets. If the properties are sold prior to the end of the agreed-upon receivership period set forth in the settlement agreement as expected, the Company will be entitled to all principal, note interest, legal and other fees and expenses. After the receivership period ends, if the properties are not sold, the Company will be entitled to the fair value of the properties, which the Company believes to be significantly in excess of all principal, note interest, legal and other fees and expenses. The ***Payments*** segment had no NPAs at December 31, 2017, December 31, 2016, or September 30, 2017.InvestmentsInvestment securities and MBS increased by $159.1 million, or 8%, to $2.24 billion at December 31, 2017, as compared to $2.08 billion at December 31, 2016. This included an increase in investment securities of $211.8 million, primarily from purchases of high credit quality, non-bank-qualified ("NBQ") municipal securities and government-related asset-backed securities. This increase was offset in part by a decrease in MBS of $52.7 million as sales and paydowns exceeded purchases.During the first quarter of fiscal 2018, the Company early adopted Accounting Standard Update ("ASU") 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." Due to the early adoption of the ASU, the Company ***transferred*** $204.7 million of investment securities and $101.3 million of MBS from HTM to AFS during the first quarter of fiscal 2018. This change allows for enhanced balance sheet management and provides the opportunity for more liquidity, should it be needed.Average TEY on the securities portfolio increased one basis point to 2.93% in the first quarter of fiscal 2018 from 2.92 in the same quarter of 2017. Overall TEY decreased by 20 basis points from 3.43 to 3.23% in the first quarter of 2018 compared to the same period of 2017 primarily due to a decrease in non-MBS investment securities due in part to the effects of the Tax Act. Average yields increased within MBS by 30 basis points to 2.21% in the first quarter of 2018 from 1.91% in the same quarter of 2017.The TEY on the securities portfolio of 2.93% for the first fiscal quarter of 2018 reflects the lowered corporate prorated tax rate on the Company&#39;s tax-exempt municipal portfolio. Had corporate tax rates not changed due to the Tax Act, reported securities portfolio yield would have been 3.25%, and the TEY of investment securities would have been 3.69% at the previous corporate rate. The 3.23% overall TEY of investment securities reflects the lowered corporate prorated tax rate.Average TEY on the securities portfolio decreased by 26 basis points to 2.93% from 3.19% when comparing the 2018 fiscal first quarter to the 2017 fiscal fourth quarter. Investment securities TEY decreased 42 basis points to 3.23% in the first quarter of fiscal 2018 from 3.65% in the fourth quarter of fiscal 2017, and MBS decreased two basis points to 2.21% from 2.23% when comparing the 2018 fiscal first quarter to the 2017 fiscal fourth quarter. These decreases quarter over quarter in the overall securities portfolio TEY and investment securities TEY were due to the lowered corporate tax rates.During the 2018 fiscal first quarter, the Company continued to purchase high-quality investments within certain sectors of the municipal market, at what it believes to be attractive yields. Many of these new purchases are tax-exempt and also backed, or collateralized, by Ginnie Mae, Fannie Mae, and Freddie Mac, thereby enhancing credit quality. Many of these securities, while tax exempt, also pay monthly principal and interest providing timely cash flows which in turn can fund continued loan growth. Many of these same securities are also eligible to be pledged at the Federal Home Loan Bank of Des Moines, which would enhance the Company&#39;s liquidity. The Company also has opportunistically and carefully selected certain government-related and guaranteed floating rate securities at yields that are expected to enhance the portfolio&#39;s projected performance in a rising interest rate environment.The Company continues to execute its investment strategy of primarily purchasing U.S. Government-related securities and U.S. Government-related MBS, as well as AAA- and AA- rated NBQ municipal bonds; however, the Company also continues to review opportunities to add other diverse, high-quality securities at attractive relative rates when opportunities arise. With the Company's large percentage of non-interest-bearing deposits, and even with the lower corporate tax rate, the TEY for these NBQ bonds is higher than a similar term investment in other investment categories of similar risk and higher than many other banks can realize on the same instruments due to the Company's current cost of funds and its projected cost of funds if interest rates rise.Deposits, Other Borrowings and Other LiabilitiesTotal end-of-period deposits decreased $149.5 million, or 4%, to $3.51 billion at December 31, 2017, compared to $3.66 billion at December 31, 2016. The decrease in end-of-period deposits was primarily a result of a decrease in wholesale deposits of $506.6 million, or 55%, primarily due to timing and added efficiencies of acquiring these wholesale deposits. Offsetting the decrease in wholesale deposits in part was an increase in non-interest-bearing deposits of $306.4 million, or 12%, an increase in interest-bearing checking of $43.3 million, or 105%, and an increase in certificates of deposits of $5.9 million, or 5%.Similar to fiscal 2017, the Company utilizes wholesale deposits to target strategic maturities related to our seasonal tax advance lending. The tax advance lending season typically lasts six weeks or less and the Company believes it is generally more efficient to fund these short-term loans by using brokered deposits, or other wholesale funding, rather than by selling investment securities. The decrease in wholesale deposits at December 31, 2017 compared to the same period of the prior ***year*** was primarily driven by the timing and added efficiencies of acquiring these wholesale deposits. Similar to September 30, 2017, the Company also temporarily repositioned the balance sheet at the end of the 2018 fiscal first quarter to prepare for the upcoming seasonal tax lending activity.Total average deposits for the fiscal 2018 first quarter increased by $432.4 million, or 16%, compared to the same period in 2017. Average non-interest-bearing deposits for the 2018 fiscal first quarter were up $272.3 million, or 13%, compared to the same period in 2017.The average balance of total deposits and interest-bearing liabilities was $3.62 billion for the three-month period ended December 31, 2017, compared to $3.06 billion for the same period in the prior ***year***, representing an increase of 18%. This increase was primarily due to an increase in non-interest-bearing deposits of $272.3 million and an increase in Federal Home Loan Bank advances of $248.9 million.

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**Body**

Opportunities to invest in health care for Egypt's 96m citizens continue to increase as the population grows and applies pressure on existing hospital infrastructure, including updating technology, training and retaining skilled personnel. Attracting new market participants will be critical to meet new demands brought on by the changing patterns in hospital visits as the government implements universal health insurance coverage.

**Key Stakeholders**

Egypt's health care system is composed of a variety of public and private entities. The primary government actor is the Ministry of Health and Population (MoHP), which dictates health policy and provides most of the country's services at free, public hospitals. According to the latest data available from Egypt's Central Agency for Public Mobilisation and Statistics (CAPMAS), in 2015 public facilities provided 75% of Egypt's available hospital beds - a total of 93,267 out of 124,361. That same ***year***, CAPMAS reported the government paid LE4.5m ($297,000) in treatment costs for citizens receiving public care within Egypt. The management of hospitals is split between the Ministry of Higher Education (MoHE), which oversees university teaching hospitals such as Qasr El Eyni at Cairo University, while the Ministry of Social Affairs (MoSA) is responsible for religiously affiliated and other charitable organisations that provide health services. The landscape of private facilities continues to grow and diversify, including both for-profit and not-for-profit providers, ranging from large international hospitals such as Children Cancer Hospital Egypt 57357, located in old Cairo and achieving high cancer cure rates in benign brain tumours, to smaller NGO-funded clinics. As of 2015 the number of private facilities that provide beds had reached 60.3% of the total, from 49.9% in 2003. However, the number of beds in those same facilities account for just 25% of the overall number of beds available.

**Government Expenditures**

Egypt's constitution, updated in 2014, guarantees each citizen the right to quality health care and mandates that government spending on health care reach at least 3% of GDP. Although other countries in the region regularly meet or exceed this target - Turkey, spent 4.3% of GDP on health in 2016 and Jordan's expenditure 7.5% in 2014 - in recent history Egypt has fallen short of this goal. This has prompted criticism from health care professionals and international organisations. The World Bank estimates Egypt's public expenditure on health care amounted to 2.2% of GDP in 2014 compared to the global average of 6%. According to the World Health Organisation (WHO), in 2016 health spending was 5.6% of the overall government expenditure, with the FY 2016/17 budget allocating LE53.3bn ($3.5bn) to sector spending, representing 5.7% of total government expenditure, or 1.6% of GDP.

However, there are indications this is improving. As part of the FY 2017/18 budget, the MoHP announced the health sector would receive LE103bn ($6.8bn), equivalent to 2.5% of an anticipated 2018 GDP of LE4.1trn ($270.1bn), or 5.7% of total government spending. Continuing the upward trend, the 2017 budget for university hospitals is LE9.9bn ($652.2m), up 16.4% from 2016. In addition to plans for increased budgetary expenditures, in May 2017 Dr Ahmed Emad Eldin Rady, the minister of health, announced the MoHP plan to produce a map of existing medical capabilities in order to determine the specific needs of each gover-norate. The ministry has also committed to developing additional research facilities, announcing in September 2017 that in the 2014-17 period it had established 17 new hospitals, reaching a total of 106. At the time of the announcement, four additional university hospitals were ready to be inaugurated, including a National Liver Institute Hospital at Menoufia University, Kafr El Sheikh University Hospital, Al Rajhi Hospital in Assiut, and the New Children's Hospital at Ain Shams University.

**Basic Care Status**

Egypt has achieved success in reaching international health benchmarks set by the WHO, including substantially reducing child and maternal mortality rates while maintaining a low prevalence of HIV/AIDS. UNICEF's 2017 "Statistical Digest" highlighted maternal mortality in 2015 was down to 49 maternal deaths per 100,000 live births, far below the global rate of 70. Similarly, deaths for children under the age of one per 1000 live births declined significantly from 63 in 1990 to 15.8 in 2016. In addition, according to the Institute for Health Metrics and Evaluation (IHME), 2016 saw the average life expectancy reach 75 ***years*** for Egyptian women and 69.4 ***years*** for men, both above the global average.

However, as also noted by the IHME, Egypt has not yet closed the gap between its level of access to quality health care and the best possible level of provision. The discrepancy between urban and rural access and quality persists, particularly in Upper Egypt, as well as access based on economic means. According to the US Agency for International Development (USAID), low-income women are 20% less likely to receive regular antenatal care than high-income women, while mortality rates for children under five are 19 deaths per 1000 live births for the wealthiest quintile compared to 42 deaths for the poorest.

CAPMAS also notes that of Egypt's 1397 first aid centres, the most crowded are in the Upper Egypt governorates of Minya, Asyut and Sohag. The minister of health highlighted that upgrades to Egypt's 3642 intensive care units from 2015 to 2017 have increased the percentage of units that are active and accessible from 40% to 95%. Another basic-care shortcoming comes in the form of child and adult nutrition. Despite becoming a middle-income country in the 2000s, Egypt has experienced an increase in both chronic undernutrition and overnutrition. In 2016 the International Food Policy Research Institute (IFPRI) identified Egypt's longstanding food subsidy ***programme*** as a fundamental part of the problem; subsidised items which include staples like bread, sugar, edible oil and rice are high in calories but low in nutritional value. Changes made to the food subsidies in 2017 should help to address this issue moving forward (see ***Agriculture*** Chapter).

**Medical Staff & Training**

In addition to the need for increased hospital space and beds (see analysis), the health care sector faces a key challenge when it comes to staffing. Dr Mohamed Sherief, vice-president of the private Misr International Hospital in Cairo, told OBG, "In Egypt the ratio of hospital beds to people is already low by international standards, and the personnel compared to the number of beds is lower still."

Indeed, the latest data from the CIA World Factbook puts Egypt's physician density at 0.81 physicians per 1000 people, well below many of its neighbours, including Jordan at 2.65, Turkey at 1.75 and the UAE at 1.56. Estimates from financial services firm Colliers International indicate that to manage the new hospital space needed over the next 10 ***years***, Egypt will require an additional 6000 doctors across all governorates each ***year***, with Cairo and Giza alone requiring 1100. Sherief highlighted the nurse shortage as particularly acute; latest figures from the WHO put Egypt's nurse density at 14.8 per 10,000 people, one of the lowest in the MENA region. The WHO has cited a variety of reasons for this low figure, including minimal pay and a lack of social respect for nurses, as well as high turnover at the MoHP preventing the passage of reforms to improve working conditions.

Sherief told OBG that sourcing international talent had been made more all the more challenging by the November 2016 devaluation of the Egyptian pound, explaining, "Before the devaluation, we were bringing some nurses from abroad, but after, salaries for foreign staff are very high; average international salaries are around $700-800 per month, making them often three times as expensive as Egyptian nurses."

**International Interest**

As with other sectors of the economy, the currency flotation in combination with other pro-business policies, such as the New Investment Law (Law No. 72 of 2017) passed in May 2017 has made Egypt's health care space a more attractive market for international investors. GCC investors remain especially active in building the supply of hospital infrastructure. The Cleopatra Hospitals Group, owned by Dubai-based Abraaj Group, has consistently invested in Egypt along with other players (see analysis). In addition to physical infrastructure, there has been increased interest in the pharmaceuticals sector. During an August 2017 visit, representatives of US pharmaceuticals companies hinted at possible investments in Egypt, while British manufacturer GlaxoSmithKline announced that their investments in the country had reached $800m, with the company expressing a desire to expand further into the pharmaceuticals sector.

Health care also remains a popular sector for international development agencies, despite August 2017 headlines of the US holding back aid delivery. In September 2017, USAID signed a $6m agreement to support the continuing MoHP efforts to improve women's and reproductive health. As part of a $400m World Bank ***programme***, the authorities launched a conditional cash ***transfer*** scheme that offers regular ***payments*** to families based on their use of maternal and child health care services in an effort to improve nutrition and health outcomes.

**Insurance Update**

Supervised by the MoHP, Egypt's public Health Insurance Organisation (HIO) was established in 1964 to oversee the provision of health insurance to workers in the formal sector. In recent ***years***, private insurance companies have become increasingly popular, with the Egyptian State Information Service estimating that 30% of the population is enrolled in private health insurance plans. However, according to IHME, out-of-pocket spending still comprises the largest portion of financing health care each ***year*** at $30.2bn out of a total $51.8bn. These figures are a significant reason behind Egypt's public commitment to achieving universal health coverage by 2030.

In May 2017 the minister of health announced a new draft law on medical insurance was under review by the State Council to be revised for referral to Parliament. If approved, the reformed health insurance system would cover the cost of treatment for citizens who cannot afford to pay as determined by the Ministry of Social Solidarity, which at that time had estimated this to be approximately 30-40% of the population. Ultimately, Egypt intends to implement the system via the use of electronic cards, following the model of countries such as France. A pilot project was recently launched in seven governorates as the first step towards the implementation of this long-promised, if controversial, universal health insurance initiative. Announcement of the proposed law has met with criticism, including from Egypt's Doctors Syndicate, both on how care will be administered, and the process by which hospitals are expected to handle a surge of new patients. Sherief of Misr Hospital told OBG, "I can serve 10,000 customers per day, but if tomorrow I found 100,000 at my door, I would not be able to provide service to anyone. People insured privately are currently around 20-30% of the population. If tomorrow these services are open to the whole population, this will be a real challenge."

**Pharmaceuticals Industry**

Dating back to 1939, today Egypt's pharmaceuticals industry is composed of 165 factories manufacturing products that meet just over 90% of the large and growing population's needs. However, the November 2016 currency devaluation hit the industry particularly hard, exacerbating a longstanding dispute over the issue of government-set prices for pharmaceuticals products.

Historically, the government did not allow the private sector to set prices for potentially life-saving medicines as it was determined to be too politically sensitive. However, from the perspective of Egyptian manufacturers, this has made for an unsustainable business environment as low prices have made profitability a challenge both from domestic sales and exports, since prices listed on the international market are tied to local prices. After a series of negotiations between pharmaceuticals industry representatives and the MoHP, Egypt announced price increases for a number of products in February 2017, covering 15% of domestically manufactured medicines and 20% of imported medicines, ostensibly to cover 30-50% of the value of the depreciation of the Egyptian pound.

While this was seen as progress, according to company leaders, profitability continues to be a challenge. Amal Saad, CEO of local company Riva Pharma told OBG, "There has been a 15% price raise for products, but given that the devaluation was more than 100%, we are back to earning even less than under previous prices. This has been even more challenging for some companies, given the price distortion resulting from different companies receiving different prices for the same generic products, with variances up to LE100 ($6.60)." In an effort to remain financially viable, companies have been adjusting production strategies.

Dr Mohamed Mabrouk, CEO of Pharmed Healthcare, told OBG, "Companies need to pursue parallel solutions, focusing both on export markets and registering new products for local markets at a price that allows for cost recovery." Despite challenges, Saad believes there are long-term opportunities in the pharmaceutical industry, particularly as a cost-effective producer of generics for export: "The industry can bring foreign currency to Egypt because we make good medicine at a low price. We are looking to developing markets that are ripe for entry in sub-Saharan Africa, as well as Yemen, Iraq, Sudan and Libya because they do not manufacture locally and Egyptian products are well received." Egypt is still developing as an export market; as of August 2017, local pharmaceuticals companies announced exports for the first half of 2017, worth $102m, were down 18.4% from $121m during the same period in 2016, with local press citing companies such as Egyptian International Pharmaceuticals Industries, Pharco Corporation and Medical Union Pharmaceuticals as the leading exporters, respectively. However, local market sales were stronger, reported at LE23.1bn ($1.5bn) over the first half of 2017, up by 26.8% from the same period the previous ***year***.

**Communicable Diseases**

Hepatitis B and C remain leading causes of death across the country. The WHO estimates that roughly 7% of Egyptians suffer from hepatitis C, a highly infectious blood-borne virus, making it the highest incidence in the world. This elevated rate is often attributed to infections contracted from the use of inadequately sterilised needles during mass campaigns to treat the chronic parasitic disease schistosomiasis between the 1960s and 1980s. A 2015 study from Egypt's National Liver Institute and US-based Centre for Disease Analysis estimated the economic burden of hepatitis C at 1.4% of Egypt's GDP. As with many diseases, according to the most recent Demographic and Health Survey (DHS), Upper Egypt suffers the most. However, a significant success story of recent ***years*** is been the successful local production of hepatitis C treatments. Mohamed Mabrouk of Pharmed Healthcare - one of the 18 companies with a licence from Gilead, the US innovator company of the treatment of hepatitis C, to locally produce the drug Sofosbuvir - told OBG, "Egypt has treated more than 1m patients from mid-2015 through the beginning of 2017." Egypt has also been working to translate this local success in treating hepatitis C into a larger medical tourism endeavour, promoting travel to Egypt for high-quality, low-cost treatment as a way to see the country's tourist sites.

**Non-Communicable Diseases**

Egypt's primary health challenge remains combating non-communicable diseases (NCDs), which are estimated to account for 82% of all deaths and 67% of premature deaths in the country, according to the WHO. The IHME reported the two leading causes of death in the country as NCDs: ischemic heart disease and cerebrovascular disease. Heart disease is diagnosed at double the rate of neighbours Jordan and Bahrain. As laid out in the most recent "Egypt Health Issues Survey" by the MoHP, hypertension, smoking and obesity remain major risk factors that can lead to life-threatening NCDs such as diabetes and cardiovascular disease. According to a 2017 study from the IHME's Global Burden of Disease research ***programme***, Egypt had the world's highest rate of obese adults, with 35% of the population categorised as such. A 2017 CAPMAS survey found that 20.2% of Egyptians over the age of 15, or 12.6m people, smoke, with the average annual expenditure on cigarettes a ***year*** per family standing at LE3968 ($261). In addition, around one in six Egyptians between the ages of 15 and 59 was classified as hypertensive, with 73% of men and 47% of women unaware of their condition.

**Outlook**

As the Egyptian population grows and the government continues to develop legislation for universal health coverage by 2030, there will be an increasing need for services and facilities, presenting widespread opportunities for provision of goods, services and training in both urban and rural settings.

One of the biggest success stories in recent ***years*** has been the local production of hepatitis C treatments, with more than 1m patients treated from mid-2015 to 2017

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**Body**

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Toomas Tõniste, Minister of Finance of Estonia, is participating in the ECON Committee in his capacity of the outgoing President of the ECOFIN Council following the Estonia’s Presidency (July - December 2017). Vladislav Goranov, Minister of Finance of Bulgaria, is participating in the ECON Committee in his capacity of the incoming President of the ECOFIN Council during the Bulgaria’s Presidency (January - July 2018). According to the Treaty of the Union “Member States shall regard their economic policies as a matter of common concern and shall coordinate them within the Council”. This briefing provides an overview of the main achievements of the Estonian Presidency, the Bulgaria Presidency priorities in the economic and financial areas, the recent developments under the European Semester, notably the implementation of the SGP and the MIP, as well as an overview of the progress made in the Banking Union. Finally, it presents the latest developments under the third financial assistance ***programme*** to Greece.  During its Presidency, Estonia worked with 377 different initiatives in total, including legislative initiatives, strategies and communications. The major event of the Estonian Presidency was the Tallinn Digital Summit held in September 2017, where EU leaders gathered to discuss how to ensure Europe’s competitiveness in today's era of rapid technological progress. Based on a document prepared by the Estonian Presidency, this section presents the main achievements in the area of “Open and Innovative European Economy”.  The Presidency will continue to promote optimal conditions for strong and sustainable economic growth in the EU through initiatives to strengthen and deepening the EMU, including risk reduction in the banking sector to complete the Banking Union as well as building the Capital Market Union.

 The Presidency aims at progressing in the area of indirect/indirect taxation, including the definitive Value Added Tax (VAT) system, the Administrative Cooperation Directive regarding automatic exchange of information as well as enhancing administrative cooperation in order to fight VAT fraud and take forward the work on taxation of the digital economy at technical level.  On 22 November 2017, the Commission presented the 'European Semester Autumn Package', thereby launching the eighth cycle of the European Semester. This package includes: the 2018 Annual Growth Survey; the 2018 Alert Mechanism Report; the draft Joint Employment Report; and A proposal for the amendment of the annual Employment guidelines. • At its meeting of 23 January, the ECOFIN Council is to adopt its conclusions on the 2018 Annual Growth Survey and 2018 Alert Mechanism Report, and approve draft Recommendation on the economic policy of the euro area. A separate EGOV document compares the draft Recommendation proposed by the Commission (COM) on 22 November 2017 with the draft recommendation revised by the Economic and Financial Committee (EFC) on 17 January 2018  Public finances, both in the EU and in the euro area, are projected to improve more than was expected in the spring, mostly thanks to the pick-up in growth. Since September 2017, only two euro area Member States (France and Spain) remain in the Excessive Deficit Procedure.  According to the Commission Opinions (of November 2017) on the 2018 Draft Budgetary Plans of euro area Member States, six Member States are compliant with the Stability and Growth Pact, six are broadly compliant with it and six are at risk of non-compliance.  The European Commission and the President of the Eurogroup stated end of last ***year*** that the EU fiscal rules should be reviewed and be made more effective and less complex in the longer term. These statements are in line with the first annual report of the European Fiscal Board which highlighted imperfections and scope for improvement of the EU fiscal framework.  In the context of the Macroeconomic Imbalance Procedure, the COM published in November 2017 the 2018 Alert Mechanism Report. Against the backdrop of an improved economic situation, the COM sees still rebalancing needs. Imbalances in Member States stem from excessive internal and external debts, current accounts surpluses, accelerating housing prices, increasing labour costs and still worrying unemployment rates.  The COM identifies twelve Member States for which it will undertake in-depth reviews: they are the same Member States that were experiencing excessive imbalances or imbalances in the previous Semester cycle.  The Council is expected to adopt conclusions on the macroeconomic imbalances at its meeting of 23 January 2018.  As regards the completion of the banking union, the Council’s recent Progress report sets out the issues for which compromises still have to be found among Member States before entering into negotiations with the European Parliament.  As regards the situation of non-performing loans (NPLs), the most recent EBA Risk Dashboard, showing the situation of European banks as per second quarter 2017, indicates that the wide dispersion of NPL ratios among countries remains a concern, even though there is a positive trend on average. Newer EBA data is expected to be released by the end of January 2018. On 18 January 2018, the Commission published its first Progress Report on the reduction of NPLs, announcing that it will deliver a comprehensive legislative package for tackling high NPL ratios by spring 2018.  Greece has so far received €40.2bn under the ESM ***programme*** (2015-2018). On 22 January 2018, the Eurogroup welcomed the implementation of almost all of the agreed prior actions for the third review, following the staff level agreement on the policy package that was presented to the 4 December Eurogroup. Notably, the Greek authorities have adopted the 2018 State Budget which is compliant with the agreed primary surplus target of 3.5% of GDP. The Eurogroup reconfirmed the importance of an ambitious comprehensive growth strategy with strong ownership from the Greek authorities. The Eurogroup calls on the Greek authorities to complete the outstanding prior actions as a matter of urgency. 1. Key macro-economic indicators 2. EU-28 MIP scoreboard Overview 3. Progress on EU 2020 Targets During its Presidency, Estonia worked with 377 different initiatives in total, including legislative initiatives, strategies and communications. The major event of the Estonian Presidency was the Tallinn Digital Summit held in September 2017, where EU leaders gathered to discuss how to ensure Europe’s competitiveness in today's era of rapid and game-changing technological progress. Under the Estonian Presidency, the Council agreed on 38 general approaches (a common position of the Council) and concluded 38 political agreements with the European Parliament. A total of 36 political conclusions were approved in the Council. Selected achievements in the area of “Open and Innovative European Economy” are presented below. For the full review, see a separate document (preliminary version) prepared by the Presidency. Regulations, Directives, Initiatives Result Content Services package (European services e-card; services notification procedure; proportionality test) Over to the Bulgarian Presidency The proposed measures aim to make it easier for service providers to navigate administrative formalities, and to help member states identify overly burdensome or outdated requirements on professionals operating domestically or across borders. EU-Japan Free Trade Agreement Text agreed, finalisation will take place during the Bulgarian Presidency The biggest bilateral trade agreement ever negotiated by the European Union, opens up the Japanese market for EU food and ***agriculture*** products as well as services and public procurements. EU exports to Japan can increase by as much as 32%. EU Association Agreement with Chile Mandate agreed and negotiations started Modern association agreement will cover a broad range of issues, such as trade, investments, social issues, digital policy, decent employment, education and space. Free Trade Agreements with New Zealand and Australia (mandate for starting negotiations) Over to the Bulgarian Presidency For the EU, the agreements could potentially generate a significant addition to the GDP (€4.9 billion) in the long term, increasing economic welfare by €4.8 billion. European Fund for Strategic Investments (EFSI) 2.0 Political agreement with EP Extending EFSI to the ***year*** 2020 and increasing the target to mobilise up to 500 billion euros for investments, to support SMEs, and other investment projects in the EU. Risk reduction measures (RRM) package Political agreement in two files; the rest of package over to the Bulgarian Presidency The RRM package aims to further reduce the risks in the banking sector in order to complete the banking union. Revision of Anti-Money Laundering Directive (AMLD) Provisional political agreement with EP The aim is to increase transparency and improve cooperation between member states on prevention of the use of the financial system for purposes of money laundering or terrorist financing. Mid-term review of capital markets union (CMU) action plan Council conclusions An action plan for improving the financing of the economy through more efficient market- based financing instruments. Modernising VAT for cross-border e-commerce Political agreement Businesses can pay VAT on their cross-border sales in their own country using a one-stop shop. A level-playing field for EU and third country e-commerce enterprises thanks to removing the VAT exemption for small purchases from third countries. VAT rates for e-books and e-publications Over to the Bulgarian Presidency Gives the possibility for member states to use reduced VAT rates for e-books and e-publications. EU list of non-cooperative jurisdictions for taxation matters Council conclusions The aim of the EU blacklist of tax havens is to prevent tax fraud and tax evasion so that no country remains on the list in the future and good tax governance becomes the new norm. Taxation of the digital economy Council conclusions International tax rules need to be updated to take developments in the digital economy into account, the concept of a virtual permanent establishment should also be explored. Definitive VAT system Over to the Bulgarian Presidency Change the current VAT system by taxing the sale of goods from one EU country to another in the same way as goods are sold within individual member states, thereby charging VAT on cross-border trade between businesses. Mandatory disclosure rules for tax planning intermediaries Over to the Bulgarian Presidency New transparency rules for intermediaries will oblige advisers and intermediaries to notify member states authorities about cross- border techniques they sell that may help their clients avoid tax. Synergies and simplification for cohesion policy post-2020 Council conclusions A common European set of core rules irrespective of the management mode should be considered for post-2020, rules for beneficiaries should be further simplified. Communication on the future of the Common ***Agricultural*** Policy (CAP) ‘The Future of Food and Farming’ Over to the Bulgarian Presidency Proposes a number of changes to CAP post- 2020, focusing primarily on making it simpler and ensuring the best value for money. Interim evaluation of Horizon 2020 Council conclusions Conclusions present increasing the impact of European research and innovation and key principles in preparing the ninth Framework ***Programme***. The communication will be published in December. EU budget for 2018 Political agreement with EP The main priorities of the 2018 financial ***year*** are to tackle migration and security, and to boost innovation, growth and employment in Europe. On 1 January 2018, Bulgaria took up the rotating presidency of the Council of the EU from Estonia for the first time since its accession in 2007. The Bulgarian Presidency is to encourage to maintain the attention on structural policies to strengthen longer-term growth and employment; to discuss the role of the ESM; to continue the discussion on the banking union and on the EMU's fiscal framework; to start the EU annual budget adoption process; to follow closely the progress of the adjustment ***programme*** in Greece and to be involved in post-***programme*** surveillance in Cyprus, Ireland, Portugal and Spain. The Bulgarian Presidency ***programme*** is part of the trio Estonia-Bulgaria-Austria, whose joint ***programme*** was officially approved on 20 June 2017 in the General Affairs Council. In terms of policy areas, the key Bulgarian priorities in the ECOFIN Council are as follows:  Advancing the debate on deepening the economic and monetary union with the aim to establish of a financial union as part of the completion of the Economic and Monetary Union as a follow-up to the European Commission’s package of 6 December 2017 and to streamline the process of work in accordance with the guidelines from the Euro Summit of 15 December 2017.  Securing a smooth implementation of the 2018 cycle for economic coordination -the European Semester, including the adoption of the conclusions on the Annual Growth Survey, on the Alert Mechanism Report and the Recommendation for the Eurozone.  To organise a thematic debate between the Ministers of Finance in March 2017 with a focus on the implementation of the Recommendations for 2017 and the adoption of the package of Country Specific Recommendations for the implementation of structural reforms and investments in the EU 2018-2019 in June 2018.  Continuing the efforts towards the completion of the banking union with a focus on reducing the risks in the banking sector and on developing a capital markets union including the discussion of the legislative proposal on clearing obligations and derivative reporting, the establishment of a framework for recovery and resolution of the central counterparties and supervisory oversight, as well as on the requirements vis-a-vis third-countries CCP.  Reaching a political compromise on the legislative package for risk reduction in the banking sector, making progress on the proposal for the establishment of a European Deposit Insurance Scheme (EDIS) as outlined in the COM Communication of 11 October 2017. Continuing work on the legislative proposal for the creation of a pan-European pension product.  Starting discussion on the review of the European System of Financial Supervision and on the proposal to introduce a new prudential regime for investment firms.  To achieve a general approach in the area of direct taxation on the proposal on the Administrative Cooperation Directive regarding automatic exchange of information linked with the reportable cross-border arrangements in the area of taxation, as well as to make progress on the draft Directive on a common corporate tax base. Giving priority to the topic of taxation of the digital economy at technical level on the upcoming COM proposal in this area, which is expected in early 2018.  Progressing in the area of indirect taxation to achieve significant progress on the first step of the introduction of the definitive Value Added Tax (VAT) system as well as on the proposal on enhancing administrative cooperation in order to fight VAT fraud. The 2017 CSRs, formally adopted by the Council on 11 July 2017, were prepared under the so-called streamlined Semester that is characterized, in particular, by: fewer and refocused recommendations1. In the context of the 2017 European Semester:  The COM further reduced the number of CSRs, from 89 under the previous cycle to 78 at present (see Table 1 below). This reduction has been achieved almost entirely by merging policy areas that were previously addressed separately into a single recommendation (see a separate EGOV note comparing the 2016 and 2017 CSRs);  Out of 78 draft 2017 CSRs, 76 recommendations are linked to policy areas that were already covered during the previous cycle (about 97%). Two Member States received a new policy recommendation each in 2017, namely Croatia, (CSR 3 - reform of the education system) and Malta (CSR 2 - supervision of internationally oriented business by financial institutions, licensed in Malta);  From the legal perspective, about 60% of the draft 2017 recommendations were underpinned by either the MIP or the SGP or both. The remaining 40% of CSRs were based on ‘Integrated guidelines’;  In addition to the customary ***yearly*** assessment of CSRs implementation, the COM introduced for the first time a multiannual approach to better take into account the fact that “implementing reforms takes time” (see the Commission Chapeau Communication on the 2017 European Semester). According to this new multiannual yardstick, “around two thirds of CSRs issued until 2016 have been implemented with at least ‘some progress’. Table 1: CSRs - some stylized facts Source: EGOV based on the European Commission. Note: The 2017 CSRs are yet to be approved and formally adopted by the Council. 1 In this regard, the Commission indicated that that it will continue to monitor policy areas not covered directly by CSRs in the Country reports and take them up via other policy processes, e.g Energy Union, Single Market, European Research Area and the Innovation Union (the COM Communication of 13 May 2015, p. 10). European SemesterTotal number of CSRsNumber of Member StatesAverage number of CSRs per Member State2012138236.04 (DE, SE)8 (ES)2013141236.13 (DK)9 (ES, SI)2014157266.03 (DK)8 (ES, HR, IT, PT, RO, SI)2015102263.91 (SE)6 (FR, HR, IT)201689273.31 (SE)5 (FR, HR, IT, CY, PT)201778272.91 (DK,SE)5 (HR, CY)Minimum number of CSRs per Member StateMaximum number of CSRs per Member State Box 2: Council/EFC conclusions on the 2017 European Semester On 10 October 2017, the Ecofin Council took stock of the 2017 European Semester policy monitoring process, with a view to making the exercise smoother and more effective. The conclusions were based on the issues presented in the letter by the President of the EFC, Thomas Wieser, to the President of the Ecofin Council, Toomas Töniste, and on reports prepared by the EPC and the EFC Alternates. In his letter, Thomas Wieser, points out that despite the recent improvements, “the real success of the European Semester can only be measured against actual implementation of the key reforms [...] In this respect we cannot yet call the Semester a success” as “the degree of implementation of CSRs varies across countries and policy areas, despite a welcome streamlining and focus of the CSRs.” To improve the national ownership of recommendations, he suggests: “[...] we need a clearer elaboration of why reforms in other Member States are essential to our own national development of growth and employment through positive spillovers across countries and sectors in the EU.” Finally, he also asks “How can we ensure that the focus, link and interdependence between [the euro area recommendations and the CSRs issued to individual euro area Member States] are made more clear? And that the Euro Area CSRs are truly pertinent to the Euro Area as a whole.” Box 1: Implementation of Country Specific Recommendations The European Parliament’s report on the economic policies of the euro area of 18 October 2017 (Rapporteur Hökmark) considered that “the uneven growth and employment situation in the euro area requires better coordination of economic policies, in particular through improved and consistent national ownership and sound implementation of the country-specific recommendations”. Under this perspective, the issue of CSRs implementation is, inter alia, a factor to address in order to help fostering convergence across EU Member States. While different methodologies have been proposed to gauge Member States’ reform implementation resolve, a ***yearly*** assessment based on simple arithmetic average shows that the share of recommendations on which Member States have made at least ‘some progress’ has declined from 70% to 45% between the 2012 and 2016 Semester cycles. While these results inevitably provide a reduced picture of complex reality, the key element is the declining trend. Chart: Annual CSRs implementation rate since 2012 Source: EGOV based on the Commission’s Country Reports. See a separate EGOV briefing note (Section 2) for a short discussion of methodological aspects related to the assessment of CSRs implementation from both ***yearly*** and multi-annual perspective. Full/Substantial progressSome progressNo/Limited progress11%60%29%20129%45%46%20136%45%49%20144%44%52%20152%43%55%2016 European Semester Autumn Package - Main elements On 22 November 2017, the Commission presented the 'European Semester Autumn Package', thereby launching the eighth cycle of the European Semester. It package consists of: 1. The 2018 Annual Growth Survey, which identifies the economic and social priorities for the next ***year***, namely: investments, structural reforms and responsible fiscal policies. According to the COM, this ‘virtuous triangle’ is delivering results but this approach should continue, given the different stages of the economic cycle faced by Member States. The improving macroeconomic environment presents the EU with a window of opportunity to reignite sustained economic and social convergence. 2. The 2018 Alert Mechanism Report: in the context of the Macroeconomic Imbalance Procedure (MIP), the COM identifies twelve Member States for which it will undertake in-depth reviews (IDRs), namely those Member States which were identified as experiencing imbalances or excessive imbalances in the previous round of the MIP2. 3. The draft Joint Employment Report: the Commission provides an overview of key employment and social developments in Europe, as well as of the reforms implemented by Member States. 4. A proposal for the amendment of the annual Employment guidelines. 5. The proposal for a Council Recommendation on the economic policy of the euro area. 6. A Communication on the Draft Budgetary plans of the euro area. Next steps under the 2018 Semester Cycle According to the Council European Semester 2018 roadmap, key steps until the March European Council are as follows: • 23 January 2018: ECOFIN Council - Draft Recommendation on the economic policy of the euro area: approval - Annual Growth Survey 2018 and Alert Mechanism Report 2018: Council conclusions • 28 February 2018 (tbc): - Publication of country reports by the COM, including, where relevant, IDRs under the MIP • 12-15 March 2018: EP plenary session - Joint debate on the European Semester 2018 (tbc) • 13 March 2018: ECOFIN Council - Implementation of CSRs drawing on the AMR and the country reports: exchange of views; • 22-23 March 2018: European Council - Exchange of views on the economic situation; - Guidance to Member States for their 2018 SCPs and NRPs; - Draft Recommendation on the economic policy of the euro area. A separate EGOV document compares the draft Recommendation proposed by the COM on 22 November 2017 with the draft recommendation revised by the EFC on 17 January 2018 and to be approved by the ECOFIN Council of 23 January 2018. 2 The countries concerned are Bulgaria, Croatia, Cyprus, France, Germany, Ireland, Italy, the Netherlands, Portugal, Slovenia, Spain and Sweden. Box 3: Draft ECOFIN Council Conclusions on the 2018 AGS and 2018 AMR In view of the ECOFIN Council meeting of 23 January 2018, the Economic and Financial Committee prepared draft Council conclusions on the 2018 AGS and draft Council conclusions on the 2018 AMR published by the COM. As to the 2018 AGS, the Council is expected, inter alia, to:  Broadly share the COM analysis of the policy priorities on which national and EU level efforts should continue to concentrate in 2018: boosting investment, pursuing structural reforms and responsible fiscal policies;  Welcome the stability over time in the AGS policy priority areas but stress that reform implementation remains uneven across the EU and that pressing economic and social priorities require decisive progress in implementing reforms to tackle the EU's structural challenges.  Call on Member States to take advantage of the relatively favourable economic climate to push forward with structural reforms to consolidate the recovery, tackle macroeconomic imbalances, and reignite sustained economic and social convergence, noting that evidence points to a more positive impact of reforms undertaken in good times. At the same time, the improving economic conditions call for the need to rebuild fiscal buffers, especially in highly indebted countries, to help our economies to be more resilient to shocks and to create space for increasing public investment, where relevant.  Welcome the principles of the European Pillar of Social Rights, proclaimed by the European Parliament, Council and the Commission at the Gothenburg Social Summit and stress the need to tackle the EU's economic challenges.  Underline the importance of monitoring performance and policy implementation, including implementation of the country specific recommendations, throughout the ***year***.  Look forward to a substantial discussion in the Council in March 2018 on the implementation of the country specific recommendations with a focus on productivity growth, with input from the Commission.  Encourage further efficient and open dialogue in the capitals between Member States and the Commission, and a continued involvement of national stakeholders. As to the 2018 AMR, the Council is expected, inter alia, to:  Broadly share the Commission's horizontal analysis of the adjustment of macroeconomic imbalances in the EU and within the euro area.  Note that risks have started to recede, but still remain present, and mainly originating from the same sources as in previous ***years***.  Stress that reform efforts should continue at pace to ensure the conditions for a durable pick-up in potential growth, and for expanding the room to tackle imbalances on a sustainable basis.  Underline that the MIP procedure should be used to its full potential, including with the corrective arm applied where appropriate. Box 4: Future of the EMU - Latest Eurogroup discussions (inclusive format) On 4 December 2017, the Eurogroup met, in an inclusive format, to discuss the future of the EMU so as to prepare the December 2017 Euro Summit, with a view to prepare a possible decision-making in June 2018. The Eurogroup on 22 January 2018 and ECOFIN on 23 January 2018 will continue this discussion. The President of the Eurogroup, Jeroen Dijsselbloem, pointed out in his press remarks following the Eurogroup meeting of 4 December that “A possible way forward would be to come to an agreement on a roadmap for the deepening of the EMU, starting from the roadmap for the banking union already agreed in 2016. As to the structure of work, three elements need to be discussed: the completion of the Banking Union, fiscal issues and the role of the ESM: 1) Banking Union - developing deeper the existing roadmap, in particular being more precise on the specific steps that need to be taken in terms of risk reduction. This would unlock next steps in terms of risk sharing; 2) Fiscal/EU budget - two elements to be discussed: a) new fiscal instruments. - there is currently no broad agreement as to their purpose, size and design. Instruments from the EU budget or EU credit lines from the budget will have to be part, inevitably, of the multi-annual framework debate, which already will be complex, due to Brexit; b) the complexity and effectiveness of the current fiscal framework. In general terms, there seems to be an agreement this framework should be credible, effective and not so complex. However, Ministers have not succeeded to make progress on this issue. The President of the Eurogroup suggested a possible way forward could be to ask an independent experts’ working group to come forward with an advice; 3) Role of the ESM - the ESM could act as a backstop to the SRF (there seems to be a broad agreement on this issue within the Eurogroup, though a progress would need to be made first on the COM banking package and the issue of non-performing loans). There is also a broad agreement the ESM should have an important role in financing, designing and monitoring ***programmes*** together with the COM (a joint approach based on an agreement between the two institutions). On 6 December 2017, the COM set out the “Roadmap for deepening Europe's Economic and Monetary Union“. This policy package includes four main initiatives: 1) A proposal to establish a European Monetary Fund (EMF), anchored within the EU's legal framework and built on the well-established structure of the European Stability Mechanism (ESM); 2) A proposal to integrate the substance of the Treaty on Stability, Coordination and Governance into the Union legal framework, taking into account the appropriate flexibility built into the SGP; 3) A Communication on new budgetary instruments for a stable euro area within the Union framework setting out a vision of how certain budgetary functions essential for the euro area and the EU as a whole can be developed within the framework of the EU's public finances of today and tomorrow; 4) A Communication spelling out the possible functions of a European Minister of Economy and Finance who could serve as Vice-President of the Commission and chair the Eurogroup, as is possible under the current EU Treaties. For an overview on the future of EMU, see a separate EGOV briefing. On 15 December 2017, the Euro Summit, held in inclusive format of 27 EU Member States, discussed the future of the economic and monetary union and banking union. 'The summit participants agreed with my proposal that in the next 6 months, the work of our finance ministers should concentrate on areas where the convergence of views is the greatest', Donald Tusk said. The areas on which there is a broad convergence of view are the following: 1) putting into operation a common backstop for the Single Resolution Fund, possibly in the form of a credit line from the European Stability Mechanism (ESM); 2) further developing the ESM, possibly to become a so-called European Monetary Fund and 3) further developing the Ecofin Council Roadmap of June 2016 on completing the banking union, including the gradual introduction of a European Deposit Insurance Scheme. The COM autumn 2017 economic forecast predicts that public finances, both in the EU and in the euro area, will improve more than was expected in the spring, mostly thanks to the pick-up in growth. In the EU as a whole, the public deficit is expected to fall from 1.2% of GDP in 2017 to 1.1% in 2018, while public debt is forecast to decline from 83.5% in 2017 to 81.6% in 2018. Drivers for these developments are lower interest expenditures, lower spending on unemployment benefits as labour markets continue to improve and the improved outlook for nominal GDP growth. The fiscal policy stance, as measured by the change in the structural balance, is expected to stay broadly neutral in the euro area as a whole over the forecast horizon; it has been broadly neutral since 2015, while it was expansionary between 2012 and 2014. In 2017, three EDP, out of which two related to euro area Member States, were abrogated:  On 16 June 2017, the Council closed, on the basis of COM proposals of 22 May 2017, the EDPs for Croatia and Portugal, confirming the deficits have dropped below 3%.  In September 2017, the Council closed the EDP for Greece, on the basis of a COM recommendation. Since then, only two euro area Member States are in EDP (France and Spain), compared to 24 Member States in 2011. For France, the deadline for correcting the excessive deficit is 2017 (relevant data will be available in April 2018), for Spain it is 2018. For more information, see separate SGP implementation table. The adjustment requirements under the SGP are inter alia set in structural terms, especially in the preventive arm. Table 2 overleaf shows changes in the structural balances as forecast by the COM and the structural efforts recommended by the Council under the preventive arm of SGP. While this comparison indicates that Germany, Estonia, Ireland, Lithuania, Luxem

bourg, Malta and the Netherlands are in line with the recommended effort by the Council, it does not prima facie mean that the other countries would be in breach of the respective Council recommendations. The assessment of compliance includes other aspects than the structural balance, such as: the magnitude of devi-ations, bottom-up assessments of individual measures, compliance with expenditure benchmarks, change in the primary structural balance (=structural balances adjusted by interest ***payments***) and relevant factors such as the implementation of reforms with a positive impact on the growth potential. For more information, see separate briefing Structural Budget Balances in EU Member States. Table 2: Structural budgetary efforts for 2017 and 2018 (based on the Autumn 2017 COM forecast)  The COM issued on 22 November 2017, on the basis of its autumn 2017 forecast, its Opinions on the 2018 DBPs of euro area Member States: Six countries (Germany, Lithuania, Latvia, Luxembourg, Finland and the Netherlands) are assessed to be compliant with the SGP, six countries (Estonia, Spain, Ireland, Cyprus, Malta and Slovakia) are assessed to be broadly compliant with it and six countries (Belgium, France, Italy, Austria, Portugal and Slovenia) are judged to be at risk of non-compliance. For Belgium and Italy, the COM opinions concluded on the Sources: COM Autumn 2017 forecast for the estimated and projected structural budget balances; country specific recommendations (CSRs) adopted by the Council in July under the preventive arm of the SGP (the country specific MTO and the quantitative fiscal effort requested by the Council are included in the recitals of the CSRs). Notes: 1In the case a Member State does not have a quantitative fiscal effort request for 2017 and/or 2018, it is indicated in the table as being “in line with its MTO” (this may cover cases (1) where the actual structural budget balance is above the target or (2) below the target due to temporar flexibility allowed in the preventive arm or (3) only with a minor deviation below the target). For other Member States, the Council has requested specific fiscal efforts in quantitative ***years*** (these specific requests for 2018 are included in the recitals of the 2017 CSRs). This table does not prejudge the COM compliance assessment, which follows an EU methodology (specified in 11/2016 for the corrective and the preventive arm by putting a stronger focus on the expenditure benchmark; see also Council statement of December 2016: “The structural balance indicator will remain an essential part of the fiscal surveillance framework”); 2 The MTO proposed by Slovenia amounts to 0.0, but the 2016 CSR for Slovenia states that this does not respect the requirements of the SGP; 0.25 sbp is the minimum MTO calculated by the COM ; 3 On 16 June 2017, the Council adopted a specific recommendation with a view to correcting the significant observed deviation from the adjustment path toward the medium-term budgetary objective in Romania. Member State MTO (structural budget position = sbp) Recommended annual structural effort (percentage points=pp) (to adjust towards or remain at the MTO for the Member States under the preventive arm of the SGP)1 Projections on the structural budget balance (Commission Autumn 2017 forecast) pp sbp pp Sbp 2017 (CSRs 2016) 2018 (CSRs 2017) 2017 2018 BE 0.0 sbp 0.6 pp 0.6 pp 0.6 pp -1.5 sbp 0.0 pp -1.5 sbp DE -0.5 sbp In line with its MTO In line with its MTO 0.0 pp 0.9 sbp 0.0 pp 0.9 sbp EE -0.5 sbp In line with its MTO In line with its MTO -0.7 pp -1.1 sbp -0.3 pp -1,4 sbp IE -0.5 sbp 0.6 pp 0.6 pp 0.6 pp -1.3 sbp 0,8 pp -0.5 sbp IT 0.0 sbp 0.6 pp 0.6 pp -0.4 pp - 2.1 sbp 0.1 pp -2.0 sbp CY 0.0 sbp In line with its MTO 0.2 pp -0.7 pp 0.4 sbp -0.4 pp 0.0 sbp LV -1.0 sbp In line with its MTO -0.3 -1.2 pp -1.8 sbp 0.0 pp -1.8 sbp LT -1.0 sbp In line with its MTO In line with its MTO -0.7 pp -0.9 sbp 0.0 pp -0.9 sbp LU -0.5 sbp In line with its MTO In line with its MTO -1.4 pp 0.6 sbp -0.3 pp 0.3 sbp MT 0.0 sbp 0.6 pp In line with its MTO -0.2 pp 0.6 sbp -0.5 pp 0.1 sbp NL -0.5 sbp 0.6 pp In line with its MTO -0.6 pp 0.3 sbp -0.5 pp -0.2 sbp AT -0.5 sbp 0.3 pp 0.3 pp 0.1 pp -0.9 sbp -0.1 pp -1.0 sbp PT 0.25 sbp 0.6 pp 0.6 pp 0.2 pp -1.8 sbp 0.0 pp -1.8 sbp SI2 0.25 sbp 0.6 pp 1.0 pp -0.1 pp -1.6 sbp 0.0 pp -1.6 sbp SK -0.5 sbp 0.5 pp 0.5 pp 0.4 pp -1.6 sbp 0.4 pp -1.2 sbp FI -0.5 sbp 0.6 pp 0.1 pp -0.6 pp -1.0 sbp -0.4 pp -1.4 sbp BG -1.0 sbp 0.5 pp In line with its MTO -0.1 pp 0.0 sbp -0.2 pp -0.2 sbp CZ -1.0 sbp In line with its MTO In line with its MTO -0.1 pp 0.8 sbp -0.4 pp 0.4 sbp DK -0.5 sbp 0.25 pp In line with its MTO -0.7 pp -0.5 sbp -0.1 pp -0.6 sbp HR -1.75 sbp 0.6 pp In line with its MTO -0.6 pp -0.9 sbp -1.0 pp -1.9 sbp HU -1.5 sbp 0.6 pp 1.0 pp -1.2 pp -3.2 sbp -0.4 pp -3.6 sbp PL -1.0 sbp 0.5 pp 0.5 pp 0.1 pp -2.1 sbp -0.2 pp -2.3 sbp RO3 -1.0 sbp 0.5 pp 0.5 pp -1.1 pp -3.3 sbp -1.0 pp -4.3 sbp SE -1.0 sbp In line with its MTO In line with its MTO -0.3 pp 0.8 sbp -0.2 pp 0.6 sbp basis of the autumn 2017 forecast (under the customary no-policy change assumption) that the debt reduction benchmark will be breached.  In a letter of 22 November 2017 to the Italian authorities, the COM informed about its intention to reassess Italy's compliance with the debt reduction benchmark in spring 2018. The letter states inter alia that “The adoption of the 2018 budget with no watering down on the key provisions will be crucial, as will its subsequent strict implementation to deliver a structural effort of at least 0,3 % of GDP. We would also like to underline the importance of avoiding backtracking on the important fiscal structural reforms, notably as regards pensions, which underpin the long-term sustainability of Italy’s debt.”  On 4 December 2017, the Eurogroup discussed the COM opinions on the 2018 DBPs. The Eurogroup statement indicates agreement with the COM opinions. In addition, the Eurogroup is concerned about a slow pace of debt reduction from high levels in a number of Member States and urges that they are decisively addressed in the current favourable economic situation. The Eurogroup noted that “the limited structural fiscal adjustment expected in 2018 in some Member States is worrying, in particular when coupled with high sustainability risks. The Eurogroup recalls in this context that the focus on debt reduction is an integral part of the SGP and calls upon the COM and the Council to apply the SGP in full.” The President of the Eurogroup drew the following conclusion after the Eurogroup meeting in inclusive format on 4 December 2017: “As regards fiscal governance, there was broad agreement that the credibility of our fiscal framework should be enhanced by making it more effective, less complex, and by increasing shared ownership while some have been advocating a stronger reliance on developing market-based fiscal discipline mechanisms. In my view, a possible way forward, which could merit further discussions, could be to ask a high-level working group of independent experts to provide advice along those criteria.” The recent “Further step towards completing the EMU: a roadmap”, published by the COM on 6 December 2017, reads: “Finally, the need to capture the diversity of economic circumstances, which was particularly pronounced during the crisis ***years***, has brought more sophisticated but also more complex fiscal rules at EU level over time. At times, this can play against national ownership of reforms and effective implementation. Stronger economic, fiscal and financial integration, together with market discipline, should pave the way for a review of the EU fiscal rules in the longer term, with the aim of a substantial simplification by 2025.” On 15 November 2017, the European Fiscal Board published its first annual report, centred on the last full annual surveillance cycle (2016). While noting that the framework contributed to the stability of the euro area, the report also highlighted the following imperfections and scope for improvement: “Application of the full range of flexibility clauses and other contingency provisions of the SGP revealed a degree of complexity that raised questions of transparency and equal treatment in the Council. Discretion and judgement came to play an increasingly important role, raising the issue of who was to exercise them, and how. The actual assessment of compliance with the SGP rules also drew increasing attention because it involves two indicators, or two different methods which, although conceptually equivalent, in practice often support diverging conclusions in terms of compliance or non-compliance. Again, the role of judgement in a system originally designed to be rules-based came increasingly to the fore. In procedural terms, several developments stood out. 1. Under the preventive arm of the SGP, the COM's ex post assessment of a flexibility clause granted to Italy did not provide a firm conclusion as to whether or not the required structural reforms had been implemented. 2. There were inconsistencies, across both time and several countries, in the way the two indicators for assessing compliance were used. 3. Cases of early and late submissions of DBPs gave rise to discussions among Member States in the autumn of 2015. The period during which plans were to be presented was made clear in September 2016, as were the specific rules for caretaker governments. 4. In May 2016, the COM put forward CSRs for Spain and Portugal which extended the deadline for correcting their excessive deficits, in conflict with the existing recommendations issued by the Council under Article 126 of the Treaty. 5. The COM delayed its assessment of effective action under the corrective arm of the SGP for Spain and Portugal until July 2016, despite having proposed already in May to extend the deadline for correction. 6. Member States with an insufficient rate of debt reduction –Belgium, Italy and Finland- were not placed under the corrective arm of the SGP, thanks to a broad interpretation of the other relevant factors. These points are significant but they need to be seen in the specific context of the 2016 surveillance cycle. As indicated above, 2016 was not a typical ***year*** in the history of the SGP. In one way or another, virtually all the limits implied by the rules turned into actual constraints putting a lot of pressure on Member States, the COM and the Council. The margins of the rules-based system have been explored and it is actually noteworthy that the number of significant cases was fairly limited.” The 2018 Alert Mechanism Report (AMR) is the seventh report since the entry into force of the Macroeconomic Imbalance Procedure (MIP) and launches the surveillance cycle aiming at preventing and correcting macroeconomic imbalances in the EU Member States. Based on the economic reading of the MIP scoreboard (which reflects data up to 2016 and is presented in Annex 2 to this document), the Commission identifies the Member States which are subject to further in-depth-review (IDR). This ***year***, IDRs will be carried out for those countries that showed imbalances in the 2017 Semester cycle, where:  Six countries (Bulgaria, Croatia, Cyprus, Italy, France and Portugal) presented excessive macroeconomic imbalances;  Six countries (Ireland, Spain, the Netherlands, Germany, Slovenia and Sweden) were experiencing macroeconomic imbalances;  Greece has been subject to surveillance in the context of the financial assistance ***programme***. In February 2018, the COM will publish the country reports, including IDRs, to decide whether imbalances or excessive imbalances exist. For those countries where imbalances exist, the COM carries out specific monitoring activities and may propose country specific recommendations under the MIP procedure. For countries that are assessed to experience excessive imbalances, the COM may propose to open the Excessive Imbalance Procedures (it would be the first time, see also Table 3 overleaf). The analysis of the macroeconomic situation points to an economic recovery that is becoming broader and more robust, as shown in the COM 2017 autumn forecast. Positive growth is due to a surge in world trade and the strengthening of domestic demand in the euro area. Nevertheless, the COM identifies several challenges that may pose risks to the recovery and the correction of macroeconomic imbalances: prospects for US fiscal and monetary policy, rebalancing in China and emerging economies with high corporate debt, geopolitical tensions and growing protectionist sentiments. Table 3: Commission's conclusions under 2012-2017 MIP - EU28 Member States1 No Imbalances Imbalances2 Excessive imbalances2 2012 2013 2014 2015 2016 2017 2012 2013 2014 2015 2016 2017 2012 2013 2014 2015 2016 2017 CZ\* CZ\* CZ\* CZ\* BE BE\* BE BE BE BE DE DE ES HR BG BG BG DE\* DE\* DK DK\* CZ\* CZ\* BG BG BG DE IE IE SI IT FR FR FR EE\* EE\* EE\* EE\* DK\* DK\* DK DK DE IE ES ES SI HR HR HR LV\* LV\* LV\* LV\* EE EE\* ES FR IE ES NL NL IT IT IT LT\* LT\* LT\* LT\* LV\* LV\* FR IT ES HU SI SI PT PT PT LU\* LU\* LU LU\* LT\* LT\* IT HU FR NL FI SE CY CY MT\* AT\* MT MT\* LU\* LU\* CY MT HU RO SE NL\* PL\* AT\* AT\* HU HU\* HU NL NL SI AT\* SK\* PL\* PL\* MT\* MT\* SI FI FI FI PL\* SK\* SK\* AT AT\* FI SE SE SE SK\* PL\* PL\* SE UK UK UK RO RO\* UK SK\* SK\* UK UK\* FI Source: EGOV based on the Commission’s IDRs. 1 Member States under financial assistance ***programmes*** are not subject to MIP 2 The table refers to the streamlined categories applied from the 2016 cycle onwards. (\*) Countries not considered at risk of macroeconomic imbalances, therefore not subject to in-depth reviews according to the AMR. Chart 1: MIP scoreboard - Member States with values beyond the thresholds Source: European Commission 2018 AMR. The MIP scoreboard (see Chart 1 above) and the Commission’s analysis show that:  As far as the current accounts and external positions are concerned, the adjustment in countries with high external deficits has made further progress, compared with previous ***years***: only the UK shows values beyond the MIP threshold. In contrast, elevated current accounts surpluses continue in some countries: Denmark, Germany, Malta and the Netherlands. Stocks of external liabilities remain high in some countries.  Private debt is decreasing, but at a slow and uneven pace. The Commission points that “deleveraging is not always proportional to needs”, and “is faster in the corporate sector than in Euro Area Member StatesExternal imbalances indicatorsCACurrent Account Balance as % of GDP, 3 ***years*** averageBENIPNet International Investment Position as % of GDPBGDERERReal Effective Exchange Rate with HICP deflatorsEEIEEXPExport Market Shares, 5 ***years*** changeIEELULCNominal Unit Labour Cost, 5 ***years*** changeELBEESESDKFRInternal imbalancesHRBGIEHRHOUChange in deflated House Prices, % y-o-y CYCZESITELCREPrivate Sector credit Flow as % of GDPLVIEFRCYESPRDPrivate Sector Debt as % of GDPLTLVCYHUFRGGDGeneral Government Debt as % of GDPHUHULUNLHRTFSLTotal Financial Sector Liabilities, % y-o-y changeDKPLATNLATITDEPTPTPTPTCYEmployment indicatorsMTROIEELEEROFISILVACTActivity rate % of total population (age 15-64), 3 ***years*** changeNLSICYFILVSKSEFIATPTLTULong Term Unemployment Rate (age 15-74), 3 ***years*** changeUKSKLTSELTSEUKUKHUCYFILUSKYUNYouth Unemployment Rate (age 15-24), 3 ***years*** changeCANIPREREXPULCHOUCREPRDGGDTFSLACTLTUYUNUNEUNEUnemployment rate, 3 ***years*** average the household sector, thereby underpinning low investments”. Public debt is declining in most, not all, high-debt countries. In nine Member States, high public debt combines with high private debt, suggesting general deleveraging needs.  House price are accelerating in most Member States, with several cases pointing at over-evaluation (Austria, Belgium, Denmark, Finland, Hungary, Luxembourg and the UK).  Dynamics in labour costs require close analysis in some countries: Estonia, Hungary, Latvia, Lithuania and Romania.  In several EU countries, the banking sector continues to face challenges linked to low levels of profitability and large stocks of NPL, which are declining but remain elevated.  Unemployment indicators and activity rates are showing a general improvement, but there are wide differences among and between Member States. Wage growth remaining subdued even in countries with low unemployment. For the euro area, the Commission notes that it continues to have the world's largest current account surplus. It peaked at 3.3% in 2016 and is expected to decrease to 3.0%, this ***year***. The euro area surplus should be reduced by adjustments in the net-creditor countries, while net-debtor countries are required to reduce their large stocks of external liabilities. On 18 December 2017, the Council renewed Elke König's term of office as chairperson of the EU's single resolution board. On 7 December 2017, the Council adopted two legislative acts on banking  a directive on the ranking of unsecured debt instruments in insolvency proceedings (bank creditor hierarchy);  a regulation on transitional arrangements to phase in the regulatory capital impact of the IFRS 9 international accounting standard. With regard to the COM banking reform package, the Council discussed on 5 December 2017 a progress report (dated 29 November 2017), which sets out the open issues in the Council where compromises still have to be found, such as the macro-prudential framework and Pillar 2 (O-SII Buffer Cap and O-SII buffer cap for subsidiaries; additivity and overall cap of O-SII buffer and SRB), implementation of Basel reforms.3 Regarding legacy issues, the Council received a state of play on non-performing loans (NPLs) on 27 November 2017, which is not publically accessible. However, according to the Presidency of the Council that update shall be without prejudice to a comprehensive stock-take of the evolution of NPLs in the European Union, to the restructuring of banking sectors in this context and to the development of secondary markets for NPL transactions which, in accordance with the Council's Action plan, should take place at the January 2018 ECOFIN meeting. The most recent EBA Risk Dashboard (see table below), showing the situation of European banks per second quarter 2017, indicates that the quality of banks’ loans portfolios, and in particular the wide dispersion of NPL ratios among countries remains a concerneven though there is a positive trend on 3 Financial Risk in the Trading Book phase-in; Net Stable Funding Ratio for derivatives as well as repos and reverse repos), capital and liquidity waivers in CRR, exemptions from the CRR/CRD regarding its scope, the minimum requirement for own funds and MREL calibration (Scope of MREL Pillar 1 requirement; impact of breaching the Market Confidence Buffer on restrictions to the Maximum Distributable Amount; sanctions to MREL breaches; the link between the MREL requirement and minimum 8% bail-in rule, as well as subordination. average. Newer EBA data for the third quarter 2017 is expected to be released by the end of January 2018. On 18 January 2018, the Commission published its first Progress Report on the reduction of NPLs in Europe, which shows that - while the situation has overall improved - NPLs continue to pose risks to economic growth and financial stability. Moving forward, the Commission focusses on policy actions set out in the Council Action Plan: The Commission aims to deliver a comprehensive package for tackling high NPL ratios by spring 2018, covering the set-up of national Asset Management Companies, measures to develop secondary NPL markets, to improve data availability, and to enhance the protection of secured creditors, as well as the introduction of statutory prudential backstops for the provisioning of NPLs. Table 4: Asset quality: non‐performing loans ratio by country (EBA sample of 189 European banks; % of gross carrying amounts other than held for trading of loans and advances) NPL Ratio NPL Ratio Sep-16 Dec-16 Mar-17 Jun-17 Sep-16 Dec-16 Mar-17 Jun-17 AT 5,8% 5,1% 4,6% 4,3% IT 16,4% 15,3% 14,8% 12,0% BE 3,4% 3,2% 2,9% 2,8% LT 4,1% 3,8% 3,7% 3,3% BG 13,2% 12,5% 12,4% 12,4% LU 1,2% 1,1% 1,1% 1,1% CY 46,7% 45,0% 43,8% 42,7% LV 3,6% 3,2% 2,9% 2,7% CZ 2,5% 2,5% 1,8% 1,7% NL 2,6% 2,5% 2,4% 2,5% DE 2,5% 2,5% 2,4% 2,2% NO 1,7% 1,9% 1,8% 1,8% DK 3,2% 3,1% 2,9% 2,7% PL 6,5% 6,1% 6,2% 6,0% ES 5,9% 5,7% 5,5% 5,4% PT 19,8% 19,5% 18,5% 17,5% FI 1,5% 1,6% 1,6% 1,7% RO 10,7% 10,1% 9,9% 8,9% FR 3,9% 3,7% 3,5% 3,4% SE 1,0% 1,0% 0,8% 0,9% GB 2,2% 1,9% 1,8% 1,7% SK 4,6% 4,2% 4,1% 3,8% GR 47,1% 45,9% 46,2% 46,5% EE 1,4% 1,3% 1,3% 1,3% HR 10,5% 10,1% 10,4% 9,8% SI 16,3% 14,4% 13,5% 13,3% HU 12,8% 11,5% 11,9% 10,8% MT 4,6% 4,4% 4,2% 3,9% IE 14,4% 12,2% 11,5% 11,7% EU 5,4% 5,1% 4,8% 4,5% Source: EBA Risk Dashboard, data as of Q2 2017; statistical annex, p. 30 Disclaimer and Copyright The content of this document is the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. It is addressed to the Members and staff of the EP for their parliamentary work. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy. © European Union, 2018. Contact: [*egov@ep.europa.eu*](mailto:egov@ep.europa.eu) This document is available on Internet at: [*www.europarl.europa.eu/supporting-analyses*](http://www.europarl.europa.eu/supporting-analyses) The third ***programme*** review started in September 2017. Greece has so far received €40.2 billion under the current ***programme*** (and paid back €2 billion following the sale of an asset by one bank that took part in the 2015 banking recapitalisation). On 22 January 2018, the Eurogroup welcomed the implementation of almost all of the agreed prior actions for the third review, following the staff level agreement on the policy package that was presented to the 4 December Eurogroup. Notably, the Greek authorities have adopted the 2018 State Budget which is compliant with the agreed primary surplus target of 3.5% of GDP. The Eurogroup reconfirmed the importance of an ambitious comprehensive growth strategy with strong ownership from the Greek authorities. The Eurogroup calls on the Greek authorities to complete the outstanding prior actions as a matter of urgency. Following the full implementation of the prior actions and subject to the completion of national procedures, the ESM governing bodies are expected to endorse the supplemental MoU and approve the disbursement of the fourth tranche of the ESM ***programme*** amounting to €6.7 bn. It will be disbursed to Greece in two steps, starting with a first disbursement in February of €5.7 bn to cover debt servicing needs, to allow the further clearance of arrears and to support the build-up of the cash buffer of the Greek State, in order to support Greece's return to the market. The Eurogroup will now turn its attention to the final stages of the ESM ***programme***, which is expected to end in August 2018. The Eurogroup confirms the start of the technical work by the EWG on the growth-adjustment mechanism, as part of the medium-term debt relief measures to be implemented, if needed, following the successful conclusion of the ***programme***, in line with the agreement in the Eurogroup of 15 June 2017. The Eurogroup invites the European institutions and the IMF to take into account the holistic Greek growth strategy when updating the Debt Sustainability Analysis. In June 2017, the Eurogroup finalised its discussion on the second review. It welcomed the adoption of the prior actions for the second review by Greece's parliament. It also invited Greece and the institutions to develop and support a holistic, growth enhancing strategy. On debt measures, it reiterated that they would be implemented after successful completion of the ***programme***, if a new debt sustainability analysis were to confirm that such measures are necessary. The Eurogroup welcomed Greece's commitment to maintain a primary surplus of 3.5% of GDP until 2022 and a fiscal path consistent with the European fiscal framework thereafter (according to COM of equal to or above but close to 2.0% of GDP over the period 2023-2060). During the Eurogroup meeting, the IMF informed of its intention to recommend to the IMF's Executive Board the approval in principle of Greece's request for a 14-month standby arrangement. Also in June 2017, the Compliance Report completing the second review was published. It assessed that the Greek authorities have completed the 140 prior actions set out in the supplemental MoU (sMoU). In November 2017, the European Court of Auditors published a special report on the COM’s management of the three Greek ***Programmes***; the auditors make a series of recommendations to the COM to improve the design and implementation of Economic Adjustment ***Programmes***; the COM has fully accepted them. For more information on the state of play as regards completed and ongoing financial assistance ***programmes*** for EU Member States, see a separate EGOV table. 2012 2013 2014 2015 2016 2017f 2018f Real GDP growth – % change on previous ***year*** EA19 -0.9 -0.2 1.3 2.1 1.8 2.2 2.1 EU28 -0.4 0.3 1.8 2.3 2.0 2.3 2.1 GDP per capita – Purchasing power parities, Euro EA19 28,500 28,600 29,500 31,000 30,900 n.a n.a EU28 26,600 26,800 27,600 29,000 29,200 n.a n.a General government budget balance – % of GDP EA19 -3.6 -3.0 -2.6 -2.1 -1.5 -1.1 -0.9 EU28 -4.2 -3.3 -3.0 -2.4 -1.7 -1.2 -1.1 General government structural budget balance1 – % of potential GDP EA19 -2.0 -1.3 -1.0 -1.0 -0.9 -1.0 -1.1 EU28 -2.6 -1.7 -1.7 -1.6 -1.3 -1.2 -1.3 General government gross debt1,2 – % of GDP EA19 89.4 91.3 91.8 89.9 88.9 89.3 87.2 EU28 83.7 85.6 86.5 84.5 83.2 83.5 81.6 Interests paid on general government debt – % of GDP EA19 3.0 2.8 2.6 2.4 2.2 2.0 1.9 EU28 2.9 2.7 2.5 2.3 2.1 2.0 1.9 Inflation (HICP) – % change on previous ***year*** EA19 2.5 1.3 0.4 0.0 0.2 1.5 1.4 EU28 2.6 1.5 0.5 0.0 0.3 1.7 1.7 Unemployment – % of labour force EA19 11.4 12.0 11.6 10.9 10.0 9.1 8.5 EU28 10.5 10.9 10.2 9.4 8.6 7.8 7.3 Youth unemployment – % of labour force (15 – 24 ***years***) EA19 23.6 24.4 23.8 22.4 20.9 n.a n.a EU28 23.3 23.8 22.2 20.4 18.7 n.a n.a Current-account balance3,4 – % of GDP EA19 1.9 2.4 2.6 3.2 3.3 3.0 3.0 EU28 0.9 1.2 1.3 1.7 1.8 1.7 1.8 Exports – % change on previous ***year*** EA19 2.5 2.1 4.7 6.4 3.3 4.5 4.4 EU28 2.2 2.2 4.7 6.2 3.5 4.7 4.4 Imports – % change on previous ***year*** EA19 -1.0 1.3 4.9 6.7 4.7 4.7 4.7 EU28 -0.3 1.6 5.3 6.3 4.8 4.7 4.6 Total investments – % change on previous ***year*** EA19 -3.4 -2.5 1.9 3.3 4.5 3.9 3.9 EU28 -2.4 -1.5 3.0 3.6 3.5 3.8 3.7 Total investments – % of GDP EA19 20.2 19.6 19.7 19.8 20.3 n.a n.a EU28 19.7 19.2 19.4 19.5 19.8 n.a n.a General government investments – % of GDP EA19 2.9 2.8 2.7 2.7(p) 2.5(p) 2.6 2.6 EU28 3.1 2.9 2.9 2.9(p) 2.7(p) 2.7 2.8 Total final consumption expenditure – % change on previous ***year*** EA19 -0.9 -0.4 0.8 1.7 2.0 1.8 1.7 EU28 -0.4 0.0 1.2 1.9 2.2 2.0 1.8 Households final consumption expenditure – % change on previous ***year*** EA19 -1.2 -0.8 0.8 1.8 2.0 n.a n.a EU28 -0.6 -0.1 1.2 2.1 2.4 n.a n.a Income Inequality (Gini Coefficient) – Scale 0-100: 0 = total income equality; 100 = total income inequality EA19 30.5 30.7 31.0 30.8 30.7 n.a n.a EU28 30.5 30.5 30.9 31.0 30.8 n.a n.a Unit labour cost – nominal – % change on previous ***year*** EA19 2.0 1.1 0.7 0.4 0.8 0.9 1.2 EU28 2.9 0.4 1.1 2.0 -1.2 1.2 1.5 Source: Eurostat (unless otherwise stated), data extracted on 16/01/2017; (1) data from DG ECFIN - AMECO; (2) general government gross debt, non-consolidated for intergovernmental loans; (3) current account balance, non-adjusted; (4) data from the Commission Autumn 2017 forecast; (f) data from DG ECFIN - AMECO. External imbalances and competitiveness Internal imbalances Employment Indicators ***Year*** 2016 Current Account Balance % of GDP 3 ***year*** average Net International Investment Position % of GDP Real Effective Exchange Rate with HICP deflator 3 ***year*** % change Export Market Shares 5 ***year*** % change Nominal ULC (2010=100) 3 ***year*** % change House Prices index deflated 1 ***year*** % change Private Sector Credit Flow % of GDP Private Sector Debt, consolidated % of GDP General Government Gross Debt % of GDP Unemployment rate 3 ***year*** average Total Financial Sector Liabilities, non-consolidated 1 ***year*** % change Activity rate % of total pop. aged 15-64 3 ***year*** change Long term unemployment rate % of active pop. aged 15-74 3 ***year*** change Youth unemployment rate % of active pop. aged 15-24 3 ***year*** change Thresholds -4/+6% -35% ±5% (EA) -6% +9% (EA) +6% 14% 133% 60% 10% 16.5% -0.2% 0.5% 2% BE -0.3 51.2 -0.3 -2.3 -0.6 1.1 12.4 189.2 105.7 8.3 1.4 0.1 0.1 -3.6 BG 1.8 -47.0 -4.7 8.1 9.5 7.1 4.0 104.9 29.0 9.4 11.1 0.3 -2.9 -11.2 CZ 0.5 -24.6 -3.7 2.9 2.9 6.7 4.4 68.7 36.8 5.1 14.5 2.1 -1.3 -8.4 DK 8.4 54.8 -1.5 -4.2 3.0 4.2 3.9 208.6 37.7 6.3 3.8 1.9 -0.4 -1.0 DE 8.1 54.4 -2.7 2.6 5.2 5.4 3.8 99.3 68.1 4.6 5.2 0.3 -0.6 -0.7 EE 1.4 -37.1 4.5 -0.7 13.4 3.8 5.9 115.4 9.4 6.8 7.2 2.4 -1.7 -5.3 IE 5.5 -176.2 -6.7 59.8 -20.5 6.6 -19.0 278.1 72.8 10.1 2.5 0.7 -3.6 n.a EL -1.0 -139.3 -3.9 -19.0 -3.3 -1.5 -1.7 124.7 180.8 25.0 -16.6 0.7 -1.5 -11.0 ES 1.4 -83.9 -4.3 2.2 0.4 4.7 -1.0 146.7 99.0 22.1 0.9 -0.1 -3.5 -11.1 FR -0.7 -15.7 -3.1 -2.4 1.4 1.0 6.2 146.9 96.5 10.3 4.3 0.7 0.2 -0.3 HR 2.9 -70.0 0.1 8.1 -6.2 2.1 -0.1 105.9 82.9 15.6 2.5 1.9 -4.4 -18.1 IT 2.1 -9.8 -3.4 -2.8 1.9 -0.8 0.6 113.6 132.0 12.1 3.2 1.5 -0.2 -2.2 CY -3.6 -127.8 -6.8 -3.0 -6.2 1.6 10.2 344.6 107.1 14.7 0.7 -0.2 -0.3 -9.8 LV -0.3 -58.9 5.0 9.3 16.5 7.4 0.3 88.3 40.6 10.1 5.8 2.3 -1.7 -5.9 LT -0.3 -43.2 5.4 5.4 14.7 4.5 4.3 56.2 40.1 9.2 16.3 3.1 -2.1 -7.4 LU 5.0 34.7 -1.5 26.2 2.5 5.9 1.5 343.6 20.8 6.3 7.5 0.1 0.4 2.2 HU 3.6 -65.0 -5.1 -0.4 3.3 13.6 -3.6 77.0 73.9 6.5 19.5 5.4 -2.5 -13.7 MT 6.7 46.5 -2.9 9.4 -0.2 4.8 11.1 128.6 57.6 5.3 1.7 4.1 -1.0 -2.0 NL 8.6 67.7 -2.2 0.1 -1.1 4.4 1.5 221.5 61.8 6.8 5.3 0.3 0.0 -2.4 AT 2.2 5.7 1.0 -4.0 5.8 7.2 3.2 124.0 83.6 5.8 -2.4 0.7 0.6 1.5 PL -1.0 -60.7 -5.0 18.1 2.1 2.3 4.6 81.6 54.1 7.6 8.8 1.8 -2.2 -9.6 PT 0.3 -104.7 -1.8 5.8 0.9 6.1 -2.2 171.4 130.1 12.6 -0.2 0.7 -3.1 -9.9 RO -1.3 -49.9 -2.5 23.6 4.8 6.5 0.6 55.8 37.6 6.5 7.6 0.7 -0.2 -3.1 SI 5.1 -36.9 -0.5 4.0 0.7 3.6 -0.8 80.5 78.5 8.9 3.2 1.1 -0.9 -6.4 SK -0.7 -62.4 -1.6 7.4 3.5 7.0 9.2 94.7 51.8 11.5 8.5 2.0 -4.2 -11.5 FI -1.2 -2.3 0.5 -14.1 2.1 -0.3 2.2 149.3 63.1 9.0 4.5 0.7 0.6 0.2 SE 4.6 10.5 -9.1 -8.0 2.0 7.6 7.6 188.6 42.2 7.4 9.0 1.0 -0.1 -4.7 UK -5.4 -4.4 0.2 1.2 3.0 5.5 11.5 170.2 88.3 5.4 11.9 0.9 -1.4 -7.7 Source: Eurostat. Boxes shaded in grey indicate values outside the threshold. Data as of 17 January 2018 (they may differ from the data published in the 2017 AMR). Employment rate (% of population aged 20 to 64 ) R&D Target (% of GDP) Greenhouse Gas Emissions¹ (For EU28 index 1990 = 100 For Member States index 2005=100) Renewable Energy (% of final energy consumption) Member states 2014 2015 2016 Target 2014 2015 2016 Target 2014 2015 2016 Target 2014 2015 2016 Target EU (28 Countries) 69.2 70.1 71.1 75 2.03 2.03 2.03 3 77.4 77.9 n.a 80 16.1 16.7 n.a 20 Belgium 67.3 67.2 67.7 73.2 2.39 2.47 2.49 3 87.3 90.6 92.8 85 8.0 7.9 n.a 13 Bulgaria 65.1 67.1 67.7 76 0.79 0.96 0.78 1.5 103.5 114.6 112.8 120 18.0 18.2 n.a 16 Czech Republic 73.5 74.8 76.7 75 1.97 1.93 1.68 1 93.5 99.4 94.3 109 15.1 15.1 n.a 13 Denmark 75.9 76.5 77.4 80 2.91 2.96 2.87 3 81.4 81.1 80.7 80 29.3 30.8 n.a 30 Germany 77.7 78.0 78.6 77 2.87 2.92 2.94 3 91.4 92.9 94.3 86 13.8 14.6 n.a 18 Estonia 74.3 76.5 76.6 76 1.45 1.49 1.28 3 112.1 113.2 107.6 111 26.3 28.6 n.a 25 Ireland 68.1 69.9 71.4 69 1.50 1.20 1.18 2 88.5 91.4 94.6 80 8.7 9.2 n.a 16 Greece 53.3 54.9 56.2 70 0.83 0.97 0.99 1.2 71.0 72.7 74.3 96 15.3 15.4 n.a 18 Spain 59.9 62.0 63.9 74 1.24 1.22 1.19 2 84.6 83.1 83.8 90 16.1 16.2 n.a 20 France 69.3 69.5 70.0 75 2.23 2.22 n.a 3 88.8 88.6 89.6 86 14.7 15.2 n.a 23 Croatia 59.2 60.6 61.4 69.2 0.78 0.84 0.84 1.4 84.3 89.4 82.0 111 27.9 29.0 n.a 20 Italy 59.9 60.5 61.6 67 1.34 1.34 1.29 1.53 79.3 81.7 83.0 87 17.1 17.5 n.a 17 Cyprus 67.6 67.9 68.7 75 0.51 0.48 0.50 0.5 93.8 97.0 100.2 95 8.9 9.4 n.a 13 Latvia 70.7 72.5 73.2 73 0.69 0.63 0.44 1.5 105.6 105.4 103.8 117 38.7 37.6 n.a 40 Lithuania 71.8 73.3 75.2 72.8 1.03 1.04 0.74 1.9 97.5 100.0 98.1 115 23.6 25.8 n.a 23 Luxembourg 72.1 70.9 70.7 73 1.26 1.27 1.24 2.3 87.3 84.8 83.9 80 4.5 5.0 n.a 11 Hungary 66.7 68.9 71.5 75 1.35 1.36 1.21 1.8 80.0 86.3 87.7 110 14.6 14.5 n.a 13 Malta 66.4 67.8 69.6 70 0.72 0.77 0.61 2 115.7 116.5 120.3 105 4.7 5.0 n.a 10 Netherlands 75.4 76.4 77.1 80 2.00 2.00 2.03 2.5 76.6 79.1 80.3 84 5.5 5.8 n.a 14 Austria 74.2 74.3 74.8 77 3.07 3.05 3.09 3.76 84.8 86.7 88.2 84 32.8 33.0 n.a 34 Poland 66.5 67.8 69.3 71 0.94 1.00 0.97 1.7 100.9 103.8 107.1 114 11.5 11.8 n.a 15 Portugal 67.6 69.1 70.6 75 1.29 1.24 1.27 2.7 79.9 83.6 83.1 101 27.0 28.0 n.a 31 Romania 65.7 66.0 66.3 70 0.38 0.49 0.48 2 96.1 98.8 96.3 119 24.8 24.8 n.a 24 Slovenia 67.7 69.1 70.1 75 2.37 2.20 2.00 3 88.5 90.6 93.3 104 21.5 22.0 n.a 25 Slovakia 65.9 67.7 69.8 72 0.88 1.18 0.79 1.2 86.1 87.5 86.0 113 11.7 12.9 n.a 14 Finland 73.1 72.9 73.4 78 3.17 2.90 2.75 4 88.8 88.0 92.3 84 38.7 39.3 n.a 38 Sweden 80.0 80.5 81.2 80 3.15 3.27 3.25 4 79.4 78.0 77.5 83 52.5 53.9 n.a 49 United Kingdom 76.2 76.8 77.5 n.n.t 1.67 1.67 1.69 n.n.t 77.7 78.0 77.6 84 7.1 8.2 n.a 15 1 The EU as a whole aims to reduce GHG emissions by 20 % compared to 1990 levels; hence the index for EU28 uses 1990 as its base ***year***. The Member State targets, set out in the Commission Decision 406/2009, covering only sectors not included in the EU Emissions Trading System (EU ETS), are relative to 2005 levels. Thus the index for emissions from these sectors uses 2005 as its base ***year***. Moreover, these national targets are presented in terms of an index rather than percentage deviation from the 2005 target as specified in the above-mentioned Commission Decision. By 2020, the national targets will collectively deliver a reduction of around 10 % in total EU emissions from the non-EU ETS sectors and a 21 % reduction in emissions for the sectors covered by the EU ETS (both compared to 2005 levels). This will accomplish the overall emission reduction goal of a 20 % cut below 1990 levels by 2020. Energy Efficiency² (Primary energy consumption - Mtoe) Early School Leaving³ (% pop aged 18-24 with at most lower secondary) Tertiary Education³ (% of pop aged 30-34 with tertiary educ. attainment) Poverty/Social exclusion⁴ (people at risk of poverty or social exclusion, in thousands) Member states 2014 2015 2016 Target 2014 2015 2016 Target 2014 2015 2016 Target 2014 2015 2016 Target EU (28 Countries) 1508.3 1529.6 n.a 1483 11.2 11.0 10.7 10 37.9 38.7 39.1 40 121,910 119,049 118,036 -20,000 Belgium 45.2 45.7 n.a 43.7 9.8 10.1 8.8 9.5 43.8 42.7 45.6 47 2,339 2,336 2,335 -380 Bulgaria 17.2 17.9 n.a 16.9 12.9 13.4 13.8 11 30.9 32.1 33.8 36 2,909 2,982 2,890 -260 Czech Republic 39.3 39.9 n.a 39.6 5.5 6.2 6.6 5.5 28.2 30.1 32.8 32 1,532 1,444 1,375 -100 Denmark 16.6 16.5 n.a 17.4 7.8 7.8 7.2 10 44.9 47.6 47.7 40 1,006 999 948 -22 Germany 291.1 292.9 n.a 276.6 9.5 10.1 10.3 10 31.4 32.3 33.2 42 16,508 16,083 16,035 n.n.t Estonia 6.6 6.2 n.a 6.5 12.0 12.2 10.9 9.5 43.2 45.3 45.4 40 338 315 318 -36 Ireland 13.4 14.0 n.a 13.9 6.9 6.9 6.3 8 52.2 52.3 52.9 60 1,279 1,207 1,135 -200 Greece 23.7 23.7 n.a 24.7 9.0 7.9 6.2 10 37.2 40.4 42.7 32 3,885 3,829 3,789 -450 Spain 112.6 117.1 n.a 119.8 21.9 20.0 19.0 15 42.3 40.9 40.1 44 13,402 13,175 12,827 -1,400 France 234.8 239.4 n.a 219.9 9.0 9.2 8.8 9.5 43.7 45.0 43.6 50 11,540 11,048 11,463 -1,900 Croatia 7.7 8.0 n.a 11.15 2.8 2.8 2.8 4 32.1 30.8 29.3 35 1,243 1,216 1,159 -102 Italy 143.8 149.6 n.a 158 15.0 14.7 13.8 16 23.9 25.3 26.2 26 17,146 17,469 18,137 -2,200 Cyprus 2.2 2.2 n.a 2.2 6.8 5.2 7.6 10 52.5 54.5 53.4 46 234 244 234 -27 Latvia 4.4 4.3 n.a 5.4 8.5 9.9 10.0 10 39.9 41.3 42.8 34 645 606 554 -121 Lithuania 5.7 5.8 n.a 6.5 5.9 5.5 4.8 9 53.3 57.6 58.7 48.7 804 857 871 -170 Luxembourg 4.2 4.1 n.a 4.5 6.1 9.3 5.5 10 52.7 52.3 54.6 66 96 95 114 -6 Hungary 21.0 22.3 n.a 24.1 11.4 11.6 12.4 10 34.1 34.3 33.0 34 3,097 2,735 2,541 -450 Malta 0.9 0.8 n.a 0.7 20.3 19.8 19.7 10 26.5 27.8 29.9 33 99 94 85 -7 Netherlands 62.7 64.3 n.a 60.7 8.7 8.2 8.0 8 44.8 46.3 45.7 40 2,751 2,744 2,797 -100 Austria 30.4 31.3 n.a 31.5 7.0 7.3 6.9 9.5 40.0 38.7 40.1 38 1,609 1,551 1,542 -235 Poland 89.2 90.0 n.a 96.4 5.4 5.3 5.2 4.5 42.1 43.4 44.6 45 9,337 8,761 8,221 -1,500 Portugal 20.6 21.7 n.a 22.5 17.4 13.7 14.0 10 31.3 31.9 34.6 40 2,863 2,765 2,595 -200 Romania 30.6 31.3 n.a 43 18.1 19.1 18.5 11.3 25.0 25.6 25.6 26.7 8,043 7,435 7,694 -580 Slovenia 6.5 6.5 n.a 7.3 4.4 5.0 4.9 5 41.0 43.4 44.2 40 410 385 371 -40 Slovakia 15.3 15.4 n.a 16.4 6.7 6.9 7.4 6 26.9 28.4 31.5 40 960 963 950 -170 Finland 33.6 32.0 n.a 35.9 9.5 9.2 7.9 8 45.3 45.5 46.1 42 927 904 896 -140 Sweden 46.2 43.7 n.a 43.4 6.7 7.0 7.4 7 49.9 50.2 51.0 45 1,636 1,813 1,799 n.n.t United Kingdom 183.1 183.0 n.a 177.6 11.8 10.8 11.2 n.n.t 47.7 47.9 48.2 n.n.t 15,271 14,997 14,359 n.n.t Source: Eurostat 2020 indicators (Extraction date: 18/01/2018), Europe 2020 Targets by the Commission; n.n.t = no national target. 2 Member States have set indicative national targets based on different indicators translated into absolute levels of primary energy consumption in million tonnes of oil equivalent (Mtoe); 3 Note that there is a break in the time series in 2014; 4 Most of the Member States have set national targets based on a reduction in the number of people living in poverty or social exclusions (in most cases compared to 2008 levels); some Member States - whose target is not included in this column - have set national targets based on different indicators related to the reduction in poverty/social exclusion (e.g reduction in long-term unemployment for Germany, reduction in the at risk poverty rate after social ***transfers*** for Estonia).

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[***Week Ahead: Southern African Inflation Tempered By Lower Food Prices***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R58-XMV1-F0J5-81PY-00000-00&context=1516831)

Business Monitor Online

December 11, 2017 Monday

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**Highlight:** In the week ahead, South Africa, Botswana and Namibia will release inflation data for November.

**Body**

In the week ahead, South Africa, Botswana and Namibia will release inflation data for November. We expect that robust food supply in recent months owing to bumper harvests in the region will continue to exert downward pressure on food inflation, keeping the headline print low.

|  |
| --- |
| High ***Agricultural*** Output Will Sustain Disinflationary Trend |
| Southern Africa - Inflation, % y-o-y |
|  |
| *Source: BMI, National Sources* |

**Previous Week's HighlightsMauritius:** Statistics Mauritius released its inflation data for November last week, which saw a modest uptick from 3.5% y-o-y in October to 3.6%. We expect that inflation will remain relatively subdued as a stable exchange rate and the passing of a food price spike in the summer will keep price growth limited in the coming months. After holding its policy rate at 3.50% in November - in line with our forecast - we expect that the Bank of Mauritius will maintain its current policy rate through to the end of 2018. As loan growth is already recovering and monetary tightening in developed markets increases the risk to exchange rate stability, further easing will be unlikely. **Namibia:** On Wednesday, the Bank of Namibia (BoN)'s Monetary Policy Committee held the benchmark repo rate at 6.75%. This is indicative of the central bank's continuing commitment to coordinate monetary policy decisions with the South African Reserve Bank (SARB), in order to sustain the Namibian dollar's peg to the rand. Going forward, we expect the BoN to undertake 25 basis points worth of easing in 2018, in line with SARB policy moves. **South Africa:** South Africa's national statistics agency released GDP data for Q3 last week, showing the economy grew by 0.8% y-o-y in real terms (seasonally adjusted). Growth was buoyed by a substantial increase in farm output, with the ***agricultural*** sector expanding by 44.2% q-o-q, the fastest rate of growth since 1996. Mining and manufacturing also contributed to positive headline growth, expanding by 6.6% and 4.3% q-o-q respectively over Q3. That being said, several key industries showed decline, including retail and utilities, informing our relatively sanguine forecast for headline real GDP growth in 2017 of just 0.8%. **Tanzania:** November inflation came in at 4.4% y-o-y on Friday, dropping from 5.1% in October. Despite relatively high price growth for food and energy - the two largest and most volatile components of the consumer price basket - at 7.9% and 11.1%, the overall print was subdued owing to low core inflation (1.4%). Going forward, we expect inflation will average 5.0% in 2018, down from 5.4% in 2017, largely owing to continued currency stability and better harvests. **What We Are Watching In The Week Ahead...Angola(December 12) Inflation:** The Banco Nacional de Angola (BNA) is set to release Angola's inflation figure for November on Tuesday. After increasing to 29.0% y-o-y in October from 27.5% in September following several months of decline, we expect the Consumer Price Index to have remained similarly elevated in November, well above the BNAs target of 15.8%. The previous meeting of the BNA's Monetary Policy Committee was the first since Jose de Lima Massano re-assumed the role of governor of the central bank, and saw a 200 basis point rate hike to 18.0% due to the recent uptick in consumer inflation. Increasing oil revenues in 2018 will likely help prices stabilise by supporting the country's parallel exchange rate, leading us to believe the BNA's latest move marks the end of any hiking cycle. **Botswana(December 15) Inflation:** The Botswana statistics office will publish inflation data from November on Friday. While the pula weakened against the US dollar in November, we don't think this will add significant upside pressures to the headline Consumer Price Index. Inflation came in at 3.0% y-o-y in October, falling from 3.2% y-o-y in September, and we believe this trend will continue in November as food prices continue to steadily trend downwards due to a bumper harvest. **Ghana(December 13) Inflation:** Ghana will release its inflation data for November on Wednesday, which we expect will show a continuation of the gradual disinflationary trend, after inflation fell from 13.3% y-o-y in January 2017 to 11.6% in October. We believe that relative currency stability and robust ***agricultural*** output will limit inflationary pressure through into 2018, although minor pressure on the exchange rate from gradual monetary tightening in developed markets may slow the pace of disinflation slightly. In light of this relatively benign inflation outlook we believe that the Bank of Ghana will undertake limited further easing in H118, encouraged further by the need to boost relatively sluggish growth in the non-oil economy. **Namibia(December 9-16) Inflation:** The Namibia Statistics Agency will publish data for November inflation this week. After falling from 8.2% y-o-y in January to 5.2% in October, we expect that price growth will continue to head downward as falling food inflation, which is currently at the lowest level in ten ***years***, will add to disinflationary pressures on headline consumer prices. **Senegal(December 11-17) GDP:** In the coming week, Senegal's National Statistical Agency will release Q3 GDP data for Senegal. After coming in at a robust 6.2% y-o-y in Q2, we expect growth will remain strong, and forecast real GDP growth of 7.0% in 2017, rising to 7.4% in 2018. Economic activity will be buoyed by increased private sector investment and the government's *Plan Senegal Emergent* ***programme***, boosting development of infrastructure and industry. **South Africa(December 13) Inflation:** Price growth will have likely remained well within the South African Reserve Bank's inflation target range of 3.0%-6.0% over November, owing to a combination of a stable exchange rate and cooling food pressures. While the ongoing rally in oil prices will have added upside pressure to the cost of energy, we do not believe this will have been sufficient to trigger any notable uptick in the headline Consumer Price Index. **Uganda(December 13) Interest Rate Decision:** The Bank of Uganda (BoU)'s Monetary Policy Committee will meet on December 13, and we expect policymakers to hold the central bank's key policy rate at 9.5% after its 50 basis point cut in October. In November, Uganda's inflation rate decreased to 4.0% y-o-y from 4.8% in October, while core inflation decreased to 3.3% from 3.5% and remains below the BoU's target of 5.0%. In its last monetary policy statement, the BoU stated that its accommodative policy stance is supporting Uganda's improving outlook, with growth expected to pick up further and for core inflation to remain around its medium-term 5.0% target in 2018. **Zimbabwe(December 12-19) Inflation:** Official price data will have likely shown the cost of consumer goods having remained low over November, reflecting the ongoing shortage of hard currency in the economy. Prices represented in Zimbabwe's inflation data have been denominated in US dollars since the country adopted the greenback as its official currency in 2009 following a period of hyperinflation. However, we believe data released by the Reserve Bank of Zimbabwe no longer reflects reality on the ground, with most ***payments*** now made with bond notes or via electronic ***transfer***, for which businesses have begun charging substantial premiums of up to 60.0%.

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[***Washington: RAPID DNA ACT OF 2017--Continued***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RFG-21T1-JDG9-Y44B-00000-00&context=1516831)

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**Body**

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 The ACTING PRESIDENT pro tempore. The Senator from California. Mrs. FEINSTEIN. Mr. President, I and the Acting President pro tempore have been on the Select Intelligence Committee for a considerable period of time--I much longer than he. However, I think we are both well experienced with the subject, and I would like to make a few comments on section 702. For 6 ***years***, I was chairman of the committee, and the ranking member for 2 ***years***.

What I came to see is that, in my view, there was no more significant content collection ***program*** than section 702, and I want to give a couple of examples and explain why I think it is so important that 702 be reauthorized. A little more than a ***year*** ago, on December 31 of last ***year***, approximately 500 people gathered in a popular Turkish nightclub on the banks of the Bosphorus to celebrate New ***Year***'s Eve. Tragically, shortly after midnight, a gunman entered that club and opened fire, killing 39 innocent civilians and wounding 69 others. At least 16 of those killed were foreign nationals, including an American who was shot in the hip. Many people inside reportedly jumped into the water in an attempt to protect themselves from the gunfire. After committing this act, the gunman changed his clothes and fled the scene. Almost immediately, Turkish law enforcement and American intelligence officials began cooperation to identify and locate the shooter. Part of that effort included intelligence collection under section 702 of the Foreign Intelligence Surveillance Act. The information derived from the 702 collection ultimately led the police to an apartment in the Esenyurt district neighborhood of Istanbul. There, law enforcement arrested an Uzbek national, named Abdulkadir Masharipov, at a friend's apartment, along with firearms, ammunition, drones, and over $200,000 in cash. Thanks to the work of Turkish and American law enforcement and intelligence agencies, just 16 days after this horrific attack, police had the prime suspect in custody. Mr. Masharipov is currently awaiting trial in Turkey. Section 702 of FISA is the most important foreign content collection ***program*** that we have. It allows the government to quickly and efficiently collect phone call and email content from non-U.S persons who are located outside of the United States. Information collected under section 702 informs nearly every component of our Nation's national security and foreign policy. Section 702 was used by the CIA to alert a partner nation to the presence of an al-Qaida operative who was turning into a cooperating source. Section 702 was used to intercept al-Qaida communications about a U.S person seeking instructions on how to make explosives in the United States. It was also used to understand proliferation networks used by adversary nations to evade sanctions, including military communications equipment. In 2014 the Privacy and Civil Liberties Oversight Board, or what we call PCLOB, reported: ``Over a quarter of the NSA's reports concerning international terrorism include information based in whole or in part on section 702 collection, and this percentage has increased every ***year*** since the statute was enacted.'' The law expressly prohibits the targeting of U.S persons or the targeting of persons located in the United States. Section 702 is a foreign content collection ***program***. I also believe it is equally important that reauthorization include reforms to ensure that the ***program*** continues to operate consistently with the statute's original intent and our Constitution. Perhaps the most important among these reforms is the issue of U.S person queries. U.S person queries refer to the process by which the government searches the 702 database for the content of U.S persons' communications. U.S persons cannot be targeted under section 702, but they can be collected incidentally if the individual is communicating with a non- U.S person who is located overseas and is targeted under section 702. If an American's communications are collected incidentally, they are added to the 702 database. The government can later search, or query, that database for any American and gain access to the contents of any phone calls or emails that may have been swept up in the section 702 collection. Each of these queries results in the government's accessing the contents of a U.S person's communications without ever going before a judge or securing a warrant. The Fourth Amendment requires the government to obtain a warrant based on probable cause before accessing those communications, and the Supreme Court has been clear: Americans have a right to privacy in the content of their phone calls and emails. The same standard should apply to communications incidentally collected under section 702. During the Senate Intelligence Committee's markup of section 702, I offered an amendment with my colleague from California, Senator Harris, that would require the government to obtain a warrant from the Foreign Intelligence Surveillance Court prior to accessing the content of any U.S person's communications collected under section 702. Unfortunately, our amendment did not succeed in the committee. [[Page S226]] I have also filed our warrant requirement as a floor amendment to the bill that is currently under consideration. This amendment has been cosponsored again by Senator Harris as well as by Senators Leahy and Lee. I really do believe that a warrant requirement will eventually be important as people become more concerned with the need to reform some of these longstanding provisions. The House-passed bill that is currently before us has a number of positive reforms. First, it does have limited warrant authority that would require the FBI to obtain a warrant from the Foreign Intelligence Surveillance Court prior to accessing the contents of the U.S person's communications that are associated with a query that was not related to foreign intelligence or national security. The warrant provision in this bill is not as strong as the one I offered in committee, but it was the result of a bipartisan compromise in the House, and I do believe it is a step in the right direction. The House bill also includes other important reforms. It establishes a required congressional review process before the government is permitted to restart ``abouts'' collection. It requires the DNI to declassify minimization procedures. It provides greater flexibility to the Privacy and Civil Liberties Oversight Board to meet and hire staff. It also directs the inspector general to assess the FBI's section 702 practices so that we can continue to provide oversight for that ***program***. In conclusion, section 702, by its numbers and by its covering, is our Nation's most important foreign content collection authority. I would like to see more reforms to this ***program***, and perhaps that is something that those of us on the Select Intelligence Committee can strive for. I believe this is the best we are going to do at this time, and I look forward to supporting its passage. I thank the Acting President pro tempore. I yield the floor. I suggest the absence of a quorum. The ACTING PRESIDENT pro tempore. The clerk will call the roll. The senior assistant legislative clerk proceeded to call the roll. Mr. CORNYN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded. The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. Mr. CORNYN. Mr. President, last week, the House voted to reauthorize for a period of 6 ***years*** section 702 of the Foreign Intelligence Surveillance Act--a vital tool in tracking foreign terrorists abroad. Last night, we had a very important vote in this Chamber, a cloture vote, which will allow us to proceed to a final vote on this legislation perhaps as early as tomorrow morning. Congress enacted section 702 in 2008 in direct response to the enduring threats to the country being posed by radical Islamic extremism and the ever-expanding use of the internet and social media by terrorists and foreign operatives. The law authorizes the Attorney General of the United States and the Director of National Intelligence to conduct surveillance on foreigners who are outside of the United States so that the U.S Government can effectively acquire that intelligence information. As the Director of National Intelligence and many others have stated--former FBI Director James Comey is another one--section 702 is the crown jewel of our foreign intelligence collection and a critical weapon in the defense of our Nation. The law expires this Friday--that is right, just 2 days from now--so the clock is ticking. I am glad the Senate took the first step last evening, and I trust my colleagues will soon make sure the law is reauthorized so that the U.S Government can continue to collect information that is vital to the protection of the Nation. Because the law requires targets of section 702 to be foreign citizens outside the United States, those targets are not covered by the Fourth Amendment of the U.S Constitution. Clearly, people who are inside the country, American citizens, are all protected by the Fourth Amendment, but not foreigners, under Supreme Court precedent. Because of that, the government isn't required to obtain a warrant before initiating surveillance. That is where the misconceptions and confusion start to arise, and I want to talk a little bit more about that. Despite the strong bipartisan vote in support of section 702 in the House of Representatives last week and the strong bipartisan support for the provision here in the Senate, some critics want to delay reauthorization and engage in a never-ending lamentation about the demise of the Fourth Amendment. The Fourth Amendment, of course, is a guarantee against unreasonable searches and seizures. Again, that applies to American citizens, not to foreigners abroad. But these critics have mischaracterized the aims of the many Republican and Democratic proponents of this law, and frankly their concerns are misplaced. They ignore the enduring value and core protections in section 702 and the merits of various pro-privacy reforms in the House bill. As I said, it is truly a bipartisan bill. Critics have expressed three concerns, and I want to address each in turn. The first is that under 702, ``millions of bits of information are collected on Americans,'' not just foreigners, and that ``[w]e don't know the exact amount.'' What they are referring to, of course, is what the intelligence community calls ``incidental collection''--when intelligence officials monitor the communications of foreign terrorists and the information of any Americans who are in communication with those terrorists sometimes gets included in the mix. But, of course, if even an American is talking to a foreign terrorist, certainly the intelligence community would want to know that. There are additional protections for U.S persons who are incidentally collected based on a target of a foreign national. All of this would be a legitimate worry were it not for the fact that there are safeguards built into the statute that ensure that no more American communications are collected than are necessary to safely monitor foreigners with suspected terrorist ties. For example, section 702 already explicitly prohibits the U.S Government from intentionally targeting a foreign person ``if the [real] purpose . . . is to target a particular, known person . . . in the United States.'' That is illegal. There are also so-called ``minimization'' procedures that limit the dissemination and use of information acquired and scrupulous practices at our intelligence agencies--the NSA, the CIA, and the FBI--on how that information is dealt with in order to protect U.S persons. Under the bill, several additional features should be acknowledged. The Foreign Intelligence Surveillance Court must review the FBI's so- called ``querying'' procedures and certify that they are consistent with the Fourth Amendment. I know of no government ***program*** that has as much oversight and protection for the privacy rights of American citizens as the Foreign Intelligence Surveillance Act. It is actually supervised by all three branches of government--by the executive branch internally; by the judicial branch through the Foreign Intelligence Surveillance Court and other courts, which decided that there is no constitutional violation in any of the procedures laid down in the Foreign Intelligence Surveillance Act; and, of course, the oversight we conduct here in the Senate and in the House on the Senate and House Intelligence Committees. To make sure all of this is scrupulously adhered to, a record must be kept of each U.S person query term used. And far from ignoring Americans' privacy concerns related to incidental collection, the bill requires that the intelligence community hire and employ civil liberties officers--people whose explicit job is to look out for our privacy rights. In sum, those who would misleadingly paint the intelligence community as renegade--as deliberately surveilling millions of Americans with no checks in place--are simply wrong about the facts of this bill and the layered protections that have been put in place. Let me reiterate. The intelligence community is expressly prohibited from targeting Americans under section 702, directly or incidentally. In fact, the only Americans who might be worried about their communications [[Page S227]] being swept up under section 702 are those who are deliberately communicating with foreign terrorists. But all Americans will benefit from a host of additional protections under the law. The critics' second and related concern is that incidental collection can be used in domestic criminal prosecutions. They are concerned that the U.S Government could collect information without ever having to obtain a warrant and then use it to investigate and punish Americans for crimes. Again, this fear is misplaced under this bill. It is mitigated by analysis done by the Privacy and Civil Liberties Oversight Board in 2014, who, after a comprehensive review, found no evidence of intentional abuse. Concerns of the critics are also mitigated by the FBI, which under this bill has to obtain a court order before it can access the contents of 702 communications in support of a purely criminal investigation, as opposed to an intelligence-gathering activity. It is also mitigated by the fact that section 702 intelligence can be used as evidence against Americans only in instances of the most serious crimes. Apart from obtaining a court order, it can only be used if the Attorney General determines that the criminal proceeding involves national security or other heinous crimes, such as murder, kidnapping, or crimes against children. The critics' preferred approach--and they introduced bills to this effect last ***year***--would prohibit the government from using any 702 collection to investigate these dangerous, violent crimes, and therefore it would potentially protect dangerous criminals engaged in some of the most egregious behavior imaginable--something I think we would not want to do. That brings us to the skeptics' third problem, which deals with oversight. They fear that the reauthorization of this legislation could spell the end of congressional monitoring of the ***program***. They have chastised this possibility as one that is ``callous in its disregard for our cherished Bill of Rights.'' They are entirely correct to insist, in light of recent events, that Congress should continue to engage in rigorous oversight of the intelligence community and make sure that our surveillance tools aren't used for political ends. But we already have oversight in spades, and under this bill, we will have even more. First of all, the House bill reauthorizes the ***program*** for only 6 ***years***--not indefinitely. At the end of 2023, we will revisit section 702. In the meantime, existing and extensive oversight of section 702 will continue. As I mentioned, for example, there is judicial review. The Foreign Intelligence Surveillance Court annually reviews section 702, and other courts have examined the use of section 702 in support of criminal cases. All agree that section 702 does not violate the Fourth Amendment to the U.S Constitution. Even the Ninth Circuit, which is frequently out of line with other circuits and the Supreme Court, agrees that section 702 is constitutional. Courts, of course, are not the only oversight mechanism; there are ones within the executive branch, which I alluded to earlier, including routine reviews by the Department of Justice and the Office of the Director of National Intelligence. Of course, congressional committees, such as the Senate Intelligence Committee and the Judiciary Committee, both of which I serve on, also receive regular reporting on the 702 ***program*** and hold open and closed hearings on the subject. Ultimately, the approaches that are preferred by the 702 critics would force the FBI to rebuild the wall between criminal and national security investigators that existed before the attacks in New York on 9/11 and would cause the FBI to stovepipe its section 702 collection, contrary to the recommendations of numerous commissions, including the 9/11 Commission and the Fort Hood Commission. We need to remember that the FBI protects our national security both as an intelligence agency and as a law enforcement agency. In other words, it wears two hats. So we can't wall off the FBI from the content of crucial communications, and we can't wall off the FBI from intelligence agencies, such as the National Security Agency and the Central Intelligence Agency. That was the situation the FBI was in leading up to September 11, 2001. We can't forget the increasingly dangerous world we are living in and the diverse array of threats that confront us. FBI Director Chris Wray has summarized our threat landscape. It is one that includes not only large mass-casualty events like 9/11 in the United States and similar recent attacks in Europe but also more isolated and diffuse lone-wolf and homegrown violent extremist threats that give law enforcement and national security investigators much less time to detect and disrupt. Imposing additional obstacles to accessing this critical information could either delay us when time is of the essence or, worse, prevent us from being able to connect the dots of information that the U.S Government has already lawfully collected. Real-world examples show how devastating this could be. A tip under 702 from the NSA, the National Security Agency, is what helped the FBI stop an attack on the New York City subway system in 2009. There is also Hajji Iman, who at one point was the second in command of ISIS. Section 702 helped us get him and take him off the battlefield. Then there is ISIS recruiter Shawn Parson--702 revealed his terrorist propaganda and identified members of his terrorist network. There are many, many more examples of instances where 702 helped us identify, disrupt, and prevent attacks against the homeland here in the United States and innocent civilians. Whether it is combatting terrorism, detecting and countering cyber threats, uncovering support to hostile powers, or acquiring intelligence on foreign adversary militaries, 702 is one of our most effective tools, and we simply can't afford to blunt the sharpness of its blade or dull the focus of its lens. In closing, I want to make one final point clear. I agree that, in the words of one critic, the Fourth Amendment is not a ``suggestion.'' It is a core constitutional protection of our sacred freedom. But reauthorizing section 702 would not suddenly relegate the Fourth Amendment to second-tier status. Every court that has considered the matter has said so, and frankly, it is obscene to ignore the balanced, pro-privacy reforms in the House-passed bill that would provide even greater protections for the Fourth Amendment rights of Americans. The truth is that section 702 has never been systematically abused. It has helped stop terrorist attacks both at home and abroad. It has helped defend our troops on the battlefield. It has been critical to the Russian collusion probe and other counterintelligence work. As I said, every court--every single court--that has considered the ***program*** has found it to be lawful and constitutional; in other words, consistent with the Fourth Amendment in the U.S Bill of Rights. So we can all rattle the saber of civil liberties to score political points, but large, misguided changes to 702 are not the way to go. The House-passed bill will provide greater transparency and procedural protections for the Fourth Amendment rights of innocent, law-abiding Americans, while at the same time allow us to remain vigilant in protecting the homeland and our troops abroad and our national security at large by making sure we have the information we need in order to connect the dots with the threats to our national security. Mr. President, I yield the floor. I suggest the absence of a quorum. The ACTING PRESIDENT pro tempore. The clerk will call the roll. The senior assistant legislative clerk proceeded to call the roll. Mr. THUNE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded. The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. Tax Reform Mr. THUNE. Mr. President, tax reform has been the law of the land for less than a month, but it is already fostering a new era of economic optimism, and American workers are seeing the benefits. For ***years***, American businesses, large and small, were weighed down by high tax rates and growth-killing provisions of the Tax Code. Plus, our outdated international tax rules left America's global businesses at a competitive disadvantage in the global economy. The Tax Cuts and Jobs Act changed all that. We lowered tax rates across [[Page S228]] the board for owners of small- and medium-sized businesses, farms, and ranches. We expanded business owners' ability to recover investments they make in their businesses, which will free up cash they can reinvest in their operations and their workers. We lowered our Nation's massive corporate tax rate, which up until January 1 was the highest corporate tax rate in the developed world. We brought the U.S international tax system into the 21st century by replacing our outdated worldwide system with what is called a territorial tax system so American businesses are not operating at a disadvantage next to their foreign competitors. Despite the fact that the new law has been in place for less than a month, it is already having a noticeable effect. Businesses are seeing a future defined by growth and success, and they are already passing some of the expected benefits on to their workers. Business after business has announced special bonuses, wage hikes, or benefit increases: AT&T, Bank of America, Comcast, American Airlines, Southwest, Visa, Nationwide Insurance, Jet Blue, and the list goes on and on. In addition to giving out bonuses to eligible employees, Walmart is raising its starting wage for hourly employees, expanding maternity and parental leave benefits, and creating a new adoption benefit for employees. More than 1 million Walmart employees will benefit from the changes. Aflac is boosting retirement benefits for its workers by increasing the size of its 401(k) match from 50 to 100 percent on the first 4 percent of employees' contributions. It has also announced a onetime $500 contribution to the retirement account of every employee. PNC is giving a $1,000 bonus to 90 percent of its employees and adding $1,500 to employees' pension accounts. It is also boosting its minimum pay. Similarly, Great Western Bank, which is headquartered in my State of South Dakota, is raising its minimum wage to $15 an hour and providing a $500 bonus or wage increase for nearly 70 percent of its workforce. The bank is also enhancing its employee healthcare ***program*** and doubling its annual contribution to its Making Life Great Grants community reinvestment ***program***. I could go on, but the good news is not limited to increased wages, bonuses, and benefits, as important as that is, particularly to people who are living paycheck to paycheck, but companies are also acting to keep jobs and to create new ones. Fiat Chrysler just announced it will be adding 2,500 jobs at a Michigan factory to produce pickups it has been making in Mexico. In October, CVS Health announced it would create 3,000 new jobs if the corporate tax rate was reduced. In my own backyard, Molded Fiber Glass is keeping its doors open longer than expected, which is good news for its employees and the entire community of Aberdeen, SD. Then there are the utility companies. Utilities from around the country are benefiting from tax reform, and more than one is looking to pass on savings to consumers. Bloomberg reports that ``Exelon Corp., the biggest U.S utility owner by sales, is already offering to reduce bills.'' In Illinois, ComEd is requesting permission to ``pass along approximately $200 million in tax savings to its customers in 2018.'' In Washington DC, Pepco has announced plans to pass on tax savings to customers beginning in the first quarter of this ***year***. All these benefits are going to make a real difference in families' lives this ***year*** and, in some cases, well into the future, and the main benefits of tax reform are still to come. The IRS just released the new withholding tables for the tax law, and Americans should start seeing the results in February. Thanks to lower income tax rates, the doubling of the standard deduction, and the doubling of the child tax credit, 90 percent of American workers--90 percent--should see bigger paychecks starting next month, and that is just the beginning. One major goal of tax reform was to provide immediate, direct relief to hard-working Americans, and that is happening right now, but our other goal was to create the kind of robust, long-term economic growth that will provide long-term security for American families. That is already starting with the wave of bonuses and wage increases, but there is a lot more to come. As businesses, large and small, experience the benefits of tax reform, American workers will see the benefits of tax reform. American workers will see increased access to the kinds of jobs, wages, and opportunities that will secure the American dream for the long term. It is a good day in America, and it is going to get even better. I yield the floor. I suggest the absence of a quorum. The ACTING PRESIDENT pro tempore. The clerk will call the roll. The senior assistant legislative clerk proceeded to call the roll. Mr. GARDNER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded. The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. Veterans Improved Access and Care Act Mr. GARDNER. Mr. President, when we were kids, we learned a song that I think Herman's Hermits made very famous around 1965. It was the ``I'm Henry VIII, I Am'' song, and it went on for a while about Henry VIII, and then it had a little phrase in there that as kids we would repeat. We would say: ``Henry VIII, I am. I'm Henry VIII, I am. Second verse, same as the first,'' and then they would repeat themselves: ``Second verse, same as the first,'' and they would keep going. Well, today, we find ourselves kind of stuck in that ``Second verse, same as the first'' when it comes to the Veterans Affairs Department and how they have treated veterans in Colorado. I rise, once again, to address troubling reports coming out of the Veterans' Administration. It has now been over 3 ***years*** since the Phoenix VA catastrophe--we all remember the Phoenix VA catastrophe, where secret wait lists led to the deaths of veterans. At that time, the VA pledged this problem would be fixed, but here we are ``Second verse, same as the first.'' They said it would never happen again. Well, it saddens me today that in Denver, CO, that promise has been broken. Following the Phoenix disaster, this body passed the Veterans Access, Choice, and Accountability Act, also known as the VA Choice Act, to expand access for veterans to community medical providers. No doubt, it has been successful in different parts of the country, but the Denver VA system continues to post inexcusable wait times, experience a shortage of doctors and nurses, and use secret wait lists. This is simply unacceptable. The average wait time for a new patient at the Denver VA for a primary care appointment has topped 42 days. This leads the Nation in an unfortunate category, and it is twice the national average. Our veterans deserve better, and to many who have been affected by this travesty, they demand better. Last week, NBC Nightly News told the story of one Colorado veteran, Alison Bush. Alison served in the Army for 7 ***years*** and suffers from a nerve disorder. With such a disorder, she cannot afford delayed appointments. Yet Alison was forced to wait over 3 months for a primary care appointment and another 60 days for an MRI. There is absolutely no excuse for this, particularly given the work we have done and the promises the VA has made. Alison, like so many others, answered the call of duty, only to be let down after retiring the uniform. I recognize that Colorado was witnessing an increase in demand with more than 11,000 veterans seeking care in the last 2 ***years***, but this is no excuse. The VA must adapt in the face of adversity. We must change this repeat after repeat of the same verse, and we must never forget that this Nation's No. 1 priority is upholding the promises we have made to our veterans. Because of stories like Alison's, I recently introduced S. 2168, the Veterans Improved Access and Care Act of 2017. My legislation would address three issues: hiring shortages, delayed wait times, and malpractice reporting. A large driver of delayed wait times for veterans is the shortage of doctors and nurses. The current system for hiring these medical professionals is too long and too burdensome. According to a McKinsey & Company study in 2015, it took 4 to 8 months to hire VA employees. The onboarding process alone can take 3 months. According to the [[Page S229]] same study, private medical facilities took less than 2 months to hire an applicant. Just think about that for a moment. Just like in the VA, a private applicant has to go through an interview process, a certification process, credentials process, background check. Yet the VA's onboarding process is longer than the private sector's entire hiring process. It makes absolutely no sense. My legislation would take steps to fix this problem. It would authorize the VA to establish a pilot ***program*** to expedite the hiring of doctors at facilities where there are shortages of available specialists, such as nurses or anesthesiologists. Furthermore, it would require the Secretary of the VA to submit a report to Congress detailing a strategy to reduce the length of the VA's hiring process by half. My bill would also look to expand access to our veterans. The VA Choice ***Program***, while well-intentioned, still contains arbitrary rules, such as a 30-day waiting period before a veteran can seek access to community providers. Well, 29 days is also unacceptable. My legislation would work to improve the Choice Act by eliminating the 30-day/40-mile eligibility rule, giving veterans full access to medical care regardless of his or her situation. Finally, my legislation will work to ensure that secret wait lists are forever extinguished. No more ``second verse same as the first.'' Last November, a Department of Veterans Affairs Office of Inspector General report substantiated the claim that the Eastern Colorado Health Care System used unofficial wait lists for veterans, estimating that at least 3,775 veterans were affected. This is extremely disheartening. There needs to be accountability for this malpractice. My legislation would do just that. It would codify the VA's policy to expand the requirements of reporting malpractice to include all medical providers. Our veterans have served our country. They have missed holidays with their families to protect our Nation. They have suffered battlefield injuries. They have laid it all on the line for you and for me. The Presiding Officer is a veteran of this great country. The least we ca

n do is ensure that our veterans are treated with the dignity, respect, and honor they have rightfully earned. It is my hope that the Senate Veterans' Affairs Committee will soon take up my bill so that we can work to ensure accountability and greater access to care for all veterans. But whether it is my legislation or any piece of legislation, one thing is for sure: Something has to be done--not tomorrow, not next week, but now. The current system is not working, and it continues to let our veterans down. Nevertheless, we must remain optimistic and deliver on the promises we gave our men and women in uniform. I am optimistic that we can make this right on their behalf. We can't wait. Time is a luxury our veterans do not have. I ask that everyone in this body--and especially the VA--always remember the stories of veterans like Alison Bush. May we never forget those who set aside their own dreams to make sure they save the dreams of their fellow Americans. Our veterans honorably served this great Nation. Now is the time that we step up and honorably serve them. Mr. President, I yield the floor. The PRESIDING OFFICER (Mr. Toomey). The Senator from Tennessee. Mr. ALEXANDER. Mr. President, I thank the Senator from Colorado for his remarks. He reminds me of something former Majority Leader Tom Daschle told us one morning at the Prayer Breakfast. He said that after World War II, Archibald MacLeish, who was the poet laureate of the United States, said of the veterans who came back from the war--when talking to Members of the Senate, he said: They gave us our country. Now it is up to us to see that we can do something with it. I think we need to always remember that challenge and opportunity that we have. The Jackson Magnolia Mr. President, some disappointing news arrived last month. The White House announced that the Andrew Jackson magnolia is sick and dying and that part of it had to be removed. On December 27, the east leader, which is a top section of a tree, was removed. The other leader of the Jackson magnolia is still intact, but it is supported by a cabling system. The part that was removed will eventually be replaced with a seedling from the original tree. When President Trump visited the Hermitage outside Nashville in March of last ***year*** and laid a wreath at Andrew Jackson's tomb, he likely walked past trees that were also seedlings from the Jackson magnolia. The news of the Jackson magnolia has special significance for Tennesseans and for several Tennessee families, including our own. Shortly after his arrival at the White House in 1829, Jackson, who was our seventh President, planted a magnolia seedling in honor of his wife Rachel, who had died only weeks earlier. During the Presidential campaign, Rachel had been so maligned about the legitimacy of her marriage to Jackson that she had said: ``I would rather be a doorkeeper in the House of God than live in that palace at Washington.'' The seedling that Jackson planted came from a magnolia at the Hermitage, the couple's home outside Nashville. Over the ***years***, it grew into a magnificent, sprawling specimen, reaching the roof of the White House at the South Portico. Take a look at the back of the twenty-dollar bill--the one in your billfold or wallet or purse, the one with President Jackson on the front, and you will see the Jackson magnolia, along with another magnolia planted later to supplement it. The Washington Post detailed some of the tree's history when the news was announced. Here is what the Post said: Long after Jackson left office, his magnolia remained. Other trees were planted to supplement it, and the tree became a fixture in White House events. Herbert Hoover reportedly took breakfast and held Cabinet meetings at a table beneath its sprawling branches. Franklin Delano Roosevelt spoke with Winston Churchill in its shade. Richard Nixon strode past it as he left the White House for the last time after his resignation. In 1994, a Maryland man piloting a stolen plane clipped the tree before suffering a deadly crash against the White House wall. Some said it might have saved President Bill Clinton's life. No tree on the White House grounds can reveal so many secrets of romance and history, longtime White House butler Alonzo Fields once told the Associated Press. The Jackson magnolia itself may be dying, but its children and grandchildren and even its great-grandchildren will live on. In 1988, President Ronald Reagan presented a cutting of the Jackson magnolia to Howard H. Baker, Jr.--a former majority leader of this Senate--when Baker retired as Reagan's chief of staff. Baker planted that cutting at his home in Huntsville, TN. Six ***years*** later, in 1994, Baker was lunching at his home with John Rice Irwin, founder of the Museum of Appalachia in Norris, TN. Irwin noticed the tree, which by then had grown to a height of 18 feet. Baker told Norris the story of the Jackson magnolia and, with the help of the University of Tennessee College of ***Agriculture***, arranged for two cuttings from Baker's magnolia to be rooted and sent to John Rice Irwin. In 1995, Senator Baker presided at a formal ceremony at the Museum of Appalachia when those two cuttings--the grandchildren of the White House Jackson magnolia--were presented to the Museum of Appalachia. They are planted in front of the museum's Hall of Fame. In 1996, John Rice Irwin gave a cutting from the Museum of Appalachia magnolia to my wife Honey and me. We planted this great-grandchild of the White House magnolia in front of our home outside Maryville, TN. Today, it is 80 feet tall. In 1998, a tornado destroyed the original magnolia at the Hermitage, from which the White House Jackson magnolia had been taken. At the request of Hermitage officials, the Museum of Appalachia provided a cutting from the museum magnolia to replace the original tree. It was presented at a ceremony presided over by Lewis Donelson, III, the descendent of John Donelson, Rachel Jackson's father. Senator Baker and John Rice Irwin attended. According to the Museum of Appalachia, five cuttings have been successfully propagated from the museum magnolia. In 2009, John Rice Irwin gave my wife and me a second cutting from [[Page S230]] the museum magnolia, which is planted at our home in Blount County. We, in turn, have given cuttings to Graham and Cindy Hunter in Knoxville and to Denise and Steve Smith of Franklin. Their trees are growing tall in the Tennessee soil from which the Jackson magnolia came 180 ***years*** ago. While we commemorate the long and prominent life of the Jackson magnolia, we can also look forward to long lives from its grandchildren and great-grandchildren now planted at the Museum of Appalachia in Norris, at a city park in Sevier County, and at the Hermitage and other homes in Tennessee. Mr. President, I ask unanimous consent to have printed in the Record the article from the Washington Post dated December 26, describing the history of the Jackson magnolia. There being no objection, the material was ordered to be printed in the Record, as follows: [From the Washington Post, Dec. 26, 2017] White House To Cut Back Magnolia Tree Planted by Andrew Jackson (By Sarah Kaplan) The White House cut down part of the aging historic magnolia tree planted by former president Andrew Jackson on Dec. 27. Here's a bit of the tree's history. The enormous magnolia tree stood watch by the South Portico of the White House for nearly two centuries. Its dark green, glossy leaves shaded politicians and heads of state. Its ivory flowers bloomed through times of peace and war. It is the oldest tree on the White House grounds, a witness to Easter egg rolls and state ceremonies, a resignation, a plane crash, all the tumult and triumph of 39 presidencies. But the iconic magnolia is now too old and badly damaged to remain in place, the White House announced Tuesday. At the recommendation of specialists from the National Arboretum, first lady Melania Trump called for a large portion of the tree to be removed this week. The decision, first reported by CNN, comes after decades of attempts to hold the aged tree up with a steel pole and cables. Arboretum experts said that rigging is now compromised and that the wood of the magnolia's trunk is too delicate for further interventions. Any other tree in that condition would have been cut down ***years*** ago. But this is not any other tree. According to White House lore, the stately evergreen was brought to Washington as a seedling by Andrew Jackson. The magnolia was a favorite tree of his wife, Rachel, who had died just days after he was elected. Jackson blamed the vicious campaign--during which his political opponents questioned the legitimacy of his marriage for his wife's untimely death. The new planting, which came from the couple's Tennessee farm, the Hermitage, would serve as a living monument to her in the place she despised; before her death, Rachel had reportedly said, ``I would rather be a doorkeeper in the house of God than live in that palace at Washington.'' Long after Jackson left office, his magnolia remained. Other trees were planted to supplement it, and the tree became a fixture in White House events. Herbert Hoover reportedly took breakfast and held Cabinet meetings at a table beneath its sprawling branches. Franklin Delano Roosevelt spoke with Winston Churchill in its shade. Richard Nixon strode past it as he left the White House for the last time after his resignation. In 1994, a Maryland man piloting a stolen plane clipped the tree before suffering a deadly crash against the White House wall. And for decades, the magnolia was featured on the back of the $20 bill. ``No tree on the White House grounds can reveal so many secrets of romance and history,'' longtime White House butler Alonzo Fields once told the Associated Press. In 2006, when the National Park Service initiated a ``Witness Tree Protection ***Program***'' to study historically and biologically important trees in the Washington area, the Jackson magnolia was at the top of the ***program***'s list. By then, the tree was tall enough to reach the White House's second-story windows and had already eclipsed the minimum life expectancy for its species--about 150 ***years***. According to a report from the NPS ***program***, workers attempted to repair a gash in the tree in the 1940s. But within a few decades, much of the interior portion of the tree had decayed, leaving behind a ``rind'' of brittle wood. Those surviving portions were held in place by a 30-foot pole and guy-wires. ``It is doubtful that without this external support the specimen would long survive,'' the report said. Ultimately, those measures could not allay safety concerns about the tree, said White House spokeswoman Stephanie Grisham. Visitors and members of the press are frequently standing right in front of the magnolia when the president departs on Marine One; the high winds from the helicopter could make a limb collapse more likely. Keith Pitchford, a D.C -based certified arborist, is familiar with the Jackson magnolia but has not professionally assessed it. He wondered whether the removal may be premature: ``If you can lower the tree and make it a bit more squat, it really prolongs the life of these trees we thought were hazardous,'' he said. According to Grisham, the first lady requested that wood from the magnolia be preserved and seedlings be made available for a possible replanting in the same area. Already, progeny of the historic tree are thriving in other spots nationwide. It's said that Lyndon B. Johnson had a seedling from the magnolia planted outside a friend's home in Texas so that when Lady Bird stayed there she could look out the window and imagine the president at work in the White House. Ronald Reagan gifted a cutting to chief of staff Howard Baker Jr. for his retirement in 1988. Then first lady Michelle Obama donated a seedling to the U.S Department of ***Agriculture***'s ``people's garden'' in 2009. Jackson's original magnolia at the Hermitage was destroyed along with hundreds of other trees during a devastating tornado in the late 1990s. It was ultimately replaced by new trees donated from the Museum of Appalachia in Norris, Tenn. According to Michael Grantham, gardens manager for the Hermitage, staff always said that those trees were clones of the White House magnolia--but without an identifying label, no one knew for sure. So Grantham sent tissue samples to a plant genetics lab at Cornell University. ``It was not an exact match,'' he said. ``What we got was probably seedlings from underneath the tree.'' Someday, Grantham would like to bring a cutting, or an exact clone, of the White House magnolia back to the Hermitage. ``I know there are some out there,'' he said. In those trees, Jackson's two-century-old tribute lives on. Mr. ALEXANDER. Mr. President, I yield the floor. The PRESIDING OFFICER. The Senator from South Carolina. Tax Reform Mr. SCOTT. Mr. President, the last 3 weeks have shown us the beginning of what happens when Congress listens to the American people and delivers on our promises. For ***years***, we have been talking about real, lasting tax reform-- helping American families bring more of their hard-earned money back home in their paychecks and ensuring that the jobs of the future are created here at home in America. Last month, we started reaching those goals, and just 3 weeks since we passed tax reform, more than 2 million Americans have received bonuses in their paychecks, and hundreds of thousands of employees have been informed that they will have permanent pay increases or increased benefits. Right after Christmas, in my home State of South Carolina, Nephron Pharmaceuticals announced that 640 employees will receive a minimum of a 5-percent raise. This is good news. The raise is due to the passage of tax reform. In other words, 2 million Americans all across the country--thousands of Americans in South Carolina--are starting to see the fruit of tax reform. This is just the beginning. In fact, all across the country, more than 160 companies have already begun the steps of improving the lives of their employees by allowing them to share in the benefits of tax reform. This is counter to what we heard on the floor for days and weeks and I would dare say for months, when folks railed about how the corporations and the companies and the employers of America simply would not share the benefits of lower taxes. I am thankful that I live in a country and blessed to live in a State where our corporate family has obviously recognized the benefits and the wisdom of sharing the profits with their employees. And that number will rise. As a matter of fact, I think just today the Apple Corporation--home of the iPhones and all those good gadgets--said that instead of making the $1.5 billion investment that they had announced, they would instead make a $300 billion investment here at home in America, creating 20,000 new American jobs. This is good news. Earlier this month--last week, I believe it was--the IRS announced that they had been able to change the withholdings, and they have predicted--this is an astounding number--that up to 90 percent of employees will see more take-home pay in their paychecks as early as February 15. You see, lower taxes and higher take-home pay translates into maybe a movie night out for a struggling family, maybe new tennis shoes for a youngster, and, without any question, more money to do more good for nonprofits, for churches and other organizations. Next ***year***, when they file their taxes, our efforts to double the child tax credit and our efforts to double the standard deduction will kick in, and more families will see more money from their returns. Frankly, my Investing in Opportunity Act that was included in the tax [[Page S231]] reform will present new opportunities for perhaps billions of dollars to be reinvested in distressed communities, like the one where I grew up. More than 50 million Americans live in these distressed communities. And because of the good will of this body, because of the good will of the House of Representatives, and because of the good will of the current administration, millions of Americans will have more reasons to be hopeful in 2018. This is just the beginning of what a strong, middle-class oriented, business-friendly tax code will do. I plan to spend more time on the floor of the Senate over the next ***year***, talking about the benefits of tax reform and relaying the stories of employees who are starting to fill my mailbox with amazing stories of the things they are doing with their extra dollars. This is a good start to 2018, and my prayer is that this is just the beginning. I suggest the absence of a quorum. The PRESIDING OFFICER. The clerk will call the roll. The legislative clerk proceeded to call the roll. Mr. CARDIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded. The PRESIDING OFFICER. Without objection, it is so ordered. Offshore Oil and Gas Drilling Mr. CARDIN. Mr. President, I will take this time to go over with my colleagues the reasons why I unequivocally oppose the Trump administration's decision to allow oil and gas drilling along our Atlantic coast. There are many reasons why I oppose this policy. One is that the risk to the environment is too great. The Atlantic coast contains some of the most pristine coastlines in America. This region is very much aware of the importance of the Chesapeake Bay and how fragile the Chesapeake Bay is and what an oilspill off the coast of the Atlantic could do to the Chesapeake Bay. There are also reasons to oppose this because, quite frankly, the amount of suspected reserves are just not great enough to warrant this risk. We also know that already there are significant lands that have been devoted and are available for oil exploration that will meet our needs, but a lot of it has not even been explored yet because of the current economic realities. Lastly, when we are talking about an energy policy that makes sense for our country, exploring for new oil off the coast of the Atlantic makes no sense whatsoever. In November 2016, the Bureau of Ocean Energy Management wisely did not include any parcels in the Atlantic Outer Continental Shelf in the 2017-2022 plan to lease offshore land the Federal Government controls. The following month, former President Obama used his authority under section 12(a) of the Outer Continental Shelf Lands Act of 1953 to withdraw unleased Outer Continental Shelf lands from future lease sales. This makes sense. In June of 2017, the U.S Energy Information Administration projected that U.S oil output will hit 10 million barrels per day in 2018, breaking the alltime 1970 record--all without drilling off the Chesapeake Bay. The previous record was 9.6 million barrels a day in 1970. So we are at a record pace on bringing oil out of the ground. Yet we take a look at the amount of oil that is projected to be available for exploration off the Atlantic Coast, and it is a relatively small amount. When we recognize the risk, it is just not worth the risk to explore for that amount of oil with the potential of causing devastation to our environment. Last March, officials from the Spanish oil company Repsol and its privately held U.S partner Armstrong Energy announced the discovery of 1.2 billion barrels of oil in Alaska's North Slope, which was previously viewed as an aging oil basin. That amount exceeds the projected entire reserves along the Atlantic coast. Production could begin as soon as 2021 and lead to as much as 120,000 barrels of output per day. This is the biggest onshore discovery of conventional oil in the United States in three decades. In addition to these massive onshore discoveries, as of fiscal ***year*** 2016--the last ***year*** for which data is available--only 47 percent of the public lands already held by oil and gas industries are under production. In other words, half the lands are still yet to be produced. The industry also has a glut of drilling permits, with more than 7,900 approved but unused permits on the book. In fiscal ***year*** 2016, the Bureau of Land Management issued 2,184 drilling permits, of which only 847 were used by the industry. So they have a big backlog. They don't need another area to explore. As the Wilderness Society reported last month, leasing more lands than industry could possibly develop or seems interested in developing allows companies to stockpile land while they wait for a more favorable market, but stockpiling prevents these lands from being used for popular pastimes like hunting, fishing, hiking, and conservation, while leaving them open to the risk of drilling. There is an Atlantic Outer Continental Shelf site known as lease sale 220. It has been proposed for oil and gas development previously. Lease sale 220 is located off the shore of Virginia. It is a 2.9 million- acre, triangle-shaped site. NOAA tells us that 72 percent of the time the prevailing winds in this region blow toward or along the coast--72 percent of the time. Coupled with the way the Gulf Stream flows and local currents, if lease sale 220 is developed and there is an oilspill, the likelihood of oil washing up on the shores of New Jersey, Delaware, Maryland, Virginia, and the Outer Banks is quite high. The mouth of the Chesapeake Bay is just 50 miles away from this site. It is hard enough just dealing with the existing pollutants that come into the bay from ***agriculture***, development, and storm runoff. Add oil into the mix, and it would set us back decades in order to restart our oyster crops and help our watermen with blue crabs and to help the rock fish return and thrive. We have spent a lot of energy in the U.S Congress as a Federal partner with the Chesapeake Bay ***Program***. I remember my days in the State legislature where Governor Hughes provided the leadership for the development of the Chesapeake Bay ***Program***. We worked with governments from six States and the District of Columbia, the Federal Government, and private sector partners--all so we could preserve and reclaim the Chesapeake Bay, a national treasure. It has been declared so by many Presidents. We spent a lot of effort. We asked our farmers to do more. We asked our developers to do more. We asked our local governments, in the way they treat their wastewater, to do more. Now, if we allow drilling off the Atlantic coast, all that effort could be put at risk. Drilling off the coast of Maryland would interfere with our naval Atlantic Test Range, preventing our military from developing next- generation fighter aircraft, sensors, and weapons to keep us safe. We have a large military presence along the Atlantic coast. Adding insult to injury--or, perhaps I should say, heaping injury on top of injury, this move to open up the Atlantic coast to drilling came just 1 week after President Trump repealed safety regulations President Obama implemented to prevent another Deepwater Horizon disaster. Deepwater Horizon was a $600 million state-of-the-art rig, but it failed, causing the greatest accidental oilspill in history. Eleven crewmen lost their lives. Up to 4.9 million barrels of oil gushed from the broken well for more than 3 months, eventually fouling over 570 miles of gulf shoreline and killing thousands of birds and other marine life. The long-term effects of the oilspill and the 1.8 million gallons of dispersants used on it remain unknown, but experts say they could devastate the gulf coast for many ***years*** or even decades. Dolphins continue to die, fish are showing strange lesions, coral in the gulf have died, and oil still remains in some marsh areas. The oil could remain in the food chain for generations to come. An oilspill entering the Chesapeake Bay would be a similar disaster. Whatever happened to Interior Secretary Zinke's promise during his confirmation process to be highly mindful of local input when managing public lands and waters? Opponents of offshore drilling flooded the Bureau of Ocean Energy Management with more than a half million comments. The list of opponents included more than 1,200 local, State, and Federal officials, including the Governors of Maryland, [[Page S232]] Delaware, Virginia, New Jersey, North Carolina, South Carolina, California, Oregon, and Washington; more than 150 coastal municipalities; and an alliance of more than 41,000 businesses and 50,000 fishing families. President Trump and Interior Secretary Zinke cavalierly ignored the widespread public opposition to expanded offshore drilling and the time and effort the public dedicated to making their dissenting voices heard. It is reckless, even wanton, to jeopardize so much--the livelihood of those who depend on fishing and tourist industries, our fisheries, and our military readiness--along the Maryland coast and Chesapeake Bay when there is so much more oil and gas in other parts of the country where production is already well established and locally supported. My concerns aren't limited to the Chesapeake Bay or Maryland's beautiful coastline, even though both are priceless national, not parochial, natural resources. The international scientific consensus regarding human contributions to climate change is clear. Greenhouse gas emissions are a huge problem. Yet the Trump administration is determined to double down on burning fossil fuels when we need to be diminishing, not increasing, our reliance on them. Instead of promoting an energy policy for the 21st century, President Trump is pushing policies from the early 20th century. This isn't just ill-advised, it is deadly. We have little time to lose when it comes to cutting fossil fuel use and greenhouse gas emissions. Politico recently reported: Last ***year*** was the third hottest on record in 125 ***years*** of record-keeping, and the U.S faced record-breaking losses from weather and climate disasters. . . . A NOAA study found that hurricanes, wildfires and other events did $306 billion worth of damage to the U.S economy, factoring in destroyed property and lost business activity in affected areas. . . . The most expensive storm of 2017 was Hurricane Harvey, with an estimated $125 billion in costs, followed by Hurricane Maria at $90 billion and Hurricane Irma at $50 billion. As for wildfires, they burned through more than 9.8 million acres in the West and caused close to $18 billion in damage, tripling the previous record. The U.S in total saw 16 separate events with losses exceeding $1 billion each in 2017, tying a record set in 2011 for most billion-dollar disasters in a single ***year***. NOAA scientists also found the five warmest ***years*** on record for the U.S all have occurred since 2006. For all these reasons, I urge President Trump and Interior Secretary Zinke to reverse course on this ill-begotten plan immediately. What we really need is a permanent moratorium on oil and gas drilling off our Atlantic coast. The potential rewards of such drilling--problematic as they are--don't come anywhere close to equaling the risks to the Chesapeake Bay and Maryland's and our Nation's irreplaceable shorelines and coastal communities. I suggest the absence of a quorum. The PRESIDING OFFICER. The clerk will call the roll. The legislative clerk proceeded to call the roll. Mr. MERKLEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded. The PRESIDING OFFICER. Without objection, it is so ordered. Reviewing Last ***Year***'s Senate Agenda Mr. MERKLEY. Mr. President, our Constitution starts out with three beautiful words: ``We the people.'' This was the whole mission statement for the development of our form of government--not a government that would deliver benefits by and for the privileged, not a government that would deliver decisions for the rich and the powerful, but for the people of the United States, for the best policy for the population of the United States, so that its citizens everywhere, of every stripe and every corner of the Nation, could have a foundation to thrive. But in 2017, the leadership of this body dedicated itself to a different mission. They dedicated themselves to the mission of government of, by, and for the powerful and the privileged. I think it is worth reviewing some of those items that we have gone through in the course of this past ***year***. Let's start by looking at the attack on the Consumer Financial Protection Bureau. My colleagues on the Republican side spent a whole ***year*** attacking this organization, which was set up to make sure that financial transactions are fair--a fair, square deal for ordinary Americans. We had seen all kinds of predatory practices in consumer loans. We had seen all kinds of predatory practices in auto loans. We certainly had seen them in home mortgages. In fact, the exploding interest rate mortgages and the triple option mortgages that were designed to deceive and bankrupt ordinary Americans turned the dream of homeownership into a nightmare. Fortunately, in 2010 this body said: No more. We are going to set up an organization that can identify predatory practices as they develop and prevent them from being implemented. It makes a lot of sense. It is very similar to an organization we have in the government that says: That appliance is dangerous and should never be sold; that toy is dangerous and should never be sold. In this case, it is this: That loan is predatory, deceptive and should never be marketed. This assault on CFPB went on throughout the ***year***, purely encapsulating government for the powerful, the rich, and the predatory over ordinary people. This has culminated at the end of the ***year*** in which President Trump has appointed an Acting Director to the CFPB who hates the Consumer Financial Protection Bureau and wants to dismantle it from the inside. In fact, that Director has called the organization a ``sick, sad joke.'' Just yesterday, he threw out the payday loan rule. Payday loans have interest rates of 300, 400, 500 percent interest. People have them, initially, and borrow $1,000. In a ***year***, they owe $5,000. In another ***year***, they owe $25,000. In another ***year***, they owe $125,000. It is a vortex of debt that pulls families into bankruptcy, squeezes them for as long as it can, and then throws them out bankrupt. Many States have said this is outrageous. Many religious traditions have said this is unacceptable. People have seen the carnage it does in a society that has high-interest loans. These are not just high-interest loans of 25, 35, or 45 percent. No, it is 300 percent, 400 percent, or 500 percent. Yesterday the Director of the organization set up to protect against predatory loans restored full power to allow these predatory loans to occur. That symbolizes the whole ***year*** of leadership in this body supporting the powerful and the privileged instead of the people of the United States of America. Just a little while ago we had a vote in the body--a 50-50 vote that was broken by the Vice President, 51-50--that really does symbolize the powerful over the people. This is a case where there was a rule adopted by the Consumer Financial Protection Bureau that said you have to have fairness in adjudicating consumer issues. Let's say, for example, a telephone company puts charges on your bill that you didn't authorize. Let's say, for example, a cable company proceeds to charge you a higher price than the contract called for and you want to dispute this, but currently if you seek to dispute it, you can't do so in a fair setting. Instead, it is a rigged system set up for the company and against the people, in which the company chooses the judge, in which the company pays the judge, and in which the company promises future business to the judge. Who here in this Chamber really thinks they can get a fair decision when one party to a dispute chooses a judge, pays the judge, and promises the judge future business? That is the fair arbitration rule that was undone by this body choosing to weigh in during 2017 once again on the side of the powerful against ordinary people, choosing the system rigged against middle-class and ordinary Americans. Let's turn to yet another decision for the powerful in 2017 over the people--net neutrality. People value the fairness of the internet. You decide you have an idea, and you want to set up a company. Maybe you want to offer a website that provides services to people who need home repairs. You know you are going to be competing against big, powerful actors who have other websites. But you decide: I have a different idea, a different innovation, and a different way of doing this would be better. Right now, until recently, you had the same ability to get the same speed on your pages, or your website, loading as the big player did so you could compete. But the Republican majority, team Trump, says: No, we want [[Page S233]] to weigh in for the powerful over ordinary people. We want to give the powerful the ability to have those web pages put up on the computer screen really, really fast and stop the challengers--the little guy, the ordinary person who wants to compete--from being able to have the same speed so that the customer can only decide: Well, I better go to the established big player. What could more symbolize the powerful over the people than the FCC, with the support of this administration--this Trump team for the powerful--choosing to wipe out net neutrality? I think we will have that issue revisited in 2018 when we have a Congressional Review Act that already 50 Senators in this body--49 Democrats, 1 Republican--have said they are ready to sponsor for the overturn of this act against ordinary people. At least 50 out of 100 are saying that on this issue they want to stand up for ordinary people against this 2017 reign of terror by the powerful and privileged over ordinary people. It is at least 50, but we are going to need 51. Isn't there one more Senator who will stand up for ordinary people? Then, we have the Congressional Review Act attack on Planned Parenthood. This was a case where the administration and this Republican leadership and this Republican-led body said: We want to enable jurisdictions to divert funds away from a women's health organization, Planned Parenthood. They centered their argument around diminishing the number of abortions. Here is the fact. Family planning decreases abortions. So it has the contrary impact than what was stated by those who made that argument. Here is another fact: 97 percent of the work of those organizations is about general women's health/reproductive services, not abortion--97 percent. This takes away screenings for all kinds of cancers, for all kinds of women's healthcare. Here we have the privileged and the powerful choosing to weigh in against the health of ordinary women across the United States. The list just goes on and on. Let's turn to big, powerful mining companies brought to bear against ordinary people. This is simply the case of a rule which said that when you create a big mess with mountaintop removal mining, you have to fix it so that it doesn't contaminate the stream. This was a rule in which the people weighed in and said they wanted clean streams for the fish, where the ordinary people of America weighed in and said they wanted clean streams for fishing, where the ordinary people weighed in and said they wanted clean streams for their water supplies--but no. This body saw fit to weigh in for the rich and powerful, taking away those streams for the fish and the opportunity for fishing, taking away those clean streams for water in favor of the rich and powerful over the interests of the people of the United States. This ``rich and powerful over the people'' has extended abroad, even beyond our borders. Equatorial Guinea, a country of Sub-Saharan Africa, has a massive wealth of oil. President Obiang of that country has been in power since 1979. That country has a per capita income of around--I believe it is $20,000, but most of the nation lives on less than $2 a day. Why is that? Why do ordinary people live on so little when the country has so much wealth? It is because the international oil companies have made their royalty ***payments*** to the leader of the country rather than to the treasury of the country. Congress came along and said: Do you know what? We need transparency of these international transactions so that ordinary people overseas are not ripped off through these hidden transactions of paying off leaders who live extraordinary lives of luxury while their people suffer. When I talk about suffering, who here can live on $2 a day? Who here can do that? It is a life-and-death issue, as 20 percent of the children in Equatorial Guinea--a country with this vast wealth--die before the age of 5 while the President and his Vice President own yachts worth $250 million. They have a $200 million mansion in Paris, and they have a $10 million car collection while people are dying because in 2017 this Chamber chose to support the powerful over the ordinary people of the world. We see this in another environmental issue--the issue of the Arctic National Wildlife Refuge. We have protected that decade after decade--a last great natural treasure, sacred Tribal land that is home to polar bears and brown bears and lynx and moose and Arctic foxes and seals. In fact, it is the calving ground where a herd of 160,000 porcupine caribou go to give birth. Yet we decided that Tribal land was not as important as the decision for the rich and powerful oil companies to be able to destroy that pristine area. Let's turn, really, to what was one of the biggest issues of the powerful over the people in 2017, one in which this body facilitated the theft of a Supreme Court seat in order to maintain the Citizens United ruling that allows billionaires to flood our campaigns with cash in order to control this body--one of the most evident sources of corruption in the history of this country. Finally, we had an opening for the Supreme Court in 2016, an opening that might have redressed this ``we the powerful'' decision over ``we the people.'' This body came forward, and the leadership said: We are not going to allow a debate on President Obama's nominee. We are not going to allow a vote. They justified it because it was an election ***year***. Yet, if you look through history, there is nothing in our history that supports that. Fifteen times before, we had openings on the Supreme Court during election ***years***. Fifteen times before, we had debated. Fifteen times before, we had voted. Then again, it was dressed up as, maybe this is protecting the Constitution. Of course, the Constitution doesn't absolve us of our advice and consent responsibilities in the fourth ***year*** of a Presidency or in the eighth ***year*** of a Presidency. The consummation of that theft was completed when this body voted to confirm the nomination of Neil Gorsuch last April--basically, an incredible act of irresponsibility, a failure to honor our advice and consent responsibility, an act which denigrated the legitimacy of the Supreme Court and certainly diminished the reputation of the Senate in honoring our pledge to honor the Constitution, including the constitutional responsibility to provide advice and consent--all in order to keep billionaires' money in campaigns throughout this country. If that is not the powerful over the people in 2017, what is? That is not the end of it. In 2017, the Republican leadership of this body brought us five different efforts to wipe out healthcare for 20 to 30 million people. Now, I didn't hear the Senators who were supporting this say they wanted to give up healthcare for themselves--oh, no. They wanted to keep that, but they were very comfortable in advocating for a bill to wipe out healthcare for 20 to 30 million Americans. There you have it--the powerful against the people. Then we have the tax heist--the most recent of the powerful over the people. Add up the provisions for the wealthy. Now, remember, this tax bill was advertised as a middle-class tax cut for the middle class, but what did we have? We had the provision to eliminate the dynasty loophole, which allows the richest Americans to pass on their dynasties to the next generation without their ever paying capital gains, at a cost of $83 billion. We had a change in the tax brackets for the wealthiest Americans in the hundreds of billions of dollars. We had the eliminating of the alternative minimum tax--$40 billion or so--for the wealthiest Americans. We had the reducing of corporate taxes, the benefits of which largely go to the big stockholders--the richest Americans. We had the sweetheart rate for passthrough corporations that bolstered the value of that, helping out the richest Americans. If you add it up, one after another after another of the provisions, all told, probably about $2 trillion has been given to the richest Americans by the so-called middle-class tax cuts--not $2 trillion for the middle class, not $2 trillion for the struggling bottom third of America's families, not $2 trillion for helping to diminish the size of our classrooms in K-12 and to improve teacher training, not $2 trillion dedicated to wiping out the high cost of college, not $2 trillion dedicated to [[Page S234]] healthcare and our clinics, not $2 trillion dedicated to infrastructure, creating jobs, and building a better economy for the future. No. This is $2 trillion to the richest Americans to increase wealth inequality, to increase income inequality. How much is $2 trillion? Can you even get your hands around that number? Divide it by the number of Americans--men, women, and children. That is $6,000 for every man, woman, and child in America that this body, under this Republican leadership, decided to give to the wealthiest Americans rather than to make available for the foundation for our families--education, healthcare, good jobs, improved infrastructure. That kind of wraps up 10 items from throughout 2017. This body constantly ignored the mission of our Constitution--our ``we the people'' mission--and chose instead to be the government of, by, and for the powerful. How about we have a new ***year***'s resolution for 2018 in which we decide to actually honor the Constitution, the vision of the Constitution, and address the needs of America and the foundation under which families may thrive, that of good jobs, education, and healthcare in 2018. Then we would be doing our job, and then we would be honoring our Constitution. I thank the Presiding Officer. The PRESIDING OFFICER (Mr. Gardner). The Senator from Pennsylvania. Tax Reform Mr. TOOMEY. Mr. President, I rise this afternoon to speak about what our tax reform and tax relief legislation actually does. I want to start by welcoming in advance the President of the United States to Pennsylvania. The President is going to Pittsburgh, PA, to talk about the specifics of our tax reform and the effect it is having. I really wish I could be there with him, but we don't know when we are going to finish up here, as the President knows very well. We might be here well into the evening, and I have multiple obligations to which I have long been committed in addition to juggling that. Unfortunately, I will not be able to get to Pittsburgh with the President, but I hope to have another opportunity to celebrate this victory for Pennsylvanians and Americans because that is what it is. When we set out to accomplish the biggest tax reform in at least 31 ***years***, we had two big goals. The first was to make sure we implemented a direct tax cut for working families, for middle-income families, and for the overwhelming majority of families and individuals whom we all represent. That was goal No. 1--to make sure we cut taxes for the people who are working every day, living paycheck to paycheck, working hard, and making America what it is. That was item No. 1. The second thing we wanted to do was to reform what was a completely archaic, unbelievably complicated, inefficient, and really terrible business tax code that had become arguably one of the very worst in the world and one that was systematically discouraging investment in the United States. So those were the two goals--direct tax relief for ordinary Americans and making the business tax code competitive. I am thrilled to be able to say that I believe we achieved both goals. First of all, it is a simple, straightforward, factual matter that we cut taxes on the vast, overwhelming majority of taxpayers--the families and individuals who pay taxes. That is just a factual matter. That is easy to confirm. Of course, that has the effect of increasing the take- home pay for anybody who is working. You can increase your take-home pay by either getting a raise from your employer or by paying fewer taxes on what you earn or both, and we knew for sure that we were cutting taxes and that there was going to be a take-home pay increase. I predicted at the time that we would also be creating an environment in which there would be upward pressure on wages, where over time we would start to see people getting bonuses, pay rate increases, and wage increases because we would be creating a dynamic in which employers would be competing more and more for workers so that, in effect, they would be bidding up the compensation for the workers. That is what I predicted, and I was confident that would happen within some number of months or a ***year*** or so. So I had to come down to the floor today and confess that I was wrong--very wrong--about the timing of that. You see, we didn't have to wait 3 or 6 or 12 months for our constituents-- the people whom we represent--to see the benefits in the form of higher wages. They started happening immediately--I mean, within days. It has actually been stunning. It has been about 1 month since we passed this sweeping tax reform, and many hundreds of businesses--those cumulatively employing well over 2 million workers--have announced bonuses, wage increases, expanded benefits, and increased contributions to pension accounts. They have cited the tax reform as the mechanism that has enabled them to do this for their workers. What is so exciting about this is that this is happening even before the wave of new investments has even been able to begin. This is happening because companies know that with lower tax rates, they are going to have more free cash flow. They are going to use some of that to invest in growing their business, but they have already announced that they are using some of that to enhance the compensation of their employees. Let me give you some examples. These are just Pennsylvania-related companies, a handful of the ones I am aware of. It is typical of companies across the country. Comcast, a big employer based in Philadelphia, announced specifically that as a result of the tax reform, they would make a $1,000 bonus ***payment*** to 100,000 frontline nonexecutive employees, and they committed to $50 billion of capital expenditure over the next 5 ***years***. How many tens of thousands of jobs is all of that capital expenditure going to support? It is a big number. That is not all. Out in Pittsburgh, PNC Financial Services, a substantial large bank in Pittsburgh, announced right after the tax reform that they would pay $1,000 to 47,500 of their employees, and, in addition, they would contribute $1,500 to each of their employees for participating in their pension savings plans. They are also raising their base wage. Their minimum wage for employees at PNC goes up to $15 an hour. No Federal Government edict is forcing them to do it. This is what they want to do. It is so that they can attract more and competitive employees. They have also increased their contribution to their charitable foundation--$200 million to a charitable foundation that supports early childhood education. That is PNC. Navient has 900 or so employees in Wilkes-Barre, PA, and they announced that they are giving a $1,000 bonus to their non-officer employees--98 percent of their employees. That is not the top brass, but everybody else is going to get a $1,000 bonus. Customers Bank in Wyomissing, Berks County, PA, announced that as a result of the tax reform and the tax relief they are getting, they are going to be able to offer people who have a checking account with them a higher rate on their deposits. In another benefit for consumers, they are going to increase their charitable giving. NexTier Bank in Butler County, in Western Pennsylvania, is giving a $1,000 bonus to all their employees. As to Walmart, I think we all saw that. There are Walmart employees in every State of the Union, and there certainly are in Pennsylvania. There are over 160 Walmart locations in Pennsylvania. They are giving a bonus of up to $1,000, raising their starting wage, expanding their paid leave policy, and their adoption assistance ***program*** for their employees, all in response to the tax relief and reform that they know is going to be good for their business, and they already decided to make it good for their employees as well. That is just a small handful of the companies that I know of in Pennsylvania that have made public announcements about this. How many more are there across the country? It is a huge number, and it is growing rapidly, and it is fantastic. I think it is fantastic. I think it is fantastic when the people I represent are able to earn more to support their family, get a bigger bonus and get a bonus they might not otherwise have gotten at all. I know this view is not universally shared. The House Minority Leader [[Page S235]] Pelosi doesn't think very much of this. In fact, she said: ``In terms of the bonus that corporate America received versus the crumbs that they are giving to workers to kind of put a schmooze on--it's so pathetic . . . I think it's insignificant.'' I have to state that I don't think it is pathetic, and I don't think it is insignificant. I think to a family that is struggling, a family that is working hard, a family that may be living paycheck-to-paycheck, as most families do, these are not crumbs. This makes a difference. For the people who wonder, because they heard so much from our colleagues on the other side that this is not going to help middle-class families, any mystery that people may think surrounds this will be resolved very soon because the IRS has already released new withholding guidelines. The Treasury has done their evaluation, and they have concluded as the Joint Tax Committee concluded, that over 90 percent of all individuals and families filing and paying taxes will see a tax cut. So they are adjusting the withholding table so that the take-home pay goes up and so that the money that workers pay to Uncle Sam goes down. Honestly, I have to state that I am convinced that the best in all of this is yet to come. The best is yet to come because it is too early for us to have yet benefitted from the wave of new capital investment. We have made it more affordable for businesses to invest in their workers, to invest in their businesses, and to invest here in America rather than overseas. We have made that more affordable so more is going to happen, and when it happens, people are going to get the benefits from the jobs they have to provide those capital goods. Other people are going to benefits from jobs that are necessary to operate that capital equipment. Wages will rise because workers will become more productive. This is what is in store for us, and this is what is so exciting. It is not just my theorizing on this. Last week the CEO of PNC, Bill Demchak, was quoted in the Wall Street Journal. He said: For all the investment decisions that companies make, the U.S just got that much more attractive. . . . It's going to win more than it won before in terms of where people choose to do business activity and invest. I couldn't agree more. This is clearly going to be the result. We are allowing American businesses to compete and to win in a competitive global economy. This is going to increase the supply of capital. It is going to increase the productive capacity of the American economy. It is going to provide better tools for workers when they have that capital that they can work with that makes them more productive. That enables them to earn higher wages, and with all the need for more workers that this is going to generate, it is going to continue to put upward pressure on wages, because that is what companies are going to have to do in order to attract and retain the employees they need. So I would say that I think we are well on our way to seeing the fruits of this reform. I think it is going to be extremely constructive. I am thrilled that our legislation has already begun to have tangible benefits for the people we represent, and I am convinced that the best is yet to come. I yield the floor. The PRESIDING OFFICER. The Senator from Arkansas. Mr. COTTON. Mr. President, it is of the highest importance that we reauthorize title VII of the Foreign Intelligence Surveillance Act, especially section 702. It is one of the best tools we have for detecting and preventing terrorist attacks against our country, and it has a long track record of success. It is one reason that Najibullah Zazi today is not a household name, but yet just another bin Laden wannabe sitting behind bars. He was planning to blow up the New York subway system, but he never got the chance because our intelligence community and law enforcement professionals stopped him in his tracks by using information collected under section 702. That is how vital this ***program*** is, and that is why I will be voting yes on this legislation. That being said, the bill we are voting on today is not my ideal legislation. If I had my way, we would be voting on a permanent reauthorization with no changes. That was the White House's position when I worked together with the administration and introduced a section 702 extension bill earlier this past summer, and the administration has said all along that they wanted a clean and permanent reauthorization. The people who rely on this ***program*** and know better than anyone just how valuable it is believed it was good as is. The way I see it, if the threats against our country will not sunset in 6 ***years***, why would we sunset this vital ***program***? But I understand we usually have to compromise around here. I am glad to see a provision I offered to increase the maximum penalty for the misuse of classified information included in this bill. So while I worry this bill might make it harder for our intelligence community and law enforcement professionals to protect our country, I am going to vote yes. As a result, you can imagine my surprise as I listened to the ***program***'s critics. There is a lot of misinformation out there. I want to take this opportunity to set a few things straight. First off, there is nothing unconstitutional about this ***program***. Section 702 targets foreigners on foreign soil--not Americans--and it is specifically designed to protect Americans against unreasonable searches. You don't have to take my word for it, though. Every district court that has looked at this question has found section 702 to be constitutional. That includes, by the way, the so-called ``about'' collection. If you are trying to collect information about a foreign target, and an American citizen mentions that target in an email, I would suggest that we would want our intelligence community to know about that. Does that mean that they incidentally picked up information about American citizens? Yes. But let's be frank here. The only way to prevent this kind of incidental collection is to prohibit any collection at all. If our intelligence community couldn't track an email address or phone number simply because they theoretically might pick up information about an American citizen, they simply could not do their jobs. It is difficult, if not impossible, to tell if many email addresses belong to a foreigner just by looking at it. For example, is [email protected] an American email address or not? Who knows? Did the National Security Agency discontinue its ``about'' collection at one point recently? Yes, but to me that is evidence that this ***program*** works. Contrary to what its critics believe, the NSA voluntarily ceased collecting information in the name of protecting privacy. The NSA respected the minimization standard imposed by the Foreign Intelligence Surveillance Court. The safeguards worked just like they were supposed to. This bill says that the NSA can continue so-called ``about'' collection only once it gets approval from the FISA Court and from Congress. Yes, section 702 has a whole host of safeguards built in to protect Americans' privacy, and this bill adds more still. If the FBI wants to review information collected under 702 on a U.S person for a criminal investigation that is not related to national security or foreign intelligence, it has to get a court order based on probable cause, even though the Constitution does not require it. Or if the FBI wants to query 702 information, it can do so only under FISA Court-approved guidelines. Finally, just to make sure the FBI is following the law, this bill requires the DOJ inspector general to check up on the FBI's compliance and report back to Congress. Finally, the critics say the Attorney General can just sneak past all these safeguards by designating an investigation as a domestic crime related to national security or a transnational crime. That ignores the layers upon layers of oversight we have in place to prevent just that kind of abuse. Not only the DOJ inspector general but the FISA court and Congress will continue watching the FBI's use of this ***program***, keeping guard against such misuse. So I find the critics' arguments to be wholly without foundation. Section 702 is constitutional and strikes a pretty good balance between security and privacy. There is no good reason to let this ***program*** expire and no good reason to hold this reauthorization up any longer. Let's remember, after all, that last ***year*** there were two terrorist attacks against New York City within 6 [[Page S236]] weeks, not to mention a Christmas Eve plot against Pier 39 in San Francisco that was disrupted. Also, Admiral Rogers, the Director of the National Security Agency, has testified that the intelligence community would not have been able to put together its intelligence assessment about Russia's interference in our 2016 Presidential campaign without this vital ***program***. We face a lot of threats. Terrorism, spying, and nuclear proliferation are just a few. They are not going away any time soon, and neither is the Russian threat of meddling in our politics, either. It is past time we gave this tool back to our intelligence community so they can continue the hard work of keeping our country safe. I yield the floor. The PRESIDING OFFICER. The Senator from Mississippi. Tax Reform Mr. WICKER. Mr. President, when we passed tax reform late last ***year***, we knew it would be a win for American workers and for the American economy. This win for our workers and families was long overdue after so many ***years*** of sluggish wage growth. Americans will see tax cuts very soon. They will be reflected in their paychecks next month. But tax reform is already making a positive difference. The response from our job creators--both small and large job creators--has been overwhelming. Some 164 companies so far, spanning industry sectors and geographical boundaries, have announced employee bonuses, higher minimum wages, better benefits, new jobs, charitable deductions, charitable donations, and new investments. According to Americans for Tax Reform, well more than 2 million Americans will benefit from these bonuses. The National Federation of Independent Business says that the tax cuts for our small businesses-- the bread and butter of our economy--will amount to hundreds of millions of dollars. I want to take a moment today to highlight how some of these job creators are giving back to the hard-working citizens of my State. They include Mississippi's single largest private employer, Walmart, which has announced that it is raising its starting wage rate for hourly employees to $11. Walmart is also expanding its maternity and parental leave benefits, as well as giving employee bonuses, as a result of the new tax bill. BancorpSouth, headquartered in my hometown of Tupelo, MS, has announced that it will give back to employees through pay raises or bonuses. In fact, BancorpSouth says it plans to invest more than $10 million into the employees who work in its 234 locations across Mississippi and seven other Southern States. Another bank based in Tupelo, MS, Renasant, has announced that it will invest its tax savings in its 2,000 employees. Nationally, AT&T is giving $1,000 bonuses to 200,000 employees. So are Bank of America, American Airlines, Boeing, and Comcast. And I could go on and on and on with bonuses benefiting hundreds of thousands of employees. Other Americans will get new jobs. Last month, television station WLOX on the gulf coast of Mississippi reported that the Half Shell Oyster House plans to use its tax savings to open new restaurants and hire more employees. Isn't this what we want? Isn't this what we predicted? And isn't it wonderful to see this come to fruition? Kevin Fish, a co-owner, told the news station: ``We've passed up on opportunities in the past that we wouldn't have passed up on had we had this tax structure.'' Millions of Americans might also see lower energy bills from investor-owned utilities. Utility companies across the country, including in Mississippi, are discussing how the law can help them lower energy costs for our consumers. The message is clear across my State, across every State, and across this country: The more money our job creators can save and the more money they don't have to send to Washington in the first place, the more they can invest in the future of their businesses and the well- being of their employees. And this is proving true every day and will continue. These are the opportunities we do not want our job creators to pass up. With every bonus, every pay raise, every expanded benefit, every lower energy bill, American families will have more money in their budgets to spend on the things they need most. Thank you to the leadership of the President and the leadership of the House and Senate for giving this outstanding benefit to the families, the workers, and the job creators of the United States of America. Thank you, Mr. President. I yield the floor, and I suggest the absence of a quorum. The PRESIDING OFFICER. The clerk will call the roll. The senior assistant legislative clerk proceeded to call the roll. Mr. HEINRICH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded. The PRESIDING OFFICER. Without objection, it is so ordered. Mr. HEINRICH. Mr. President, the Senate will be voting soon on a bill to reauthorize the FISA Amendments Act. Most Americans likely do not recognize the name of the bill, but they probably know what this bill addresses--our government's surveillance of communications. As a member of the Senate Intelligence Committee, I have learned a great deal about our post-9/11 surveillance laws and how they have been implemented, and I have determined that there are reforms that need to be made to the FISA Amendments Act--specifically section 702--before we renew this law. The single biggest flaw in section 702 is how it has been interpreted. The language of the law--the collection of foreign intelligence of U.S persons reasonably believed to be located outside the United States--anticipates that incidental or accidental collection of Americans' emails or even phone calls could occur, but under the FISA Amendments Act as written, there is nothing to prohibit the intelligence community from searching through a pile of communications collected under this statute to deliberately search for the phone calls or the emails of specific Americans. This is not what Congress intended when the law was written, and now we are being asked to vote on this law at the last minute with not a single amendment allowed. Many of us have called this the backdoor search loophole since it allows the government to search for Americans' communications without a warrant--let me repeat that--without a warrant. The USA Rights Act, of which I am a cosponsor, includes a fix to this loophole. It also includes other key reforms to the statute that I support. But that commonsense bill is not the one on the floor today. The bill before us today would actually take us backward. It doesn't require a warrant to search for Americans' communications. It makes it quite easy to resume the ``about'' collections on Americans--a practice that the government has literally abandoned. It grants new authorities to allow section 702 data to be used in domestic criminal prosecutions of American citizens. I strongly believe that the Federal Government needs a way to monitor foreign communications to ensure that we remain a step ahead of the terrorists and those who would threaten our national security. The FISA Amendments Act has been beneficial to the protection of our national security. I don't question the value of the foreign intelligence that this law provides. I have seen it with my own eyes. But I also strongly believe that we need to balance the civil liberties embodied in our Constitution with our national security imperatives. It is the responsibility of Congress to find that balance. The bill that is before us today could come closer to that standard if we improve it through the adoption of amendments that I and my colleagues would offer if we had the opportunity. But this bill is being fast-tracked, and we are left with only the choice of an up-or-down vote. The American people deserve better than the legislation before us today. The American people deserve better than warrantless wiretapping. I urge my colleagues to consider the gravity of the issues at hand and to oppose reauthorization until we can have a real opportunity for debate and reform. Thank you, Mr. President. I suggest the absence of a quorum. The PRESIDING OFFICER. The clerk will call the roll. The senior assistant legislative clerk proceeded to call the roll. Mr. WYDEN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded. [[Page S237]] The PRESIDING OFFICER. Without objection, it is so ordered. Mr. WYDEN. Mr. President, I believe the American people should be deeply concerned about the vote the Senate took yesterday to invoke cloture; in effect, ending real debate and preventing the Senate from considering any amendments to the Foreign Intelligence Surveillance Act reauthorization. This isn't what is called regular order. This isn't how the Senate ought to operate. In fact, it is not even how the Senate has handled surveillance bills in the past. Even in the weeks after the horrendous attacks of 9/11, the Senate considered amendments to the PATRIOT Act. In 2008, when the Senate first considered section 702, the Foreign Intelligence Surveillance Act, there were, in fact, amendments. Now debate has been cut off, and no Senator--neither a Democrat nor a Republican--is going to be allowed to offer an amendment. What the country is going to be left with is a deeply flawed bill that, in a number of ways, is actually worse than current law. I want to talk first about whose rights are at stake. We are talking primarily, at this part of my address, about Americans who talk to foreigners overseas--law-abiding Americans whose communications can get swept up under this law. They could be, for example, American businesspeople--perhaps somebody working for a tech company in Colorado or Oregon or perhaps somebody working for a steel company in the Midwest. These are American businesspeople--law-abiding people--talking to a foreign contact. They could be swept up under this law or we could be talking about first-, second-, or third-generation Americans talking to family and friends still overseas. Maybe they are catching up. Maybe they are talking about kids and grandkids. Maybe they are just talking about their hopes and aspirations, but they are still law-abiding Americans who could get swept up in this bill. We could be talking about American journalists covering foreign stories. We could be talking about U.S servicemembers talking to foreign friends they made while deployed. Try to get your arms around that one. I think it is particularly unfortunate because one of the things I am proudest of is I was able to ensure that Americans overseas-- servicemembers--would have their privacy rights protected. We have a law passed to do that. I remember George W. Bush had reservations about that proposal I made to protect the privacy rights of our law-abiding servicemembers overseas. He originally said he might veto the bill. In the end, it was in his press release saying how great it was, and I think it was because nobody had really talked about the rights of these wonderful men and women who wear the uniform in the United States. We did it right back when George W. Bush was President. We protected the privacy rights of our servicemembers overseas. Now we are talking about walking back the rights of those U.S servicemembers if they are talking to foreign friends they made while deployed, and we could be talking about American teachers and researchers seeking information from foreigners. Now this body isn't going to have a chance to even consider reforms that might protect the constitutional rights of these Americans--the businessperson, the servicemember, the first-, second-, or third- generation American immigrant--because what has happened is the Senate is being forced to vote on a reauthorization bill without any public discussion about any kind of alternatives. The one committee consideration--what is called a markup--occurred entirely in secret. That is public law being debated in secret. Yesterday, the Senate discussed whether to cut off debate on a bill that authorizes vast, unchecked surveillance powers in less time than it takes to shop for the week's groceries. So now, with no amendments possible, there is not going to be a single opportunity for the public to see its representatives explain why they are supporting or why they are rejecting these key reforms. You can only conclude from this that opponents of reforms were just scared. They were frightened. They just didn't want to have them debated in the open. They must be worried that the more Americans understand about the ***program***--and the more they hear about commonsense, bipartisan proposals to fix it--the more the public is going to say we can do better. We can do better than the status quo because the public, once they have the benefit of a little transparency and a little open debate, what I have seen--and I just finished my 865th open-to-all town meeting at home in Oregon. Once you talk to folks at home about these issues, they understand that security and liberty aren't mutually exclusive; that sensible policies get you both and not-so-sensible policies and failure to look at the issues really get less of both. My view is the Senate let down the American people yesterday. In my view, we have a solemn obligation to deliberate, to consider amendments, and to vote up or down. I think that is really what the Senate is all about. One of the worst arguments for jamming this bill through without amendments was that somehow this law was going away. It just wouldn't be around. It was expiring. First, Members who wanted to debate reforms were prepared to go to this floor many months ago. Nothing stood in the way of a floor debate last ***year***. Even today, there is no reason to rush all this through. Absolutely nothing prevents the Congress from extending 702 authorities for a week or two to allow us to carry out our constitutional responsibilities. By the way, the Director of National Intelligence has said publicly and on the record that its authorities continue until April. I was stunned. I had Senators on both sides of the aisle whom I like very much-- good, dedicated Senators--saying: Oh, my goodness, we have to act. If we don't act in the next few days, oh, my goodness, powerful tools we need to stop the terrorists--and I will not take a backseat to anybody in terms of stopping the terrorists--they are going to be gone. That is just not true. Mr. President, I ask unanimous consent to have printed in the Record an article with the statement from the Office of National Intelligence, where the Director said on the record that its authorities would continue. There being no objection, the material was ordered to be printed in the Record, as follows: [From The New York Times, Dec. 6, 2017] Warrantless Surveillance Can Continue Even if Law Expires, Officials Say (By Charlie Savage) Washington.--The Trump administration has decided that the National Security Agency and the F.B.I can lawfully keep operating their warrantless surveillance ***program*** even if Congress fails to extend the law authorizing it before an expiration date of New ***Year***'s Eve, according to American officials. National security officials have implored Congress for the past ***year*** and a half to extend the legal basis for the ***program***, Section 702 of the FISA Amendments Act, before it lapses at the end of the month. They portrayed such a bill as the ``top legislative priority'' for keeping the country safe. But with Congress focused on passing a major tax cut and divided over what changes, if any, to make to the surveillance ***program***, lawmakers may miss that deadline. Hedging against that risk, executive branch lawyers have now concluded that the government could lawfully continue to spy under the ***program*** through late April without new legislation. Intelligence officials nonetheless remain intent on getting lawmakers to pass a durable extension of Section 702 by the end of the month--warning that even a stopgap short-term extension of several months, as some lawmakers have proposed, would risk throwing the ***program*** into a crisis in the spring. ``We fully expect Congress to reauthorize this critical statute by the end of the ***year***,'' said Brian Hale, a spokesman for the Office of the Director of National Intelligence. ``Not doing so would be unthinkable in light of the considerable value Section 702 provides in protecting the nation.'' The expiring law grew out of the Bush administration's once-secret Stellarwind warrantless surveillance ***program*** after the Sept. 11 attacks. After it came to light, Congress enacted the FISA Amendments Act of 2008 to legalize a form of the ***program***. Under Section 702, the N.S.A and the F.B.I may collect from domestic companies like AT&T and Google the phone calls, emails, texts and other electronic messages of foreigners abroad without a warrant--even when they talk with Americans. The ***program*** has expanded to a broad array of foreign intelligence purposes, not just counterterrorism. If Congress fails to reauthorize the law this month, Mr. Hale acknowledged that the government believes it can keep the ***program*** going for months. Its reasoning centers on a legal complexity in how the ***program*** works: Under the law, about once a ***year***, the secretive Foreign Intelligence Surveillance Court [[Page S238]] sets rules for the ***program*** and authorizes it to operate for 12 months. The court last issued a one-***year*** certification on April 26. That matters because a little-noticed section of the FISA Amendments Act says that orders issued under Section 702 ``shall continue in effect until the date of the expiration.'' Mr. Hale said the provision, which is recorded in federal statute books as a ``transition procedures'' note accompanying the main text of the law, makes it ``very clear'' that ``any existing order will continue in effect for a short time even if Congress doesn't act to reauthorize the law in a timely fashion.'' Given that conclusion, the government is making no plans to immediately turn off the ***program*** on New ***Year***'s Day, no matter what happens in Congress, according to a United States official familiar with the Section 702 ***program*** who spoke on the condition of anonymity to discuss a sensitive topic. The disclosure has significant ramifications for the debate over the ***program***. Congressional leaders have discussed including an extension of the ***program*** in other must-pass legislation, like a spending bill to keep the government from shutting down. But lawmakers will face less pressure to jam through such a move, short-circuiting a full and open debate over reform proposals, if the alternative is not an immediate termination of the collecting of intelligence authorized by the law. Little consensus exists in Congress about what, if any, changes to make to the law as part of extending it. Lawmakers have submitted legislation spanning the gamut from making the law permanent without changes to imposing significant new limits to safeguard the privacy rights of Americans whose communications get swept up in the ***program***, as well as a range of intermediary proposals. One key disagreement centers on what limits, if any, to impose on how government officials may search for, gain access to or use in court information about Americans that gets swept into the warrantless surveillance ***program***. Some lawmakers want to impose a broad provision forcing officials to get a warrant before they may query the repository about an American. Some want a more limited requirement that officials get a court's permission to gain access to the results of such a query if it is for a criminal investigation but not a national security one. Some want to impose no new constraints. Another major issue confronting lawmakers is what to say, if anything, about the N.S.A 's old practice of collecting, from network switches on the internet's backbone, international emails and other such messages that mention a foreigner who is a target of surveillance but are neither to nor from that person. The N.S.A recently halted that practice but wants to retain the flexibility to turn it back on; some bills would codify a ban on it, and some would not. The question of a Section 702 overhaul, and trade-offs between national security powers and privacy protections, has scrambled the usual party lines. Representative Robert W. Goodlatte of Virginia, the Republican chairman of the Judiciary Committee, has warned that legislation whose changes fall short of a compromise bill that he worked out with Democrats on his committee is unlikely to pass the House. In an interview, Senator Ron Wyden, an Oregon Democrat, declined to comment on the government's theory, but said he was open to making it possible to have a full and open debate over the proposed changes to the surveillance law early next ***year*** if time runs out this month. ``We've seen this movie before: wait until the last minute, and then say, 'crowded congressional ***calendar***, dangerous world, we've just got to go along with it,'' Mr. Wyden said. ``Anything now that creates an opportunity for several months of real debate, I'll listen to.'' Either way, the United States official said the executive branch and the courts would still need a durable new version of the law well before the late-April deadline. The problem, the official said, is that it will take a significant amount of time to develop new procedures based on the new law, submit them to the Foreign Intelligence Surveillance Court, make changes the court wants and then work with communications companies to implement the new certifications. Mr. Hale declined to comment on those specifics, but said that a gap in the surveillance ***program***'s legal authorization would generate uncertainty. ``So while the orders would be in effect for a short time after the end of the ***year***, the fact is that we would need to be planning for the end of the ***program***,'' Mr. Hale said, ``and that cannot be done in a matter of days--to effect that takes some time, and is not like turning on or off a light switch.'' Planning to turn off the Section 702 ***program***, the other official said, would include steps to mitigate that change as much as possible, including by systematically going through the list of more than 100,000 foreigners abroad who are being targeted under the ***program*** and triaging which are the most critical, then developing lengthy packages of information to submit to the surveillance court to seek individualized orders to wiretap them. But because of the resources such an effort would require and the higher legal standard the government would need to be able to meet, surveillance would ultimately cease on most of the Section 702 targets, the official added. Mr. WYDEN. Thank you, Mr. President. Despite yesterday's vote, I regret to have to say I am going to have to oppose this legislation's final passage. My view is, if this bill does not go forward now, it is possible to get Democrats and Republicans back to work together to ensure there is a meaningful debate on the floor of the U.S Senate and that this is done with ample time to meet this window that the Office of National Intelligence has talked about publicly, but if that doesn't happen, the Senate has denied itself the opportunity to even attempt to fix this badly flawed bill. This surveillance authority allows the government to sweep up some untold amount of law-abiding Americans' communications. The government says, of course, that its targets are terrorists, and this is about keeping Americans safe from terrorism. I don't take a backseat to anybody in terms of fighting terrorist threats. Having served on the Intelligence Committee for some time now, I can tell all Members and the public there is no question that the terrorist threat is real and that there are significant numbers of people who represent a very real threat to the well-being of our country. Now, if somebody says, We have to keep Americans safe from terrorism, I am all in. I would submit that I don't know of a single U.S Senator--not 1 out of 100--who is not all in on this fight against terrorism, but that is not what the law says. The law says that, under section 702, the government can collect, without a warrant, the communications of foreigners ``to acquire foreign intelligence information.'' Here is how the law defines ``foreign intelligence information.'' It is information that relates to the conduct of the ``foreign affairs of the United States.'' That is just about any piece of information about a foreign country. Who can the government target to get all of this information? Anybody ``expected to possess, receive, and/or is likely to communicate'' that information. So if you unpack that, you don't have to be a terrorist suspect or any kind of threat to the United States to be a target under section 702 of the Foreign Intelligence Surveillance Act. The government just has to think you know something the government wants to know. That is why so many Americans--Democrats, Republicans, and Independents--are worried about getting their private communications swept up. They are law-abiding people, as I have been saying-- servicemembers, businesspeople, Americans who, on a regular basis, talk to friends, families, and contacts overseas. They are worried because, based on what the law says, which I have just read, those foreigners could be the targets, and Americans' communications could be collected by the government. Now, for ***years***, I and other Members of the Congress--both Houses, both parties--tried to at least get an estimate of how many law-abiding Americans' communications have been getting swept up. As recently as April 2017, the Director of National Intelligence said the public was going to get some kind of estimate, but in June, the Director suddenly changed course and told the public and the Congress: You are not getting anything. What that means is no one knows the size of the database. Nobody knows how many Americans' private communications are sitting there, waiting to be searched and possibly used against those Americans. Just yesterday, the Privacy and Civil Liberties Oversight Board was invoked by those opposing reforms, but what that Board had to say about the sheer volume of Americans' communications being swept up is actually, in their words, ``too much expansion in the collection of U.S persons' communications or the uses to which those communications are put may push the ***program*** over the [constitutional] line.'' So here they were being cited, in effect, as supporters for the status quo when I just read you their concern about the status quo. This is why today section 702 of the Foreign Intelligence Surveillance Act is an end-run on the Constitution, and it is what the Presiding Officer and other Members of this body--both Democrats and Republicans--have wanted to change. [[Page S239]] This end-run is not just about the collection. It is that, after all the communications of our people are swept up, the government can go searching for individual Americans through all that data. They don't have to be suspected of anything. The government just has to decide on its own that your private communications might reveal some intelligence or some evidence of a crime, and like the collection of the communications, that search can take place without a warrant--no warrant on the collection of Americans' communications, no warrant on searching for individual Americans. This is a case of two wrongs certainly not making a right. What the Senate did last night was prevent any debate on this basic constitutional question. The USA Rights Act, introduced by 15 Senators of both parties, would have required a warrant for those searches of Americans. Our colleagues Senator Leahy and Senator Lee have legislation requiring a warrant--a Democrat and a Republican. Other Members have had their own proposals. None of them are going to get heard by the Senate. We had a chance to consider amendments. We could have fixed the underlying bill, which doesn't require any warrants for any searches for Americans. Let me just repeat that. The underlying bill does not require any warrants for any searches for Americans--none, not in intelligence cases, not in criminal cases. Warrantless fishing expeditions for Americans can just go on and on and on. The bill's so-called reform only applies to the government's access to the results of the searches, but it really doesn't even do that. It only kicks in if the government is already well down the road of investigating somebody. This means the bill provides more rights to criminal suspects than to innocent Americans. Think about what that is going to mean in Texas or Oregon or North Carolina or anywhere else in the country. As I have described it, this bill provides more rights to criminal suspects than to innocent Americans. It gets worse because the bill is even narrower than that. It imposes no limitations at all if the government determines the search relates to national security or to a criminal matter that has anything at all to do with national security. Why are opponents of reform happy now? Because their bill does nothing. I went and read the Director of National Intelligence's statistics for 2016. The CIA and the National Security Agency conducted over 5,000 warrantless searches for Americans, according to this material. It doesn't include the FBI, whose searches are supposedly too numerous to even count. It doesn't include communications records, which number in the tens of thousands. How many times does the government encounter a situation in which, under this bill, there would even be the possibility of needing a warrant? Exactly one--that is right--one among the thousands and thousands of warrantless searches for Americans. Even that is an overstatement because that one instance in 2016 could have occurred prior to a predicated investigation; in which case, it, too, would be exempt from warrant requirements. Basically, this bill we will vote on provides an easy-to-read roadmap to the government to make sure it never has to get a warrant for anything. Meanwhile, the thousands of Americans subject to warrantless backdoor searches each ***year*** have no protections at all. Had there been amendments, I think there would have been the familiar argument against requiring a warrant for searches of Americans' private communications. We would have heard that section 702 of the Foreign Intelligence Surveillance Act is necessary to connect the dots between suspects and terrorists. Here is why that is misleading. Opponents of reform like to talk about a tip to the government that somebody is acting strange on a bridge. They say this is a situation where the government needs to go directly to reading the private communications of this person. That is just not how the Constitution works. Think about it. Would you want the content of your private communications searched, accessed, and read just because somebody has a slight suspicion about you? Here is the misleading part. Opponents of reform say that, unless the government searches for and reads the emails, it just can't connect the dots to the terrorists. That is just false. The government already has the authority to get this information and in a less intrusive way. Some may remember just a few ***years*** ago there was a debate about ending metadata--the bulk collection of millions of phone records of law-abiding Americans. What remained at the end of that debate was the authority of the government to go get the phone and email records of anyone as long as the records were relevant to an investigation. If it is an emergency, the government can get those records immediately without having to go to the court first. I want to emphasize that because it is something I have felt very strongly about. I wrote that section, section 102 of the USA Freedom Act, because I wanted to make sure it was clear in this debate about finding policies where security and liberty are mutually exclusive, where we have both, that the strongest possible message was sent; that if the government believes there is an emergency, the government can move immediately--immediately--to get the information it needs and then come back later and settle up with the court. When I have the opportunity to be in the Oval Office, which I have had several times--it is a wonderful honor and privilege given by the people of Oregon to pursue these issues--I will say what I say to the President, not what the President says back because I think those are private communications of the President. At one point in this debate, I said to President Obama: If you and your staff feel the current emergency provisions are not adequate, if you think they are not strong enough, I want to know about it because I will work with you to make sure they do the job. That is because when there is an emergency and the security and well- being of the American people is on the line, the government gets a chance to move quickly, come back, and settle later with the court. I have included that in essentially all the legislation that I have authored. This provision of the Foreign Intelligence Surveillance Act is what allows the government to connect the dots without going directly to the content of private communications. That is how our system is supposed to work. The government gets less intrusive information on Americans, using a lower standard, first. But what if the government needs the content of communications urgently? What if the government sees an immediate threat and believes it has no choice but to read those communications right away? As I said, that is why we had the amendment that I have described in USA Freedom Act, and it is why we said in our amendment to section 702--in this proposal--that we would also have an emergency exception. Again, the USA Freedom Act has an emergency exception, and our reform to section 702 of the Foreign Intelligence Surveillance Act has an emergency exception. In this case, under our proposal, in an emergency, the government can search for and read those communications immediately and seek a warrant later. Our proposal also includes other exceptions to the warrant requirement, such as a hostage situation, where a search might help save someone. I bring this up only by way of saying that reformers have been very clear. When the government has an emergency that is defined by the government--not by somebody else who might conceivably not have all the information--what we did in the USA Freedom Act is what we are doing in section 702 of the Foreign Intelligence Surveillance Act, which is protecting the American people in an emergency. Now, there are other facts about warrantless backdoor searches that opponents of a warrant requirement omit from public argument. For ***years*** after the original passage of section 702 of the Foreign Intelligence Surveillance Act, the CIA and the National Security Agency didn't have the authority to conduct these searches. What is more, the Bush administration never asked the FISA Court, or the Foreign Intelligence Surveillance Act Court, for those authorities. The Bush administration didn't think it was a problem [[Page S240]] that the CIA and the NSA couldn't conduct warrantless backdoor searches of Americans. But now people act like the warrantless searches are somehow inseparable from the broader ***program***. They pretend that we really can't have an effective foreign intelligence collection ***program*** unless you just make sure you are violating the rights of Americans. This week should have been an opportunity to discuss the facts of how this bill could have been improved. It should have been an opportunity to clarify that Americans don't have to choose between security and liberty. It should have been the Senate's chance to push back against scare tactics and fearmongering and to lay out for the public what the government does and doesn't need to protect us. Instead, we get a bill that isn't necessary for our security and does nothing to protect our liberty. There are other important amendments that are not going to be considered. One relates to what is known as ``abouts'' collection, a process in which two innocent Americans could have their communications swept up if they just write an email referencing a foreign target. We are talking communications entirely among individuals who themselves are not targets and are, potentially, all Americans. The whole concept is just contrary to the Fourth Amendment. As the privacy board concluded, there was ``nothing comparable'' in the law. ``From a legal standpoint, under the 4th Amendment, the government may not, without a warrant, open and read letters sent through the mail in order to acquire those that contain particular information. Likewise, the government cannot listen to telephone conversations, without probable cause about one of the callers or about the telephone, in order to keep recordings of those conversations that contain particular content.'' That is the quote from the privacy board, and we sure heard on the floor sponsors of the status quo, in my view, suggest that the privacy board had a different view of what they were up to. From a practical standpoint, this form of collection was so problematic that the government itself was forced to shut it down. Now, the underlying bill says: Go ahead and start it up, as long as you tell Congress. Congress has to be told anyway. Based on the bill before us, if Congress does what it does best-- which is nothing--the government can just go ahead. Again, I don't think that is what the public thinks the Senate should be about. If the government ever wants to get back into the business of this collection, it can come to the Congress and get it authorized. If their argument wins the day, so be it, but preemptively writing into black letter law this form of collection, sight unseen, means that this Senate is surrendering our constitutional responsibilities. This is one of the examples, the ``abouts'' collection, which I mentioned, of why this bill actually is a retreat from current law. Congress has never approved ``abouts'' collection. It wasn't in the 2008 bill creating the law or the first reauthorization of section 702. It happened because of a secret interpretation of law, and most of Congress knew nothing about it. But now, for the first time, when the government itself has suspended it--largely because they know it had been abused--what we are doing is essentially setting up what amounts to a fast-track process to write it back into the law. It defines ``abouts'' collection broadly--broader even than the government--and it invites its resumption. The Senate also is not going to get to consider an amendment limiting how information on Americans can be used against Americans. The bill allows unlimited secret use of section 702 information--all collected without a warrant--in any investigation or in any administrative or civil procedures against Americans. Now, Americans understand how the government can thoroughly disrupt their lives without ever charging them with a crime, particularly if they are doing it based on secret information. But even when it comes to using 702 information as evidence in criminal proceedings against Americans, the bill provides no real protections. All the government needs is for the Attorney General to determine that the criminal proceedings relate to national security or involve a set of crimes that have nothing at all to do with national security. There is a catch-all category called ``transnational crime.'' Now, I have tried for some time to get the government to tell me what this ``transnational crime'' is. I haven't gotten much of a response. In any case, the underlying bill here specifically says that the Attorney General's decisions cannot be challenged in court. So there you are. If the Attorney General decides that the crime you are being charged with somehow relates to national security or is a ``transnational crime,'' that decision by the Attorney General is really pretty much sacred. You can go to jail without ever being allowed to challenge the government's use of section 702 information against you--information obtained without a warrant and potentially uncovered as a result of warrantless searches specifically conducted to find your communications and communications about you. The ways in which the government could potentially use this information, collected without a warrant to investigate and prosecute Americans and those in the United States, are limitless--immigration status, recreational drugs, back taxes. The list goes on and on. I don't think Americans think that is how the system is supposed to work. Is that what a warrantless foreign intelligence surveillance bill is supposed to do? I don't think so--immigration status, recreational drugs, back taxes--but this bill allows it. The bill leaves in place other problems that affect our rights. One of them is the issue of what is called parallel construction. That is a lot of fancy legalese that says that, even if information against an American originally comes from section 702, if the government subsequently constructs a case from other collection, it never has to tell that American that it used section 702. My bill, with Senator Paul and 13 other Senators, would have fixed that. The bill we are voting on shortly, without any debate on amendments, also leaves in place a big catch-22 that prevents anybody from ever challenging section 702 in court. Section 702 collection is secret, so almost no one can prove definitively that they personally were swept up. That means it is also almost impossible to get standing to go to court to challenge section 702. I am sure it pleases opponents of reform, but it means that section 702 isn't going to be part of any court review process where both sides of the adversarial system get heard. Fixing this problem is not, as so many in the House misleadingly said, giving rights to terrorists. That was part of the fear-mongering that went on. This is simply saying that section 702 is not exempt from constitutional challenges that apply to every single Federal statute-- by the way, the hallmark of our constitutional system. There are other problems that could have been fixed with amendments. I am particularly troubled by the fact that the underlying bill doesn't fix the problem of reverse targeting. This is where the government targets a foreigner overseas when it is really interested in collecting the communications of an American without a warrant. Right now, the law as written allows this collection to continue without a warrant, unless, in effect, the only purpose of the collection is to obtain the American's communications. My concern is that, if the government has even the slightest interest in the foreign target, it is not going to seek a warrant, regardless of the intensity of the government's interest in the American on the other end of the phone or the email. This could mean, again, frequent, ongoing searches of the American's communications. It could mean the use of the American's communications in investigations and criminal proceedings. There is a solution to this, and we proposed it; that is, if a significant purpose for targeting a foreigner is to get an American's communications, the government would need a warrant--pretty simple. I note that the Presiding Officer of the Senate is supportive of reforms and our bipartisan coalition. I very much appreciate that. Just think about that. We had a solution to the fact that reverse targeting had been abused. We simply said, if a significant purpose of the government for targeting a foreigner is to get an [[Page S241]] American's communications, the government would need a warrant--and, of course, we have an emergency exception in the bill as well. The bill also doesn't prevent the government from directing service providers to modify or weaken encryption without any court oversight. I am telling you that this problem has been underappreciated. As we all know, there is an ongoing debate about whether the government should be able to mandate backdoor weaknesses in encryption. I believe this kind of authority is just a loser all around. I think Americans, if you weaken strong encryption, will be less safe. Certainly, parents who are concerned about a youngster don't want to weaken the protection in their smartphone for the tracker so they can keep tabs on their kids. If the government is allowed to mandate backdoor weaknesses in our products, I believe we will be less safe, we will have less liberty, and it will be a big loser for many of our high-skilled, high- wage companies. I have already announced that, if there is any effort to weaken strong encryption, I will do everything in my power to block that legislation because it is a loser from a security standpoint, it is a loser from a liberty standpoint, and it will be bad news for a lot of our companies that pay good wages for the high skills of Americans, but even those who argue that the government should be able to mandate backdoor weaknesses in encryption assure us it is only going to happen if the court orders it. But under section 702, the government could direct a service provider to do that without any court awareness at all. And, of course, Congress might not know either. Again, we would have liked to have fixed this here on the floor. The bipartisan legislation I have with Senator Paul requires that the FISA Court approve the kind of technical assistance the government is seeking from providers, which would also result in the Congress finding out. This bill we will be voting on soon doesn't do that. As a result, the court and the Congress could end up totally in the dark about an issue that I think is absolutely central to the security and well-being of our people in the 21st century. The bill also provides no clarification on the question of whether section 702 of the Foreign Intelligence Surveillance Act can be used to collect communications the government knows are entirely domestic. Put your arms around that. This law is called the Foreign Intelligence Surveillance Act, and we can't even get a straight answer from the government's Director of National Intelligence about whether the law can be used to collect communications the government knows are entirely domestic. When I first asked the head of national intelligence whether 702 provided this authority, he said in a public hearing: No. That would be against the law. Then, apparently, he told folks in the news media that he was answering a different question than the one I asked. Once again, I asked the Director of National Intelligence to answer the question I had asked, at which point he then wrote and said that the whole thing was classified. This is the essence of what is secret law. I believe it is the kind of thing that erodes trust in the government and in the intelligence community specifically. Had we been able to have a real debate, I would have offered an amendment that would, in effect, write in the black letter law what the head of national intelligence told me at first when I asked him ``Could FISA be used to collect wholly domestic communications?'' before all this George Orwell stuff. The head of national intelligence said: No, FISA could not be used to collect wholly personal communications. That answer would have reassured the American people. After all of this back-and-forth and the bizarre situation where the Director of National Intelligence says the whole thing is classified after he has already given an answer in public, now the public isn't going to have an opportunity to see its representatives address this issue or take a position. Supporters of the bill point to provisions related to oversight of section 702. Here is how inadequate those are. Yesterday, we again heard about the privacy board. Right now, the privacy board is restricted to reviewing counterterrorism ***programs***. Most intelligence ***programs*** aren't neatly categorized that way. They are broader than that. And, of course, the effect on Americans' privacy has nothing to do with whether a collection ***program*** is about terrorism or anything else. This bill leaves in place completely arbitrary limits on the privacy board and their ability to oversee the country's intelligence ***programs***. The bill does not meaningfully strengthen the FISA Court in a way that I think is very basic. There are people with top security clearances who appear before the court and provide the only alternative view in what is otherwise basically the government's show. The FISA Court has often gone ***years*** without addressing serious legal and constitutional questions. Sometimes, the court never gets to them. Right now, these sort of friends of the court are only heard from when the court invites them. But imagine if these folks who have top security clearances were informed about what was going on and could raise issues with the court whenever they felt it was important. This would not hinder the FISA Court, but it would greatly improve the chance that the court would consider serious issues earlier. Once again, no reform. There are also basic principles of transparency that are ignored in the bill. Right now, the CIA and the NSA are obligated to inform the public how many searches of Americans they conduct. The FBI is not. I don't see a good argument why Congress shouldn't change that. The American people deserve to know how often the CIA and the NSA conduct warrantless searches looking for information on them. They deserve to know how often the FBI does so, particularly because the FBI conducts searches for evidence of a crime as well as for intelligence. I believe I have outlined the faults of the bill. This is not reform. It is not even business as usual; it is a retreat. It is, in fact, worse than just extending the ***program***'s business as usual because, for the first time, it writes into black letter law the problematic practices that I have outlined. There is not real oversight. There is not transparency. That is what the public demands. That is what I heard people asking for at the townhall meetings I held last weekend in Oregon. Americans still have a lot of unanswered questions about the ***program***. There are certainly many Members of Congress who share my concerns who have devoted much of their career to ensuring that Americans have security and liberty. I want to especially express my appreciation to Senators Paul and Lee. They have been tireless champions. Chairman Leahy has led on this critical matter for decades. Senator Heinrich, my seatmate on the Intelligence Committee, is one of this body's rising stars because he is willing to dig deeply into the issues. In the House, 183 Members voted for the most comprehensive section 702 reform bill, the House version of the USA RIGHTS Act. As we saw last night-- and the President of the Senate and I were involved in a lot of those deliberations down here in the well of the Senate--this was a very close vote. A lot of people say: Well, the reformers are going to say their piece, and they are going to get 6, 8, 10 votes and the like. I think, last night, we really brought home what I hear Americans say, Democrats, Republicans--by the way, many Independents--who have questions about the way the government works and want to see their liberties protected in a way that also keeps them safe, and a big group of Members in the other body. And last night, a big group of Senators said: What a quaint idea. Let's have the U.S Senate be the U.S Senate. Let's have a few amendments. It was communicated to the leaders. I want to thank Senator Schumer for making it clear that he thought that some amendments would make this a better, fuller, and more complete debate. I think it is very unfortunate, with the fact that there are so many important issues here--it is an important bill. I hope people have seen that--having spent a lot of time on these issues over the ***years***, I think we really need to have more time spent on this floor getting a chance to debate these issues, having Senators of both [[Page S242]] parties work in good faith, work toward constructive solutions. I think support for what we sought last night, which is a real debate and real solutions and actual amendments--I think more and more Americans are coming around to see that is the way to proceed because Americans aren't going to buy the idea that, well, we will just say you have to give up some of your liberty to have security. Ben Franklin said it very well: Anybody who gives up their liberty to have security doesn't really deserve either. What we need are smart policies. That is why I talked about encryption. Strong encryption makes us safer. It also protects our liberty. That is why I outlined some of the deep flaws in this bill. I think this bill puts on fast track going back to ``abouts'' collection, where somebody is barely mentioned and, all of a sudden, the government is collecting the communication. I will oppose final passage of this legislation. Nothing is preventing the Congress from getting this right. As I mentioned, the office of national intelligence--the Director of the relevant agency has said there is plenty of time for us to take this bill, have a few amendments, a real debate, and come up with a bill that better ensures that Americans are both safe and free. With that, I yield the floor. Mr. President, I suggest the absence of a quorum. The PRESIDING OFFICER (Mr. Cruz). The clerk will call the roll. The legislative clerk proceeded to call the roll. Mr. LANKFORD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded. The PRESIDING OFFICER. Without objection, it is so ordered. Mr. LANKFORD. Mr. President, I ask unanimous consent that notwithstanding rule XXII, all postcloture time on the House message to accompany S. 139 expire at 12:15 p.m on Thursday, January 18. The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered. The Senator from Rhode Island. Mr. WHITEHOUSE. Mr. President, I ask unanimous consent to speak for approximately 15 minutes as in morning business. The PRESIDING OFFICER (Mr. Tillis). Without objection, it is so ordered. Climate Change Mr. WHITEHOUSE. Mr. President, now, for the 193rd time, I will give my ``Time to Wake Up'' speech, and as I do so, we are coming up on President Trump's anniversary in office. Unfortunately, this occasion does not offer the American people much to celebrate. Behind the persistent tweets and the dog whistles, the Trump Presidency has been a spectacle of special interests and self-dealing. Billionaire donors have endless access installing their operatives and pursuing their special interest goals throughout the executive branch. They are literally writing the rules in an unambiguous effort to enrich themselves evermore at the expense of everyone else. Fossil fuel barons are the new American dark money emperors. Carl Icahn, early on, got himself installed as a special adviser to the President on regulatory reform and began pushing for a change to the renewable fuel standard that would net one of his companies, CVR Energy, hundreds of millions of dollars. Icahn's insider campaign came to an end in August of last ***year*** right around the time a New Yorker article outlined the potential legal claims that could arise from his murky status and self-dealing. Federal investigators have since opened a probe into Icahn's time at the White House. Then came Murray Energy Corporation CEO and big Trump donor Bob Murray with his policy wish list for Trump officials. He called it his action plan. Murray had donated $300,000 to the President's inauguration, and he donated hundreds of thousands of dollars to political action committees affiliated with the EPA Administrator and fossil fuel operative, Scott Pruitt. In a ``Frontline'' documentary, Bob Murray bragged about giving the administration this action plan and that the first page was already done. Well, I was curious to see the Bob Murray action plan for the Trump administration, so I joined Senator Carper, our ranking member on the Environment and Public Works Committee, and asked the White House for a copy of the Bob Murray action plan. The White House ignored our request and to this date has never responded. I guess the White House was busy organizing Trump's nominee for second in command at the EPA: a lobbyist for, guess who--Bob Murray and Murray Energy. During the Murray Energy lobbyist's EPA confirmation hearing, he claimed he did not have the Bob Murray action plan. He admitted he had seen the Bob Murray action plan at a meeting between Bob Murray and Energy Secretary Rick Perry last March, but he could not recall details of what was in the action plan or what was discussed in the meeting. Lobbyists for energy companies who get one-on-one meetings with the Secretary of Energy often little note nor long remember what went on at the meeting. Anyway, I asked the Department of Energy whether they had a copy of the elusive Bob Murray action plan. Shortly after my request, and before we heard anything from the Department of Energy, the magazine In These Times released photos of that March meeting that the Murray lobbyist had mentioned between Secretary Perry and Bob Murray. This photo shows Bob Murray and Secretary Perry. It looks like Bob Murray received a pretty cozy reception from the Energy Secretary. This gentleman, I believe, is another lobbyist for Bob Murray and Murray Energy. After they got through the hugging, they got down to business. There is the Secretary, there is the CEO Bob Murray, there is his other lobbyist, and this is the Bob Murray lobbyist who is now teed up to be the No. 2 at EPA. Right there in the picture is the Bob Murray action plan. This is a closeup of it, and the Presiding Officer can't see from there and nobody on the camera can see, but if you look right here, it talks about power grid reliability in the cover letter signed by Bob Murray, which may have cooked up, since this was a meeting with Secretary Perry, Secretary Perry's power grid reliability proposal to the Federal Energy Regulatory Commission, which included huge subsidies to coal plants. So we have a coal company CEO bringing his action plan in to Secretary Perry on whose cover letter it talks about power grid reliability, and before you know it, Secretary Perry is proposing a power grid reliability project to the Federal Energy Regulatory Commission that just happens to give the coal industry enormous subsidies. What could possibly be wrong with that? Well, with this photographic evidence in hand, I renewed my request that the Energy Department produce this Bob Murray action plan. They were no longer able to pretend they didn't have it because they had a picture of it, with the Secretary, on his desk. They nevertheless continued to stonewall me, saying they would provide me the document after responding to FOIA requests from the public. So, memo to my Senate colleagues, when in the exercise of your oversight authority and the oversight authority of Congress and the Senate you request documents from the Trump administration, you might want to consider putting in a parallel FOIA request as that may be the only way you get a response. Despite the administration's best efforts to stonewall the Bob Murray action plan, however, my office was able to obtain a copy from an independent source. This version is addressed to Vice President Pence. The New York Times has now published the Bob Murray action plan. Mr. President, I ask unanimous consent to have printed in the Record the article they wrote, ``How a Coal Baron's Wish List Became President Trump's To-Do List,'' and the Bob Murray action plan that was the subject of that story at the conclusion of my remarks. The article details demands made by Murray that have already been checked off by the President and the administration, including the repeal of the Clean Power Plan, withdrawal from the Paris climate agreement, the installation of mining industry operatives at the Mine Safety and Health Administration, and even, believe it or not, the appointment of a fossil fuel-friendly U.S Supreme Court Justice. Several more of Bob Murray's action plan requests are underway. At the [[Page S243]] Mine Safety and Health Administration, now led by a former coal mine executive, Murray Energy and trade associations are working to undo Obama-era rules to protect miners. The 2010 coal mine dust rule is also on the chopping block. Over at EPA, Bob Murray's political money beneficiary, Scott Pruitt, has begun a review of the Agency's 2015 ozone standards. Let me just drop in, as a Senator from Rhode Island, we have had days when you drive into work and the skies are clear and the weather is nice and the radio says: Little children, infants and elderly folks and people who have a breathing difficulty should stay indoors in the air- conditioning. They should not go outdoors and enjoy the beautiful day. Why? Because of ozone which is being bombarded in on Rhode Island from--guess what--coal plants in the Midwest. We are in the downstream receiving end of ozone, which is the product of those coal plant emissions. So, obviously, loosening the ozone standards is good for coal companies. On a new topic, EPA continues to cut and to drive away its staff--all items on Bob Murray's action plan. Since it appears that Bob Murray has tailored his action plan for individual agencies, I have sent additional requests last week to the Department of Labor, the Environmental Protection Agency, the Federal Energy Regulatory Commission, and the Tennessee Valley Authority, all of which are named in the Bob Murray action plan to see what specific action plans they have from Bob Murray. The fossil fuel industry may be able to boss Cabinet Secretaries around and may be able to bring the majority party in Congress smartly to heel, but, fortunately, there are still some venues where their demands run smack up against the rule of law. In our courts and in administrative proceedings, decisions must have substantial support in the evidence, and lying and misleading can be exposed and even punished--unlike in Congress, where lying and misleading have been sickeningly successful fossil fuel tactics for decades. Last week, the independent Federal Energy Regulatory Commission--even one stuffed with Trump appointees--rejected Secretary Perry's proposed power grid reliability rule to subsidize coal and nuclear plants. The FERC Commissioners found that the proposal failed to meet ``clear and fundamental'' legal requirements, like that the result will be ``just and reasonable'' under the Federal Power Act. As an aside here, the theory of the coal industry was that their units provide more reliability than renewables. Well, tell that to Iowa's electric grid operators, which have baked Iowa's abundant wind energy not just into their flow but into their reliability modeling. Tell that to New England's ISO, which has allowed renewables into its capacity auctions to be paid, for meeting baseload capacity requirements. And, of course, tell that to anyone who has had to deal with scheduled and unscheduled outages at coal plants. When I went on one of my climate visits to, in this case, Tennessee, I heard about a coal plant that had to be shut down because climate change had warmed the river and shrunk the flow so that the river used to cool the plant was no longer adequate to cool the plant, and they had to go into an unscheduled outage. Wind and solar are very reliable, and the ISOs have baked the algorithms that quantify their reliability into their grid reliability planning. The ``coal is reliable and renewables aren't'' argument may pass muster on talk shows, but in the real world of grid operators, it is nonsense. FERC, as a rule-of-law agency, is required to face that fact. America's courts also stand in the way of the Bob Murray action plan agenda. Murray, for instance, has demanded that the EPA overturn its 2009 endangerment finding--the administrative finding that greenhouse gas emissions, like carbon dioxide and methane and so forth, threaten the public health and welfare of current and future generations. That is their finding, that those greenhouse gas emissions threaten the health and welfare of current and future generations. That is why it is called an endangerment finding, because of the danger to the public. Well, good luck challenging that determination in a court of law. In fact, the U.S Court of Appeals for the DC Circuit has already upheld the endangerment finding back in 2012. Even the fossil fuel flunky running the EPA now knows better than to challenge that endangerment finding. If he thought he could, he would in a heartbeat, but he is clever enough to know that an avalanche of climate evidence would fall in on his head if he tried. Witnesses from virtually every leading State university in the industry, from Alaska to Oklahoma to Georgia to Maine; expert scientists from our National Laboratories, from Idaho to Tennessee; our national security agencies and our military; America's government watchdog agencies, like the GAO and the GSA; and even the Trump administration's own recent climate report, all, would pile on the conclusive evidence of climate change. And on the other side would be what? Pathetic Kathleen Hartnett White, who gave one of the worst performances in Senate history at her confirmation hearings? The secretly fossil-fuel-funded Willie Soon? Some coal company lobbyist? Or perhaps the Heartland Institute, with its proud history of comparing climate scientists to the Unabomber? It would be a rout. It would be a rout, and even Pruitt knows it. The reason it would be a rout is because of the rule of law--the rule of law requirements of the Administrative Procedures Act, the rule of law specter of judicial review, and the rule of law sanctions that courts impose for false evidence. Certainly, Bob Murray and his surrounding crowd of bad-acting fossil fuel billionaires know how to throw their political weight around. We see everywhere the phony science denial apparatus they have created. We see their false and toxic messages even in outlets like the Wall Street Journal editorial page. We see their lobbying front groups like the U.S Chamber of Commerce, continuing adamantly to oppose any serious climate legislation despite the contrary position of companies on their board of directors. American elections stink with their dark money and promises and threats. Their flunkies have now been moved into positions of authority in government, and the Trump's administration eagerness to carry out industry marching orders is humiliatingly servile. Ultimately, the polluters' drive to put profit first above the health and safety of Americans will face strict scrutiny in the truth-based arena of Federal courts. Ultimately, it will also face the harsh test of time, as the fact that they knew and the fact that they lied becomes ever more obvious and ever more odious. Ultimately, the American voter will have her say about whether this great Republic should be under the dominion and control of the fossil fuel industry or free to address the problem of climate change as a rational world leader must. There being no objection, the material was ordered to be printed in the Record, as follows: [From The New York Times, Jan. 9, 2018] How a Coal Baron's Wish List Became President Trump's To-Do List (By Lisa Friedman) Washington.--President Trump's first ***year*** in office has been a boon for the coal industry, with the Trump administration rolling back regulations on coal-fired power plants and withdrawing the United States from the Paris climate change agreement. Environmentalists have expressed alarm at the new direction, and have complained that Mr. Trump was following a blueprint from the coal industry. A confidential memo written by the head of the country's largest coal mining company suggests they might not be wrong. The memo was written by Robert E. Murray, a longtime Trump supporter who donated $300,000 to the president's inauguration. In it, Mr. Murray, the head of Murray Energy, presented Mr. Trump with a wish list of environmental rollbacks just weeks after the inauguration. Nearly a ***year*** later, the White House and federal agencies have completed or are on track to fulfill most of the 16 detailed requests, even with Monday's decision by federal regulators to reject a proposal by Energy Secretary Rick Perry to subsidize struggling coal and nuclear plants. The March 1 memo, which was obtained by Senator Sheldon Whitehouse of Rhode Island and shared with The New York Times, is addressed to Vice President Mike Pence. The sweeping wish list of regulatory overhauls includes ending regulations on greenhouse gas emissions and ozone and mine safety, as well as cutting the staff of the Environmental Protection Agency ``at least in half'' [[Page S244]] and overhauling the Labor Department's office of mine safety. ``I give President Trump and his administration credit for being bold, being passionate and being correct in addressing a lot of these issues that were on my list here,'' Mr. Murray said in an interview Tuesday. Photographs of portions of a different memo, dated March 23 and addressed to Rick Perry, the secretary of the Department of Energy, were obtained by the magazine In These Times last ***year***. They were taken during a meeting Mr. Murray held on March 29 with Mr. Perry and others at the Energy Department, according to the magazine. Mr. Murray on Tuesday described the memos as very similar. The March 1 ``Action Plan for the Administration of President Donald J. Trump'' is aimed, Mr. Murray wrote in the memo, at ``getting America's coal miners back to work.'' He also asks the federal government to cut funding for carbon capture and sequestration technology--which Mr. Murray called ``a pseudonym for `no coal' ''--and eliminate a 2009 E.P.A ruling known as the endangerment finding that was the legal justification for much of the Obama administration's climate change policy. ``This list was to remain private, a list of things that needed to be done for reliable, low-cost electricity in America. That was my number one goal here, was to give guidance to the administration in an area that I have observed over 60 ***years***,'' Mr. Murray said. Critics say Mr. Murray's list and the apparent ease with which he was able to get it in front of cabinet officials and others illustrates the open-door access the Trump administration has offered energy and other industries as it moves to redirect and weaken federal regulations. ``The astonishing presumption of this list,'' Mr. Whitehouse, a Democrat, said. ``It's an extraordinary arrogance of the fossil fuel industry based on the power they wield in Washington, D.C '' He said even though Mr. Murray had bragged about the action plan on a Frontline documentary last ***year***, the Energy Department had declined his requests to immediately release the memo. ``The power of the fossil fuel industry around here is so great I think the industry feels they can count on simply not complying with requests,'' Mr. Whitehouse said. The Energy Department did not respond to a request to discuss the memos from Mr. Murray. The Trump administration has had an unusually close relationship with Mr. Murray. He and 10 of his miners were invited to watch the president sign an executive order to rollback President Obama's climate change regulations. He has met with Mr. Perry to discuss the needs of coal producers. His longtime attorney, Andrew Wheeler, is awaiting Senate confirmation to the No. 2 slot at the E.P.A , and David Zatezalo, the nation's new top mine safety and health regulator and previously the president of a coal mining company, told his hometown paper that Mr. Murray had encouraged him to put his hat in the ring for the job. Jeffrey Holmstead, a lawyer with the firm Bracewell and a deputy administrator of the E.P.A in the George W. Bush administration, called Mr. Murray's action plan ``an ambitious list.'' While interest groups always try to influence policy in a new administration, Mr. Holmstead said Mr. Murray's status with the administration set him apart. ``I really don't think it's at all unusual that Murray would have this wish list or a set of recommendations. What makes it different is that it's pretty clear that he has a personal relationship with the president,'' Mr. Holmstead said. ``It seems like given Mr. Murray's relationship with the president that he had more of an expectation that these things were going to be accepted or implemented.'' One item not on the list yet important to Mr. Murray was an order the Federal Energy Regulatory Commission rejected Monday to subsidize struggling coal and nuclear power plants. Mr. Murray railed against that decision saying it would lead to the decommissioning of coal and nuclear power plants. Environmental groups have accused Mr. Murray of directly asking Mr. Perry for a proposed rule to reward coal and nuclear power plants for providing ``grid resiliency.'' The March 1 memo does not mention the grid, though photographs of the cover page of the March 23 document to Mr. Perry obtained by In These Times shows its focus is ``a plan for achieving reliable and low cost electricity.'' Soon after Mr. Murray's meeting at D.O.E , Mr. Perry ordered the agency to prepare a study on the country's electric grid reliability, a precursor to ordering the federal government to subsidize struggling coal and nuclear plants. Mr. Murray and a spokesman, Gary Broadbent, said the difference between the two memos was that the one provided to Mr. Perry asked the Energy Department to study the security of the nation's power grid. ``I suggested that the study be made,'' Mr. Murray said. ``What they did from there, the administration did. I did not have involvement in it.'' One of the items on the 16-point list was an overhaul of FERC regulators, and the Trump administration accomplished that. But those Trump-appointed commissioners voted against the plan to bail out coal and nuclear. ``Obviously they forgot who appointed them right out of the box,'' Mr. Murray said. Correction: January 16, 2018 An earlier version of this article misstated the number of suggested actions in a memo that Robert E. Murray submitted to the Trump administration. It had 16 suggestions, not 14. \_\_\_\_ Murray Energy Corporation, St. Clairsville, OH, March 1, 2017. Hon. Michael R. Pence, Vice President of the United States of America, The White House, Washington, DC. Dear Vice President Pence: Enclosed is an Action Plan for the Administration of President Donald J. Trump, which will help in getting America's coal miners back to work. We have listed our suggested actions in order of priority. We are available to assist you and your Administration in any way that you request. Sincerely, Robert E. Murray, Chairman, President & Chief Executive Officer. \_\_\_\_ Action Plan for the Administration of President Donald J. Trump CLEAN POWER PLAN The so-called Clean Power Plan must be eliminated. Murray Energy Corporation obtained a stay of this rule before the Supreme Court of the United States on February 3, 2016. This illegal rule will close au additional fifty-six (56) coal- fired electric generating plants, totaling 53,000 megawatts, on top of the 101,000 megawatts (411 coal-fired plants) that President Barack Obama and his Democrat supporters have already closed. ``ENDANGERMENT FINDING'' FOR GREENHOUSE GASES With the overturning of the Clean Power Plan, there must be a withdrawal and suspension of the implementation of the so- called ``endangerment finding'' for greenhouse gases. EPA's ``endangerment finding'' under the Clean Air Act serves as the foundation for the agency's far reaching regulation of the economy in the form of emission limitations for greenhouse gases, including carbon dioxide. The high degree of uncertainty in the range of data relied upon by EPA combined with the enormous regulatory costs without concomitant benefits merit revisiting the ``endangerment finding''. According to EPA's finding, the ``root cause'' of recently observed climate change is ``likely'' the increase in anthropogenic greenhouse gas emissions. EPA relied upon computer-based-climate-model simulations and a ``synthesis'' of major findings from scientific assessment reports with a significant range of uncertainty related to temperatures over 25 ***years***. The climate model failures are well documented in their inability to emulate real-world climate behavior. Models that are unable to simulate known climate behavior cannot provide reliable projections of future climate behavior. As for the scientific assessments underlying the ``synthesis'' of findings used by EPA, many were not peer reviewed, and there are multiple instances where portions of peer reviewed literature germane to the ``endangerment finding'' were omitted, ignored or unfairly dismissed. ELIMINATE THE THIRTY (30) PER CENT PRODUCTION TAX CREDIT FOR WINDMILLS AND SOLAR PANELS IN ELECTRICITY GENERATION Electricity generated by windmills and solar panels costs twenty-six (26) cents per kilowatt hour with a four (4) cent per kilowatt hour subsidy from the American taxpayers. These energy sources are unreliable and only available if the wind blows or the sun shines. Coal-fired electricity costs only four (4) cents per kilowatt hour. Low cost electricity is a staple of life, and we must have a level playing field in electric power generation without the government picking winners and losers by subsidizing wind and solar power. WITHDRAW FROM THE ILLEGAL UNITED NATIONS COP 21 PARIS CLIMATE ACCORD The United Nation's COP 21 Paris Climate Accord, to which Barack Obama has already committed one (1) billion dollars of America's money, is an attempt by the rest of the world to obtain funding from our Country. It is an illegal treaty never approved by Congress, and it will have no effect on the environment. END THE ELECTRIC UTILITY MAXIMUM ACHIEVABLE TECHNOLOGY AND OZONE REGULATIONS We have won these issues in the United States Supreme Court, and these rules must be completely overturned. FUND THE DEVELOPMENT OF CERTAIN CLEAN COAL TECHNOLOGIES The Federal government, must support the development of some Clean Coal Technologies, including: ultra super critical combustion; high efficiency, low emission coal firing; combined cycle coal combustion; and others. It should not fund so-called carbon capture and sequestration (``CCS''), as it does not work, practically or economically. Democrats and some Republicans use COS as a political cover to insincerely show that they are proposing something for coal. But, carbon capture and sequestration is a pseudonym for ``no coal''. OVERHAUL THE BLOATED AND POLITICALIZED MINE SAFETY AND HEALTH ADMINISTRATION OF THE U. S. DEPARTMENT OF LABOR This Federal agency, over the past eight (8) ***years***, has not been focused on the coal [[Page S245]] miner safety, but on politics, bureaucracy, waste, and violation quotas. While coal mine employment has been cut in half, the Federal Mine Safety and Health Administration has continued to hire inspectors every ***year***. But, the government has nowhere to put them. Murray Energy Corporation received an average of 532 Federal inspectors per month in 2016. We must send a Company manager with every one of these inspectors, taking us away from our employee safety inspections and safety training. CUT THE STAFF OF THE U.S ENVIRONMENTAL PROTECTION AGENCY IN AT LEAST HALF Tens of thousands of government bureaucrats have issued over 82,000 pages of regulations under Obama, many of them regarding coal mining and utilization. The Obama EPA, alone, wrote over 25,000 pages of rules, thirty-eight (38) times the words in our Holy Bible. OVERTURN THE RECENTLY ENACTED CROSS-STATE AIR POLLUTION RULE This regulation particularly punishes states in which coal mining takes place to the benefit of other wealthier east coast states. REVISE THE ARBITRARY COAL MINE DUST REGULATION OF THE MINE SAFETY AND HEALTH ADMINISTRATION OF THE DEPARTMENT OF LABOR This regulation provides no health benefit to our coal miners, and threatens the destruction of thousands of coal mining jobs. OBTAIN LEGISLATION TO FUND BOTH THE RETIREE MEDICAL CARE AND PENSIONS FOR ALL OF AMERICA'S UNITED MINE WORKERS OF AMERICA (UMWA)-- REPRESENTED, RETIRED COAL MINERS For four (4) ***years***, Senate Majority Leader Mitch McConnell has refused to address this issue. Some say that this is because the UMWA wrongly opposed him in his recent election. This must be taken care of. And the legislation enacted must address not just those recently orphaned through company bankruptcies and mine closures, but the medical benefits and pensions that were promised to all retired miners by the Federal government itself. OVERTURN THE NINE SAFETY AND HEALTH ADMINISTRATION, DEPARTMENT OF LABOR, PATTERN OF VIOLATIONS RULE This rule is a punitive action of the Mine Safety and Health Administration under its Director for the past eight (8) ***years***, the former Safety Director of a labor union. APPOINT JUSTICES TO THE SUPREME COURT OF THE UNITED STATES WHO WILL FOLLOW OUR UNITED STATES CONSTITUTION AND OUR LAWS We must offset the liberal appointees who want to redefine our Constitution and our laws. MEMBERS OF THE FEDERAL ENERGY REGULATORY COMMISSION MUST BE REPLACED The current Federal Energy Regulatory Commission has a record of favoring actions of the Obama Administration that have destroyed the reliability of America's electric power grid and which have led to skyrocketing electric power costs, as Mr. Obama, who appointed them, stated would occur in 2008. MEMBERS OF THE TENNESSEE VALLEY AUTHORITY BOARD OF DIRECTORS MUST BE REPLACED The Board of Directors of this government agency has followed the mandates of the Obama Administration, rather than assure reliable, low cost electricity for the Tennessee Valley Authority's rate payers, whom they are mandated to serve in this manner. REPLACE THE MEMBERS OF THE NATIONAL LABOR RELATIONS BOARD (``NLRB'') Eliminate the antiemployer bias of the NLRB by appointing members and staff, particularly in the General Counsel's office, who will fairly consider the employer's position and needs and not automatically accede to the unions or unionized employees in every matter considered. Mr. WHITEHOUSE. With that, I yield the floor. The PRESIDING OFFICER. The Senator from Oklahoma. Confronting Issues the Right Way Mr. LANKFORD. Mr. President, a few days ago, our Nation stopped and remembered Dr. Martin Luther King, Jr. It is entirely appropriate for us to do so. It is a holiday set aside to be able not only to remember but to reflect and try to figure out: Where are we now? This ***year*** is especially significant. Fifty ***years*** ago this ***year***, Dr. King was assassinated in April 1968. A lot of things have changed in that time period. Quite frankly, as a nation, we have learned a lot about race. We no longer as a nation talk about three-fifths of a man anymore--rightfully so, and we are appalled by our history in that. We no longer have separate water fountains set up in restaurants or tell certain people because of their background, their family, or their skin color that they can take food to go but they can't come in and sit down. We have come a long way in hiring. We have come a long way in just our communities and our schools. The work is not done. We still have a long way to go, quite frankly. Dr. Martin Luther King, Jr., was bold enough to be able to challenge the church first, then the Nation, and then the world that we have an issue around the issue of race. He was going to challenge us to confront it--rightfully so. He challenged us on the issue of racial justice, on poverty, on education, but he also challenged us on the way that we speak out on issues, and I think we lose track of that as a culture. Quite frankly, as a Senate and as a Nation, we are losing track of one of the things Dr. Martin Luther King challenged us on: There is a right way to confront issues and a wrong way to confront issues. Dr. King did something revolutionary. He pushed a community to confront injustice the right way, and he won. He made radical statements like this: Darkness cannot drive out darkness; only light can do that. Hate cannot drive out hate; only love can do that. Dr. King said: I have decided to stick with love. Hate is too great a burden to bear. Love is the only force capable of transforming an enemy into a friend. For whatever reason, we lose track of Dr. King's statements about ``love is a powerful thing.'' We start as a culture responding with hate to respond to hate. When someone says something hateful, we respond back with something more hateful back at them. It doesn't actually solve anything, and we lose the great model that he really set for us in that. If we want to make enemies friends, only love can do that, only relationships can do that, only pressing a friend to do the right thing can do that. Now, is that happening in our culture? No. It is in spots, but it is not hard to go on any of our social media sites at any moment and be able to see the challenge in our social media sites, where it is not love driving out hate. It is hate attacking hate. It is remarkable to me. I just glanced at some of the things just of late as I was preparing for this conversation. I look backward at a few of the posts that are on my own social media sites--controversial statements that I made, like, on the 1st when I did a post that just said ``Happy New ***Year***.'' It was a stinging controversial post that was responded to by someone saying: Loser. Liar. Traitor. How much money did you take from Russia, comrade? That was to my statement of ``Happy New ***Year***.'' I made a statement about how kids who came in under DACA should be treated differently. These are kids who didn't break the law. These are kids who are like the 4-***year*** old riding in the backseat of the car when their parent was speeding. When the parent is pulled over, they don't give the kid a ticket. I made just a quick post about that, and the response to that, among many, was this: What is with his hair color? Dude, get it done professionally. You look terrible. I just have to say to you: Dude, this is done by a professional. God gave me this hair color, and so there is no bottle involved in this one. It is His work, and I would call Him a pro. There is all of this talk back and forth about where we are going to go as a culture, and we are losing Dr. King's legacy that hate doesn't drive out hate, that only love does that. Now, there is a lot of conversation in this body, as well, saying things have never been worse in the Senate and in Congress. I would disagree. Just after Vice President Burr left office, he challenged the Secretary of the Treasury to a duel where he shot the Secretary of the Treasury dead in a duel. In 1850, in the Chamber just right down the hallway here, in what is called the Old Senate Chamber, they were working on a compromise and Senator Foote and Senator Benton were in an argument, and so Senator Foote reached into his desk in the middle of the argument and pulled out his pistol while screaming at Senator Benton, to which Senator Benton jumped on one of the desks that is in this room still today. He jumped on the desk and pulled open his coat, revealing: I don't have a weapon. Shoot me. Shoot me. That was on the Senate floor, and they wrestled Senator Foote to the floor and took his gun away from him. People can say it has never been worse. I can assure you it has been worse. But what we do have responsibility for is in our time and setting the tone for difficult debate in this moment. The arguments that happen on the Senate floor and the violence on this [[Page S246]] Senator floor, including Senator Sumner being almost beaten to death with a cane just before the Civil War, set a path into the Civil War for the Nation. What is the path we are taking the Nation on right now in our debate? As a nation, I have a simple reminder that is not mine. It is from a powerful American leader named Dr. King, who said: ``Hate does not drive out hate.'' For anyone who is looking at what is happening in our culture and in politics right now saying ``if only I say something more hateful than the last guy, this will get better,'' you have missed his point. Dr. King was deeply moved by Scripture, and there are multiple examples of it in his writings and in his speeches. He quoted passages over and over again, like from 1 John, Chapter 4: ``Dear friends, since God so loved us, we also ought to love one another''; Psalm 34: ``Taste and see that the Lord is good.'' Over and over again, he came back to Scripture as just a simple reminder that things can be different for us. He challenged the church at moments, like in his letter from Birmingham jail, and he challenged culture. In fact, we lose track of the fact that during the civil rights movement, Dr. King was working with both parties to establish platforms for both parties that would respect the dignity of all Americans. It is a good path that has been set for us. In the middle of our conversation about Dr. King, I would hope that we would remember it. Let me make one quick side note, as well. It is kind of a fun note for those of us from Oklahoma. The story of Dr. King, as many people may know, almost didn't happen the way that it did. In 1953, just finishing up seminary and in the middle of his doctoral work, when he was just Martin Luther King, not Dr. Martin Luther King yet--he was still doing his doctoral work at Boston University. He came to a small church in Oklahoma City that was well respected in the civil rights movement--Calvary Baptist Church. In fact, in 1952, Calvary Baptist Church hosted the national conference of the NAACP and had Thurgood Marshall there as a speaker. In 1953, Dr. King was interviewed there to be one of the pastors at Calvary Baptist Church. The elders in the church heard him, read about him, met him, and then turned him down. This is my favorite quote from one of the elders of the church. They said they didn't think he had enough gravy on him yet. He was too young, not experienced enough. That was in 1953. Ten ***years*** later, he was standing on the Mall right down the street saying ``I have a dream,'' leading the entire country. I say that to say that sometimes we have this assumption that we are in control. We are not. God is in control. He has a path and a plan. Sometimes when we hear no and when we hear hard things, we find out He has a path and plan that may look different from ours. I would only challenge us as a body to do the right thing the right way and to see where that takes us. As it says in Psalm 34, ``Taste and see that the Lord is good.'' Do it the right way, and let's see how this works out together. It is a simple reminder and a simple admonition to a body that could use some words from Dr. King and see if we can put them into practice together. Mr. President, I yield the floor. The PRESIDING OFFICER. The Senator from Hawaii. Hawaii Emergency Management Agency Alert System Ms. HIRONO. Mr. President, when the Sun rose last Saturday in Hawaii, nothing seemed out of the ordinary. People on Kauai were getting ready to participate in the local march to commemorate Dr. Martin Luther King Jr. Day. Families were sitting around the table eating breakfast. Others were sleeping in after a long week of work. At 8:07, everything changed. Mobile phones throughout Hawaii received an emergency alert in all capital letters informing them of a ballistic missile threat inbound to Hawaii and that this was not a drill. The terror and panic were real, and people's reactions reflected that. Parents passed their children through manhole covers into the sewers, seeking safety for them. Separated family members took to the highways, driving as fast as 100 miles per hour to get home. Some had to decide whether to rush to be with their spouse or their children. Then 38 minutes later, an emergency alert came through saying that there was no missile threat--false alarm. The relief was palpable. This relief gave way to real, visceral anger. Anger that there was a false alarm. Anger that it took 38 minutes to alert the public. Anger that we faced a missile threat at all. This incident has undermined the public's faith in our State government's ability to provide timely and accurate information about a potential crisis. At a time when we face heightened tensions around the world--and particularly with regard to North Korea--it is crucial that the people of Hawaii have confidence in the government to provide accurate information. That is why I am calling for a thorough, transparent investigation into what occurred. We need a full accounting of the human and system failures that occurred, and we need to identify and put in place specific steps to make sure nothing like this ever happens again. What we do know is that the incident was a result of human error. An operator mistakenly triggered the alert. Although the error was discovered quickly, we need to better understand the circumstances that led up to the incident. We need to understand how the operator was trained. We need to identify and understand any other potential issues that resulted in this specific human error. The State has appointed an investigator to get to the bottom of this, and the State legislature is scheduled to be briefed on preliminary findings this Friday. Once the circumstances that precipitated this error are identified, we, of course, need to correct them as quickly as possible. Concurrently, we need to understand the system failures that resulted both in the false alert and in the 38-minute delay before the Hawaii Emergency Management Agency, or Hawaii EMA, issued a correction. Why did Hawaii EMA officials believe they needed approval from the Federal Emergency Management Agency, FEMA, to issue a correction? The Secretary of Homeland Security told me at a hearing yesterday that no such permission was necessary, pointing to a need for clarity regarding Agency responsibilities. State governments oversee and operate local emergency management alert systems, but the Federal Communications Commission, FCC, and the Department of Homeland Security, through FEMA, have a role to play to make sure that these systems are operating properly. During yesterday's hearing in the Judiciary Committee, Secretary of Homeland Security Kirstjen Nielsen committed to working with me to strengthen the Federal-State cooperation on emergency alerts, assess potential failures, and improve overall readiness in Hawaii and across our country. The FCC is also conducting an investigation into what happened. The entire Nation will benefit if these key Federal agencies work with States to close gaps in training and communication, institute best practices, and ensure that our States and local governments have the appropriate resources to prevent this kind of occurrence from happening again. This false alert also clarified the importance of strong coordination between the State government and our military. Over the weekend, I also spoke with Admiral Harris of Pacific Command about ways to strengthen this coordination, particularly during a period of heightened tensions with North Korea. The fact that the people in Hawaii immediately assumed that the missile originated from North Korea speaks to the broad concern about the potential for conflict and the threat that North Korea poses to our State and the rest of the country. We need to support and strengthen diplomatic efforts regarding North Korea because at a time, as I mentioned, of heightened tension between the United States and North Korea, the potential for miscalculations increases. The President, rather than engaging in a tit-for-tat with Kim Jong Un, should be supporting Secretary of State Rex Tillerson's efforts to engage in meaningful diplomacy and marshal the support of our allies to diffuse tensions with North Korea. I spoke earlier with Secretary of Defense James Mattis to emphasize the urgency of resolving this situation peacefully, knowing that he had just [[Page S247]] returned from a multinational meeting with a number of key allies, including Japan and South Korea. This meeting was to focus on North Korean provocations. This meeting was cosponsored by the Secretary of State, Rex Tillerson, in Vancouver. Secretary Mattis was at that meeting to provide a military perspective. In our conversation, he reiterated to me the importance of strong diplomatic efforts to resolve tensions with North Korea. I call on the President to support these kinds of initiatives and to give Secretary Tillerson all the resources he needs to succeed in his diplomatic endeavors. I yield the floor. The PRESIDING OFFICER. The Senator from Kansas. Tribute to Robert Dole Mr. MORAN. Mr. President, we had a very special day in the Capitol this afternoon, and I am grateful that we as a nation were able to honor Senator Robert Dole by presenting him with the Congressional Gold Medal. It is the highest civilian honor the United States can bestow. Senator Dole joins a list of very esteemed Americans going back to 1776, with President George Washington as the first recipient of this award. The Gold Medal shows our highest expression of national appreciation for distinguished achievements and contributions, and Senator Dole is such a deserving recipient of this award. It was a real honor and pleasure for me to be there to see this take place. Senator Dole is known, obviously, as a former Member of the Senate, a majority leader, and a Presidential candidate, but I would put at the top of my list of the attributes that I admire and respect Senator Dole's service in our military. Senator Dole joined the Army shortly after the attack on Pearl Harbor. He was 21 ***years*** old and left Russell, KS, and ended up on a battlefield in the hills and mountains of Italy. He suffered for 9 hours after being hit by a Nazi bullet that did tremendous damage to his body and to his life. But that wasn't the end, as it could be for some people--even if people continued to live after these traumatic injuries. This was a recovery process that began that day for Senator Dole. I once heard a story about Bob Dole's commitment to our country, and it stuck with me. There are lots of Dole stories, particularly in Kansas. Bob Dole used his injuries to learn about caring--not for himself but for others. His service in World War II--again, what I greatly admire and esteem--also resulted in his effort to raise money, with no taxpayer dollars involved, to build the World War II Memorial that is now on the National Mall. Senator Dole took that task on and made certain that happened for his soldiers and fellow colleagues who served in World War II. He went out and raised money across the country. He was out in Hollywood, CA, and he was visiting with one of those people who have lots of money. Senator Dole asked for that person's support for this project, and he was told by that wealthy person that he was not interested. ``I have other priorities.'' Senator Dole responded to that mogul: ``When I was 22, I had other priorities, too. I went to war.'' That is the Bob Dole who every day since then has gone to battle on behalf of Americans, other Kansans, and people across our country. His service in many ways began with his military service but has continued every day since his days in the 10th Mountain Division. During his nearly 36 ***years*** on Capitol Hill, Senator Dole became known as the leader who worked relentlessly to forge alliances and to pass significant legislation. Today, he serves as a role model for those of us involved in this legislative process. We ought to be fully engaged in the kind of public service that Senator Dole represented. Senator Dole has used his experiences to be a champion every day for those individuals with disabilities and for veterans. Coming from Kansas, he had an appreciation for those who were in need of food. Senator Dole grew up in the Depression and knew tough times, but it became a goal for him to see that people who were hungry were fed. It is one of the reasons I continue to chair and work in the Senate Hunger Caucus. Kansas is a place where we raise a lot of food but recognize there are a lot of people who are still hungry. We have a role that we can play, and Senator Dole provided the leadership to accomplish that. I now occupy this desk. It is kind of an amazing development, but this is the desk that Senator Dole had on the Senate floor during his time here, and this desk allows me to be reminded of the type of public service that too often we think is a thing of the past. It doesn't have to be a thing of the past; it could be a thing of the present. And each of us can use that role model to make certain that in our day, we do the things necessary to bring people together and to find solutions to common problems. There probably is no one living from Kansas more admired and respected than Senator Bob Dole. For three decades, he was our Congressman and our Senator. He grew up just down the road in Russell, KS, just a few miles from my hometown. I have seen what continues today to be the love and respect of Kansans--particularly those from small towns and particularly those from his hometown of Russell--and their regard for him. We ought to work every day to honor his legacy. I think there is something about growing up in smalltown America. There are differences of opinions in small towns. There are Republicans and Democrats in communities across Kansas, and there are people who go to this church and that church, but when you are in a small town, you have no choice but to figure out how to get along and how to solve problems and how to work together. Bob Dole brought that Kansas common sense and good will and desire to have achievements instead of a fight to the U.S Senate. I honor Senator Dole for his military service and for his public service as an elected official of our government. I thank him for his efforts on behalf of veterans, on behalf of people with disabilities, and on behalf of people who are hungry. I ask my colleagues, in honoring Senator Dole by presenting him a medal today, that that is not all we do; that we honor his work by doing ours better. I have been with Senator Dole at the World War II Memorial. When Honor Flights come to Washington, DC, he is there. He is there almost every time a Kansas group comes to the World War II Memorial, but he is there when almost any group of World War II veterans come to visit the World War II Memorial. I have watched the way they respond to him, and the mutual respect between him and fellow veterans is inspiring and unparalleled. I am a firm believer that we change the world one person at a time and one soul at a time, and Bob Dole has been making that difference-- changing lives for 94 ***years***. Thank you, Senator Dole, for your distinguished service to our country and especially to our home State of Kansas. The world is a better place because you are in it, and we hope you take great satisfaction by knowing that your colleagues in Congress today honor you with the Congressional Gold Medal because it reflects the truth of what a high-quality person of character you are. I yield the floor. I suggest the absence of a quorum. The PRESIDING OFFICER. The clerk will call the roll. The senior assistant legislative clerk proceeded to call the roll. Mr. McCONNELL. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded. The PRESIDING OFFICER. Without objection, it is so ordered.

**Load-Date:** January 19, 2018

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[***Ukraine: Luhansk Region media highlights 12-18 May 18***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SG8-YGP1-DYRV-33T6-00000-00&context=1516831)

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**Body**

The following are media highlights from Luhansk Region's Informator, CityNews, Depo Donbass, Donbass.Kommentarii, Luganskiy Telegraf, OstroV, Prav-Da, Vostochnyy Farvater, Ostrovok, Realnaya Gazeta, Pervaya Polosa, V Chas Pik, Segodnya v Severodonetske, Sayt Goroda Luganska, CXID.info, UA: Donbas and Tribun websites and LOT TV channel, and the self-proclaimed Luhansk People's Republic's Luhansk Information Centre and LUHANSHCHYNA.UA and Luhansk.Online websites, Istok youth news agency, Luhansk 24 TV channel and Rovenkovskiye Vesti, Visti Donbasu and Visti Luhanshchyny newspapers for 12-18 May 2018:

Political

The head of the Luhansk regional military-civil administration, Yuriy Harbuz, has said that more than 70m hryvnyas (about 2.7m dollars) has been allocated from the region's budget to finance implementation of a regional ***programme*** aimed at strengthening the police and emergencies service in 2016-17, journalist Evelina Bohdanova wrote in Visti Luhanshchyny, a Luhansk regional weekly. The ***programme*** has been extended until 2019. "Because of the occupation, 2,000 police and rescue officers have come over to the free part of Luhansk Region from the region's rebel-held territories. They all need be provided with necessary vehicles, equipment and gear," Harbuz said. The official added that almost 20m hryvnyas (some 769,000 dollars) had been spent to buy three rescue vehicles, emergency and rescue equipment, special communications systems and personal protective gear for officers of the main directorate of the State Emergencies Service in Luhansk Region. (Visti Luhanshchyny newspaper, 16 May 18, p 1)

The head of the national council of judges, Serhiy Tkachuk said, speaking in Severodonetsk, that 43 bench positions are currently vacant in Luhansk Region, journalist Anastasiya Volkova said on the UA: Donbass website. "After the collegial body of the council of judges was established in March of this ***year***, we wanted to see what conditions the judges were working under, and if their number was sufficient to enable effective, high-quality and fair administration of justice," Tkachuk said. He added that the council of judges was planning to take steps to increase the number of judges working at the region's court of appeals. (UA: Donbass website, 18 May 18)

The head of the Luhansk regional military-civil administration's department for economic development, trade and tourism, Serhiy Medvedchuk has said that in 2018 the administration is planning to approve approximately 50 regional projects that will be funded from the state regional development fund, Halyna Tyshchenko said in Visti Luhanshchyny. According to the official, as many as 247 projects worth 1.4bn hryvnyas (some 54m dollars) in total have been proposed so far. Medvedchuk said that the analysis of the proposed projects had revealed that 80 per cent of those projects were not "comprehensive" and thus did not meet the principal criterion of the selection process. (Visti Luhanshchyny newspaper, 16 May 18, p 5)

Officials from the Justice Ministry have been helping with the "hostile takeover" of Severodonetsk's municipal Ice Palace, which was repossessed by a bank because of the city council's loan debt, journalist Oleksiy Svyetikov said in Segodnya v Severodonetske, the online supplement of the Tretiy Sektor newspaper, citing "circumstances the editorial office has found out". The ***transfer*** of the ownership right to the city's Ice Palace was administered by a branch of a municipal company registered in "the tiny yet proud village of Pavlynka, population 525" in Odessa Region. The company's statutory fund is only 2,000 hryvnyas (about 77 dollars), which did not prevent all of its branches "from being registered with the Justice Ministry, without any significant delays, as 'subjects of state registration'", the website said. According to Svyetikov, the company, "unlike notaries, can be held liable for its actions only within the value of its assets, which means 2,000 hryvnyas [some 77 dollars]". (Segodnya v Severodonetske website, 15 May 18)

Since the outset of the Joint Forces Operation in Luhansk Region, "the movements of residents of the region's government-controlled part have been subjected to substantial additional restrictions," Svyetikov said in Segodnya v Severodonetske. "The bus which carried journalists covering a visit of the deputy head of Japan's mission in Ukraine along the 100-kilometre stretch on the way from Vrubivka to Svatove ran into five security roadblocks. Before the Joint Forces Operation, there were only three roadblocks there," the website said. According to Svyetikov, "it is not clear yet how such measures are going to help speed up the liberation of the currently uncontrolled areas in Luhansk and Donetsk Regions", although it is already clear that measures like these will certainly not improve the quality of life of the residents in government-controlled territories. (Segodnya v Severodonetske website, 17 May 18)

On 16 May, the head of the Novopskov district council, Borys Lebedev, physically assaulted the head of the council's Our Land faction, Tetyana Solovyova, who was then taken to a clinic by police to document her injuries, the Tribun weekly newspaper said. "This is an unprecedented case in the entire history of the Novopskov district council, and it was made possible because of the lack of action by local police and the prosecutor's office, which have been long delaying investigations of several criminal proceedings launched against Lebedev," journalist Yuliya Kiyan said. (Tribun weekly newspaper website, 17 May 18)

According to the "development plan for 2018", the number of people currently residing in the self-proclaimed Luhansk People's Republic (LPR) is 1.47m, Visti Luhanshchyny said. "Over the last two ***years***, the population of the self-proclaimed republic dropped by 32,000, and in early 2018 it is expected that "the average number of full-time employees of companies, agencies and organizations will be 208,500," journalist Oleksiy Rozumnyy said. "The LPR pension fund has over 440,000 people registered in it (in 2016 there were 443,900 pensioner)," Rozumnyy added. According to LPR acting head Leonid Pasichnyk, currently there are more than 437,000 pensioners living in the LPR. (Visti Luhanshchyny newspaper, 16 May 18, p 6)

The LPR people's council has unanimously voted to appoint LPR customs chief Oleh Chernousov as new first deputy head of the LPR council of ministers, the Realnaya Gazeta website said, citing the pro-separatist Luhansk Information Centre news agency. Earlier, Chernousov worked as first deputy head of Yahorlytska, Skhidna, Cherkassy and Poltava customs offices. Since May 2014, he has been the head of the Luhansk customs office. He has been awarded an honorary title of Distinguished Customs Officer of Ukraine and a medal "For impeccable service in customs offices of Ukraine". In 2015, he joined the LPR, reportedly because he disagreed with "actions of the Ukrainian government in Donbass", the website said. (Realnaya Gazeta website, 18 May 18)

Pasichnyk has signed an order establishing the honorary title Hero of the LPR, which will be awarded to those "whose achievements for the people and the republic involve acts of heroism", the Istok youth news agency said, noting that citizens eligible for this title will also be awarded the Gold Star medal - a five-pointed star made of gold and weighing 21 grams. (Istok news agency, 14 May 18)

Pasichnyk has presented a ***programme*** for socio-economic development of the LPR to 2023, the pro-separatist Luhansk Information Centre news agency said. "By 2023, the process of formation of the system of government will be over, and a solid foundation will be created to enable the LPR's further development as a modern, independent and strong state," Pasichnyk said. He said that the LPR authorities intend to raise minimal pensions by 10 per cent in 2018. "Creating conditions favourable for businesses and stimulating production of export-oriented products will make it possible to increase exports in 2.5 times by 2023," the LPR head said. (Luhansk Information Centre news agency, 12 May 18)

Those who advise people to leave the LPR "have a poor understanding of the mechanism for departure", journalist Olha Kucher wrote on the OstroV regional news agency website. "After cutting all long-term ties and connections here, it will be almost impossible to go back to one's previous official job. Applicants will simply never pass the state security ministry's checks," Kucher said. Not every displaced person is going to be able to settle in a new place elsewhere in Ukraine, she remarked, citing the accounts of people she knows. "Having spent half a ***year*** trying to survive, they have come back to Luhansk, now bitterly aware that on the legitimate territory of Ukraine they will never be able to buy themselves a home for what they can get by selling their two-room flats here," the journalist said. (OstroV news agency website, 15 May 18)

Economic

The head of the Luhansk regional military-civil administration, Yuriy Harbuz, has said that Luhansk Region has 1,100 kilometres of roads of state significance all of which are "in horrible condition", journalist Evelina Bohdanova wrote in Visti Luhanshchyny, a Luhansk regional weekly. "The funding allocated for the state roads is too inadequate. Of course, I, as head of the region, want to see good roads in Luhansk Region," the official said. He added that the funding planned for road repairs in the region in 2018 is 600m hryvnyas (about 23m dollars), which is 10 times more than in 2015, and five times more than in 2016. "However, we are allocating this money for work gradually, so that if the state decides to increase funding for road repairs it will be possible to spend this money to mend the roads in Lysychansk, Rubiznbe, Severodonetsk," the official said. (Visti Luhanshchyny newspaper, 16 May 18, p 1)

Harbuz has issued an order approving the budget for the Luhansk regional road fund for 2018 with revenues set at 442m hryvnyas (about 17m dollars), the Pervaya Polosa website said. The regional authorities are planning to spend 370m hryvnyas (some 14.2m dollars) on immediate small-scale repairs and maintenance of general-use automobile roads in the region, and 143m hryvnyas (about 5.5m dollars) - on repairs and maintenance of local roads, the website added. (Pervaya Polosa website, 14 May 18)

The head of the Luhansk directorate of the state-run postal company Ukrposhta, Ilona Moisyeyeva, has said that Luhansk Region lacks letter carriers in rural and remote residential areas which "complicates timely delivery of pensions, correspondence and periodicals to the region's residents", Visti Luhanshchyny said, citing the press service of the Luhansk regional military-civil administration. That is why the administration's deputy head Vadym Daniyelyan has issued an instruction to organise, in cooperation with Ukrposhta, "personnel recruitment at the local level". (Visti Luhanshchyny newspaper, 16 May 18, p 2)

The executive director of the regional association of ***agricultural*** producers, Valeriy Okopnyy, has said that Luhansk Region is facing a "big problem - insufficient grain elevator capacity", journalist Hanna Cherkashyna said in Visti Luhanshchyny. Last ***year***, the region's total cereals crop was 1.3m tonnes, while the total capacity of its 14 grain elevators is just 630,000 tonnes. "The region has serious, wealthy ***agricultural*** companies, able to cooperate and build elevators. For example, one elevator for four companies. However, they have never done it," Okopnyy said. (Visti Luhanshchyny newspaper, 16 May 18, p 4)

Salaries in the self-proclaimed Luhansk People's Republic (LPR) are low, and the lowest wages are paid to employees of agencies for social welfare (on average, 5,000 to 6,000 roubles, or approximately 80 to 97 dollars), culture (6,000 roubles, or 97 dollars), education (6,800 roubles, or 110 dollars) and health (7,300 roubles, or about 118 dollars), the OstroV regional news agency website said, citing a Facebook post of the coordinator of NGO Informational Resistance, Dmytro Tymchuk. On 1 October 2017, the minimal monthly wage in the LPR was set at 3,200 roubles (about 52 dollars), the website noted. (OstroV news agency website, 14 May 18)

Today's number of full-time employees of industrial companies in the rebel-held city of Luhansk is 78,000, which is 1,000 more than in April, the website of the pro-separatist Luhansk 24 TV channel said, citing the head of the city's economy directorate, Ihor Hurskyy. According to the official, the value of products the city's companies sold in the first three months of 2018 is 18 per cent greater than in the same period last ***year***, having reached 8bn roubles (some 130m dollars). (Luhansk 24 TV channel website, 17 May 18)

LPR economic development minister Lyudmyla Honcharova has said that there are 51,000 officially registered small and medium-size businesses in the LPR, the Istok youth news agency said. "That is an important and inalienable part of the republic's economic and social structure," the official said, adding that over the last ***year*** the number of entrepreneurs in the LPR increased by eight per cent. (Istok news agency, 16 May 18)

Energy

The head of the Luhansk regional military-civil administration, Yuriy Harbuz, has said that Luhansk Region is "constantly facing the risk of a power outage" and, therefore, strengthening the region's energy security remains an important "infrastructure issue", journalist Evelina Bohdanova wrote in Visti Luhanshchyny, a Luhansk regional weekly. "Now, we are on an 'energy island'. The only source of energy today is the Luhansk thermal power plant", and we need to connect Luhansk Region to Ukraine's single energy system, Harbuz said. The Kreminska power substation with the 500-kilowatt capacity is being built in the region today to alleviate the situation. The substation construction project, which is funded from the state budget, has a budget of 1.8bn hryvnyas (some 69m dollars) and is due for completion in the first quarter of 2019. (Visti Luhanshchyny newspaper, 16 May 18, p 1)

On 15 May, Rubizhne's local utilities companies staged a rally in front of the building of the city's local energy company, blocking its entrance to prevent company employees from cutting power to the local water canal's facilities over energy debts, the Pervaya Polosa website said. Representatives of the regional energy provider, company LEO, said that "there is still that cynical disregard of ***payment*** obligations, which harms everybody concerned" and the entire region, as the company's crisis leads to the progressing collapse of the region's energy system and daily emergency power outages, the website noted. (Pervaya Polosa website, 15 May 18)

The Cabinet of Ministers, which intends to write off the electricity debt incurred by the rebel-held areas in Donetsk and Luhansk Regions, has tabled the bill "On certain aspects of repayment of debts incurred on the wholesale electric energy market" which provides for such a write-off, the Tribun weekly newspaper said, citing news agency UNIAN. Under the bill, the state-run energy company Enerhorynok is required to write off the energy debts of suppliers operating on the territory of the LPR and the DPR (self-proclaimed Luhansk and Donetsk people's republics). As of 1 February, the total debt of electricity suppliers to Enerhorynok was 29.8bn hryvnyas (about 1.1bn dollars), with the debt of company Regional Electricity Grids amounting to 11.4bn hryvnyas (some 438m dollars), or 38 per cent of the total, journalist Mariya Yeranosyan wrote. (Tribun weekly newspaper website, 17 May 18)

Some coal mines in the LPR have not paid wages to their employees for three months, and the management of the "externally managed" coal company Rovenkyantratsyt "is considering suspending work at the Vakhrushev coal mine because of insufficient financing", the OstroV regional news agency website said, citing a Facebook post of the coordinator of NGO Informational Resistance, Dmytro Tymchuk. Only one of the four coal deposits of the Vakhrushev coal mine is being used now. (OstroV news agency website, 14 May 18)

Health

The head of the Luhansk regional military-civil administration, Yuriy Harbuz, has said that approximately 800m hryvnyas (some 31m dollars) has been spent in Luhansk Region over the past two ***years*** on capital repairs and refurbishment of hospitals and to procure medical equipment, journalist Evelina Bohdanova wrote in Visti Luhanshchyny, a Luhansk regional weekly. "Every clinic in districts and cities today have a modern X-ray machine. The Luhansk regional clinic and the regional children's clinic have been provided with two specially equipped ambulances. An unprecedented example for Luhansk region and Ukraine - 143 special purpose vehicles have been purchased for the region's medical institutions," the official said. (Visti Luhanshchyny newspaper, 16 May 18, p 1)

Source: Luhansk region media highlights in Russian 18 May 18

**Load-Date:** June 3, 2018

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[***Coca-Cola European Partners Reports Preliminary***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RNC-58C1-JCBD-Y0NC-00000-00&context=1516831)

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**Body**

Unaudited Results for the Fourth-Quarter and Full-***Year*** Ended 31 December

2017

Solid Full-***Year*** 2017 Revenue and Operating Profit Growth, Strong Free Cash Flow Generation

Business Editors

LONDON--(Business Wire)--February 15, 2018

Coca-Cola European Partners plc (CCEP) (ticker symbol: CCE) today announces preliminary unaudited results for the fourth-quarter and full-***year*** ended 31 December 2017, and provides full-***year*** 2018 outlook.

Highlights

Full-***year*** diluted earnings per share were E1.41 on a reported basis or E2.12 on a comparable basis, including a negative currency translation impact of E0.04.

Full-***year*** reported revenue totalled E11.1 billion, up 21.0 percent, or up 3.0 percent on a comparable and fx-neutral basis. Volume was up 0.5 percent on a comparable basis.

Full-***year*** reported operating profit totalled E1.3 billion, or E1.5 billion on a comparable basis, up 9.0 percent, or up 10.5 percent on a comparable and fx-neutral basis.

Full-***year*** free cash flow\* was E1.0 billion.

Fourth-quarter diluted earnings per share were E(0.13) on a reported basis or E0.49 on a comparable basis, including a negligible impact from currency translation.

CCEP provides full-***year*** guidance for 2018 including comparable and fx-neutral diluted earnings per share growth of between 6 percent and 7 percent when compared to 2017 comparable results.

CCEP remains on track to achieve pre-tax savings of E315 million to E340 million through synergies by mid-2019.

CCEP completes post-merger comparability adjustments related to final acquisition accounting and provides revised comparable financial information and quarterly phasing for 2016 and 2017 to reflect these adjustments. All adjustments are non-cash.

CCEP declares quarterly dividend of E0.26 per share, an increase of approximately 24 percent.

\* Refer to 'Note Regarding the Presentation of Alternative Performance Measures' for further details about this measure.

``In our first full ***year*** as Coca-Cola European Partners, we have started to realise the growth opportunities created by the merger and, importantly, modestly exceeded our initial guidance for revenue, operating profit, diluted earnings per share, and free cash flow,'' said Damian Gammell, Chief Executive Officer.

``Looking ahead, our journey continues in 2018 as we further expand our portfolio, build on our commercial capabilities, and continue to invest in our business to better serve our customers and improve in-market execution,'' Mr. Gammell said. ``Though we face some headwinds in 2018, we remain confident that our focus on driving profitable growth and managing costs will strengthen our business for the long term.

``Today's dividend announcement, an increase of over 20 percent, reflects our confidence in the future of our business and our goal of generating cash and driving increased shareholder value,'' Mr. Gammell said.

(If the following table is hard to understand, please see the full release at: [*http://www.businesswire.com/news/home/20180215005561/en*](http://www.businesswire.com/news/home/20180215005561/en))

Key Financial Measures Fourth Quarter Ended 31 December 2017 Unaudited, fx impact calculated by recasting current ***year*** results at prior ***year*** rates E million % change on As Comparab Fx- As Compara Fx- Compara Reported le Impact Reported ble Impact ble Fx- Neutral Revenue 2,662 2,662 (20 ) 3.5 % 3.5 % (0.5 )% 4.0 % Cost of sales 1,677 1,618 (12 ) 7.5 % 3.5 % (0.5 )% 4.0 % Operating expenses 787 703 (6 ) (11.5 )% 0.5 % (0.5 )% 1.0 % Operating profit 198 341 (2 ) 50.0 % 9.5 % (0.5 )% 10.0 % Profit after taxes (61 ) 240 (1 ) (608.5 )% 19.5 % (0.5 )% 20.0 % Diluted earnings per share (0.13 ) 0.49 -- (750.0 )% 19.5 % (0.5 )% 20.0 % (E) ¬)

(If the following table is hard to understand, please see the full release at: [*http://www.businesswire.com/news/home/20180215005561/en*](http://www.businesswire.com/news/home/20180215005561/en))

Key Financial Measures ***Year*** Ended 31 December 2017 Unaudited, fx impact calculated by recasting current ***year*** results at prior ***year*** rates E million % change on As Comparabl Fx- As Compara Fx- Compara Reported e Impact Reporte ble Impact ble d Fx- Neutral Revenue 11,062 11,055 (142 ) 21.0 % 1.5 % (1.5 )% 3.0 % Cost of sales 6,772 6,739 (85 ) 21.5 % 2.0 % (1.5 )% 3.5 % Operating expenses 3,030 2,838 (31 ) 12.5 % (2.5 )% (1.0 )% (1.5 )% Operating profit 1,260 1,478 (26 ) 48.0 % 9.0 % (1.5 )% 10.5 % Profit after taxes 688 1,035 (19 ) 25.5 % 13.0 % (2.0 )% 15.0 % Diluted earnings per share (E) 1.41 2.12 (0.04 ) (0.5 )% 13.0 % (2.0 )% 15.0 % ¬)

Operational Review

Full-***year*** 2017 diluted earnings per share were E1.41 on a reported basis, or E2.12 on a comparable basis. Currency translation had a negative impact of E0.04 on comparable diluted earnings per share for the ***year***-ended 31 December 2017. Full-***year*** reported operating profit totalled E1.3 billion, up 48.0 percent, driven by the inclusion of Germany, Iberia, and Iceland. Comparable operating profit was E1.5 billion, up 9.0 percent, or up 10.5 percent on a comparable and fx-neutral basis.

Fourth-quarter 2017 diluted earnings per share were E(0.13) on a reported basis, or E0.49 on a comparable basis. Currency translation had a negligible impact on fourth-quarter comparable diluted earnings per share. Fourth-quarter reported operating profit totalled E198 million, up 50.0 percent versus prior ***year***. Comparable operating profit was E341 million, up 9.5 percent, or up 10.0 percent on a comparable and fx-neutral basis.

Key operating factors for the full ***year*** include solid revenue growth driven by revenue per case growth coupled with 0.5 percent volume growth. Operating margins improved as we maintained gross margin and as we continue to realise post-merger synergy benefits. Fourth-quarter results also reflect the quarterly phasing of final post-merger comparability adjustments. For a full reconciliation of reported to comparable results, please refer to the Supplemental Financial Information section.

Revenue

Full-***year*** 2017 reported revenue totalled E11.1 billion, up 21.0 percent, or up 3.0 percent on a comparable and fx-neutral basis. Revenue per unit case grew 2.5 percent on a comparable and fx-neutral basis and volume increased 0.5 percent on a comparable basis.

On a territory basis for full-***year*** 2017, Iberia revenues were up 3.0 percent, and revenue in Germany was up 2.5 percent. Revenue in Great Britain grew 4.5 percent on an fx-neutral basis, and on a reported basis, revenue declined 2.5 percent, driven by a decline of the British pound versus the euro. Revenue in France was up 0.5 percent for the ***year***, and revenue in the Northern European territories (Belgium, Luxembourg, the Netherlands, Norway, Sweden, and Iceland) was up 4.5 percent, led by Belgium/Luxembourg and the Netherlands.

On a brand basis for full-***year*** 2017, volume for sparkling brands was up 0.5 percent. Coca-Cola trademark brands decreased 0.5 percent, with growth of approximately 15.0 percent in Coca-Cola Zero Sugar offset by declines in other trademark brands. Sparkling flavours and energy grew 4.0 percent with continued strong growth in energy and solid growth in Fanta, Vio, and Royal Bliss. Still brands increased 1.0 percent, and water brands were down 1.5 percent.

Fourth-quarter 2017 reported revenue totalled E2.7 billion, up 3.5 percent, or up 4.0 percent on a comparable and fx-neutral basis. Revenue per unit case was up 3.0 percent on a comparable and fx-neutral basis driven by favourable price, promotion and channel mix. Fourth-quarter volume increased 0.5 percent on a comparable basis, reflecting solid field sales execution and the benefits of marketing and brand initiatives.

On a territory basis for fourth-quarter 2017, Iberia revenues were up 3.0 percent, driven by both volume and revenue per unit case growth, supported by favourable channel and package mix. Revenue in Germany was up 6.5 percent, primarily driven by strong revenue per unit case growth reflecting pricing and promotional plans as well as favourable package and brand mix. Revenue in Great Britain grew 1.5 percent on an fx-neutral basis with solid gains in revenue per unit case partially offset by a decline in volume reflecting an ongoing focus on promotional effectiveness and efficiency. On a reported basis, Great Britain revenues were down 0.5 percent, driven by a decline of the British pound versus the euro. Revenue in France was up 6.0 percent with growth in both revenue per unit case and volume, driven by channel mix and solid growth in Coca-Cola Zero Sugar. Revenue in the Northern European territories (Belgium, Luxembourg, the Netherlands, Norway, Sweden, and Iceland) was up 2.5 percent, led by Belgium/Luxembourg and the Netherlands.

On a brand basis for fourth-quarter 2017, volume for sparkling brands was up 1.0 percent. Coca-Cola trademark brands decreased 0.5 percent, with growth of 15.0 percent in Coca-Cola Zero Sugar offset by declines in other trademark brands. Sparkling flavours and energy grew 5.0 percent led by energy brands and Fanta. Still brands increased 0.5 percent. Water brands were down 2.0 percent, impacted by the discontinuation of select less profitable water brands partially offset by solid growth from Aquabona in the quarter. Juices, isotonics, and other were up 2.5 percent with solid growth from Capri-Sun.

Cost of Sales

Full-***year*** 2017 reported cost of sales were E6.8 billion, up 21.5 percent, driven by the inclusion of Germany, Iberia, and Iceland. Comparable cost of sales was E6.7 billion, up 2.0 percent, or up 3.5 percent on a comparable and fx-neutral basis. Full-***year*** cost of sales per unit case increased 3.0 percent on a comparable and fx-neutral basis, driven by channel, brand and package mix, and manufacturing costs, as well as ***year***-over-***year*** cost increases in key inputs, principally concentrate and sweetener. This was partially offset by benefits from our synergy ***programmes***.

Fourth-quarter 2017 reported cost of sales were E1.7 billion, up 7.5 percent. Comparable cost of sales was E1.6 billion, up 3.5 percent, or up 4.0 percent on a comparable and fx-neutral basis. Fourth-quarter cost of sales per unit case increased 3.5 percent on a comparable and fx-neutral basis, driven by channel, brand and package mix, as well as ***year***-over-***year*** cost increases in key inputs, principally concentrate, partially offset by benefits from our synergy ***programmes***.

Operating Expenses

Full-***year*** 2017 reported operating expenses were E3.0 billion, up 12.5 percent, driven by the inclusion of Germany, Iberia, and Iceland. Comparable operating expenses were E2.8 billion, down 2.5 percent, or down 1.5 percent on a comparable and fx-neutral basis.

Fourth-quarter 2017 reported operating expenses were E787 million, down 11.5 percent. Comparable operating expenses were E703 million, up 0.5 percent, or up 1.0 percent on a comparable and fx-neutral basis. This reflects volume related costs, timing, and select investments partially offset by synergy benefits and a continued focus on managing expenses.

Restructuring Charges

During the full-***year*** 2017, we recognised restructuring charges totalling E235 million. These charges principally relate to proposed restructuring activities under our Integration and Synergy ***Programme*** including those related to supply chain improvements such as network optimisation, productivity initiatives, continued facility rationalisation in Germany, end-to-end supply chain organisational design, and cold drink operational practices and facilities. Our proposed restructuring activities also include the ***transfer*** of Germany and Iberia transactional related activities to our shared services centre in Sofia, Bulgaria, streamlining of our HR organisation, and other central function initiatives.

US Tax Reform

The US Tax Cuts and Jobs Act (the ``Act'') was enacted on 22 December 2017 and represents a significant change to the US tax code. Whilst CCEP is a UK listed and tax resident entity, it has a number of subsidiaries outside the UK, including a US incorporated holding company that is wholly owned by CCEP plc. Based on the applicable provisions of the Act, during the fourth-quarter 2017, we recorded a non-recurring book tax expense of E320 million, which included an estimated book tax expense of approximately E125 million related to the transition from a worldwide to territorial tax system and a reduction in deferred tax assets of approximately E195 million primarily due to the elimination of foreign tax credits. We do not currently expect an increase in cash taxes as a result of any provision of the Act and while we continue to assess the situation, at this stage, we do not anticipate any impact on our effective tax rate going forward.

Outlook

For 2018, CCEP expects revenue growth in a low single-digit range, with both operating profit and earnings per share growth of between 6 percent and 7 percent. Each of these growth figures is on a comparable and fx-neutral basis when compared to 2017 comparable results. This revenue growth guidance excludes the accounting impact of incremental soft drinks industry taxes. These taxes are expected to add approximately 2 percent to 3 percent to revenue growth and approximately 4 percent to cost of goods growth. At recent rates, currency translation would have a negligible impact on 2018 full-***year*** diluted earnings per share.

CCEP expects 2018 free cash flow\* in the range of E850 million to E900 million, including the expected benefit from improved working capital offset by the impact of restructuring and integration costs. Capital expenditures are expected to be approximately E525 million to E575 million, including approximately E75 million of capital expenditures related to synergies. Weighted-average cost of debt is expected to be approximately 2 percent. The comparable effective tax rate for 2018 is expected to be approximately 25 percent.

CCEP remains on track to achieve pre-tax run-rate savings of E315 million to E340 million through synergies by mid-2019. Further, CCEP expects to have realised approximately 75 percent of the target by ***year***-end 2018. Restructuring cash costs to achieve these synergies are expected to be approximately 2 1/4 times expected savings and includes cash costs associated with pre-transaction close accruals. Given these factors, currency exchange rates, and our outlook for 2018, CCEP expects ***year***-end net debt to adjusted EBITDA\* for 2018 to be towards the low-end of our target range of 2.5 to 3 times. As a result, during 2018, CCEP expects to continue to evaluate returning incremental cash to shareholders.

\* Refer to 'Note Regarding the Presentation of Alternative Performance Measures' for further details about these measures.

Dividends

The CCEP Board of Directors declared a regular quarterly dividend of E0.26 per share. The dividend is payable 15 March 2018 to those shareholders of record on 27 February 2018. The Company is pursuing arrangements to pay the dividend in euros to shares held within Euroclear Netherlands. Other publicly held shares will be converted into an equivalent US dollar amount using exchange rates issued by WM/Reuters taken at 16:00 GMT on 15 February. This translated amount will be posted on our website, [*www.ccep.com*](http://www.ccep.com), under the Investor/Shareowner Information section.

Conference Call

CCEP will host a conference call with investors and analysts today at 15:00 GMT, 16:00 CET, and 10:00 a.m. EST. The call can be accessed through the Company's website at [*www.ccep.com*](http://www.ccep.com).

Financial Details

Financial details can be found in our full-***year*** 2017 earnings release on Form 6-K, available within the next 24 hours at [*www.morningstar.co.uk/uk/NSM*](http://www.morningstar.co.uk/uk/NSM) (located under effective date 31 December 2017) and available immediately on our website,   [*www.ccep.com*](http://www.ccep.com), under the Investors tab. This document will include comparable income statements for full-***year*** 2017 and 2016, as well as quarterly 2017 and 2016 income statements. There is also additional supplemental financial information, such as volume and per unit case data. The financial details included in this earnings release and on Form 6-K are preliminary and unaudited.

About CCEP

Coca-Cola European Partners plc is a leading consumer goods company in Western Europe, selling, making and distributing an extensive range of non alcoholic ready-to-drink beverages and is the world's largest independent Coca-Cola bottler based on revenue. Coca-Cola European Partners serves a consumer population of over 300 million across Western Europe, including Andorra, Belgium, continental France, Germany, Great Britain, Iceland, Luxembourg, Monaco, the Netherlands, Norway, Portugal, Spain and Sweden. The Company is listed on Euronext Amsterdam, the New York Stock Exchange, Euronext London and on the Spanish stock exchanges, and trades under the symbol CCE. For more information about CCEP, please visit our website at [*www.ccep.com*](http://www.ccep.com) and follow CCEP on Twitter at @CocaColaEP.

Forward-Looking Statements

This document may contain statements, estimates or projections that constitute ``forward-looking statements'' concerning the financial condition, performance, results, strategy and objectives of Coca-Cola European Partners plc and its subsidiaries (``CCEP''). Generally, the words ``believe,'' ``expect,'' ``intend,'' ``estimate,'' ``anticipate,'' ``project,'' ``plan,'' ``seek,'' ``may,'' ``could,'' ``would,'' ``should,'' ``might,'' ``will,'' ``forecast,'' ``outlook,'' ``guidance,'' ``possible,'' ``potential,'' ``predict'' and similar expressions identify forward-looking statements, which generally are not historical in nature. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from CCEP's historical experience and its present expectations or projections. These risks and uncertainties include, but are not limited to, obesity concerns; water scarcity and poor quality; evolving consumer preferences; increased competition and capabilities in the marketplace; product safety and quality concerns; perceived negative health consequences of certain ingredients, such as non-nutritive sweeteners and biotechnology-derived substances, and of other substances present in CCEP's beverage products or packaging materials; increased demand for food products and decreased ***agricultural*** productivity; changes in the retail landscape or the loss of key retail or foodservice customers; fluctuations in foreign currency exchange rates; fluctuations in the stability of the Euro; interest rate increases; an inability of CCEP to maintain good relationships with its partners; a deterioration in its partners' financial condition; increases in income tax rates, changes in income tax laws or unfavourable resolution of tax matters; increased or new indirect taxes in CCEP's tax jurisdictions; increased cost, disruption of supply or shortage of energy or fuels; increased cost, disruption of supply or shortage of ingredients, other raw materials or packaging materials; changes in laws and regulations relating to beverage containers and packaging; significant additional labelling or warning requirements or limitations on the availability of CCEP's products; an inability of CCEP to protect its information systems against service interruption, misappropriation of data or breaches of security; unfavourable general economic or political conditions in Europe or elsewhere; the United Kingdom's exit from the European Union; litigation or legal proceedings; non-compliance with anti-corruption laws and regulations and economic sanctions ***programmes***; adverse weather conditions; climate change; damage to CCEP's brand images and corporate reputation from negative publicity, even if unwarranted, related to product safety or quality, human and workplace rights, obesity or other issues; changes in, or failure to comply with, the laws and regulations applicable to CCEP's products or business operations; changes in accounting standards; an inability of CCEP to achieve its overall long-term growth objectives; deterioration of global credit market conditions; default by or failure of one or more of CCEP's counterparty financial institutions; fluctuations in CCEP's debt rating; an inability to timely implement any previously announced actions to reinvigorate growth, or to realise the economic benefits CCEP anticipates from these actions; failure to realise a significant portion of the anticipated benefits of strategic relationships, including (without limitation) The Coca-Cola Company's relationship with Monster Beverage Corporation; an inability to renew collective bargaining agreements on satisfactory terms, or CCEP or its partners experience strikes, work stoppages or labour unrest; future impairment charges; an inability to realise business integration and synergy savings; an inability to successfully manage the possible negative consequences of productivity initiatives; global or regional catastrophic events; and other risks discussed in the reports CCEP files with the U.S. Securities and Exchange Commission. Due to these risks and uncertainties, CCEP's actual future results, dividend ***payments***, and capital and leverage ratios may differ materially from the plans, goals, expectations and guidance set out in CCEP's forward-looking statements. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. CCEP does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required under applicable rules, laws and regulations. CCEP assumes no responsibility for the accuracy and completeness of any forward-looking statements. Any or all of the forward-looking statements contained in this filing and in any other of CCEP's public statements may prove to be incorrect.

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**Load-Date:** February 15, 2018

**End of Document**



[***Pakistan PM says will bring funds, technology from China***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TK5-34M1-JC8S-C1Y8-00000-00&context=1516831)

BBC Monitoring South Asia - Political

Supplied by BBC Worldwide Monitoring

October 26, 2018 Friday

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**Length:** 1400 words

**Body**

Text of report in English by website of Pakistani daily The News, part of the Jang group which owns Geo TV, on 26 October

Islamabad: Prime Minister Imran Khan on Thursday said his government would focus on ***transfer*** of technology and growing investment and trade relationship with Beijing through the China Pakistan Economic Corridor (CPEC).Addressing a ceremony to mark the first joint venture between China and the private sector, the prime minister said Pakistan has a young population who are in search for jobs. "With investment, unemployment will come down. Our government's policy is simple -- to remove hurdles for investors and businesses," he said.

The premier stressed that ease of doing business in Pakistan was essential to eliminate unemployment and poverty from the country. Speaking on his upcoming visit to China, the prime minister said the government's initiative to build five million homes for low-income groups will also be a focus of discussions, adding he was hoping to secure investment for this in China.

"We are looking forward to going to China next week and hope to strengthen our trade, business ties. We look forward to CPEC becoming a base to build our future relationship," he said. Imran Khan will pay an official visit to China from November 2 to 5 and is expected to hold meetings with President Xi Jinping and Premier Li Keqiang.

Meanwhile, chairing a meeting of the National Water Council, Imran Khan underscored the need for chalking out a comprehensive roadmap in consultation with the provinces and other stakeholders for implementation of National Water Policy. He said the National Water Council will serve as an effective platform to develop a consensus among the stakeholders on all issues pertaining to water resource management.

Secretary Water Resources Shamail Ahmad Khawaja briefed the meeting about the contours of the National Water Policy and the strategic priorities set in the policy. Chairman Wapda Lt Gen (retd) Muzammil Hussain briefed the meeting about the progress on various projects of water storage and power generation.

Meanwhile, the federal cabinet has approved an increase in price of electricity by Rs1.27 per unit. The National Electric Power Regulatory Authority (Nepra) had recommended Rs3.82 per unit increase in the price. Consumers using less than 300 units per month, which are about 100 million, will receive no impact of the price increase.

Finance Minister Asad Umar after the cabinet meeting distanced the federal government from the announcement pertaining to an increase in power tariff, stressing that the hike was determined by Nepra.

"I should clarify that this government had nothing to do with even a penny of this hike. This determination of the price hike was completed in August. The cabinet in its meeting chaired by Prime Minister Imran Khan here at the Prime Minister's Office accorded approval."

Federal Ministers Fawad Chaudhry, Asad Umar and Umar Ayub Khan later briefed the media about the proceedings of the cabinet and told it that electricity rates have been increased by 10 per cent for consumers using 300 to 700 units of electricity per month, while an increase of 15 per cent is for those who utilise more than 700 units a month.

Asad Umar said loss to the tune of Rs453 billion was witnessed in the power sector last ***year***, which could reach Rs550 billion this ***year*** if no steps are taken to check this. This loss puts additional burden on ordinary consumers in the form of enhanced rates of electricity or the government taking more foreign loans. He said Nepra had recommended Rs3.82 per unit increase in the price of electricity. He said this hike was determined in August this ***year***, before the current government assumed power. The minister said no increase has been made in the price of electricity for commercial consumers who use connections less than 50KV. They are equivalent to 95 per cent of businessmen. He said the cabinet decided to continue the subsidised ***agriculture*** rates of Rs5.35 per unit, reduced from Rs10.35, for the whole financial ***year***. He said the government is making efforts to give support to exports industry to enhance its share in the national income.

The minister said 78 paisas per unit price has been increased for industry. Asad Umar said no increase will be made in electricity prices for school, hospitals and other institutions. He said the hike in power tariff will not affect those who consume less than 300 units of electricity.

"Seventy per cent of household connections fall in thiscategory, and they will not have to pay a penny more," he said, adding: "Twenty per cent people, whose consumption is between 300 and 700 units, their rates have been increased by 10 per cent; and consumers of 700 plus units, will have to pay 15 per cent more."

The minister further said commercial consumers who consume less than 5KV of electricity, who comprise 95 per cent of overall commercial connections, will also remain unaffected. Asad Umar said that the government was trying to secure loans "not just from the IMF" but from multiple lenders.

Regarding the recent protests by the Utility Stores Corporation (USC) employees in Islamabad, the minister said that Abdul Razak Dawood has been asked to make a plan to make the USC viable.

Asad Umar clarified that there was no direct Saudi involvement in the CPEC, which he emphasised, remains a bilateral venture between China and Pakistan.

"One month ago when the Chinese finance minister came to Pakistan, we spoke to him about CPEC projects," he said, adding: "The entire CPEC ***programme*** is a bilateral project. Underneath the CPEC, there are many more plans, in which we had discussed whether we can invite a third country to invest -- to which China agreed." Asad Umar said Rs140 billion had been saved this ***year*** due to improvement in electricity distribution system. He said despite a steady increase in oil prices worldwide, the prices of petroleum products in Pakistan have not been increased by the government.

Umar Ayub said a campaign against power thieves will start from today (Friday) in Lahore and raids will be conducted at establishments where there are reports of power theft. He said those caught stealing power will be fined heavily.

Fawad Chaudhry said the cabinet decided that the first Pakistani will be sent to space in 2022. He said an agreement has been signed to this effect between Suparco and their Chinese counterpart. He said the PTI government has a clear stance that corrupt elements will not be spared and all efforts will be made to recover the looted money from them. He said in order to empower the National Accountability Bureau (NAB), the cabinet decided to convert ordinary passports of NAB officials into official blue passports.

Fawad Chaudhry said the cabinet also decided that the National Testing Service (NTS) will be made more effective and Minister of Education Shafqat Mahmood has been given the task to evaluate the service and present a strategy to make it more credible. He said the cabinet also accorded approval to appoint Lt Gen Abdullah Dogar as Chairman Heavy Industries, Taxila. The cabinet also approved the reduction in visa fee of Pakistani workers to Saudi Arabia from 2,000 riyals to 300 riyals.

To a question, Fawad Chaudhry said Pakistan and Saudi Arabia are brotherly countries with deep bonds of religion, history and culture. He said Pakistan will act as a bridge to develop friendship between Muslim countries and will not be part of any campaign to harm any brotherly Muslim country.

Clarifying to a questioner on the financial package agreed with Saudi Arabia, the minister said $3 billion will be placed with the State Bank of Pakistan (SBP). In addition, he said, the facility of buying oil from Saudi Arabia worth $3 billion on deferred ***payments*** has been agreed. He said this facility is for three ***years*** and would translate into $9 billion in total. He said the government was exploring various avenues for its financing needs and the IMF is one of these.

Asad Umar dismissed concerns that Pakistan may have had to agree to meet some Saudi demands in return for securing a bailout package. "The Saudis did not make any demands that we refused to meet," he said, adding: "They made no demands. And this is the Pak-Saudi relation; it's a people-to-people connection. They will stand by Pakistan's side during our time of need."

Source: The News website in English 26 Oct 18

**Load-Date:** October 26, 2018

**End of Document**



[***Bank of Cyprus Holdings PLC Half-year Report -63-***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T4R-B951-JCXB-21RT-00000-00&context=1516831)

London Stock Exchange Aggregated Regulatory News Service (ARNS)

August 28, 2018 Tuesday 10:17 AM GMT

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**Length:** 1448 words

**Body**

Total Capital Requirement for Credit Risk 1,250,732 1,241,553

The rows not applicable to the Group are not presented in the table above.

Capital requirements in the 'Exposures in default' class have increased due to the alignment of the CRR default definition with the NPE definition as of 1 January 2018 which negates the impact in customer loan restructurings, debt-for-asset swaps and general repayment of defaulted exposures during the period.

Reclassification to comparative information from 'Other items' to 'Central governments or central banks' relates to the reallocation of the deferred tax asset capital requirements under RWA between the two classes.

3. Minimum Required Own Funds for Credit, Market and Operational Risk (continued)

3.2 Market risk under the standardised approach

The minimum capital requirement calculated under the standardised approach in accordance with Title IV: Own funds requirements for Market Risk of the CRR is as follows:

30 June 2018 31 December 2017

RWAs Capital requirements RWAs Capital requirements

EUR000 EUR000 EUR000 EUR000

Outright products

Equity risk (general and

2 specific) 2,195 176 4,731 378

3 Foreign exchange risk - - - -

9 Total 2,195 176 4,731 378

The rows not applicable to the Group are not presented in the table above.

Equity risk includes both equities and Collective Investment Undertakings (CIUs) held for trading purposes. The decrease observed in the period is the product of a number of securities previously held for trading purposes ***transferred*** to the banking book.

3.3 Operational Risk

The Group uses the Standardised Approach for the operational risk capital calculation.

As at 30 June 2018, the minimum capital requirement in relation to operational risk calculated in accordance with the Standardised Approach amounts to EUR137,370 thousand (31 December 2017: EUR137,370 thousand).

30 June 2018/31 December 2017 Standardised

approach

EUR000

Corporate Finance (CF) 113

Trading and Sales (TS) 5,672

Retail Brokerage (RBr) 82

Commercial Banking (CB) 97,295

Retail Banking (RB) 20,201

***Payment*** and Settlement (PS) 12,008

Agency Services (AS) 316

Asset Management (AM) 1,683

Total capital requirement for operational risk 137,370

3. Minimum Required Own Funds for Credit, Market and Operational Risk (continued)

3.4 Credit Valuation Adjustment (CVA) Risk

CVA captures the credit risk of derivative counterparties not already included in Counterparty Credit Risk (i.e. the potential loss on derivatives due to increase in the credit spread of the counterparty).

30 June 31 December

2018 2017

EUR000 EUR000

CVA (Credit Valuation Adjustment) Capital Requirement 1,191 1,538

3.5 Non-deducted participations in insurance undertakings

30 June 31 December

2018 2017

EUR000 EUR000

Holdings of own funds instruments of a financial

sector entity where the institution has a significant

investment not deducted from own funds (carrying

value) 113,114 117,871

Total RWAs 282,785 294,678

4. Other risks

Political risk

External factors which are beyond the control of the Group, such as developments in the European and the global economy, as well as political and government actions in Cyprus can affect the operations of the Group, its strategy and prospects, either directly or indirectly through their possible impact on the domestic economy.

Cyprus is a small open economy with a large and expanding export sector. Exports of goods and services have been about 66% of Gross Domestic Product (GDP) in 2017. As a result the Cyprus economy is exposed to developments outside its borders, particularly in Russia, the UK and Greece. Cyprus is also exposed to developments in the European Union and the Eurozone as well as to developments in the global economy at large, including trade.

Cyprus has close trade and investment links with the UK making its economy vulnerable to the impact of the exit of UK from the EU (Brexit) on the UK economy. According to the European Commission (European Economic Forecast, summer 2018), investment growth is expected to remain weak while uncertainty over the UK's future trading relationship with the EU prevails and modest growth of 1.3% for 2018 is forecast. Weaker demand in the UK and the depreciation of sterling against the euro following the referendum in 2016 affected the competitiveness of Cypriot exports to the UK. Exports of goods to the UK were about 8% of total exports of goods on average in the three ***years*** to 2016. Tourist arrivals from the UK accounted for 34.3% of total arrivals in 2017. A decline in tourist arrivals from the UK and a drop in their spending will need to be mitigated by increasing arrivals and revenues from other countries.

The exit of Greece from the EU (Grexit) is now a very low probability event but not entirely improbable. Greece exited its third bailout in August and has already achieved modest economic growth for five successive quarters to Q1 2018. The outlook appears positive and the European Commission projects growth of 1.9% and 2.3% in 2018 and 2019 respectively (European Economic Forecast, summer 2018). However, the country remains challenged, and continues to face structural problems and export competitiveness. Whilst certainly the risk of a Grexit has greatly reduced, if Greece leaves the euro it will have an impact in the Eurozone at large to a lesser or larger degree.

The risk of Eurozone fragmentation whilst remote is not entirely improbable. Economic activity in the Eurozone picked up in 2015-2017 after disappointing performance in previous ***years***. Average real GDP growth in 2015-2017 was 2.2% compared with average growth of 0.2% in the period 2009-2014. But whilst there has been considerable progress in improving the co-ordination of fiscal and banking rules, the stability of the Eurozone is conditioned on further integration. This will be challenging.

4. Other risks (continued)

Political risk (continued)

Developments in other non-EU countries with which Cyprus maintains significant economic links, the unresolved Cyprus problem, and political and social unrest or escalation of military conflict in neighbouring countries and/or other overseas areas may adversely affect the Cyprus economy.

Russia is an important economic partner of Cyprus both in terms of tourism and international business flows. Any developments that impact negatively on these linkages will have a negative impact on the economy and will thus affect the Group's operations.

Further restrictions on Russia may seriously affect business and professional services in Cyprus linked with Russia. The economic situation in Russia has been gradually improving driven by the stabilisation in oil prices, the return of foreign direct investment and booms in certain sectors, for example ***agriculture***. After dropping by 2.8% in 2015 and by 0.2% in 2016, real GDP recovered by 1.5% in 2017 and expected to increase by 1.7% in 2018 according to the IMF.

The unresolved Cyprus problem and disputes with Turkey over matters such as claims over exclusive economic zones and exploration ***programmes*** for hydrocarbons development and Turkey's relations with the EU pose risks that might lead to escalating tensions. However, given that economic relations between Cyprus and Turkey are not significant the impact of such tensions may be expected to be low provided that these tensions do not lead to prolonged political instability in Cyprus.

Given the above, the Group recognises that unforeseen political events can have negative effects on the fulfilment of contractual relationships and obligations of its customers and other counterparties, which may have a significant impact on the Group's activities, operating results and position.

5. Capital management

The primary objective of the Group's capital management is to ensure compliance with the relevant regulatory capital requirements and to maintain strong credit ratings and healthy capital adequacy ratios in order to support its business and maximise shareholders' value.

**Load-Date:** August 28, 2018

**End of Document**



[***EM Reform Tracker: Populist Electoral Successes Entrench Challenges To Growth***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SWV-30X1-F0J5-8018-00000-00&context=1516831)

Business Monitor Online

July 27, 2018 Friday

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**Length:** 6743 words

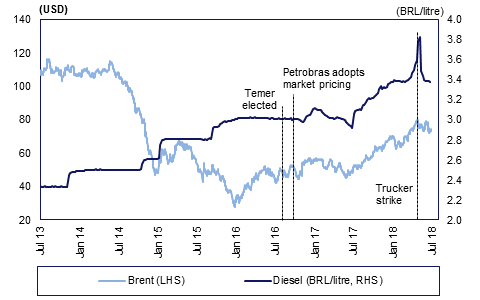
**Highlight:** This month, we look at how the continued rise in populism in emerging markets (EMs) is leading to some backtracking of reforms, following the recent, albeit widely anticipated, electoral success of populist candidates in Mexico and Turkey. Upcoming general elections in Brazil, Argentina, India and Indonesia – among others – could see policies implemented that slow or reverse positive reform momentum achieved in recent ***years***, to the detriment of business confidence and longer term growth prospects.

**Body**

This month, we look at how the continued rise in populism in emerging markets (EMs) is leading to some backtracking of reforms, following the recent, albeit widely anticipated, electoral success of populist candidates in **Mexico** and **Turkey**. Upcoming general elections in **Brazil**, **Argentina**, **India** and **Indonesia** - among others - could see policies implemented that slow or reverse positive reform momentum achieved in recent ***years***, to the detriment of business confidence and longer term growth prospects.

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| --- |
| Bolstering Voter Support Through Erosion Of Fiscal Reforms |
| Short-Term Political Risk: Policy-Making Process |
|  |
| *Source: BMI* |

The risks of reform slippage is most acute in Latin America, where high, oil-driven inflation has been exacerbated by cuts to fuel subsidies as part of fiscal consolidation reforms and a stronger US dollar. At the same, time lagging economic performance has stoked strong voter dissatisfaction, leading to protests and strikes in the run-up to national elections. These factors have led governments and presidential candidates across EMs to propose policies that provide relief to consumers, ranging from fuel and food subsidies to tax cuts, and even the raising of the minimum wage. In most nations, such actions represent a regression of recent fiscal reforms rather than the outright introduction of additional subsidies. In South East (SE) Asia, populist-led reform back-tracking is also gathering pace, albeit from a stronger macroeconomic starting point, allowing greater flexibility and room to manoeuvre for central banks and policymakers in order to get ahead of the curve.In **Mexico**, following leftist populist Andres Manuel Lopez Obrador (AMLO)'s landslide victory, considerable uncertainty over the nation's policy direction will remain in the coming months due to a lengthy transition period of five months until he formally takes office in December 2018. AMLO displays some similarities in style and political narrative to US president Trump, appealing to a base of mainly rural supporters from a segment of the economy (***agriculture***) that once dominated, but has suffered due to globalisation and the ***transfer*** and concentration of wealth among local political elites. AMLO's narrative is to return the country to a perceived past glory, whereas critics fear that 20 ***years*** of modernisation could be reversed during AMLO's term. Given his election promises, there is a risk of a shift away from the pro-business, orthodox economic policies of outgoing President Enrique Pena Nieto, with AMLO likely to boost social spending ***programmes*** and implement ***agricultural*** reforms. However, pragmatism will likely pull him towards the political centre, and we expect fears that he will end free trade agreements and dismantle energy sector liberalisation are overblown. Since winning office, AMLO has announced his intention to pursue a number of reforms, including a government austerity plan that would significantly reduce public salaries. On the trade front, Mexico has reached an agreement with the EU to update their FTA, and NAFTA renegotiations with the US and Canada will likely see the agreement emerge largely intact.Upcoming elections in **Brazil** in October are being met with rising voter rejection of the traditional political class following ***years*** of disillusionment over poor economic stewardship and a series of high-profile corruption scandals. Of more acute and recent concern has been the steep ramp-up in diesel prices since **Petrobras** started to move away from government-mandated fuel pricing to a market-based pricing mechanism in October 2016, as part of President Michel Temer's economic reforms aimed at weaning the taxpayer off costly fuel subsidies. Brazil's transition to more closely align fuel prices with international levels mirrored similar moves in Argentina, Mexico and Colombia, and reflected the broader austerity drive by Latin American nations to shrink fiscal deficits in the aftermath of the commodities rout. May's spike higher in Brazilian diesel prices - exacerbated by the 14% depreciation of the *real* in the first five months of the ***year*** - prompted a truck driver strike (similar to the strike in Argentina) that paralysed re-supplying of food and fuel stocks and hampered exports, but nevertheless enjoyed strong public support. The disruption forced a weakened Temer to cave in to protester demands and offer a slew of concessions, including the reinstatement of diesel subsidies to lower driver operating costs. The effective roll-back in fuel subsidy reforms amounted to an estimated total cost to the Brazilian taxpayer of USD2.7bn (representing 0.5% of the forecast 2018 budget deficit) and unnerved investors due to the return to the use of Petrobras (whose CEO has since resigned) as a political cash cow. **Spike In Diesel Prices Prompted Brazil 'Trucker' Strike** Brent Crude Price And Brazilian Retail Diesel Prices *Source: Bloomberg, BMI* Right-wing populist presidential candidate Jair Bolsonaro's support for the striking truckers has resonated well with the public mood and bolstered his lead in the polls, behind jailed former president Lula da Silva. Our view is that should Bolsonaro win the election, this would not guarantee strong reform momentum given concerns over his ability to govern a coalition ( *see 'Brazil Election Update: Official Campaign Period To Jumpstart Race, 26 July, 2018*)



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| Brazil's Official Campaign Could Shift Polls |
| Brazil - First-Round Voter Intentions, % (Aggregate) |
|  |
| *Source: Datafolha, Ibope, CNT/Sensus, CNT/MDA, Itau* |

In the case of **Argentina**, the government of President Mauricio Mari has implemented a host of market-friendly economic reforms since coming to office in 2015. His administration has tried to cut Argentina's fiscal deficit to 3.2% in 2018 from 3.9% in 2017, by reducing subsidies for domestic heating gas and transportation, in addition to implementing pension reforms in late 2017. The problem is that economic growth has lagged the pace of fiscal consolidation, and as such, the most vulnerable portions of society have had to bear the brunt of economic reforms. This has resulted in strikes that have led to shortages and paralysed the economy, also helping to precipitate a plunge in the currency that has been exacerbated by a stronger US dollar and prompting a USD50bn IMF bailout ( *see 'IMF Deal Will Solidify Opposition To Macri Agenda', 1 June 2018*). The Macri administration could come under greater pressure to slow the pace of reforms, or back-track, to build political cover ahead of the October 2019 general election.In **Turkey**, the re-election of nationalist President Recep Tayyip Erdogan in the 24 June 2018 election followed promises of a series of voter-friendly subsidies and represents a considerable concentration of power in the hands of the incumbent. Erdogan has appointed close allies within his new cabinet, reducing the potential for challenges to his authority over the coming ***years*** and this could enable him to remain in power until 2028. For instance, he appointed his son-in-law to the position of finance minister. While a concentration of power in a single person or party can be positive for policy implementation (China, Singapore, Vietnam), the key concern is that Turkey is moving towards an increasingly unorthodox and populist direction while witnessing an erosion of democratic institutions. Higher government spending on infrastructure projects is in the pipeline while political interference in the central bank's independence comes at a time when a stronger US dollar increases the refinancing risks stemming from a high corporate sector external debt burden. The most recent example of interference in the rate-setting independence of the central bank came on 24 July, when the central bank held rates steady at 17.75%, surprising consensus estimates that expected a 100 basis points hike to contain inflation, and prompted to a sell-off in the Turkish lira. However, comments by the finance minister about the need to address government expenditure and rein in fiscal imbalances have for now capped further weakness in the lira.With an eye on general elections in **India** in April-May 2019, the Bharatiya Janata Party-led government is prioritising economic growth over long-term fiscal reforms, which will place positive reforms related to subsidies at risk of dilution. It has therefore moved to relax the pace of fiscal consolidation, reducing targets on cuts to subsidies in its latest FY2017/18 budget. We therefore expect the central government's fiscal deficit to widen by 0.2pp in FY2018/19 to 3.5% of GDP ( *see 'Fiscal Slippage Risks Rising In India', 25 July 2018*). As the incumbent Modi government continues to focus on the upcoming election, promises of additional populist measures could lead to further slippage in reform momentum. Rural voters account for two-thirds of the population, so this segment of the electorate will therefore benefit from appeasement to secure their support at the ballot box.

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| Interest ***Payments*** & Subsidies Forming A Third Of Total Expenditures |
| India - Central Fiscal Expenditures Breakdown, % Of Total FY2018/19 Budget Expenditures |
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| *Source: BMI, India Union Government* |

Upcoming **Indonesian** general elections scheduled for April 2019 look set to lead to a rise in populist measures, with concomitant erosion in recent positive reforms. As a net oil importer, the 49% y-o-y rise in oil prices, coupled with depreciation in the rupiah by 8.4% versus the US dollar in the first six months of the ***year***, have been driving up overall price pressures in Indonesia. While inflation of 3.1% y-o-y is still well within the central bank's target band of 2.5%-4.5%, its rise is nevertheless prompting a policy response. The central bank hiked interest rates twice in May - the first increases in its policy rate since 2014, while the government is resorting to subsidies in order to protect consumer purchasing power in the event of higher oil prices, and also to shore up political support. The government has therefore implemented price caps on previously unregulated fuels through to 2019, while also freezing electricity tariffs. The moves to further regulate fuel prices and freeze electricity tariffs are part of a package of pre-election populist measures announced by President Joko Widodo, marking a backtracking of some of the positive reform momentum seen in recent ***years***.To achieve the cap on fuel prices, the government announced that state oil company **Pertamina** would hold gasoline prices fixed over the stipulated period. In the case of the electricity price cap, the Indonesian government is fixing the price of domestically-produced thermal coal used in power stations to USD70 per tonne through 2019.The government is expecting energy companies to shoulder the bulk of the cost of the subsidy, which could hamper economic growth as it further deters private investment into the oil and gas sector from its already subdued levels. Nevertheless, it is seeking parliamentary approval for a five-fold increase in the diesel subsidy ceiling to IDR2,500 per litre to accommodate the higher oil price and reduce potential losses incurred by Pertamina. Private investment in Indonesia's hydrocarbon sector fell to multi-***year*** low levels of USD10.2bn in 2017, versus a targeted full-***year*** figure of USD12.9bn. With the share of energy subsidies in total expenditure likely to increase, the Indonesian government could cut capital and development spending to avoid breaching its mandated 3.0% of GDP fiscal deficit cap. Fiscal reforms earlier in the Widodo government were aimed at cutting subsidies and using the savings for infrastructure spending. Consequently, energy subsidies in 2017 were down by 71% to IDR97.6trn, compared to the level in 2014, while over the same period infrastructure spending rose by over 80% to IDR376.1trn.

**EM REFORM TRACKER GRID**

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| **Country** | **Reform Score** | **Core View** | **Latest Developments** | **Key Reforms** |
| India | 7 | Progress across various sectors continues under the Modi administration, which is favourable for investment and long-term growth. | On July 8, the government introduced a ban on unregulated deposits and up to 10-***year*** jail term for perpetrators of ponzi schemes | **Foreign Investment:** Opened up 15 sectors, eased the investment process and raised FDI and FPI limits further for foreign investors. Allowed for 100% foreign ownership under the automatic route for single brand trading in January 2018. |
| **Fiscal:** The GST system was rolled out on July 1 2017, and the GST Council has met several times since its implementation to adjust the tax rates and fine-tune the system. |  |  |  |  |
| Introduction of tax on long-term capital gains and distributed income of equity oriented mutual funds. Increased custom duties on mobile phones, electronic components, automobiles and automotive parts. Staggered inter-state and intra-state rollout of the GST E-way bill from April 1 2018. |  |  |  |  |
| **Monetary:** Ensure that the medium-term inflation target of 4.0% is met, with the monetary policy committee already being established. |  |  |  |  |
| **Banking Sector:** Increasing access to bank accounts, cleaning up public-sector banks and improving bankruptcy laws, and intensifying a crackdown on black money. In October 2017, the government announced an additional INR2.1trn to be allocated towards the recapitalisation of local banks over FY2017/18 and FY2018/19. |  |  |  |  |
| In Q1 of 2018, the RBI the abolished all prior bankruptcy related schemes and introduced new rules to accelerate bankruptcy proceedings for loan defaulters and tightened rules around resolution plans. It also banned banks from issuing letters of understanding, a common trade financing instrument used by India's importers. |  |  |  |  |
| ***Agriculture*:** Improved productivity and distribution to reduce supply bottlenecks. Introduction of minimum support price at 1.5x production costs for kharif crops. ***Agriculture*** export liberalisation. |  |  |  |  |
| **Labour Reform:** Extension of fixed-term employment to all sectors (from only apparel manufacturing previously) to boost ease of doing business. |  |  |  |  |
| **Energy:** Reduction of oil subsidies and greater incentives for renewables, breaking up of Coal India and and opening up the coal mining sector to private sector participation (ending Coal India's monopoly). |  |  |  |  |
| Argentina | 7 | While we expect President Mauricio Macri will continue to deliver improvements to the country's business environment across key sectors, elevated inflation and political opposition will weigh on reforms over the short term. A likely financial arrangement from the IMF will support the government and reassure investors but likely undermine public support for the administration. | In July 2018, the central bank announced that it will begin tracking monetary aggregates more closely, using liquidity management to stymie pressure on the exchange rate. It will also shift to once-monthly decisions and make more information about policy decisions available. | **Currency:** Removed most currency and capital controls, allowing the currency to float. |
| Resolved the country's default, returned to foreign capital markets and eliminated most export taxes. Gradually eliminated public utilities subsidies, reformed pension system and pursuing tax reform. |  |  |  |  |
| **Monetary:** Revamped inflation statistics, introduced an inflation-targeting framework, introduced weekly reference rates and curtailed central bank financing of fiscal operations. |  |  |  |  |
| **Capital Markets:** A reform enacted in May 2018 removes the government's ability to interfere in public traded company's boards of directors and allows mutual funds to invest in alternative assets, like real estate, among other changes. |  |  |  |  |
| **Energy:** Raised energy tariffs and started to pursue investment in new capacity. |  |  |  |  |
| China | 7 | Beijing's top priority will continue to be curbing financial risks and cutting taxes for businesses and individuals over the coming quarters. The government will also step up efforts to liberalise the economy as a result of both domestic needs and international pressure. | On June 28, Xinhua News reported that the National Development and Reform Commission (NDRC) and the Ministry of Commerce released a new negative list for foreign investment, cutting the number of items down to 48 from 63 in the previous version that was published last ***year***. The list will be effective as of July 28. | **Overcapacity:** Capacity cuts will continue in 2018, though at a slower pace. |
|  | **Property:** The government shifted its focus from reducing inventories to addressing the problem of unaffordable housing. |  |  |  |
| On July 12, China's Ministry of Housing and Urban-Rural Development stated that it will adopt differentiated financial compensation for shantytown redevelopment projects in different cities. Cities that have high residential real estate inventory can continue to offer home owners compensation for homes that are demolished and rebuilt. | **Taxes:** Beijing will remain committed to cutting taxes. It also stated that it will draft plans to introduce a property tax. |  |  |  |
|  | **Market Liberalisation:** Beijing will likely open more markets to private and foreign companies, and will continue lowering import tariffs. |  |  |  |
| On July 17, China Securities Journal stated that State-Owned Asset Supervision and Administration Commission will continue to promote its mixed ownership reform ***programme*** that is aimed at introducing private capital into SOEs. | **SOE:** Lowering the dominance of SOEs through the implementation of mixed ownership structures over the coming quarters. |  |  |  |
| Mexico | 6 | Following leftist populist Andres Manuel Lopez Obrador (AMLO)'s landslide victory, uncertainty will shroud Mexico's policy direction in the coming months, with the possibility for a substantive shift away from the pro-business, orthodox economic policies of outgoing President Enrique Pena Nieto. AMLO will likely lift social spending ***programmes*** and implement reforms in the ***agricultural*** sector. However, pragmatism will likely pull him towards the political centre and we expect fears that he will end free trade agreements and dismantle energy sector liberalization are likely overblown. | President-elect AMLO has announced his intention to pursue a number of reforms upon entering office, including a government austerity plan that would significantly reduce public salaries. On July 18, the head of the PRI in the current Congress spoke in favour of debating the proposal, raising the potential for the reform to move forward in the legislature even before the new Congress convenes in September. | **Trade:** Mexico has reached an agreement with the EU to update their FTA, and NAFTA renegotiations with the US and Canada will likely see the agreement emerge largely intact. |
| **Labour:** Reforms have included the removal of a ban on part-time employment and making more flexible work contracts available, and there will likely be further reforms tied to the renegotiation of NAFTA. |  |  |  |  |
| **Regulations:** Liberalised the telecoms market and created special economic zones in southern Mexico. |  |  |  |  |
| **Fiscal:** Strengthened the country's fiscal responsibility law, including the creation of a new Oil Stabilisation and Savings Fund to manage the government's oil revenue. |  |  |  |  |
| **Energy:** Energy sector liberalisation measures have opened the sector to private investment. |  |  |  |  |
| Saudi Arabia | 6 | Riyadh has implemented bold measures, but reducing the economy's reliance on oil and the public sector will take time to materialise. The elevation of Mohammed bin Salman to crown prince in June 2017 will be positive for diversification efforts, and we see strong government commitment to reform. That said, the pace of reform, especially on the fiscal front, will remain constrained by the government's willingness to compromise in order to avoid popular discontent. | Saudi Arabia is moving away from the fiscal austerity seen over the past few ***years***, in a bid to encourage consumer spending and the development of nascent industries as part of economic diversification. That said, this shift in fiscal stance, which will delay the rebalancing of public finances, does not undermine the government's commitment to reform. | **Subsidies:** Second wave of price hikes (fuel and utilities) implemented in January 2018. |
| **Property:** Introducing a tax on undeveloped land. |  |  |  |  |
| Current Spending: Cash ***transfers*** for the most vulnerable households from January 2018; special bonuses for civil servants in January 2018. |  |  |  |  |
| **Capital Market:** Opening up the Tadawul to foreign investors. Inclusion in the FTSE Russell EM Index in March 2018. Inclusion in the MSCI EM Index in June 2018. |  |  |  |  |
| The government continues to implement bold social reforms, as highlighted by the issuance of the first driving licenses to women in June 2018. This will boost Saudi Arabia's image to international investors, and have a gradual long-term impact on consumer spending and female participation to the labour force. Such social reforms are also crucial for political stability in the kingdom. | **Taxes:** Introduction of a 5% VAT in January 2018, following the introduction of a 'sin tax' on tobacco and sugary drinks in June 2017. |  |  |  |
| Saudi Arabia's inclusion in the MSCI EM Index in June 2018 is a further sign that reforms are moving apace. This should further boost investor interest for the kingdom | **SOEs:** Floating less than 5% of Saudi Aramco by 2018, although growing uncertainty over an international listing. |  |  |  |
| **Business Environment:** Introduction of a bankruptcy law expected in August (the law was approved by the government in February 2018). |  |  |  |  |
| **Tourism:** First non-religious tourism visas issued in 2018. |  |  |  |  |
| Egypt | 6 | Reforms, which have gained momentum as a result of the country's IMF deal, will continue apace following the re-election of President el-Sisi in March 2018. Macroeconomic stabilisation will remain a core priority over the quarters ahead, leaving growth in non-hydrocarbon activity to pick up only gradually. | In June-July 2018, the government announced it would hike petrol prices by 50%, cooking gas prices by 60%, and electricity prices by 21% and 42% for households and factories, respectively, as part of its subsidy reform ***programme*** for FY2018/19. Also in July, the government announced the names of the first five state-owned companies to be publically listed under its privatisation ***programme*** (spanning the logistics, housing, ***agriculture*** and mineral sectors). | **Fiscal:** efforts are underway to place public debt on a declining trajectory. |
| **Subsidies:** fuel and electricity subsidies are to be phased out over the next five-to-10 ***years***. The government is to move away from product subsidies to cash ***transfers*** that target the poor. |  |  |  |  |
| **Taxes:** VAT was introduced in 2016, and raised to 14% in 2017. Fees on mobile phones, car licences and tobacco have been hiked and a luxury property tax implemented. Reforms to the tax administration framework are planned over the medium term. |  |  |  |  |
| **Currency:** Most restrictions on the EGP have been removed, allowing the currency to float in November 2016. The foreign repatriation mechanism (subjected to an entry fee in December 2017) is to be gradually phased out. |  |  |  |  |
| **Business Environment:** A new investment law (expanding tax breaks and reducing red tape) was introduced in 2016. A new bankruptcy law (speeding up proceedings and increasing recovery costs) awaits presidential ratification. |  |  |  |  |
| **Privatisation:** Shares in 23 state-owned companies are to be publically listed over the next two ***years***. |  |  |  |  |
| Indonesia | 5 | President Joko Widodo has gained significant political traction since the start of 2016, and his approval rating remains high. This should facilitate his re-election bid in the April 19 2019 general election. However, the government is becoming more populist as it shifts to election mode, and we believe that this is negative for the business environment. | On July 9, the Indonesian government launched a new online system for the registration of businesses, which will help to cut the long bureaucratic procedures, as the government looks to improve the business environment to spur greater investment. | **Competition:** Sixteen economic packages (with the latest coming in August 2017) have been introduced to cut red tape, improve competitiveness, provide assistance to SMEs and boost economic activity. |
| **Business Environment:** Indonesia saw its ranking improved to 36 in the WEF 2017/18 Global competitiveness report, from 41 in the previous ***year***, while it also progressed significantly in deregulating its economy, moving up 19 places to 72 in the World Bank's Ease Of Doing Business Index. |  |  |  |  |
| **Fiscal:** The success of the tax amnesty ***programme*** will enhance tax compliance and boost revenue. The finance ministry has set up a special tax reform team to boost revenue collection. President Jokowi has signed a new regulation which grants tax collectors wider access to bank data to improve tax compliance. |  |  |  |  |
| **Energy:** The scrapping of fuel subsidies will free up resources for development spending. |  |  |  |  |
| **Mining:** The government relaxed its mining law regarding the ban on unprocessed ore exports. |  |  |  |  |
| Russia | 5 | Micro-level reforms are being undertaken at a relatively strong pace, but more important structural reforms continue to lag. A window of opportunity for a fiscal overhaul (pension and taxes) may open up following the March 2018 presidential election, in view of the increasingly unsustainable long-term fiscal trajectory underpinned by the country's negative demographics. | In late December 2017, President Putin called for the tax amnesty for businesses returning capital to Russia to be renewed in 2018 for at least a ***year*** (it expired in mid-2016). He also called for eliminating the 13% profit tax on funds repatriated to Russia. The measures came as a result of potential new US sanctions on Russia's businesses. An extension of the East Siberia-Pacific Ocean oil pipeline between Russia and China started operating on January 1, and it is expected that this will double export volumes between the two countries. Planned Fiscal Reforms: In mid-June Prime Minister Dmitry Medvedev announced planned reforms to Russia's pension system, namely starting to raise the retirement age gradually from 2019, from 55 to 63 for women and from 60 to 65 for men. As part of a package of budget measures, the government also proposed to increase the value-added tax (VAT) from 2019, from 18% to 20%. It also plans to implemnet a tax overhaul in the oil industry over a six-***year*** period starting next ***year***. This would include abolishing export duties for crude and oil products, and raising a production levy. | **Business Environment:** Less stringent regulations have made it easier to open a business, obtain credit, register property and pay taxes. |
| **Privatisation:** The government sold a 10.9% stake in diamond miner Alrosa in July 2016 and a 19.5% stake in oil-company Rosneft in January 2017. According to the federal budget, privatisation should bring about RUB17bn in revenues between 2017 and 2019, which represents just 0.02% of estimated 2017 GDP. |  |  |  |  |
| **Banking:** Changes in the leadership structure of the central bank meant to strengthen oversight/supervision. |  |  |  |  |
| **Tax:** The government announced a hike in excise duties on gasoline, up by a total of RUB1.0 per litre in two stages - one in January 2018 and another in July 2018. |  |  |  |  |
| **Oil & Gas:** Several infrastructure upgrades are strengthening Russia-China trade relations. |  |  |  |  |
| **Fiscal Budget:** Gradual implementation of a fiscal rule which prevents government spending from exceeding estimated revenues. Oil and gas revenues deriving from an above-the-baseline oil price, will be saved in the sovereign funds and used to cover any shortfall between actual and estimated oil & gas revenues. Overall the rule shield the economy from disruptive swings in oil prices. |  |  |  |  |
| Thailand | 5 | Despite a reduction in democratic processes, the military government is reform-oriented and will continue to push through policies aimed at improving operating efficiencies. | On May 14, Prime Minister General Prayut Chan-o-cha announced a major overhaul of government policies and services. The reforms, to be completed by the end of 2018, will focus on well-being of the people, administrative efficiency, improving anti-corruption capabilities and reducing income inequality in the country. However, Bowornsak Uwanno, chair of the junta-appointed Law Reform Committee, has publicly expressed doubts about the implementation of planned reforms, citing what he sees as a poor reform track record. | **Fiscal:** Greater focus on fiscal consolidation by streamlining the government procurement process. The Department of Revenue introduced the Automatic Risk-Based System to reduce tax compliance time and cost. This allows auditing to be applied only to high-risk companies, while other companies can enjoy a shorter auditing time. |
| **State Companies:** Improved management of state-linked companies in an effort to make them more competitive and efficient, in a similar fashion to Singapore's Temasek. |  |  |  |  |
| **Starting A Business:** The introduction of an electronic system has shortened the time to start a business from 25.5 days to 4.5 days. The government also abolished the requirement for a company seal on shares certification and a permit from the Department of Labour Protection and Welfare on companies' work regulations. |  |  |  |  |
| **Infrastructure:** Greater focus on attracting private investment via public-private partnerships. |  |  |  |  |
| **Minority Interests:** The amendment of the Public Limited Companies Act has strengthened minority shareholders by allowing 10% of shareholders to call for extraordinary shareholders' meetings and allowing 5% of shareholders to jointly request that company management conduct a financial audit. |  |  |  |  |
| Brazil | 5 | President Michel Temer is highly unlikely to enact any significant reforms during the remainder of his tenure. Rock-bottom public approval of the government and the upcoming October 2018 general election leaves the government with little capital to push legislation forward. | A 10-day truckers' strike in late May forced the Temer administration to make significant concessions on fuel prices and taxes. The concessions mean that little fiscal consolidation is likely this ***year***, and undermine key elements of national oil company Petrobras' efforts to preserve its profitability and attractiveness to private partners. | **Fiscal:** A spending cap amendment will tie expenditure growth to inflation measures, free up greater portions of the federal budget for discretionary spending and begin negotiations over pension reforms. |
| **Energy:** Opening up the development of deepwater oil and gas projects to private sector investment. |  |  |  |  |
| **Infrastructure:** Launched a major privatisation drive that will sell highways, ports and utility Eletrobras. |  |  |  |  |
| **Labour:** A reform bill was enacted on July 14 2017. The bill aims to set clearer terms for collective bargaining and introduce greater flexibility in working hours, allowing greater part-time and temporary employment. |  |  |  |  |
| Malaysia | 4 | Fiscal reforms undertaken by the Najib Administration are being reversed by the new Pakatan Harapan (PH) government. In addition, coalition disunity is likely to hamper the policymaking process, making the formulation and enactment of reforms slower than it had been under previous Barisan Nasional governments | The government announced it will no longer collect Goods and Services Tax (GST) of 6.0% with effect from June 1, while mooting a two - three month window for the reinstatement of the Sales and Services Tax (SST). Revenue collection was lower under SST (7.8% of total revenues in 2014) than it was under GST (20.0% of total in 2017). Prime Minister Mahathir has made good on several key election pledges less than two weeks in power and on this basis, we see the implementation of promised fuel subsidies and a higher minimum wage as likely in the coming months, further widening the fiscal deficit and harming the business environment. | **Fiscal:** The previous administration's aim to balance the budget by 2020 is not shared by the Mahathir Administration. |
| **Taxes:** The government promised in its election manifesto to replace the GST with SST as well as implement a 'people-friendly' and 'entrepreneur-friendly' tax without going into details |  |  |  |  |
| **Subsidies:** The PH coalition promised in its election manifesto to reintroduce fuel subsidies and raise the minimum wage to MYR1,500, with the government paying for the half the pay raise. |  |  |  |  |
| **Business Environment:** The government promised greater scrutiny of foreign-funded investment projects, particularly to review projects linked to china and the scandal plagued sovereign investment fund, 1MDB. |  |  |  |  |
| South Africa | 4 | Ramaphosa's strong start in implementing his reform agenda masks the headwinds he still faces in making more structural changes. | &quot;Although still facing opposition from the country's powerful trade unions and populist elements of his own party, President Cyril Ramaphosa's is making steady progress towards implementing his reform agenda. Early achievements include an increase in the rate of VAT, the sacking of key ministers with more business-friendly alternatives, and replacement of entire boards in several SOEs. Tense negotiations between state-owned utility Eskom and labour unions have already contributed to a period of load shedding in June. The tense negotiations highlight the challenges facing the South African government in balancing between fiscal reforms and maintaining popular support. More substantial reforms will require tackling the government's persistent budget deficit and liberalising the labour market, which remains uncompetitive compared to regional peers. Both of these issues are likely to incur greater opposition from the unions of populist members of the ruling ANC than the changes made so far. Furthermore, the official adoption of land expropriation without compensation as an ANC policy since Ramaphosa took over the party's leadership is testament to the influence populist factions still have in directing the agenda. &quot; | **Power Sector:** New power generation capacity is helping to reduce instances of load shedding, with plans for further power projects such as a 1,000 megawatt gas-fired power plant in the Coega Special Economic zone set to boost generation |
| **Labour Relations:** Relations with the country's trade unions remain firmly in the balance. Some have accepted the government's recent offer of a 7% increase in civil servant wages, while others remain on the sideline. Although this offer is within the allowance set out in the government's budget, failing to win broad union support could trigger industrial action similar to that which took place earlier in the ***year*** in response to the government's proposed minimum wage. |  |  |  |  |
| **SOEs:** Replacement of boards is a promising start but more structural reforms impact revenues and debt management are required for real progress. Management of SOEs has also been hampered by corruption , such as Eskom, which has had several high-profile corruption scandals and announced in July that management was considering asset sales and staff cuts to combat significant losses. |  |  |  |  |
| **Fiscal:** Symbolically, the increase in VAT from 14% to 15% in the latest budget was an important sign of commitment to fiscal consolidation but narrower deficits are unlikely without more substantial change. |  |  |  |  |
| South Korea | 3 | Efforts to restructure the economy and the labour market will continue to face considerable headwinds amid significant opposition from vested interests. | Samsung Life Insurance Co is facing pressure to sell more than KRW 16tn (USD19bn) worth of shares in Samsung Electronics, as President Moon Jae-In's party seeks to push through a bill in Parliament which aims to ban insurance firms from having a stake of above 3% in an affiliate. This is regarded as part of the government's ongoing effort to restrict the influence of family-run chaebols. | **Wages:** Increase in the minimum wage by 10.9% to KRW 8,350 (USD7.40) an hour in 2019 |
| **Growth:** Continued pressure on chaebols to reform their opaque governance structures |  |  |  |  |
| **Employment:** Maximum weekly working hours reduced from 68 to 52 hours, with strict legal ramifications for errant employers. Create new jobs in the creative industries to lower youth unemployment, and increase the flexibility of labour laws to make it easier for companies to hire and fire. |  |  |  |  |
| Turkey | 3 | The government's structural reform agenda will lose steam, and backtrack in some cases, as President Recep Tayyip Erdogan consolidates power. | Following the June 24 presidential and parliamentary elections, re-elected President Erdogan will seek to tighten his control over the economy and Turkey's other major institutions. Already a further 18,632 public workers were dismissed and the President has appointed close allies within his new cabinet. This reduces the potential for challenges to Erdogan's authority over the coming ***years*** and could enable him to remain in power until 2028. | **Judicial:** Reducing the number of judges and giving greater control over new appointments to the Justice Ministry. The president will be able to appoint one quarter of judges at the Council of State, which hears cases lodged by citizens against the government. |
| **Constitutional:** The country's political system has transitioned from a parliamentary to a presidential system in 2018 following general elections. This formally concentrates executive power in the presidential office. |  |  |  |  |
| **Cabinet:** The new cabinet reduces the likelihood of challenges to Erdogan's authority and heightens the risk of economic mismanagement. The increased powers of the Ministry for Finance and Treasury were handed to the inexperienced son-in-law of Erdogan, Berat Albayrak. The experienced Naci Agbal was removed from the role and cabinet. Given the seriousness of the imbalances in Turkey's economy, inexperience raises the possibility of a mishandling of the economy. |  |  |  |  |
| **Business Environment:** Turkey moved up eight spots to 60 overall in the World Bank's 2018 Ease of Doing Business index, placing it below all but two EU countries. Reforms were put in place to make registering property and getting credit easier, while resolving insolvency was made more difficult. |  |  |  |  |
| **Monetary Policy:** The Central Bank of the Republic of Turkey (CBRT) has simplified its monetary policy rate system, to a single benchmark rate following severe pressure on Turkish assets and the lira in May and June. Post-election decrees have been passed giving the President the power to appoint the CBRT's Governor and other key monetary policy committee members. |  |  |  |  |
| Nigeria | 3 | The government has made some effort to increase the ease of doing business in Nigeria by moving more registration processes online and increasing access to credit. Progress on more substantial reforms, such as passing some form of the long-awaited Petroleum Industry Bill and moving to a more sustainable exchange rate regime, are yet to materialise. Indeed reform momentum, particularly changes that have a direct effect on ordinary Nigerians, will likley slow until after February 2019 elections. | In March 2018, the government promised to introduce a higher minimum wage for public sector workers from Q3 2018. There remains disagreement between labour unions and the authorities about the extent of the increase but, with February 2019 elections approaching, a sizeable increase is likely over the coming months. The national assembly passed the first of four laws aimed at restructuring the oil sector in July. The Petroleum Industry Governance Bill, part of the repackaged Petroleum Industry Bill that has been languishing for ***years***, creates a single industry watchdog for the sector and will come into force once signed by President Buhari. The other three laws that will make up the PIB are unlikely to be passed by the December 2018 deadline. In April 2017, the Economic Recovery and Growth Plan was launched, laying out a blueprint for the next several ***years*** of economic reform in Nigeria. Steps are being taken to improve the ease of doing business in the country although vested interests and layers of bureaucracy make the implementation of reform plans difficult. | **Oil & Gas:** Limited progress in reforming the state-owned oil and gas company, and ongoing uncertainty over what final form a new bill regulating the hydrocarbon sector will look like if eventually passed in 2018 as planned. |
| **Corruption:** Making it more difficult to steal state finances, while tracking down those believed to have purloined from the state in the past. |  |  |  |  |
| **Currency:** We no longer believe that policymakers will capitalise on improving balance of ***payment*** dynamics and implement exchange rate reforms to allow for a more flexible official rate. Instead, they are likely to use increasing oil revenues to justify the status quo, with meaningful currency reform unlikely to take place until after the February 2019 election at the earliest. |  |  |  |  |

Source: BMI

**Load-Date:** July 27, 2018

**End of Document**



[***Top news from Polish politics, economy, business & financial markets - 19:20; BUSINESS & EQUITY MARKET NEWS***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:64R9-6WR1-JCG5-H2FM-00000-00&context=1516831)

PAP Market Insider

June 18, 2018 Monday 7:24 PM CET

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**Length:** 2059 words

**Byline:** Tyrpa Glenn

**Highlight:** Following is a digest of the day's top news as compiled by PAP Market Insider.

**Body**

BUSINESS & EQUITY MARKET NEWS

BANKING / DIVIDEND / PKO BP - Shareholders at Bank PKO BP approved the management's recommendation for a PLN 0.55 per share dividend for a total ***payment*** of PLN 688 mln, or 24.8% of last ***year***'s profit, resolutions adopted at the bank's GA show.

BANKING - Poland need not add an anti-cyclical buffer to banking sector capital requirements as the threat of a lending bubble on the coming 1 to 4 ***year*** horizon appears low, Poland's macroprudential advisory board KSF said in an analysis ahead of its June sitting.

BANKING, TELECOM / MBANK, ORANGE - Listed telecom operator Orange Polska and listed Commerzbank unit mBank called it quits on their four-***year*** banking arrangement for clients of the telecom, mBank and Orange Polska said in separate market filings. mBank has 430k clients via the Orange Finance ***program*** who will be ***transferred*** into the bank's regular platform, mBank said in a separate statement.

BANKING / PKO BP - Poland #1 lender by assets PKO BP may have its capital buffer for "other systemically important institutions" (OSII) hiked to 1.0% from the previous 0.75%, the bank indicated in a market filing, noting that the regulatory office KNF had sought the opinion of the country's macroprudential body KSF on the matter.

BANKING / ALIOR BANK - Alior Bank may have its OSII capital buffer for "other systemically important institution" set at 0.25%, the lender said indicated in a market filing, noting that the regulatory office KNF had sought the opinion of the country's macroprudential body KSF on the matter.

BANKING / ALIOR BANK - Alior Bank should still achieve dividend capacity in 2020 despite moves by the regulator to name it a systemically important institution with heightened capital buffer, board member Filip Gorczyca told PAP.

FINANCIALS / SKARBIEC, MURAPOL - Listed asset management house Skarbiec Holding will head into the arms of rival Trigon for yet-unspecified capital ties as shareholders of the latter have purchased the largest existing stake an committed to an unspecified stake of new shares, sides announced Monday. Housing developer Murapol sold its nearly 33% stake to shareholders of Trigon at PLN 28.23 per share, well below purchase price from a ***year*** ago.

BANKING / GETIN NOBLE BANK Getin Noble Bank will raise its promised PLN 200 mln in new equity from its lead shareholder in two equal tranches to end-July and mid-October in deals to be priced at PLN 2.73 per share, management said in a market filing of resolutions approved by the supervisory board for a yet unscheduled EGM.

MEDIA, ADVERTISING - Poland's ad market is now expected to grow by 4.8% y/y in 2018, to PLN 7.41 bln, Zenith media agency said in a press statement, thereby hiking its March forecast of a 2.3% y/y growth.

POWER/ TAURON - Listed power utility Tauron was hit with a court suit from units of the Polenergia group, claiming a combined PLN 78.9 mln in damages and PLN 265.2 mln compensation on potential future losses following termination of long-term contracts for the purchase of power from renewable sources and green certificates, Tauron said in a market filing. Tauron noted it believes the claims are groundless.

FOOTWEAR/ CCC - Listed footwear firm CCC's unit NG2 Suisse concluded a CHF 10.0 mln, or PLN 37.1 mln deal to buy a 70% stake in the Swiss company Karl Voegele, CCC said in a market filing. Under the previously concluded agreement, CCC was also granted a call option to buy the remaining 30% stake in the company, the filing specified.

COAL, PPK - Poland's Energy Ministry wants the nation's coal mining companies to be exempt from employer-sponsored pension plans PPK due to the high costs for employers and possible employee demands for offsetting a decline in net wage, Energy Ministry said in an opinion to the PPK bill.

TRANSPORT / PKP CARGO - Listed railway transport firm PKP Cargo struck a deal with employee representatives on wage hikes to be implemented as of September 1 and a bonus, with cost for the firm to end-***year*** at PLN 33.9 mln, the company said in a market filing.

MEDIA / DIVIDEND / KINO POLSKA - Shareholders of TV broadcaster Kino Polska approved a PLN 0.55 DPS from 2017 earnings translating into a PLN 10.9 mln dividend payout, the company said in a filing.

FOOTWEAR / DIVIDEND / WOJAS - Listed footwear Wojas will pay PLN 0.20 DPS from the 2017 net profit, bringing the total payout to PLN 2.54 mln, the company said in a market filing. Rights will be set July 13 and ***payment*** made July 31, the company added.

ENTREPRENEURSHIP - Polish companies are sending over 70 representatives to the Polish-Israeli business forum in Tel Aviv, scheduled for June 19-20, business and technology minister Jadwiga Emilewicz told PAP.

PHARMA, RETAIL - Poland's pharmacy market shrank by 1.9% y/y, 0.6% m/m in May, to PLN 2.62 bln, researcher PEX PharmaSequence said in a report. A statistical pharmacy in Poland sported PLN 174.5k in revenues in May, down by 2.2% vs the prior ***year*** period, the researcher added.

MACHINERY / FAMUR - Listed mining machinery producer Famur signed a cooperation deal with engineering giant ABB concerning joint development of solutions for the Polish and international mining sector, Famur said in a press statement.

MANUFACTURING / APATOR - Metering equipment maker Apator signed a PLN 29.6 mln deal with power utility Energa unit Energa Operator to supply electricity meters, the company said in a filing. The contract expires at end-2018 but may be extended until June 30 2019.

BANKING / BGZ BNP PARIBAS - Listed lender BGZ BNP Paribas will pay 0.3618 own shares for one share in the rump Raiffeisen assets held by Raiffeisen and its own French parent. the bank said in a market filing. The parity has been adjusted upwards from 0.3595 following a recent share issue by BGZ.

STOCK MARKET - Ponar Wadowice, a producer of oil hydraulics elements and systems, filed an issue prospectus with the Polish financial market watchdog KNF, KNF said on its website.

RAILWAY/ PKP INTERCITY - Poland's long-distance rail carrier PKP Intercity might spend up to PLN 362 mln in 2018 on implementation of projects connected with its rolling stock strategy, deputy infrastructure minister Marek Chodkiewicz said in a response to an MP inquiry.

METALS / ZASTAL - Listed metals company Zastal petitioned WSE operator GPW to suspend trade in the firm's shares from June 25 to July 5 following the necessity to consolidate the shares in securities depository KDPW on the proposed reference day of June 28, the company said in a filing.

REAL ESTATE / ATAL - Listed real estate developer Atal launched sales of 95 apartments in the Nowe Miasto Rozanka project in Wroclaw, the company said in a statement. The apartments are scheduled for completion in Q1 2020.

IT / DIVIDEND / UNIMA 2000 - Listed IT company Unima 2000 assumes recommending a dividend payout to the amount of at least 30% of its net earnings in the ***years*** 2018-2020, the firm said in a market filing, referring to its new strategy for the period.

PHARMA / CELON PHARMA - Listed pharmaceutical company Celon Pharma secured registration of its medicine Salmex in Honduras and will now be able to sell the drug on the local market, Celon Pharma said in a filing.

MATERIALS / CERAMIKA NOWA GALA - Shareholders of materials firm Ceramika Nowa Gala approved a PLN 0.05 per share dividend for a total ***payment*** of PLN 2.34 mln, management said in a market filing of resolutions approved at the GM.

ECONOMIC & FINANCIAL NEWS

MONETARY POLICY - Poland's interest rates will likely remain intact to end-2019 and ECB decision on ending quantitative easing will have no impact on their level, MPC member Jerzy Osiatynski told PAP.

LABOR MARKET, WAGES - Poland's average corporate gross wage grew by 7.0% y/y to PLN 4,696.59 in May, on a 3.0% m/m decrease, the stats office GUS said.

HOUSEBUILDING, REAL ESTATE - Poland recorded a 12.3% y/y decline in housing completions in May to 11,958 units, a monthly housing report from the Central Statistical Office (GUS) showed.

GDP GROWTH - Poland is heading into an economic slowdown, but its 3.8% GDP growth forecast for 2018 could yet be beaten, Minister of Finance Teresa Czerwinska told reporters.

PENSION SYSTEM / PPK - Poland should avoid sector exemptions from its planned employer sponsored PPK pension ***program***, Finance Minister Teresa Czerwinska told reporters at the sidelines of an economic forum in Sopot.

LABOR MARKET, SOCIAL SECURITY - Poland is taking social security premiums on a rising number of Ukrainians , up to 345k in Q1 vs 316k in Q4 2017 and 228k in Q1 2017, social security board ZUS said.

STATE BUDGET, STATE FINANCES - Poland can hold its running budget surplus for another one to two months, but will eventually slip back into deficit financing in 2018, Finance Minister Teresa Czerwinska told reporters on the sidelines of the economic forum in Sopot.

FX - Poland should face no threat from recent zloty weakening, but would face concerns were it to last longer-term, Finance Minister Teresa Czerwinska told reporters.

EU FUNDS, ***AGRICULTURE*** - Over 1.3 farmers, or 96.7% of the total, have filed so far this ***year*** for ca. PLN 13 bln available in direct subsidies in 2018, according to ***agriculture*** minister Krzysztof Jurgiel.

***AGRICULTURE*** - Poland experienced ***agricultural*** drought between April 11 and June 10, according to soil science and plant cultivation institute IUNG.

HOUSING - Poland's real estate developers handed over 40,227 apartments in the period from January to May, up by 10.4% y/y, stats office GUS said of preliminary data. The total number of handovers in Poland was up by 6.9% y/y in the period and equaled 69,942, GUS also said.

FX - The Polish zloty is expected to strengthen to 4.15 vs the euro within the next 12 months, Goldman Sachs economists said as cited by Bloomberg.

FINANCIAL MARKETS

The Polish zloty is likely to trade in the EUR/PLN 4.27-4.32 range this week, while long tenor T-bonds may suffer from slight yield increases, local players say.

FX & FI SPOT MARKET PRICES

|  |  |  |  |
| --- | --- | --- | --- |
| Mon | Mon | Fri |  |
| 16:28 | 09:26 | 16:34 |  |
| EUR/PLN | 4.298 | 4.286 | 4.283 |
| USD/PLN | 3.704 | 3.703 | 3.686 |
| OK0720 | 1.62 | 1.63 | 1.63 |
| DS1023 | 2.54 | 2.58 | 2.59 |
| WS0428 | 3.20 | 3.24 | 3.24 |

EQUITY MARKET

Warsaw stocks nosedived on Monday as the large-cap WIG20 index lost 2.36% to close at 2150.98 points amid lowish turnover. Game developer CD Projekt was the only blue chip to enjoy notable gains, having risen by as much as 2.38%.

WSE INDEXES

|  |  |  |
| --- | --- | --- |
| Index | Value | Change |
| WIG | 56474,00 | -2,11% |
| WIG20 | 2150,98 | -2,36% |
| WIG30 | 2476,81 | -2,26% |
| mWIG40 | 4259,43 | -1,88% |
| sWIG80 | 13375,16 | -1,28% |

MOST ACTIVES

|  |  |  |  |
| --- | --- | --- | --- |
| Company | Price | Change | Turnover |
| PLN | (%) | PLN mln |  |
| CDPROJEKT | 172,00 | 2,38 | 62,5 |
| PKOBP | 37,82 | -3,40 | 62,5 |
| PZU | 36,44 | -3,09 | 46,3 |
| PEKAO | 114,90 | -1,75 | 41,9 |
| PKNORLEN | 82,00 | -2,59 | 37,9 |
| KGHM | 87,00 | -2,49 | 32,8 |
| DINOPL | 98,70 | -3,52 | 21,2 |
| LPP | 8 860,00 | -1,83 | 20,1 |

POLITICAL & GOVERNMENT NEWS

GOVERNMENT, ***AGRICULTURE*** - ***Agriculture*** minister Krzysztof Jurgiel has resigned citing personal reasons, the ***agriculture*** ministry said in a statement. The resignation follows press speculation about Jurgiel's approaching dismissal amid ruling party's attempts to improve its standing among rural voters ahead of the autumn local elections. The ruling party PiS will soon present the new minister of ***agriculture***, government spokesperson Joanna Kopcinska said.

PARTIES, OPPOSITION - Poland may see a new party enter its political stage in December as the former leader of liberal grouping Nowoczesna Ryszard Petru is said to host the new party's founding congress some time at the beginning of the month, PAP found out.

RULE OF LAW, EU RELATIONS - Polish PM Mateusz Morawiecki and deputy head of European Commission Frans Timmermans held a "constructive" discussion on the issues related to the rule of law in Poland and are still going to pursue a solution to end the strife between Poland and EC, Morawiecki told the media following the meeting, a comment echoed by his interlocutor. Timmermans was presented with the changes to the Polish judiciary regulations that had been introduced at the request of the European institutions, PM also said.

PARTIES, OPPOSITION - Nineteen leftist Polish groupings, including the once-dominant SLD, signed a coalition declaration Monday for a joint run in upcoming local elections and elections to the European Parliament in 2019. The coalition is supposed to present its candidate for the Warsaw mayor seat on Thursday, SLD leader Wlodzimierz Czarzasty said following signing the declaration.

mbn/ fbe/ kd/ gty

**Load-Date:** February 25, 2022

**End of Document**



[***IMF Executive Board Concludes 2017 Article IV Consultation with Dominica***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R78-1ND1-F0YC-N3GR-00000-00&context=1516831)

Impact News Service

December 20, 2017 Wednesday

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**Length:** 1485 words

**Body**

Washington, D.C: International Monetary Fund has issued the following news release:

On May 12, 2017, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Dominica, and considered and endorsed the staff appraisal without a meeting[2].

The recovery from Tropical Storm Erika (August 2015) has been slower than anticipated, with output growth of 1 percent in 2016, dragged down by a storm-related decline in manufacturing.  Moreover, capacity constraints and unfavorable weather slowed public investment more than anticipated. Despite ample liquidity, bank credit to the private sector remains weak, although this is in part relieved by growing lending by credit unions.

Growth is projected to accelerate to above 3 percent in 2017-18 on the back of a pickup in public investment and several large-scale private projects with citizenship-by-investment (CBI) and grant financing, and to stabilize at a potential rate of 1.5 percent over the medium term. The external current account deficit is projected to widen due to the increase in imports of goods and services with the increase in investment, and then to gradually improve as ***agriculture***, tourism and manufacturing recover, and geothermal electricity generation reduces oil imports.

Despite high CBI revenues, the fiscal outlook has deteriorated largely due to lower projected grant revenues, a downward revision in the projected yields of the fiscal consolidation measures, an increase in social ***transfers*** and the reduction of the corporate income tax rate in January 2016. As a result, reaching the regional debt target of 60 percent of GDP by 2030 without increasing the fiscal consolidation effort above the commitments in the RCF disbursement would require the use of government deposits for debt reduction.

Executive Board Assessment[3]

Economic activity in 2016 was weak, but is expected to pick up this ***year*** on the back of public investment and several large-scale private projects now in execution. The recovery from tropical storm Erika has been slower than anticipated, mainly because grants have been much lower than expected and capacity constraints have slowed down the execution of public infrastructure reconstruction efforts. However, most sectors are now on a recovery path, including tourism, ***agriculture***, and construction. Public investment has picked up, with large CBI revenues offsetting the shortfall in grants; and large-scale investment projects in execution are boosting demand in the near term. As a result, growth is projected above 3 percent in 2017 and 2018. However, the outlook remains subject to significant risks, mainly from recurrent natural disasters, delays in reconstruction and public investment affected by capacity constraints and uncertain sources of grant and CBI financing, and natural disasters. Weaknesses in the financial sector will continue to pose risks to financial stability and weigh on credit and growth.

The priorities facing the authorities are to maintain momentum with the reconstruction ***program*** while ensuring that the public finances are put on a sustainable footing. The government should continue to focus on implementing the fiscal consolidation plan committed to at the time of the RCF disbursement aimed at reducing debt to 60 percent of GDP by 2030. This adjustment of over 6 percent of GDP includes public wage restraint, reduction of tax incentives, and the gradual unwinding of storm-related spending on reconstruction, goods and services, and social assistance. The increase in CBI revenues, which eases financing pressures in the near-term, should not detract from the resolute implementation of the consolidation plan, which should target reductions in the underlying primary balance (i.e , excluding CBI revenues, grants, and storm-related spending).

Low donor grants and unpredictable CBI revenues require prudence in fiscal management to ensure sufficient financing for reconstruction with fiscal sustainability. It is thus important to avoid the allocation of CBI flows to recurrent spending, which would be relatively difficult to reverse. Rather, the scope to the VF for natural disasters should be broadened to include also a saving sub-fund of CBI resources earmarked for debt reduction and public investment.  Given the several sources of uncertainty, including the sustainability of CBI flows, the government should consider contingent fiscal measures to create fiscal space for reconstruction and further strengthen the fiscal sustainability outlook.

Improving fiscal institutions, in line with recent Fund TA advice, should also be a priority. The budget process should be strengthened to make it the key instrument for medium-term fiscal planning, and the introduction of fiscal rules within a formal fiscal responsibility legal framework could provide a commitment mechanism to support the fiscal consolidation effort. A formal framework to set a limit on tax incentives, and to limit the scope of discretional tax concessions would also be beneficial and could provide additional savings. Given that these reforms are complex, early preparation is crucial for a timely implementation.

Strengthening financial sector institutions is critical to enhance financial stability and facilitating a return to lending by the banks. Further action is needed to clean up bank balance sheets by reducing still-high NPLs and increasing bank capital. Toward this end, the ECAMC should be made operational as soon as possible to facilitate removal of NPLs from bank balance sheets. The government should also seek to eliminate the ECCB’s MSR, which reduces banks’ profitability and delays progress on NPL reduction. Vulnerabilities in the credit union sector, which is systemically important, and suffers from high NPLs and low capitalization, should also be addressed. In particular, the authorities need to move quickly to strengthen supervision and regulatory powers of the FSU and to move ahead with the regional credit union legislation that has been pending for some time. Credit by public financial institutions should be better targeted to address missing or incomplete credit markets, in line with national development objectives. The initiative to establish a credit bureau is welcome, which should facilitate access to credit. Furthermore, a review of the legislation aimed at strengthening the enforcement of loan contracts could counterbalance the increase in banks’ risk aversion in recent ***years***.

Lowering the risk of withdrawal of CBRs is critical to support investment and sustain growth. Notwithstanding the significant progress made to strengthen AML/CFT legislation closer to international standards in recent ***years***, there is still a need to improve enforcement.  The authorities should also encourage respondent and correspondent banks to improve communication and information sharing; remove obstacles for bank consolidation; and encourage banks to explore options for the bundling of financial services.

Beyond the reconstruction efforts, there is a need to improve resilience to future disasters and address constraints that result in low potential growth. Toward this end, the government’s effort to increase the resilience of public infrastructure is commendable and should be sustained; this will also improve the business environment. Moving ahead with plans to develop geothermal energy capacity will lower electricity costs that are among the highest in the world, thereby improving competitiveness. To increase labor productivity and employment, labor market legislation should be updated to remove rigidities in working hours and align severance ***payments*** with the needs of a more dynamic labor market.

Incentivizing educational attainment, including in skills for which there is excess demand, would also facilitate labor adaptation across sectors and increase employment. Public wage negotiations should also be mindful of their impact on private sector wages, which affect production costs, investment, employment, and external competitiveness.

Data provision has shortcomings due to capacity constraints in the statistical agency, including weaknesses in coverage, accuracy, frequency, and timeliness of data. Although it is broadly adequate for surveillance, these limitations constrain economic analysis and policy formulation. Specifically, surveillance would benefit from more timely and improved data pertaining to the national and fiscal accounts, labor market, the balance of ***payments***, and credit unions.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every ***year***. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

**Load-Date:** December 21, 2017

**End of Document**



[***Ukraine: Donetsk Region media highlights 25-31 Aug 18***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T7C-7NX1-JC8S-C0D5-00000-00&context=1516831)

BBC Monitoring Kiev Unit

Supplied by BBC Worldwide Monitoring

September 10, 2018 Monday

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**Length:** 3654 words

**Body**

The following are media highlights from Donetsk Region's newspaper Donetskiye Novosti, Anti-crisis Media Centre, DNR Live, Novosti Donbassa, Orbita TV, OstroV, Slavyansk Delovoy, Sayt Goroda Mariupolya, Donetsk News Agency and Vchasno news agency websites for 25-31 August 2018:

Political

Public money has been spent on the final stage of the nationwide patriotic song contest called "Music has tied us together" in the city of Pokrovsk, Novosti Donbassa website, covering news for Donetsk and Luhansk regions, said. According to the website, the event was used to promote Pokrovsk mayor Ruslan Trebushkin, who has not been seen in his office for six months, and millionaire MP Yevhen Heller. The amount of 1.4m hryvnyas (about 52,000 dollars) was allocated from the city budget to sponsor the contest. During the show, the hosts announced several times that Trebushkin and Heller had supported the event, but would not explain to the audience what kind of support exactly they had provided. An additional amount of over 3m hryvnyas (about 110,000 dollars), also allocated from the municipal budget, was spent on fees to the artists who performed during the celebrations marking Day of the City and Coalminers' Day. (Novosti Donbassa website, 1911 gmt 25 Aug 18)

The Kramatorsk city council has found that the conduct of councillor Liliya Kislitsyna, who recently organised a "scandalous" vacation trip to Croatia for children affected by the armed hostilities in Donbass, which somehow included children of the city's deputy mayors, is "contrary to the councillors' ethics and is against the law", the Anticrisis Media Centre website said. Kislitsyna, who was removed from the post of head of the permanent city council committee, has never admitted any wrongdoing. Kislitsyna said that organising the trip for children to Croatia was part of her "private life" and that she is free to spend her vacation time as she pleases. She said that the "scandal" was a "paid campaign". However, Kramatorsk mayor Andriy Pankov said that an internal investigation had been launched to look into his deputies' children's foreign trip and that necessary measures would be taken depending on the findings of the investigation. (Anticrisis Media Centre website, 1514 gmt 29 Aug 18)

Donetsk Region's activists have written an open letter to the head of the Donetsk regional military-civil administration, Oleksandr Kuts, in which they asked him not to allow "pro-separatist teachers" to work in the region's schools, the Vchasno website, covering news from Chervonoarmiysk, Dymytrov and the region, reported. According to the activists, "the education [system] in Donbass is being prepared for an occupation", and the regional education and science department is "densely packed by the pro-Russian cadre", such as adviser Tamara Lukyanchuk, the region's ex-deputy governor. According to one of the authors of the letter, Volodymyr Berezin, "a strong network of pro-Russian education workers is being built now in the frontline districts, with these workers being reinstated in their jobs and getting ready for a comeback of anti-Ukrainian forces". (Vchasno website, 1230 gmt 30 Aug 18)

At the peak of Coalminers' Day in Pokrovsk, mayor Ruslan Trebushkin, who have not been seen in his office since February 2018, made a surprise appearance at the festivities, the website of the regional television company Orbita reported, citing the Pokrovsk city council's press service. After the celebration, he did not return to his workplace though. The mayor's office explained that on 27 August, Trebushkin "left the city to make a business trip to Kiev where he will take part in a diplomatic reception event at the Foreign Ministry on 28 August". It is unknown when the mayor is planning to return to the city, Orbita TV remarked. (Orbita TV website, 1424 gmt 27 Aug 18)

A banner designed in the self-proclaimed Donetsk People's Republic (DPR) was put on display during a concert in Myrnohrad to mark City Day and Coalminers' Day, the Donetskiye Novosti weekly website, controlled by tycoon Rinat Akhmetov, said. The banner showing a coal miner uses the colours of the DPR flag. The banner of this specific design first appeared in rebel-held Donetsk back in the summer of 2015 during Coalminers' Day celebrations. The head of the Donetsk regional military-civil administration, Oleksandr Kuts, said that because of this background information and in response to complaints from local residents, he would "immediately ask the SBU [Security Service of Ukraine] to legally assess and respond to the situation". The Myrnohrad city authorities, in their turn, said that they had taken the banner from open sources and that they did not "see" any DPR symbols in it. (Donetskiye Novosti weekly, 1344 gmt 28 Aug 18)

DPR migration service head Volodymyr Krasnoshcheka has said that the DPR has issued its first permanent residence permit, pro-separatist website DNR Live reported, citing pro-separatist channel Oplot TV. The permit was issued to Russian national Lyudmila Pekhterova, who was born in Donbass and has lived in Russia for 13 ***years***. She has Russian citizenship. In 2012, she had to return to Donbass for family reasons. "My son was killed in a coalmine accident in 2010. I decided to return home. Everything I have is here, my children and my grandchildren are here, that is why I have returned," Pekhterova said. (DNR Live website, 30 Aug 18)

The DPR has extended the list of "extremist" publications of the religious organisation Jehovah's Witnesses, DNR Live said, citing the press service of the DPR supreme court.The publications include several issues of the Watchtower magazine, two brochures published in the USA and a book entitled "What does Bible really teach you?", the website said. (DNR Live website, 31 Aug 18)

For the first time in the DPR's history, a conflict between high-level officials of the DPR ministry of agro-industrial policy and foodstuff and DPR deputy prime minister Oleksandr Timofyeyev has spilt into public domain, DNR Live said. The conflict is around finding who is to blame for this ***year***'s low harvest, which is expected to make food more expensive. According to the ministry, "this situation has developed because the ministry was 'manually controlled' and because of increasingly impoverished farmers". The ministry says it voiced its concerns about these issues back in 2017. According to the ministry, the "corrupt barter scheme" was launched in the DPR back in 2015 and remained "in use" until 2017. Then the DPR emergency ministry's state committee did not authorise humanitarian aid to farmers in the form of mineral fertilisers. Timofyeyev, for his part, accused the ministry of corruption. When the ministry said that food prices were likely to go up because of the failed crop, Timofyeyev organised a staged "post-mortem debriefing" and accused the ministry of reporting "untruthful information", the website said. (DNR Live website, 28 Aug 18)

DPR head Oleksandr Zakharchenko's assassination

According to the operating command of the self-proclaimed DPR, the assassination of DPR head Oleksandr (Aleksandr) Zakharchenko, who was killed in a bomb explosion in a cafe in central Donetsk on 31 August, "was perpetrated by Ukrainian law enforcers with a view to destabilising the situation in the republic", the website of the Ukrainian pro-rebel Donetsk News Agency (DAN) said. "This terrorist act is aimed at destabilising the situation, which is why all units of the DPR forces have been put on high alert," the command said in a statement. (Donetsk news agency website, 1834 gmt 31 Aug 18)

On 31 August, the DPR territorial defence HQ appointed the deputy head of the DPR council of ministers, Dmitry Trapeznikov, as acting DPR head, Donetskiye Novosti reported. Trapeznikov was born on 12 April 1981 in Krasnodar, Russia. In 1982, he and his family relocated to Donetsk. He has three higher education diplomas. In 2010-12, he served as the deputy head of the Petrovsk district council in Donetsk. Since December 2014, he has held various posts in the "administration of the head of the DPR". (Donetskiye Novosti weekly, 1908 gmt 31 Aug 18)

Acting DPR head Dmitry Trapeznikov has said that in the DPR "all bodies of the executive and legislative branches of the government operate in the usual mode", DAN said. "All social commitments will be met. The republic is working in the usual mode," the official was quoted as saying. (Donetsk news agency website, 2031 gmt 31 Aug 18)

The former DPR minister of culture, Yuriy Lekstutes, has said that it was Russia's Federal Security Service (FSB) that suggested Oleksandr Zakharchenko for the post of the DPR head, Novosti Donbassa website, covering news for Donetsk and Luhansk regions, reported, citing the official's interview with One Plus One TV. Lekstutes, who recently relocated to the territory controlled by the Ukrainian government, says that in 2014 he, too, could have become the head of the DPR because he had been lobbied in the Kremlin by representatives of Russia's Main Intelligence Directorate (GRU). At the time, he was told that his physical security would be guaranteed by Aleksandr Khodakovskyy's deputy and by another "field commander", Ihor Bezler, who were both in opposition to Oleksandr Zakharchenko and his allies at the time. In December 2014, Lekstutes was arrested in the DPR, and since that time he has been held in a remand centre accused of embezzling property that belonged to cultural establishments. (Novosti Donbassa website, 1753 gmt 26 Aug 18)

Economic

The Main Statistics Directorate in Donetsk Region has reported that in the first six months of 2018, the region's companies and organisations received investments totalling 9.7bn hryvnyas (about 360m dollars), which is 2.1 times more than a ***year*** previously, the OstroV regional news website said. This sum accounts for 4.7 per cent of the total capital investment in Ukraine, putting the region fourth in the country, behind the city of Kiev, Dnipropetrovsk and Kiev Regions. The investment share of the region's industrial enterprises is 58.5 per cent, or 5.7bn hryvnyas (about 211m dollars), 2.4bn hryvnyas (roughly 89m dollars) of which was invested in metallurgy, and 1.9bn hryvnyas (about 70m dollars) was invested in the coal industry. The major part of funding for investment activities in the region comes from the companies and organisations' own funds and amounts to 8.8bn hryvnyas (some 326m dollars), or 90.8 per cent of the total amount invested, OstroV said. (OstroV news website, 1610 gmt 28 Aug 18)

According to the Main Statistics Directorate in Donetsk Region, over the first seven months of 2018 in Donetsk Region the ***agricultural*** production output has dropped by 15.5 per cent compared to the corresponding period last ***year***, the Donetskiye Novosti weekly website, controlled by tycoon Rinat Akhmetov, said. The region's ***agricultural*** companies produced 17.3 per cent less output than a ***year*** previously. Family farming businesses' total output dropped by 14.5 per cent. As of 1 August, the region had harvested 31.2 per cent less cereals and leguminous crops than a ***year*** ago. The crop rate dropped by 36.1 per cent. In animal farming, production output has not changed. The livestock of cattle and pigs has reduced insignificantly, while the poultry livestock has grown by 22.1 per cent and reached 6.4m. (Donetskiye Novosti weekly, 1858 gmt 28 Aug 18)

Energy

The head of the independent trade union of Ukrainian coal miners, Mykhaylo Volynets, has said that the Energy and Coal Ministry is spending public funds to buy equipment for privately-owned coal production sites known as "longwall faces" that were "grabbed" from the state-run coal mine during the presidency of ousted President Viktor Yanuykovych, the Vchasno website, covering news from Chervonoarmiysk, Dymytrov and the region, reported. A new longwall face at the 1/3 Novohrodivska coalmine of the state-run coal company Selydovvuhillya is being equipped at the expense of investments from the state, the website said. The equipment that is being installed is property of the state-run coal mine. "Huge investments are going there, top-quality expensive equipment is being installed, and all that will be operating in the privately-owned longwall faces. At the same time, a state-owned coal production site, which is not properly equipped and which has been idle for several ***years***, is situated right next to it. However, [Energy and Coal] Minister [Ihor Nasalik] cares only about producing coal at the illegally taken coal deposits which will generate profit for private companies," Volynets said. Recently, Nasalik visited the coal mine, inspected the coal-extracting equipment that will be used at the privately owned coal deposits, and even planned to descend into the coal mine. However, the outraged coal miners did not let him do it. (Vchasno website, 0900 gmt 31 Aug 18)

The head of the Donetsk regional military-civil administration, Oleksandr Kuts, has said that practically all state-run coal companies in Donetsk Region are not profitable, the OstroV regional news website said. "The losses resulting from their activities total 520m hryvnyas (roughly 19.2m dollars), and production cost of the coal they produce is almost twice its wholesale price. Neither the increased coal prices nor the ***transfers*** of funds from the budget to pay coal miners for their work have led to cardinal changes in the industry," the regional governor wrote on his Facebook page, noting that "it has been agreed that the coal mine managers will submit their proposals that will be reflected in the industry development ***programme***". Presently, there are 15 state-run coal companies operating in the region, and since the start of this ***year***, those companies have produced about 1.3m tonnes of coal. Coal miners have been paid 932m hryvnyas (about 34.5m dollars) in wages, which is 89 per cent more than a ***year*** ago. On 23 August, the wage arrears at the region's coal mines totalled 91m hryvnyas (some 3.4m dollars). (OstroV news website, 0855 gmt 27 Aug 18)

Environment

Donetsk Region's activists have called on the head of the Donetsk regional military-civil administration, Oleksandr Kuts, to audit and analyse efficiency of the regional department of ecology and natural resources, as well as the work of its head Serhiy Natrus, the Vchasno website, covering news from Chervonoarmiysk, Dymytrov and the region, reported. According to the activists, the department has been spending public money ineffectively on questionable projects in connection with which criminal proceedings were launched. The activists say that Natrus "navigates well through the names of the ***programmes*** and amounts allocated to fund them, but is unable to explain how these projects have improved the region's environment". Following the initiative of the public, on 29 August, the head of the department publicly presented a report about his work, but the activists did not find the report satisfactory. Among other things, Natrus could not explain why 65m hryvnyas (about 6.1m dollars) was allocated from the region's environmental fund to renovate the Kramatorsk city park, which is also known as Bernatskiy garden, and why millions of hryvnyas keep being provided from that fund for the same purpose even though there is a criminal probe into alleged embezzlement of public funds that was launched in connection with this project. (Vchasno website, 1345 gmt 30 Aug 18)

Health

The incidence of tuberculosis in Mariupol is on the rise, with 186 new tuberculosis cases diagnosed in the first six months in 2018, Sayt Goroda Mariupolya, a Mariupol city website, said. The overall tuberculosis incidence in the city is 39.5 per 100,000 population, topping the average regional and nationwide data, as well as last ***year***'s statistics for the city. There were 82 individuals with first-time tuberculosis (44.1 per cent of the total number of such individuals) who were diagnosed with HIV, which is worse than the regional and nationwide statistics. On 1 July, there were 509 patients suffering from the active form of tuberculosis in Mariupol. The city's tuberculosis rate is 108.1 per 100,000 residents (Donetsk Region - 82.5, Ukraine - 79.7). In January-June, 30 persons in Mariupol died of tuberculosis, which is 20.8 per cent more than during the same period of last ***year***. (Sayt Goroda Mariupolya website, 0704 gmt 31 Aug 18)

The head of the Slovyansk city council's health department, Olena Dzhym, has said that the city chronically lacks money and medicines needed to implement the state-sponsored Affordable Medicine ***programme***, the Slavyansk Delovoy website said. "We have distributed the amount of money the city received for this purpose from the state budget over 12 months. Signed contracts with nine pharmacies. But there is not enough medicinal drugs. We have contacted the regional health department, and regional officials have asked the Health Ministry to provide us with an additional amount of 10m hryvnyas (about 370,370 dollars) we need to purchase necessary medicines. We are hoping that the quota will be increased," Dzhym said. In the meantime, Slovyansk's pharmacies have stopped selling medicinal drugs at subsidised prices under the Affordable Medicine ***programme***. A similar situation has developed in the city of Kramatorsk. (Slavyansk Delovoy website, 1053 gmt 30 aug 18)

Media

The executive director of the Pylyp Orlyk Democracy Institute, Svitlana Yeremenko, has said that a "catastrophic" situation has emerged in the regional media, where press releases take up to one third of all publications, and where up to 15 per cent of all stories bear clear signs of political or business adverts, the Vchasno website, covering news from Chervonoarmiysk, Dymytrov and the region, reported. Up to 80 per cent of stories published in the regional media appear to be hidden adverts or defamation publications. "And these are most important stories, which have a large significance for the audience," Yeremenko said. The official added that Donbass mass media practically do not publish analytical materials (the latter take up from four to eight of all publications), while almost one third of the texts are "information-genre publications". Besides, "a whole series of local media in Donbass openly stick to a pro-Russian position - they publish fakes spread by Russian bots, engage in the heroisation of the Kremlin's puppets, reprint articles from the Russian media and the media of the DPR and the LPR (the self-proclaimed Luhansk Peoples Republic). Yeremenko also pointed to the low professional level of regional journalists. "One gets an impression that regional journalists do not read anything but Facebook," the director said. (Vchasno website, 1300 gmt 28 Aug 18)

Human rights

Right to Defence NGO's analyst Yuliya Zakharchenko has said that deaths are reported at the border checkpoints every month, which happens because more than 50 per cent of people passing through the checkpoints are over 60 ***years*** of age and unfit to cope with serious physical challenges, the Vchasno website, covering news from Chervonoarmiysk, Dymytrov and the region, reported. The situation is further exacerbated by the fact that the checkpoints lack necessary amenities and facilities. "People often feel sick, in the summer because of the heat, in the winter people get injured on slippery roads. There have been cases of serious traumas, broken bones. One time, in a rather dense waiting line, a man tripped and fell and then was practically stepped over," Zakharchenko was quoted as saying. The analyst noted that "people have to risk their health and life to get paid pension benefits they are legally entitled to", which is why pension ***payments*** should not be linked to the availability of a document proving that an individual is an internally displaced person. (Vchasno website, 1450 gmt 31 Aug 18)

Military

According to residents of the frontline town of Shyrokyne, the town is still suffering from the "looting" on the part of Ukrainian troops, Novosti Donbassa website, covering news for Donetsk and Luhansk regions, reported. "Police cannot do anything about it, let alone civilians. Several criminal cases opened against the military over looting have fallen apart ... and several thousand Shyrokyne residents are watching this. [The troops] keep cutting up metal pipes, fences, roofs, and all that is then taken somewhere," a local resident told the leader of the public movement National Corps, Andriy Biletskyy. According to Biletskyy, the fact that metal parts are being removed from the town indicates that the "issue is a systemic one" and that the "commanders must have okayed this". Biletskyy promised to get in touch with police over this matter. Biletskyy added that he remembers facts of looting in the volunteer regiment Azov, but then these were isolated instances and the wrongdoers had "more than one arm broken" for that. (Novosti Donbassa website, 1900 gmt 25 Aug 18)

Crime

According to the register of court sessions, a Mariupol resident has been handed down a suspended sentence for his post in the Odnoklassniki social network, Novosti Donbassa website, covering news for Donetsk and Luhansk regions, reported. The man, who registered in the network back in 2012, shared a publication by the group called "Antimaydan (South-East)" on his personal page in March 2017. The court has found that he did it "intentionally, on the basis of his political and ideological convictions", and that in such a way he distributed materials calling for actions aimed at altering the existing state border of Ukraine. The man pleaded guilty in court. Initially, the court sentenced the Mariupol resident to three ***years*** in jail. Later, however, the court replaced this sentence with a more lenient punishment - a suspended jail term of one ***year***. (Novosti Donbassa website, 1041 gmt 30 Aug 18)

Source: BBC Monitoring 31 Aug 18

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[***Washington: DEPARTMENT OF THE INTERIOR, ENVIRONMENT, AND RELATED AGENCIES APPROPRIATIONS ACT, 2019 (House of Representatives - July 18, 2018)***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SV7-NH41-JDG9-Y21R-00000-00&context=1516831)

Impact News Service

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**Body**

Washington: The Library of Congress, The Government  of USA has issued the following house proceeding:

 Mr. CALVERT. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days to revise and extend their remarks and to include extraneous material on H.R 6147, and that I may include tabular material on the same. [[Page H6502]] The SPEAKER pro tempore. Is there objection to the request of the gentleman from California? There was no objection.

The SPEAKER pro tempore. Pursuant to House Resolution 996 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the state of the Union for the further consideration of the bill, H.R 6147. Will the gentleman from Illinois (Mr. Hultgren) kindly take the chair. {time} 1623 In the Committee of the Whole Accordingly, the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H.R 6147) making appropriations for the Department of the Interior, environment, and related agencies for the fiscal ***year*** ending September 30, 2019, and for other purposes, with Mr. Hultgren (Acting Chair) in the chair. The Clerk read the title of the bill. The Acting CHAIR. When the Committee of the Whole rose earlier today, amendment No. 39 printed in House Report 115-830 offered by the gentleman from Wisconsin (Mr. Grothman) had been disposed of. Amendment No. 42 Offered by Ms. Moore The Acting CHAIR. It is now in order to consider amendment No. 42 printed in House Report 115-830. Ms. MOORE. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used to terminate or restructure the Great Lakes Advisory Board, a Federal advisory committee chartered under the Federal Advisory Committee Act. The Acting CHAIR. Pursuant to House Resolution 996, the gentlewoman from Wisconsin (Ms. Moore) and a Member opposed each will control 5 minutes. The Chair recognizes the gentlewoman from Wisconsin. Ms. MOORE. Mr. Chairman, let me thank the committee for supporting me in my very important amendments last evening, and I have another very important amendment that is before the committee here today. Mr. Chair, I urge support for my amendment that would prevent the administration from dismantling the EPA's Great Lakes Advisory Board. I am so pleased that this bill has again rejected the President's proposal to gut the GLRI, and this amendment would prevent them from dismantling the advisory board. Mr. Chairman, this is a critical matter for anyone who drinks water. The Great Lakes provide drinking water to some 40 million people. Let me say that again. Forty million people depend on this resource for one of life's basic requirements, water, not to mention anglers and recreation. As an old African proverb goes, water has no enemies. So, hopefully, the Great Lakes Restoration Initiative is something that we are going to recognize as having played a critical role in protecting and restoring one of America's greatest national treasures, a life- sustaining element, water. Just to mention, not to bore people with a lot of statistics, but the Great Lakes contain about 21 percent of the world's surface freshwater and more than 80 percent, 85 percent, of the freshwater in North America. This is indispensable. As critical as this funding is, it is also important that the EPA receive advice and input from local stakeholders regarding priorities under that ***program***. The Great Lakes Advisory Board provides such advice. EPA established the board in 2013 to provide independent advice to the EPA administration in its capacity as chair of the Federal Great Lakes Interagency Task Force. Some of the past activities of the advisory board have been providing the EPA with recommendations regarding what are the most significant stressors and needs for the Great Lakes ecosystem; providing the EPA with recommendations on ways to ensure effective public input into the Great Lakes action plan process; and providing advice on whether the GLRI should invest in efforts to understand long-term, future threats and communicate them to the Great Lakes community for action. In light of reports of efforts to undermine the board, on a bipartisan basis, I joined colleagues in writing to the EPA earlier this ***year*** to make clear that we support the establishment and maintenance of the board. My amendment would put teeth behind this letter and make it clear to the administration what congressional intent is regarding this important advisory board. Mr. Chairman, I reserve the balance of my time. Mr. CALVERT. Mr. Chair, I rise in support of the amendment. The Acting CHAIR. Without objection, the gentleman from California is recognized for 5 minutes. There was no objection. Mr. CALVERT. Mr. Chair, this bill is consistent with ***years*** past that provided robust funding for the Great Lakes Restoration Initiative. Therefore, this is an initiative I can support and we accept. Mr. Chair, I yield back the balance of my time. Ms. MOORE. Mr. Chair, I want to thank the gentleman from California. He is a very effective leader on this issue. I appreciate him. An effective Great Lakes Advisory Board is vital to ensuring that the GLRI remains successful and impactful today and in the ***years*** to come. Mr. Chair, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentlewoman from Wisconsin (Ms. Moore). The amendment was agreed to. Amendment No. 43 Offered by Mr. Mullin The Acting CHAIR. It is now in order to consider amendment No. 43 printed in House Report 115-830. Mr. MULLIN. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used to enforce the final rule entitled ``Oil and Natural Gas Sector: Emission Standards for New, Reconstructed, and Modified Sources'' published by the Environmental Protection Agency in the Federal Register on June 3, 2016 (81 Fed. Reg. 35824). The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Oklahoma (Mr. Mullin) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Oklahoma. Mr. MULLIN. Mr. Chairman, this amendment would prohibit funds from enforcing the Obama administration EPA methane rule. This rule is currently facing litigation uncertainty, and Congress must act to block this job-killing regulation estimated to cost our economy $530 million annually. While oil and gas production has increased more than 25 percent since 2005, related methane emissions have actually decreased almost 40 percent during the same time period. It is counterproductive for the Federal Government to enact harmful regulations that cause inefficiencies, recklessly spend taxpayer dollars, and force hardship upon job-creating industries. Mr. Chair, I urge my colleagues to support this amendment, and I reserve the balance of my time. Ms. McCOLLUM. Mr. Chair, I rise in opposition to this amendment. The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chair, the gentleman's amendment would block the EPA from regulating methane emissions from sources in the oil and gas sector. Methane is a primary component of natural gas and is a potent greenhouse gas with global warming potential more than 25 times greater than carbon dioxide. {time} 1630 In 2013, nearly one-third of the methane emissions in the United States came from oil and gas production, processing, transmission, and distribution. There is no doubt, no doubt at all that methane contributes to the increased levels of greenhouse gas concentrations, which will contribute to long-lasting changes in our climate such as rising global temperatures, sea level rising, changes in weather and precipitation patterns. [[Page H6503]] Public health risks include more heat waves and drought, worsening smog, increased intensity of extreme weather events, and increasing the range of ticks and mosquitoes, which can spread diseases such as Lyme disease, West Nile Virus, and Zika. The disgraced former EPA administrator, Scott Pruitt, tried to delay this rule, but the courts blocked that effort and ruled that the EPA cannot delay implementation. When is the majority going to stop the assault on the environment? Mr. Chairman, I reserve the balance of my time. Mr. MULLIN. Mr. Chairman, I yield 2 minutes to the gentleman from Pennsylvania (Mr. Perry). Mr. PERRY. Mr. Chairman, the EPA has imposed these substantial competitive barriers, despite the industry's significant reduction in methane emissions through their own initiatives and innovation. What is not known is that through the EPA's own analysis, it shows that methane emissions from hydraulically fractured gas wells have actually fallen dramatically. According to EPA data--not my data, but EPA data--methane emissions from oil and gas production declined by 38 percent from 2005 to 2012, and methane emissions from hydraulically fractured natural gas wells have plummeted 73 percent since 2011. Total methane emissions from natural gas systems actually are down 11 percent since 2005, despite the significant production increases over this time period. This is a prime example of market forces at work. American producers developed innovative means of capturing additional methane because doing so means they have more product to sell. Profitability, rather than a top-down Washington regulation, drove this unprecedented emissions reduction. In fact, in 2012 alone, voluntary methane emission reductions activities by the U.S oil and gas industry generated $364 million in additional revenue. Unfortunately, the methane rule represents the kind of one-size-fits- all policy that will actually stifle innovation and discourage further investment in emission reduction technology. Actually, as a result, the EPA's methane rule, if allowed to stand, will not only lead to economic harm, but environmental harm as well. Mr. Chairman, I urge my colleagues to support this amendment. Ms. McCOLLUM. Mr. Chairman, I believe I have the right to close, and I reserve the balance of my time. Mr. MULLIN. Mr. Chairman, I yield 1 minute to the gentleman from California (Mr. Calvert). Mr. CALVERT. Mr. Chairman, I thank the gentleman for yielding. Mr. Chairman, EPA was directed by the President to take a second look at the methane rule promulgated by the Obama administration. In conjunction with that review, EPA attempted to provide the regulating community with some certainty by postponing some implementation dates. However, the courts have blocked that from happening. In light of these challenges, the time is ripe for a temporary pause on the enforcement of these requirements, so I urge my colleagues to support the amendment. Mr. MULLIN. Mr. Chairman, I am prepared to close. Well, simply put, I urge our colleagues on both sides to come together and kill this job-killing regulation and support this amendment, and I yield back the balance of my time. Ms. McCOLLUM. Mr. Chairman, as I said, I oppose this amendment. Climate change threatens the health and welfare for current and future generations. As the gentlemen have pointed out, Mr. Chairman, industry has moved-- has moved, in part, because of pressure from the EPA, and, in part, because of just the financial loss of allowing this methane gas to escape into the atmosphere. It is dollars that are burning up. These are precious resources that we are taking from the Earth, and we should make sure that we don't waste any of it, and that is why I think the EPA rule should not be delayed. As has been pointed out, industry has the ability to capture this methane. It has the ability to make money from it, and I want to just make sure that we encourage everyone in the industry to move forward. Mr. Chairman, let me the give you an example. The Bakken Oil Field, which is in North Dakota--I am very familiar with it because I spent many a summer in that area--burns brighter than the entire metropolitan area of the Twin Cities at night because of the flares from the methane that are being burnt. That energy should be captured. It should be saved. We should be conservationists for future generations. We must take action, and I encourage my colleagues to oppose this amendment. Mr. Chairman, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Oklahoma (Mr. Mullin). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Ms. McCOLLUM. Mr. Chair, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Oklahoma will be postponed. Amendment No. 44 Offered by Mr. Mullin The Acting CHAIR. It is now in order to consider amendment No. 44 printed in House Report 115-830. Mr. MULLIN. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used to prepare, propose, or promulgate any regulation or guidance that references or relies on the analysis contained in-- (1) ``Technical Support Document: Social Cost of Carbon for Regulatory Impact Analysis Under Executive Order 12866'', published by the Interagency Working Group on Social Cost of Carbon, United States Government, in February 2010; (2) ``Technical Support Document: Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis Under Executive Order 12866'', published by the Interagency Working Group on Social Cost of Carbon, United States Government, in May 2013 and revised in November 2013; (3) ``Revised Draft Guidance for Federal Departments and Agencies on Consideration of Greenhouse Gas Emissions and the Effects of Climate Change in NEPA Reviews'', published by the Council on Environmental Quality on December 24, 2014 (79 Fed. Reg. 77802); (4) ``Technical Support Document: Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis Under Executive Order 12866'', published by the Interagency Working Group on Social Cost of Carbon, United States Government, in July 2015; (5) ``Addendum to the Technical Support Document on Social Cost of Carbon for Regulatory Impact Analysis Under Executive Order 12866: Application of the Methodology to Estimate the Social Cost of Methane and the Social Cost of Nitrous Oxide'', published by the Interagency Working Group on Social Cost of Greenhouse Gases, United States Government, in August 2016; or (6) ``Technical Support Document: Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis Under Executive Order 12866'', published by the Interagency Working Group on Social Cost of Greenhouse Gases, United States Government, in August 2016. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Oklahoma (Mr. Mullin) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Oklahoma. Mr. MULLIN. Mr. Chairman, my amendment would prohibit funds from implementing the Obama administration's social cost of carbon rule. Congress and the American people have repeatedly rejected cap and trade proposals. The Obama administration continuously used social cost of carbon models, which could be easily manipulated in order to attempt to justify new job-killing regulations. The House has a clear, strong record of opposition to the social cost of carbon, voting at least 11 times to block, defund, or oppose the proposal, including H. Con. Res. 119, which we will be considering later this week. A carbon tax would be passed along to consumers, undermining the success of the Tax Cuts and Jobs Act we passed last ***year***. Mr. Chairman, I urge my colleagues to support this amendment, and I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, I rise in opposition to the amendment. [[Page H6504]] The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chairman, this amendment is a very harmful rider, and it would prohibit the EPA from considering the social cost of carbon as part of rulemaking. The social cost of carbon is an estimate of economic damages associated with small increases of carbon dioxide emissions in a given ***year***. It represents the best scientific information available, incorporating the impacts from carbon pollution into regulatory analyses. Weakening or eliminating use of social cost of carbon as a tool for Federal agencies that would ignore the sobering cost of health, environment, and economic impacts of extreme weather, rising temperatures, intensifying smog, and other impacts. We cannot afford to abandon science while trying to tackle climate change, so I strongly oppose this amendment. Mr. Chairman, I reserve the balance of my time. Mr. MULLIN. Mr. Chairman, I yield 1 minute to the gentleman from Montana (Mr. Gianforte). Mr. GIANFORTE. Mr. Chairman, I thank the gentleman for yielding. Mr. Chairman, I rise in support of the amendment. It would prohibit funds from being used to advance guidance or make rules that rely on Obama-era social cost of carbon guidance. I have heard from folks in Montana who cannot get a permit to expand a coal mine because they didn't account for the carbon released by the trains that would carry the coal. I have heard of the difficulties of building railroad bridges because they might allow more coal to be transported. We must stop relying on metrics that were designed by the keep-it-in- the-ground crowd. Similar language passed, on a bipartisan vote, here in the House last September. I urge adoption of the amendment. Ms. McCOLLUM. Mr. Chairman, I reserve the balance of my time. Mr. MULLIN. Mr. Chairman, I yield 1 minute to the gentleman from Pennsylvania (Mr. Perry). Mr. PERRY. Mr. Chairman, garbage in equals garbage out. We have heard this on numerous occasions. And in this instance, the international--or correction--the Interagency Working Group has chosen to disregard the policy decisions from OMB Circular A-4 regarding how they set the modeling. And as a result of that, they have--interestingly, the analysis generated by them would have been 80 percent lower than the mean SCC value if they had followed the guidance. And the result overstates the benefits by at least four times relative to what it would be if only the national benefits were considered as OMB directs. This is a blatant pattern of disregard, Mr. Chairman, for the OMB guidance in order to inflate the SCC and begs the question how many input decisions were responsible where responsible people could disagree were selected in order only to inflate the SCC value. Let's restore the faith and vote for this amendment. Ms. McCOLLUM. Mr. Chairman, I continue to reserve the balance of my time. Mr. MULLIN. Mr. Chairman, I yield 1 minute to the gentleman from Texas (Mr. Gohmert). Mr. GOHMERT. Mr. Chairman, I thank my friend for bringing this amendment. It is an important amendment to people that matter very much. John Dingell is a man of integrity. I feel I know his heart. He has a huge heart, and we disagreed on many issues, but I know him as a man of integrity. He was told he had to push through the cap and trade that would have gotten into costing people for this so-called cost of carbon, and he said it is not only a tax, it is a great big tax, and he lost his chairmanship. But what John Dingell knows, what I know is when you start creating taxes on fuel, the people that get hammered the worst are the Nation's poorest among us. That is who it gets passed to. That is who gets crushed. Let's don't do this to the hardworking, poorest among us. Let's vote for the Mullin amendment. Mr. MULLIN. Mr. Chairman, I urge my colleagues to support this amendment, and I yield back the balance of my time. Ms. McCOLLUM. Mr. Chairman, I would just like to reiterate again: We should be using the best scientific information available, and we should be incorporating the impacts from carbon pollution into regulatory analysis. When we see children being hospitalized because of intense smog, more people suffering respiratory and heart disease, and other impacts from that, we all pay for that. Whether we pay for it in emergency room visits, we pay for it in our insurance, there are many ways in which we are individually paying for the pollution that is created, let alone recognizing the effects it has on climate change. So, simply, again, we cannot afford to abandon science while trying to tackle climate change, and I strongly oppose the gentleman's amendment. Mr. Chairman, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Oklahoma (Mr. Mullin). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Ms. McCOLLUM. Mr. Chairman, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Oklahoma will be postponed. Amendment No. 45 Offered by Ms. Moore The Acting CHAIR. It is now in order to consider amendment No. 45 printed in House Report 115-830. Ms. MOORE. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_\_. There is appropriated for grants for lead reduction projects under section 1459B of the Safe Drinking Water Act (42 U.S.C 300j-19b) $10,000,000, to be derived from a reduction of $10,000,000 in the amount provided in this Act under the heading ``Environmental Protection Agency--Environmental ***Programs*** and Management''. The Acting CHAIR. Pursuant to House Resolution 996, the gentlewoman from Wisconsin (Ms. Moore) and a Member opposed each will control 5 minutes. The Chair recognizes the gentlewoman from Wisconsin. Ms. MOORE. Mr. Chairman, I am pleased to rise today to offer an amendment to increase resources available to help address a scourge that is occurring in so many of our communities: lead poisoning. My district is facing its challenges like so many in our country, and the Federal Government must do its part by ensuring that we provide the resources to address this scourge. Two of the most prominent vectors are old housing and old water infrastructure, lateral lead pipes. My amendment would attempt to address just one of the sources of lead, old lateral lead pipes, while recognizing the need to address housing when the appropriate funding bill comes to the floor. Mr. Chairman, we know that children throughout America are at risk of a major public health crisis given aging drinking water infrastructure and housing stock. In my district alone, there are tens of thousands of lead service lines that pose a threat to the public health of children. We have heard so much about Flint, Michigan, but I can tell you that lead poisoning in my district mirrors that of Flint, Michigan. I mean, Mr. Chairman, there just are no safe levels of lead for children. {time} 1645 As noted in a recent report by The Pew Charitable Trusts: ``In the absence of lead, hundreds of thousands of children would be more likely to realize their full potential thanks to higher grade point averages, a better chance of earning high school diplomas, and graduating from college, and a reduced likelihood of becoming teen parents or becoming convicted of crimes.'' Yet lead exposure remains a serious threat for far too many kids and their families in our country. The only way to remove lead pipes as a source of lead contamination is to completely remove them. That is the goal that I joined with my former and dearly loved colleague, the late great Louise Slaughter, in writing to urge the EPA in March of this ***year*** to update its lead and copper rule to require [[Page H6505]] the full replacement of lead service lines. But both public utilities and private homeowners are hard pressed to finance this needed work. It is my understanding that the average cost can be somewhere between $6,000 to $8,000 to replace such lines, which is an unimaginable sum for many of the households that our constituents live in. My amendment would provide funding for one of the newest tools that Congress created in the 2016 WRDA bill to help communities address lead pipes. This ***program*** provides grants for lead reduction projects that help reduce the concentration of lead in drinking water by, among other uses, providing assistance to low-income homeowners to replace lead service lines. Recognizing the need, Congress authorized the ***program*** at $60 million per ***year***; yet it received only $10 million in the fiscal ***year*** 2018 omnibus appropriations bill. While I would like to get closer to the authorized level, my amendment is modest and pragmatic and would simply continue funding for this ***program*** at the fiscal ***year*** 2018 level. Mr. Chairman, I reserve the balance of my time. Mr. CALVERT. Mr. Chairman, I rise in support of the amendment. The Acting CHAIR. Without objection, the gentleman from California is recognized for 5 minutes. There was no objection. Mr. CALVERT. Mr. Chairman, the fiscal ***year*** 2018 bill included $10 million for EPA to establish a grant ***program*** to provide funds to States and communities for lead reduction projects as authorized in the 2016 WIIN Act. I might also point out that we now have a WIFIA ***program*** that is in the bill, which will allow for communities throughout the country to leverage up to $5 billion annually, and maybe more in the future, in their communities for such things as lead reduction within their towns and counties. Mr. Chairman, therefore, this is an amendment we can accept, and I yield back the balance of my time. Ms. MOORE. Mr. Chairman, I thank the gentleman for his stewardship and for his recognition of the importance of this amendment, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentlewoman from Wisconsin (Ms. Moore). The amendment was agreed to. Amendment No. 46 Offered by Mrs. McMorris Rodgers The Acting CHAIR. It is now in order to consider amendment No. 46 printed in House Report 115-830. Mrs. McMORRIS RODGERS. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_\_. None of the funds made available by this Act may be used by the Administrator of the Environmental Protection Agency to implement, or to require the State of Washington to implement, the final rule entitled ``Revision of Certain Federal Water Quality Criteria Applicable to Washington'' published on November 28, 2016 (81 Fed. Reg. 85417). The Acting CHAIR. Pursuant to House Resolution 996, the gentlewoman from Washington (Mrs. McMorris Rodgers) and a Member opposed each will control 5 minutes. The Chair recognizes the gentlewoman from Washington. Mrs. McMORRIS RODGERS. Mr. Chairman, I rise today in support of my amendment to reverse the past administration's decision to implement unattainable water quality standards through the Environmental Protection Agency, EPA. I want to be clear that this amendment is not about opposing clean water standards. This is an amendment to support the work that Washington State, which has an impeccable environmental record, undertook. Washington developed their own standards for more than 190 pollutants after more than 3 ***years*** of research, outreach, and public feedback. These requirements would have already been some of the most rigorous nationwide, but EPA rejected them. For example, Spokane, the largest city in my district, invested $340 million in the first-of-its-kind water treatment facility. This facility was celebrated, and the Republican mayor was invited to the White House by President Obama to celebrate this investment as a model for cities to work with residents to meet new environmental standards. The problem? Even this state-of-the-art facility would not be able to meet the immeasurable EPA standards. Spokane Valley, another major city in my district, is facing an estimated $1 billion for municipal and industrial compliance costs because of these rules. This will affect companies like Inland Empire Paper Company, which has been in business since 1911. Right now, the PCB standards that the previous administration imposed will force them to limit their cardboard recycling capabilities and force them to send these products to landfills. We often hear the term ``best available science.'' Well, these requirements cannot even be measured by the scientific community. They are unattainable. It is not new for the EPA to abuse their power in the name of clean water. In Washington State, we saw this abuse of Federal authority with the What's Upstream? campaign and its efforts to misrepresent our farmers and ranchers. When the Federal Government enacts a policy, it should not be pouring Federal dollars into lobbying for its support. Requirements that can't even be measured are an abuse of trust, and it is vital that we fix this problem now, which is why my amendment limits funds to implement EPA's water quality standards that preempt Washington State's. This amendment will allow flexibility and reasonable guidelines for States to move forward with water quality standards that can be measured and met. Mr. Chairman, I urge support, and I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, I claim the time in opposition to this amendment. The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chairman, as has been pointed out, this amendment would prohibit the implementation of Washington State's revised water quality criteria. This standard protects communities from exposure to toxic contaminants, such as PCB, arsenic, and mercury in the fish that they eat. Being from Minnesota, Mr. Chairman, I understand fish advisories very well. I often see signs that limit fish consumption for pregnant women, and for children in particular. This action, however, would ignore court decisions and the voices of Native American Tribes, Asian-Pacific Islander communities, and fishing interests, all of which agree that seafood consumption standards are necessary in order to protect public health and water quality. In fact, the Northwest Indian Fisheries Commission has asked that Congress reject this amendment because it puts the treaty rights that have been protected and the resources of Tribes in Washington at risk. Many native families subsist on the fish that they catch. Passing this amendment lowering water quality standards puts these families at greater risk of poisoning from their traditional foods. There is a lot of funding in this bill and some of the other bills that we have on the floor, Mr. Chairman, that work to prevent diabetes or to lower risk from diabetes with high blood sugar. Tribal nations are finding that returning to native foods, such as fish, is a great and excellent way of preventing or reducing the effects of diabetes. But after ***years*** of failure by Washington State to propose a protective standard, EPA finally put forth a standard which is more protective and meets the Clean Water Act requirements. Now, I understand that the regulated community has always been uneasy about what stricter standards might be. The revised water quality criteria take steps to address their concerns. The standard approved the use of new implementation tools, including a longer compliance schedule and intake credits. An intake credit means that, if the water comes to you with a pollutant and you don't discharge it, you are not responsible for having to remove it. So if you didn't pollute it, you are not responsible for cleaning it up. [[Page H6506]] This amendment would circumvent all of the work that has been done to devise a standard that protects public health and water quality. Furthermore, Washington State officials believe that, despite the Congresswoman's good intentions--and I do believe that these are good intentions--this amendment would hurt the State of Washington. It would not actually help the dischargers. Mr. Chairman, I urge my colleagues to oppose this amendment. Mr. CALVERT. Will the gentlewoman yield? Mrs. McMORRIS RODGERS. I yield to the gentleman from California. Mr. CALVERT. Mr. Chairman, I thank the gentlewoman for yielding. Mr. Chairman, I certainly support her amendment. Under the previous administration, EPA proposed this stringent water regulation standard in Washington State without utilizing sound scientific data or evidence. In doing so, EPA created regulatory uncertainty and imposed unachievable permit levels on the State, which are costly and nearly impossible for industries to comply with. I encourage the State, the Tribes, and the EPA to continue to work together to find agreeable standards that improve water quality and human health while, simultaneously, providing clarity to the impacted communities and industries. In the meantime, though, I certainly urge my colleagues to support this amendment. Mrs. McMORRIS RODGERS. Mr. Chairman, I yield back the balance of my time. Ms. McCOLLUM. Mr. Chairman, when humans consume contaminated fish, it results in serious health impacts, such as cancer, organ damage and reproductive dysfunction, or impairment in brain development. High fish-consuming communities--as I have mentioned, Native American Tribes and Asian-Pacific Islander communities--need the protections afforded by this revised water quality standard. I would like to, for the Record, again state that this amendment is not supported by the State of Washington or the Tribal communities in the area. I strongly urge my colleagues to oppose this amendment. Clearly, more work needs to be done. I look forward to having this amendment not pass and for people to get down to doing the serious work that needs to be done to address the gentlewoman's concerns. Mr. Chairman, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentlewoman from Washington (Mrs. McMorris Rodgers). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Ms. McCOLLUM. Mr. Chairman, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentlewoman from Washington will be postponed. Amendment No. 47 Offered by Mr. Loudermilk The Acting CHAIR. It is now in order to consider amendment No. 47 printed in House Report 115-830. Mr. LOUDERMILK. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used to enforce the final rule entitled ``Greenhouse Gas Emissions and Fuel Efficiency Standards for Medium- and Heavy-Duty Engines and Vehicles--Phase 2'' published in the Federal Register on October 25, 2016 (81 Fed. Reg. 73478 et seq.), with respect to trailers. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Georgia (Mr. Loudermilk) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Georgia. Mr. LOUDERMILK. Mr. Chairman, under the Clean Water Act, Congress gave the Environmental Protection Agency the authority to regulate any air pollutant from any class or classes of new motor vehicles or new motor vehicle engines which may be reasonably anticipated to endanger public health or welfare. To avoid any ambiguity, Congress further defined the term ``motor vehicle'' as a ``self-propelled vehicle designed for transporting persons or property on a street or highway.'' Until recently, regulators understood, as any reasonable person would, that the term ``self-propelled vehicle'' only applies to vehicles that can move on a roadway under their own power, such as cars, pickup trucks, semi trucks, SUVs, or vans. Never was a trailer, whether a utility trailer pulled by a pickup truck, a boat trailer pulled by a car, or a cargo trailer pulled by a semi considered a self- propelled vehicle, and, therefore, these were never under the regulatory authority of the EPA. However, in 2016, without any authority of Congress, the EPA extended its regulatory authority and included cargo trailers in the rules for greenhouse gas emissions and fuel efficiency standards for on-road, heavy-duty vehicles and engines. This rule will require cargo trailers to add components that, in some cases, have shown to improve aerodynamics, resulting in some improvement in fuel efficiency. However, this blanket policy, which has resulted from regulatory overreach, is not only costly to consumers, but, in some cases, is counterproductive to the Agency's own mission of promoting clear, clean air policies and practices. The additional weight of these aerodynamic components that are being mandated by the EPA will cause carriers to significantly limit the amount of cargo a single trailer can carry and still stay within DOT weight restrictions. Therefore, carriers have to put more trucks on the highway to carry the same amount of goods. Obviously, more trucks mean more carbon emissions without any measurable improved efficiency. If the EPA is able to enforce this regulation, it will not only be counterproductive to the environment, but also very costly to American consumers. {time} 1700 The trucking industry has made significant strides in recent ***years*** to improve fuel efficiency and reduce air pollution, without the government mandates. This amendment simply prevents the EPA from using any funds in this act to regulate trailers under the greenhouse gas rule. Congress never extended to the EPA the authority to regulate trailers under the Clean Air Act, because trailers are not and have never been considered self- propelled vehicles. I urge my colleagues to vote in favor of this commonsense amendment, so we can put an end to this blatant regulatory overreach. I reserve the balance of my time. Ms. McCOLLUM. Mr. Chair, I rise in opposition to this amendment. The Acting CHAIR (Mr. Poe of Texas). The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chair, this amendment would prohibit the EPA from implementing or enforcing its greenhouse gas and fuel efficiency standards for medium-and heavy-duty engines. Specifically, this amendment carves out an exemption for trailers. These fuel standards were jointly developed by the EPA and the Department of Transportation, and they will improve fuel efficiency and cut carbon pollution to reduce the impacts of climate change. In fact, the EPA and DOT estimate that these standards will lower CO2 emissions by approximately 1 billion metric tons and cut fuel costs by $170 million. And cutting fuel costs is always a good thing to go do. These standards will achieve greenhouse gas emission reductions that are nearly equal to those associated with all the energy used by U.S residents in 1 ***year***. These efficiency fuel standards have been in place since 2016, and companies around the world have already made massive investments in the cleaner technology. Blocking the rule now would have negative consequences for human health and the environment, but also for the economy. I urge my colleagues to oppose this amendment, and I reserve the balance of my time. Mr. LOUDERMILK. Mr. Chairman, I yield such time as he may consume to [[Page H6507]] the gentleman from Virginia (Mr. Griffith), and I thank him for his hard work on this amendment. Mr. GRIFFITH. Mr. Chairman, I thank the gentleman very much, and I appreciate my colleague for introducing this amendment. He is absolutely right. The Clean Air Act never gave the EPA this authority. They just created it out of thin air. Their rationale is kind of interesting, because they took the authority that said that they could regulate new motor vehicles or new motor vehicle engines, and then the definition of new motor vehicle meaning any self-propelled vehicle designed for transporting persons or properties on a street or highway, and applied it to trailers. They are not self-propelled. When I asked Janet McCabe, who was the Acting Director of the Air Division of the EPA, when she came in front of the Energy and Commerce Committee how in the world could they do this, and I presumed she wasn't a lawyer and she said: Well, yes, I am. I was surprised, because the language is pretty clear. They don't have the ability to do that. She said: Well, you can't haul any goods if the trailer is not attached to a truck. That is not in the code. The code says that they only have authority over self-propelled vehicles. They created this out of whole cloth. It doesn't make any sense to allow an agency to create law. That is our job, and I told her that that day. I said: Look, you think this needs to be changed, bring in a bill, and we will discuss it. They have never done that. They don't have authority. We shouldn't fund something that is clearly illegal based on the plain English reading of the terms. Ms. McCOLLUM. Mr. Chairman, I reserve the balance of my time. Mr. LOUDERMILK. Mr. Chairman, I urge all of my colleagues to join the gentleman from Virginia and myself in support of what is a commonsense upholding of our constitutional authority as the legislative branch, and I encourage a ``yea'' vote on this amendment. I yield back the balance of my time. Ms. McCOLLUM. Mr. Chair, this rule promotes a generation of cleaner, more fuel efficient trucks. President Obama was right when he said: ``We are the first generation to feel the impact of climate change and the last generation who can do something about it.'' This amendment is harmful, and I urge my colleagues to reject it. I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Georgia (Mr. Loudermilk). The amendment was agreed to. Amendment No. 48 Offered by Mr. Lamborn The Acting CHAIR. It is now in order to consider amendment No. 48 printed in House Report 115-830. Mr. LAMBORN. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: limitation on use of funds Sec. \_\_. None of the funds made available by this Act may be used to implement or enforce the threatened species listing of the Preble's meadow jumping mouse under the Endangered Species Act of 1973 (16 U.S.C 1531 et seq.). The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Colorado (Mr. Lamborn) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Colorado. Mr. LAMBORN. Mr. Chairman, I yield myself such time as I may consume. Mr. Chairman, the Preble's meadow jumping mouse is a tiny rodent with a body approximately 3 inches long, a 4-to 6-inch long tail, and large hind feet adapted for jumping. This largely nocturnal mouse lives primarily in streamside ecosystems in Wyoming and Colorado. To evade predators, the Preble's meadow jumping mouse can jump up to 18 inches high, like a miniature kangaroo. But this little acrobat's most famous feat was its leap onto the endangered species list back in May 1998, a move that has since hindered development on the front range of Colorado, from Colorado Springs, Colorado, to the Wyoming border. Among projects that have been affected are the Jeffco Parkway southeast of Rocky Flats, an expansion of the Chatfield Reservoir, and housing developments in El Paso County along tributaries of Monument Creek. Builders, landowners, and local governments in affected areas have incurred hundreds of millions of dollars in added costs because of this mouse. Protecting the Preble's mouse has even been placed ahead of protecting human life. On September 11, 2013, Colorado experienced a major flood event that damaged or destroyed thousands of homes, important infrastructure, and public works projects. As a result of the Preble's mouse's listing as an endangered species, many restoration projects were delayed as Colorado sought a waiver. Moreover, the scientific evidence simply does not justify these delays or the millions of taxpayer dollars that go toward protecting a rodent that is actually part of a larger group that roams throughout half of the North American Continent. Several scientific studies have concluded that the Preble's mouse does not warrant protection because it isn't a subspecies at all and is actually related to one of the largest and most widespread genetic lineages of North American jumping mice. Even the scientist that originally classified this mouse as a subspecies has since recanted his work. Moreover, the Preble's mouse has a low conservation priority score, meaning that the hundreds of millions of dollars already spent on protection efforts could have been better spent on other, more fragile species. My amendment would correct the injustice that has been caused by the inaccurate listing of the Preble's meadow jumping mouse and would refocus the U.S Fish and Wildlife Service's efforts on species that have been thoroughly scientifically vetted and that should be managed by the Endangered Species Act. This amendment is supported by Citizens Against Government Waste and has previously passed the House of Representatives on three separate occasions, all by bipartisan votes. So I encourage my colleagues to, once again, support this commonsense amendment. I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, I claim the time in opposition to this amendment. The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chairman, I yield myself such time as I may consume. First, I would like to make the case that this is a rider, that this is authorizing on an appropriations amendment, and that the author of the amendment is in the majority. The majority could have a hearing in the authorizing committee. It could come to the floor. It could pass on the floor. The Senate could move it. And it appears to me that President Trump is in a position to sign this into law, should he choose to do so. So there is another alternative vehicle for moving the gentleman's amendment forward, and that is to do it legislatively and not put it on an appropriations bill. The Senate has chosen to put no riders on their appropriations bill. But the amendment is before us. As pointed out, it would prohibit the Fish and Wildlife Service from implementing or enforcing the threatened species listing of the Preble's meadow jumping mouse under the Endangered Species Act, and it would restrict the Service from offering any of the critical protections to preserve the species. Now, once a species is listed under the Endangered Species Act, it is the role of Fish and Wildlife, and it is primarily permissive, to help parties comply with the act as they carry out their activities. I also want to make sure the Record is clear that Fish and Wildlife Service reviewed the information claiming an alleged taxonomic error in the listing of the species and found no evidence that the Preble's meadow jumping mouse is not a valid subspecies. But under this amendment, the Service would not be able to continue to offer to recover this species, though the Endangered Species Act prohibitions would still apply. The Service [[Page H6508]] would not be able to work with agencies. The Service would not be able to work with developers. The Service would not be able to work with landowners and others to provide ESA compliance. The Fish and Wildlife Service would be barred from issuing permits or exemptions. This means that landowners, industry, and other parties who might need to take the Preble's meadow jumping mouse incidental to their otherwise lawful activities, such as urban development, would become vulnerable to third-party lawsuits. Additionally, this amendment would also limit the Service from undertaking the required status reviews of the subspecies or from any initial rulemaking to downlist or to delist the species, as appropriate. Mr. Chair, I think it is pretty obvious that this amendment should go through a different way of coming to the floor, and that is through the authorizing committee. I reserve the balance of my time. Mr. LAMBORN. Mr. Chairman, I yield as much time as he may consume to the distinguished gentleman from California (Mr. Calvert). Mr. CALVERT. Mr. Chairman, as you know, the House has spoken on this. In last ***year***'s conference report, we directed Fish and Wildlife Service to make this species among its highest priorities for consultation and permit processing. Obviously, the agency has not moved fast enough, and they need to get hopping. So I am sure this amendment will squeak by with all of our support. I urge an ``aye'' vote. Ms. McCOLLUM. Mr. Chairman, I reserve the balance of my time to close. Mr. LAMBORN. Mr. Chairman, I yield myself the balance of my time. I will just conclude by saying, if the Fish and Wildlife Service worked together with developers, local communities, and other groups, that would be one thing. But when they come in with a hammer and say, you have to do it this way, that is really not working together. That has, unfortunately, been the experience of many parties on the front range of Colorado. Mr. Chairman, I would urge that, once again, we support this amendment, and I yield back the balance of my time. Ms. McCOLLUM. Mr. Chairman, I yield myself the balance of my time. The Service has a statutory requirement to implement the Endangered Species Act. Defunding the agency's ability to fulfill its legal requirements makes it more vulnerable to lawsuits, and I know that that is something that we are all trying to avoid here. When you have lawsuits, it is an unnecessary cost for the taxpayers. Now, the gentleman's amendment would undermine the Service's ability to work collaboratively with States, local governments, communities, and landowners, to conserve this imperiled species. The amendment would create uncertainty for landowners and also make them vulnerable to lawsuits. So we should not pass this amendment. We should be supporting the Fish and Wildlife Service efforts and not blocking the agency from doing its job. Mr. Chair, my commitment to the chairman and to my walking partner in the tunnels as we all come over for votes is to work with them to make the Fish and Wildlife Service more responsible to the gentleman's concerns. But at this time, I have to oppose the amendment. I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Colorado (Mr. Lamborn). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Ms. McCOLLUM. Mr. Chairman, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Colorado will be postponed. Amendment No. 49 Offered by Mr. Lamborn The Acting CHAIR. It is now in order to consider amendment No. 49 printed in House Report 115-830. Mr. LAMBORN. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: limitation on use of funds Sec. \_\_. None of the funds made available by this Act may be used to implement or enforce the threatened species or endangered species listing of any plant or wildlife that has not undergone a review as required by section 4(c)(2) of the Endangered Species Act of 1973 (16 U.S.C 1533(c)(2)). The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Colorado (Mr. Lamborn) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Colorado. {time} 1715 Mr. LAMBORN. Mr. Chairman, I yield myself as much time as I may consume. Mr. Chair, my amendment is straightforward. It simply ensures that the U.S Fish and Wildlife Service is following current law, specifically section 4(c)(2) of the Endangered Species Act, by conducting their review of all threatened and endangered plants and wildlife at least once every 5 ***years***. Time after time, the Federal Government refuses to follow the will of Congress when it enacted the Endangered Species Act. The government designates land as ``critical habitat'' despite not meeting the ESA definition, and the government consistently refuses to remove plants and animals from threatened or endangered status even when those species are flourishing and no longer in need of ESA protections. But you may ask yourself: How does the government know when a species should be removed from the endangered or threatened list? How does the government know if a species is recovering? The answer could be found in the ESA, and it is a requirement that the Federal Government review all plants or species that are currently listed as endangered or threatened every 5 ***years***. Under the Endangered Species Act, the purpose of a 5-***year*** review is to ensure that threatened and endangered species have the appropriate level of protection. And because the ESA grants extensive protection to a species, including harsh penalties for landowners and other citizens, it makes sense to regularly verify if a plant or animal is being properly classified or if it should be delisted. Despite this commonsense requirement, the U.S Fish and Wildlife Service acknowledged earlier this ***year*** that it has neglected its responsibility to conduct the required reviews for nearly 1,000 species. By enforcing the 5-***year*** review, my amendment will ensure that the U.S Fish and Wildlife Service is using the best available scientific information in implementing its responsibilities under the ESA, including incorporating new information through public comment and assessing ongoing conservation efforts. This amendment is supported by Citizens Against Government Waste, the National Mining Association, and the American Farm Bureau, and it has previously passed the House of Representatives on three separate occasions, all by bipartisan votes. I encourage my colleagues to join me in ensuring that the U.S Fish and Wildlife Service follows the law, the letter of the law, in the Endangered Species Act and that we do not allow the agency to spend money that would violate current law. Mr. Chair, I ask my colleagues to once again support my amendment, and I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, I claim time in opposition to the amendment. The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chair, the Service attempts to comply with the statutory mandate to review the status of listed species every 5 ***years*** to determine whether their classification as threatened or endangered is still appropriate. However, the Service has a backlog of such reviews due to funding limitations, such as the 42 percent listing `reduction contained in this bill. In this bill, the work that the Service would need to do to comply with what you want in this bill alone is cut $8 million, so that just puts them farther behind. [[Page H6509]] In recent ***years***, the Service has only been able to complete 100 to 120 reviews per ***year***, which is less than half of what is needed to keep up with the requirement to review all the species every 5 ***years***. So that falls on Congress for us not giving them the funds that they need to do the job effectively and efficiently as you are requesting, and the way to fix that is to give them the proper funding. But as the gentleman might be aware, the chairman was given level funding this ***year***. He did the very best that he could with what he had to balance things out in the interests of the requests he had from Members of the House, but this particular $8 million cut just makes your problem even worse. This amendment would not remove species, without reviews, from the list of the species protected by the ESA. So the ESA prohibition against take would still remain, as would the ability of citizens to sue to force compliance. If funding cannot be used to enforce the ESA for species with late reviews, that will leave the species unprotected. While the proposed language would prohibit the Service from working with agencies, developers, landowners, and others to provide ESA compliance through section 7 consultations or section 10 permits for Federal or private projects that could potentially affect the species, it would not affect the ability of third parties to sue those agencies or landowners and potentially enjoin their projects due to the lack of ESA compliance. Mr. Chairman, as I said about the last amendment, we don't need another rider or extraneous provision in this bill. It is already overburdened with many, many riders. Mr. Chair, I urge my colleagues to take this language to the appropriate committees of jurisdiction and work through and see if we can make positive changes and create win-wins. Mr. Chair, I urge my colleagues to oppose this amendment. And I would urge my colleagues, if they want the backlog to change, to help the chairman and me get more money into the allocation of this bill so the chairman and I can work to achieve those goals together. Mr. Chair, I yield back the balance of my time. Mr. LAMBORN. Mr. Chairman, I yield myself as much time as I may consume. Two quick responses, then I am going to yield some time. When it comes to funding for the Fish and Wildlife Service, they are just going to have to basically do what every other private or governmental entity, family, and individual has to do, which is prioritize their spending. They have to live within their means. We all have to live within our means. They have to have the priorities where they can do the job with the money that they are given. Number two, I think that maybe my colleague would agree with me that outside environmental groups are largely to blame for bringing massive lawsuits that tie up a lot of the resources of the Fish and Wildlife Service so they can't be doing their business of protecting the species that they are already supposed to be caring for. So I think they really get a lot of the blame here as well. Mr. Chair, I yield as much time as he may consume to the gentleman from California (Mr. Calvert). Mr. CALVERT. Mr. Chair, I thank the gentleman for yielding. Mr. Chair, I support this amendment. The root of the frustration with the Endangered Species Act is that species rarely get delisted, and people who are directly affected by a listing are condemned to a life of an additional Federal rule indefinitely. Congress tried to prevent this by requiring the Fish and Wildlife Service to review the status of every listed species every 5 ***years*** and to down-list or delist species accordingly. Today, the Service has a backlog of 892 species without a current 5- ***year*** review. Without these 5-***year*** reviews, species could be recovered and we wouldn't even know it. I find this simply unacceptable. Unless the Service focuses its personnel on inherently Federal responsibilities under the ESA and non-Federal partners take the lead on actual recovery, we will never break the contentious and litigious cycle that we have now. And, by the way, we have actually increased the ESA recovery budget in this bill for 5-***year*** reviews. So let's get ESA working again. Mr. Chair, I urge an ``aye'' vote on this amendment. Mr. LAMBORN. Mr. Chairman, I thank the gentleman for his remarks. Mr. Chair, I would urge my colleagues to once again support this commonsense amendment, which we have done in the past three different times on a bipartisan basis. Mr. Chair, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Colorado (Mr. Lamborn). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Ms. McCOLLUM. Mr. Chair, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Colorado will be postponed. Amendment No. 50 Offered by Mr. Goodlatte The Acting CHAIR. It is now in order to consider amendment No. 50 printed in House Report 115-830. Mr. GOODLATTE. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used by the Environmental Protection Agency to take any of the actions described as a ``backstop'' in the December 29, 2009, letter from EPA's Regional Administrator to the States in the Watershed and the District of Columbia in response to the development or implementation of a State's watershed implementation and referred to in enclosure B of such letter. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Virginia (Mr. Goodlatte) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Virginia. Mr. GOODLATTE. Mr. Chairman, I yield myself 3 minutes. Mr. Chairman, today I rise to urge support for my amendment, which would reaffirm and preserve the rights of the States to write their own water quality plans. My amendment simply prohibits the EPA from using its Chesapeake Bay Total Maximum Daily Load and the so-called watershed implementation plans to hijack States' water quality strategies. Over the last several ***years***, the EPA has implemented a Total Maximum Daily Load blueprint for the six States in the Chesapeake Bay watershed, which strictly limits the amount of nutrients that can enter the Chesapeake Bay. Through its implementation, the EPA has basically given every State in the watershed an ultimatum: either the State does exactly what the EPA says or it faces the threat of an EPA takeover of its water quality ***programs***. Congress intended that the implementation of the Clean Water Act be a collaborative approach, through which the States and the Federal Government work together. This process was not meant to be subject to the whims of politics and bureaucrats in Washington. Therefore, my amendment instructs the EPA to respect the important role States play in implementing the Clean Water Act. I want to make it perfectly clear that this amendment would not stop the EPA from working with the States to restore the Chesapeake Bay, nor would it undermine the cleanup efforts already underway. My language only removes the ability of the EPA to take over a State's plan or to take retaliatory actions against the State if it does not meet EPA- mandated goals. Again, it ensures States' rights remain intact and not usurped by the EPA. It is important to point out that the correlation between the EPA's outrageous waters of the United States rule and the Bay TMDL, at the heart of both issues is the EPA's desire to control conservation and water quality improvement efforts throughout the country and to punish all those who dare to oppose them. The bay is a national treasure, and I want to see it restored, but we know that in order to achieve this goal, the [[Page H6510]] States and the EPA must work together. The EPA cannot be allowed to railroad the States and micromanage the process. This amendment has passed the House with bipartisan support several times, and I urge my colleagues to once again vote to ask the EPA to respect the important role States play in implementing the Clean Water Act and prevent another Federal power grab by the administration. Mr. Chair, I reserve the balance of my time. Ms. McCOLLUM. Mr. Chair, I rise in opposition to the amendment. The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chair, this amendment would allow those who pollute the Chesapeake Bay to ignore the Environmental Protection Agency's water quality standards. Restoring the Chesapeake Bay and its watershed continues to be a priority, and a priority for this committee to fund it. The EPA established the mandatory water quality standards and Congress has appropriated over $1 billion for the Chesapeake Bay ***Program*** to help States, localities, and businesses meet those needs. This amendment would jeopardize that funding and have devastating effects on the health of the bay. How long will the States and localities be able to meet their obligations that they agreed to in 2014 in the Chesapeake Bay Watershed Agreement if the Federal Government's financial assistance goes away? This is a partnership. We should keep the partnership moving forward. Furthermore, if this amendment were to become law, it would block the EPA's ability to enforce the court-ordered settlement requiring the farm community and agribusinesses to meet watershed specific pollution limits. It would not, however, relieve the farms and agribusinesses from the requirements in the settlement. The State and local governments want to move forward. They want to keep the partnership moving. But the Farm Bureau and, in fact, some of the industrial operators they represent don't think that they should be responsible for controlling the pollution that they dump into our rivers and streams across the country. The courts have sided with the EPA on this matter, and the Farm Bureau continues their pursuit to stop mandatory cleanups through judicial appeals and through this amendment. There are enough special interest provisions for big business in this bill already. We don't need any more. Mr. Chair, I urge defeat of this amendment, and I reserve the balance of my time. Mr. GOODLATTE. Mr. Chairman, how much time do I have remaining? The Acting CHAIR. The gentleman from Virginia has 2\1/2\ minutes remaining. Mr. GOODLATTE. Mr. Chair, I yield 1\1/2\ minutes to the gentleman from Pennsylvania (Mr. Perry). Mr. PERRY. Mr. Chairman, this amendment prohibits the use of funds to take retaliatory actions against individual States. Importantly, this amendment would not prevent the EPA from working with States to restore the bay. In 1985, the States in the Chesapeake Bay region recognized the need to address pollutants in the bay and, through their own initiative, came together to conduct cleanup efforts. These State-driven efforts were largely successful. As a matter of fact, water quality improved almost 50 percent from 1985 to 2010. However, in 2010, the EPA seized the States' authority to determine their own continued compliance and threatened to dictate Federal requirements if the States were unable to comply. This 2010 power grab, known as the Chesapeake Bay TMDL, directly contradicts the intent of the Clean Water Act. The Clean Water Act clearly acknowledges State authority in water quality and requires cooperation rather than coercion between the States and the Federal Government. These coercive methods have been tried and imposed and have failed. Actually, water quality has not improved since the federalization of the bay cleanup efforts. It is simply imperative that we return the constitutional rights of the States to make their own water quality improvement decisions and restore the State control that has been shown to actually improve water quality. The future of the Chesapeake Bay depends on it. {time} 1730 Ms. McCOLLUM. Mr. Chair, I reserve the balance of my time. Mr. GOODLATTE. Mr. Chairman, it is my pleasure to yield 30 seconds to the gentleman from California (Mr. Calvert), the chairman of the committee. Mr. CALVERT. Mr. Chair, I am happy to rise in support of the gentleman's amendment. This is another example of EPA overreach. It is my hope that my colleagues from Virginia and Pennsylvania can continue to work with the administration to find common ground on approaches that will improve water quality in a more flexible manner. I certainly support this amendment and I urge an ``aye'' vote. Ms. McCOLLUM. Mr. Chair, I reserve the balance of my time. Mr. GOODLATTE. Mr. Chairman, in closing, let me just say, this amendment does not in any way take any resources away from any of the six States in the Chesapeake Bay region to improve water quality. What it does take away is the ability of the EPA to dictate to those States one way, their way, to do it. The Clean Water Act was written with it in mind that the Federal Government would set the standards and the States would figure out how to meet those standards. And that flexibility has been taken away starting in the Obama administration, and it is time for this Congress to stop them from doing that so that we can have the kind of collaborative effort just described by the subcommittee chairman, Mr. Calvert, and get back to doing things the right way. Mr. Chair, I urge my colleagues to support this amendment, and I yield back the balance of my time. Ms. McCOLLUM. Mr. Chairman, for more than 35 ***years***, there has been a regional partnership created through the Chesapeake Bay ***Program***, and it sought to restore and protect the Nation's largest and most productive estuaries. That is a partnership with the Federal Government which includes funding that is working together to achieve those common goals. Now, I have nothing before me saying that the State of Virginia, or any of the regional partners, want to withdraw from this moving forward to continue to clean up this estuary. This amendment would undermine decades of work and decades of Federal dollars that the Federal Government has put in in partnership, and it would have devastating effects to the health of the bay and the economy it supports. Mr. Chair, I urge my colleagues to oppose this amendment, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Virginia (Mr. Goodlatte). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Ms. McCOLLUM. Mr. Chair, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Virginia will be postponed. AMENDMENT NO. 51 OFFERED BY MR. GALLEGO The Acting CHAIR. It is now in order to consider amendment No. 51 printed in House Report 115-830. Mr. GALLEGO. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. No funds appropriated by this Act may be used to issue a grazing permit or lease in contravention of section 4110.1 or 4130.1-1(b) of title 43, Code of Federal Regulations. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Arizona (Mr. Gallego) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Arizona. Mr. GALLEGO. Mr. Chairman, grazing on public lands is a privilege-- not a right--and ranchers who use these [[Page H6511]] lands should abide by the law and pay their fair share. On average, Federal rates for grazing are more than 90 percent lower than what the private sector charges. In fact, these rates are so low that the government actually loses money administering the grazing ***program***. My amendment would simply reaffirm that grazing permits or leases should not be issued to anyone who refuses to comply with BLM regulations, including the ***payment*** of fees. Mr. Chairman, this is a narrow amendment, but it speaks to a broader principle. We can't claim to support the rule of law and then look the other way when ranchers like Cliven Bundy ignore their obligations. Bundy thumbed his nose at the executive and judicial branches of our government, running up over $1 million in unpaid fees. He then put the lives of local and Federal officials in danger during a standoff at his Nevada ranch. Later, when two Oregon ranchers named Dwight and Steven Hammond, who also have a history of disregarding grazing regulations, were sent to Federal prison for fires they potentially set near Federal lands, members of the Bundy family led an armed occupation of the national wildlife refuge. Mr. Chairman, President Trump recently pardoned the Hammonds, validating these violent tactics and insulting the courageous law enforcement officers who risked their lives during the confrontation in Oregon. With these pardons, Trump has effectively given his blessing to groups who intimidated, threatened, and occupied local communities. He has legitimized Bundy's extreme right-wing movements. Make no mistake, Donald Trump is sending a clear message to militant and antigovernment organizations: You can break the law, threaten Federal employees, and endanger public safety with complete impunity. That is unacceptable. Mr. Chairman, freeloading on Federal land is unlawful and unfair. Let's pass my amendment and reaffirm that the ranchers need to play by the rules just like the rest of us. Mr. Chair, I reserve the balance of my time. Mr. GOSAR. Mr. Chairman, I rise in opposition to this amendment. The Acting CHAIR. The gentleman from Arizona is recognized for 5 minutes. Mr. GOSAR. Mr. Chair, this amendment previously failed by recorded vote in July of 2016. The amendment taxed ranchers and attempts to relitigate the Bundy matter. DOJ was found to have withheld evidence and to have violated these ranchers' rights. There is no reason to relitigate this matter at this juncture. The regulations are already in place. This is an unnecessary political amendment. I reserve the balance of my time. Mr. GALLEGO. Mr. Chair, let's face it: Ranchers who refuse to pay what they owe the Federal Government are freeloaders, pure and simple. If you don't pay your taxes, you go to jail. If you don't pay your mortgage, you get your house taken away. Ranchers are not more special than any other Americans. They are freeloaders, and they should pay for their freeloading. Congress should not stand for it. Let's pass my amendment. I yield back the balance of my time. Mr. GOSAR. Mr. Chairman, the gentleman brings up exactly the point I am trying to make. We are trying to relitigate a previously settled issue. It was actually found that these ranchers' rights were violated by the Department of Justice. We started looking--the Hammonds were brought up. When we were actually looking at this case where they actually tried to look at the fire danger on their land, and it got beyond their lands and on to public land, they were fined exclusively and hardlined. Where is the same type of justice given to the Forest Service or the BLM when their prescribed burn fires go out of hand and take private holdings? It is not the same. This isn't about freeloading. This is about a case where we need to look at how we take care of our public lands. Mr. Chair, I ask everybody to vote against this amendment, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Arizona (Mr. Gallego). The question was taken; and the Acting Chair announced that the noes appeared to have it. Mr. GALLEGO. Mr. Chair, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Arizona will be postponed. Amendment No. 52 Offered by Mr. Byrne The Acting CHAIR. It is now in order to consider amendment No. 52 printed in House Report 115-830. Mr. BYRNE. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used to repeal section 105(a)(2) or section 105(b) of the Gulf of Mexico Energy Security Act of 2006 (43 U.S.C 1331 note). The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Alabama (Mr. Byrne) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Alabama. Mr. BYRNE. Mr. Chair, I rise today to offer a straightforward amendment to prohibit any effort to redirect funds allocated under the Gulf of Mexico Energy Security Act, which is commonly known as GOMESA. For those who don't know, GOMESA calls for a Federal revenue sharing agreement between the Federal Government and four Gulf States: Texas, Louisiana, Mississippi, and Alabama. The ***program*** is designed to split up revenue from selected oil and gas lease sales in the Outer Continental Shelf of the Gulf of Mexico. The neat thing about GOMESA is it ensures appropriate funding for the coastal areas that provide the workforce, assume the environmental risk, build much of the infrastructure, and support the offshore oil and gas industry. It only makes sense that the coastal areas should receive an adequate share of the revenue. Previously, there have been administrative efforts to direct the money away from the Gulf States, and, instead, devote the resources to national projects. While I appreciate the Trump administration not including any such proposal in this ***year***'s budget, I still believe it is important for Congress to send a clear, bipartisan message that we do not support moving GOMESA funds away from the Gulf Coast. In fact, just this ***year***, the Department of the Interior disbursed almost $188 million to the four Gulf oil and gas producing States. Alabama received $21 million this ***year***, and the two coastal counties in Alabama received an additional combined amount of $5 million. I have seen these GOMESA funds put to good use back in my home State of Alabama, whether it was for environmental rehabilitation protection projects or ***programs*** that boost the coastal tourism economy. GOMESA is working by supporting and promoting our Gulf Coast communities. If you talk to our local mayors and county leaders, they will tell you how critically important GOMESA funding is for their region. It would be detrimental to go against congressional intent and redirect these funds away from our respective coastal communities. By including this amendment, we can make clear that Congress does not support reallocating these resources and show our strong support for the Gulf Coast. Mr. Chair, I ask for an ``aye'' vote on this amendment, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Alabama (Mr. Byrne). The amendment was agreed to. Amendment No. 53 Offered by Mr. Burgess The Acting CHAIR. It is now in order to consider amendment No. 53 printed in House Report 115-830. Mr. BURGESS. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used by the Environmental Protection Agency to hire or pay the [[Page H6512]] salary of any officer or employee of the Environmental Protection Agency under subsection (f) or (g) of section 207 of the Public Health Service Act (42 U.S.C 209) who is not already receiving pay under either such subsection on the date of enactment of this Act. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Texas (Mr. Burgess) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Texas. Mr. BURGESS. Mr. Chair, I yield myself such time as I may consume. Mr. Chair, I rise today to offer an amendment on an issue I have worked on for several ***years*** on the Committee on Energy and Commerce as the authorizing committee. In 2006, the Committee on Appropriations, without an authorization from the Committee on Energy and Commerce, included a provision in the annual Department of the Interior EPA Appropriations bill to allow the Environmental Protection Agency to begin using a special paid ***program*** that was explicitly and exclusively authorized for use by the Public Health Service Administration under the Department of Health and Human Services. The special pay mechanism allows a government employee to leave the normal GS pay scale and receive nearly uncapped compensation. This provision was intended to be used only in unique circumstances for leaders in the healthcare industry who would never leave the private sector to work for the Federal Government except for those special, more competitive salaries. Under current law, this justification can never be used at the Environmental Protection Agency. Indeed, some of the employees that the Environmental Protection Agency pays under title 42, the part of the U.S Code that allows for this special pay, were previous government workers who were merely moved into the special pay scale because they desired more money. The Environmental Protection Agency has claimed in the past that because the Environmental Protection Agency is a health organization, it may use this statute to pay special hires, and the Committee on Appropriations has agreed to let them, despite the authorizing committee's objection. Originally, the Environmental Protection Agency was granted only a handful of slots to fill with title 42 hires. That number has now increased to over 50. The cost to the taxpayers for these employees is tens of millions of dollars. This amendment would prevent the Environmental Protection Agency from hiring any new employees under title 42, or ***transferring*** any current employees from the GS scale to title 42. It would not effect current employees being paid under this provision. This would give the Committee on Energy and Commerce, the authorizing committee, the time it needs to address whether the EPA truly deserves the special pay consideration. The Government Accountability Office looked into the Department of Health and Human Services' abuse of title 42 several ***years*** ago, and found problems with the implementation of this ***program***. Within the Department of Health and Human Services where, arguably, this could be allowed, why would Congress ever allow the Environmental Protection Agency to implement the same problematic pay structure? {time} 1745 In multiple hearings in the Energy and Commerce Committee, both former Administrator Lisa Jackson and former Administrator Gina McCarthy refused to give specifics regarding the ***program***. A Freedom of Information Act request by the EPA union, the American Federation of Government Employees, sent to my office showed that title 42 hires at EPA are, in fact, sowing dissent among workers, with the union asking the Congress to stop this abusive and unfair hiring technique. A report by the Environmental Protection Agency's own inspector general in 2015 discovered that the EPA did not properly demonstrate a need to use the title 42 hiring authority, nor did it provide clear and convincing justification for its continued use. This is further proof that the Environmental Protection Agency's use of the title 42 hiring authority must come to an end. I have introduced legislation further clarifying that the Public Health Services Act, written for HHS, does not permit the EPA to use this language to hire employees under a special pay structure. Mr. Chairman, I urge adoption of the amendment, and I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, I claim time in opposition to this amendment. The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chairman, I yield myself such time as I may consume. Mr. Chairman, as I said earlier, this amendment, like some of the other amendments that we have seen, could be handled in the authorizing committee, which the gentleman is a member of, if memory serves me correctly. The gentleman is in the majority. Call up, have a hearing, pass legislation, and then do it in a way that doesn't add more burdensome amendments and riders to this bill. The Senate is also controlled by the same party in the majority, and the President is of that party. So I would encourage the gentleman to go through what I would call regular order. This amendment would prohibit the EPA from hiring scientists using its title 42 authority, the flexible hiring mechanism that allows agencies to attract and retain staff with outstanding scientific and technical skills. This authority, as has been pointed out, is used by the EPA, the CDC, the NIH, and other agencies that require candidates who have specialized degrees in areas such as medicine, science, and engineering. It is not always easy for the Federal Government to attract high- level professionals who have invested many ***years*** in school and could easily make more money in private practice or academia. In fact, we have heard that USGS and BLM quite often have problems keeping highly educated engineers in place because the private sector comes and offers them so much more money. So the Federal Government has found it wise to allow these agencies to provide some additional funding to retain and recruit these employees. We should want to have the best and the brightest working for us and the American people--the best doctors, the best scientists, and the best engineers. So I am disappointed that the gentleman does not believe such highly specialized employees deserve the title 42 designation. With our Nation facing crises like Lyme's disease, PFAS in our drinking water, and climate change, we should be investing in our scientists. We should be encouraging them to seek employment with the Federal Government. Mr. Chairman, I reserve the balance of my time. Mr. BURGESS. Mr. Chairman, I yield myself the balance of my time. It is a reasonable amendment. It only affects employees who are new hires in title 42 in the Environmental Protection Agency, not in the CDC and not in NIH. It is an amendment that would allow the authorizing committee an opportunity to catch up with what the Appropriations Committee has done without an authorization. Mr. Chairman, I urge adoption, and I yield back the balance of my time. Ms. McCOLLUM. Mr. Chairman, once again, this amendment could go through a different order and not be placed onto an appropriations bill. This is a shortsighted amendment. I think it deserves to have a fair and open vetting with the House concentrated on just what this would mean to the EPA. So I don't think we should attack Federal employees who sometimes have chosen to not receive as much compensation and devote their lives to public service. Mr. Chairman, I urge defeat of the amendment, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Texas (Mr. Burgess). The amendment was agreed to. The Acting CHAIR. The Chair understands that amendment No. 54 will not be offered. Amendment No. 55 Offered by Mr. Emmer The Acting CHAIR. It is now in order to consider amendment No. 55 printed in House Report 115-830. [[Page H6513]] Mr. EMMER. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used to withdraw National Forest System lands within the Rainy River Watershed on the Superior National Forest from disposition under United States mineral and geothermal leasing laws. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Minnesota (Mr. Emmer) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Minnesota. Mr. EMMER. Mr. Chairman, I yield myself such time as I may consume. Mr. Chairman, I rise to offer an amendment, which I am pleased to say that I intend to withdraw, because after months of hard work in this Chamber and with the administration, it is no longer necessary. Minnesota is the proud home to the Iron Range, which boasts an abundance of natural resources and critical minerals. When it comes to protecting the environment while developing our economic assets, nobody does it better than Minnesota. Despite this history, on its very last day in office, the Obama administration proposed to withdraw more than 240,000 acres of land in our State from mineral exploration and development. This last-minute action was an assault on our way of life, threatening thousands of jobs and billions of dollars in State revenue and school trust funding. It handicaps our national security by increasing our reliance on foreign sources of minerals. That is why I offered this amendment to stop this foolish action. This amendment is identical to one that was unanimously adopted by this Chamber last ***year*** and echoes the good news delivered by the President to thousands of Minnesotans on June 20 when he announced his intent to rescind this arbitrary withdrawal, which is now in process. Mr. Chairman, I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, I claim time in opposition. The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chairman, I yield myself such time as I may consume. Mr. Chairman, I understand that the amendment is going to be withdrawn, but let me explain what this language would have done. To the best of my knowledge, the leases haven't been permanently withdrawn yet. This language would have prevented the Forest Service and the Interior Department from acting to protect our Nation's most visited wilderness area. The Boundary Waters Canoe Area Wilderness is located in northern Minnesota, and it is one of the last truly undisturbed wild places in America. It is a national treasure, and it is under threat from sulfide-ore copper mining. The proposed mine is next to the wilderness. There is no buffer, and there is no barrier here. It is literally in the same water. Sulfide-ore mining is the most toxic industry in America. It pollutes waterways with acid drainage that contains arsenic, mercury, and lead. The Forest Service recognized how damaging this type of mining could be to the Boundary Waters, so they proposed a 20-***year*** halt to Federal mine leases in the watershed. They were urged to study this withdrawal by our Governor from Minnesota, Tribal Governments, and people from all across America who were worried that sulfide mining could destroy the surrounding waters and lands. They have a right to be worried. All these mines have failed. In 2014, a sulfide-ore mine in British Columbia failed, dumping billions of liters of toxic sludge, causing permanent environmental damage. So the Forest Service wisely decided to conduct a science-based assessment to see if mineral withdrawal would make sense for the water- intensive ecosystem of our Boundary Waters. Now, Mr. Chairman, despite what you might hear about what the gentleman said, the proposed mining withdrawal is not some overreach or some past or current administration being out of line. In 1976, Congress established this exact review process under the Federal Land Policy and Management Act. Congress intentionally provided a way to protect our country's natural treasures and vulnerable places. If the gentleman's amendment would have come to the floor for a vote and would have passed again, it would have stopped that review process. It would make the withdrawal study meaningless, because it dictates the outcome. If this amendment had been on the floor and it would pass, the withdrawal of the Boundary Waters from sulfide-ore mining would have been off the table no matter what the study would have said is best for the wilderness. In every conversation I have had, and I have had many, with Secretary Zinke and Secretary Perdue, they have told me the same thing: The study should be completed. So I hope my colleagues and the President would reject having these leases go through without having a study. Mr. Chairman, I reserve the balance of my time. Mr. EMMER. Mr. Chairman, I yield 1\1/2\ minutes to the gentleman from Minnesota (Mr. Nolan), who is my colleague from Minnesota and coauthor of this amendment. Mr. NOLAN. Mr. Chairman, I thank Mr. Emmer for yielding. The lady, for whom I have enormous respect, has failed to mention the fact that this or any other project anywhere in the country, let alone the State of Minnesota, would be, nevertheless, subject to endless reviews by the Environmental Protection Agency, some of which take up to 10 and 12 ***years***. So it is not as though we are approving a mining project here. It is going to have to undergo rigorous review. As my colleagues from Minnesota know, I was an original sponsor of the 1978 Boundary Waters Wilderness legislation. I am very proud of that fact. I want everybody to know here that, at the time, we made a solid commitment to preserve and to protect some 1.1 million acres out of the Superior National Forest for the BWCA, to protect it from all manmade harm and damage to the environment. But we also made a commitment to reserve the remainder of the Superior National Forest for mixed-use purposes and specifically cited recreation an forestry. The U.S Forest Service described mining as a desirable-use purpose. In fact, that was the forestry service at that time. Our word is our bond in this business. This amendment will uphold that hard-fought compromise. The simple truth is that we have been mining on the Iron Range for 130 ***years***, yet we have the cleanest water in the State of Minnesota and perhaps the country. We are going to do everything we can to make sure that we keep it that way. Mr. EMMER. Mr. Chairman, I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, may I inquire as to how much time I have remaining. The Acting CHAIR. The gentlewoman from Minnesota has 2 minutes remaining. Ms. McCOLLUM. Mr. Chairman, I yield 1\1/2\ minutes to the gentleman from Minnesota (Mr. Paulsen). Mr. PAULSEN. Mr. Chairman, I thank the gentlewoman for yielding. Mr. Chairman, let me first start off by saying that I have great respect for my colleagues, both Representative Emmer and Representative Nolan, and the rest of our delegation, Representative McCollum included. This has been an ongoing debate. I just want to make sure folks understand, know, and can appreciate-- and I know the gentleman is going to withdraw the amendment--that hundreds of thousands of people have been weighing in on this ongoing public process, and their comments should not be ignored. That is the bottom line. Nor should we be ignoring a science-based assessment of the best management practices that are important for one of Minnesota's and the country's national treasures. We should be open to new types of mining in Minnesota, but only when those necessary environmental reviews are met. I refer to the Boundary Waters as Minnesota's Yellowstone. There is a reason for that. It has a national perspective with hundreds of thousands of [[Page H6514]] Americans visiting it each and every ***year***, whether it is canoeing or fishing. That is where some of my best memories in my life have taken place. So I want to make sure--we owe it to ourselves and future generations--that we rely on science before undertaking any activity that would disrupt this fragile ecosystem. Mr. Chairman, I want to thank the gentlewoman for yielding me time, and I want to thank my colleagues for their ongoing discussion on this issue. Mr. Chair, once again my colleagues, Representatives Emmer and Nolan, are offering this amendment. And while I appreciate my friendship with my Minnesota colleagues, I once again oppose this amendment and rise in opposition. Minnesota has a rich history of taconite mining that dates back generations. However, this amendment is not about taconite mining, it's about copper-nickel mining, which has never been done before in Minnesota and is being proposed within the watershed of the Boundary Waters Canoe Area Wilderness, which is one of America's most visited wilderness areas. An environmental review is currently underway to study the viability of mining this close to the Boundary Water Canoe Area and this amendment would defund that review less than a ***year*** before its scheduled completion in 2019. Hundreds of thousands of people, on both sides of the issue, have weighed in on this ongoing public process. Their comments should not be ignored. Nor should we be ignoring the science-based assessment of best management practices for one of Minnesota's national treasures. We should be open to new types of mining in Minnesota, but only when the necessary environmental reviews are met. The Boundary Waters Canoe Area is Minnesota's Yellowstone. Hundreds of thousands of Americans visit it on fishing and canoe trips annually. Some of the best memories of my life have taken place in the Boundary Waters. We owe it to ourselves and future generations to rely on science before undertaking any activity that could potentially disrupt this fragile ecosystem. I oppose defunding the ongoing environmental review and ask others to vote against the amendment. Ms. McCOLLUM. Mr. Chairman, I reserve the balance of my time. Mr. EMMER. Mr. Chairman, I yield 30 seconds to the gentleman from California (Mr. Calvert), who is the chairman of the Appropriations Committee's Interior, Environment, and Related Agencies Subcommittee. Mr. CALVERT. Mr. Chairman, now you know how it feels about California water. I got the drift of this thing. Mr. Chairman, I certainly appreciate the gentleman's interest on this issue and appreciate the variety of opinions about it. I thank the gentleman, as well as the gentlewoman from Minnesota, who is the subcommittee's ranking member, for her willingness to work with the committee. As we work together to try to move forward with this bill, I hope a compromise will be found. Mr. EMMER. Mr. Chairman, may I inquire how much time is remaining. The Acting CHAIR. The gentleman from Minnesota has 2 minutes remaining. Mr. EMMER. Mr. Chairman, I thank the chairman for his work and continued support on this issue. To make a few closing points, nothing about this amendment would allow for mining in the Boundary Waters, period. {time} 1800 In fact, to demonstrate the disconnect and level of misinformation on this issue, my colleagues who stand in opposition to this amendment worked to have report language accompany this bill which incorrectly calls attention to a ``proposal'' to withdraw lands within the Boundary Waters Canoe Area, despite the fact there is no such proposal and it remains unlawful to mine within the Boundary Waters. Nothing about this amendment eliminates any existing environmental protections. This amendment reinforces the commonsense reality that economic growth and environmental protection do not have to be mutually exclusive. I am pleased to have the support of the House on this very important issue during this 115th Congress. I am pleased to have the pledged support and continued commitment from the administration to end this withdrawal. I am pleased that we will soon be able to get Washington out of the lives of thousands of hardworking Minnesotans. Mr. Chair, I yield back the balance of my time. Mr. Chair, I withdraw the amendment. The Acting CHAIR. The amendment is withdrawn. Ms. McCOLLUM. Mr. Chair, I reserved my time. The gentleman has withdrawn the amendment. Even though the amendment has been withdrawn, I don't have the right to close or I would have used my time. Could the Parliamentarian instruct me as to if my time is actually gone. The Acting CHAIR. The gentlewoman's time has elapsed because the amendment was withdrawn. Ms. McCOLLUM. Mr. Chair, I move to strike the last word. The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chair, we do have a tradition of mining in Minnesota--taconite mining is the new mining--and I just want to reiterate the fact that these leases are for mining and the company that is looking to mine is sulfide-ore mining. But, Mr. Chairman, I want to close by sharing some words from the founding members of Kids for the Boundary Waters. I have their handwritten notes. To have handwritten notes from America's young adults these days is pretty special. From Callie: ``This unique place shaped my life. The Boundary Waters helped me to realize my potential.'' From Henry: ``I have watched ***year*** after ***year*** as families like my own have grown together in this wilderness.'' From Julia: ``The pristine, untainted waters of the Boundary Waters are essential to the quality and uniqueness of the journeys of visitors.'' From Tommaso: ``I am more committed than ever to help preserve and protect this beautiful and unique ecosystem for future generations.'' From Elsa: ``Once the watershed faces sulfide-ore copper mining, it will never be the same.'' From Joseph, who started this organization during his fight with leukemia: ``What cancer has taught me for sure is that sometimes life only gives you one chance to get things right, and this is our one chance to protect the Boundary Waters.'' I urge my colleagues and others to join me in standing with these young, inspiring people and to oppose the lease renewal. Mr. Chairman, I yield back the balance of my time. Amendment No. 56 Offered by Mr. Grothman The Acting CHAIR. It is now in order to consider amendment No. 56 printed in House Report 115-830. Mr. GROTHMAN. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used to implement or enforce the rule entitled ``National Ambient Air Quality Standards for Ozone'' published by the Environmental Protection Agency in the Federal Register on October 26, 2015 (80 Fed. Reg. 65292). The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Wisconsin (Mr. Grothman) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Wisconsin. Mr. GROTHMAN. Mr. Chairman, the purpose of this amendment is to deal with the new rule entitled, ``National Ambient Air Quality Standards for Ozone,'' which affects several Wisconsin counties that I represent along Lake Michigan. Since the original CLEAR Act came into effect, the Environmental Protection Agency has had the authority to regulate air emissions from stationary and mobile sources. They have--and this is a good thing-- over time, progressively come up with new rules, making the standards more and more stringent for the counties along Lake Michigan. If you are ruled a nonattainment, it is a burden. It is a burden on industry that has to spend substantial amounts of additional money dealing with stricter and stricter standards, putting them at a competitive disadvantage compared to other parts of the country and other parts of the world. It is also [[Page H6515]] a difficult thing for individual motorists who find their cars have to be repaired. It is very expensive. Some of it is easy for people who have a high salary to deal with. Maybe they don't have an older car. But I have always felt that some of this disproportionately affects the people who are just struggling to get a goal in life. Therefore, when the EPA comes up with new standards, it is not without effect. They need to come up with new standards they proposed a couple of ***years*** ago. The purpose of the amendment is to prevent them from spending money promulgating these new standards so that our industries may have a predictable situation and not be at a competitive disadvantage. I should point out that, insofar as the counties along Lake Michigan are ruled a nonattainment, it may be through no fault of their own. In part, for historical reasons, they have monitored the ozone by placing the monitors real near Lake Michigan, where there are artificially high amounts of ozone. Secondly, we have a situation where, insofar as there are pollutants in the area, almost all of them come from south of Wisconsin, out of Chicago or areas further south. As a practical matter, it can be almost impossible, or even impossible, for these Wisconsin counties to deal with these problems. I have been working with the Environmental Protection Agency on this issue. After introducing the amendment, I have continued to work with the Environmental Protection Agency. While I would like to deal with this problem statutorily, I realize it would be probably better for all concerned if the Environmental Protection Agency, as well as the business community in Wisconsin, and I could reach a conclusion. Mr. Chair, I yield back the balance of my time. Mr. Chair, I withdraw my amendment. The Acting CHAIR (Mr. Johnson of Louisiana). The amendment is withdrawn. Amendment No. 57 Offered by Mr. Connolly The Acting CHAIR. It is now in order to consider amendment No. 67 printed in House Report 115-830. Mr. CONNOLLY. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_\_. None of the funds made available by this Act may be used to propose or issue any modification to any regulation established in the final rule of the Administrator of the Environmental Protection Agency entitled ``Disposal of Coal Combustion Residuals From Electric Utilities'' (80 Fed. Reg. 21301 (April 17, 2015)). The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Virginia (Mr. Connolly) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Virginia. Mr. CONNOLLY. Mr. Chairman, it is in the spirit of bipartisan, commonsense, and modest safeguards that I sought to offer this amendment that would protect the 2015 Federal coal ash rule. Sadly, late last night, Acting EPA Administrator Wheeler helped cement the toxic legacy of former Administrator Pruitt's reign over the EPA by rolling back Federal coal ash standards, making this amendment moot. I remind my colleagues that the Obama-era Federal coal ash rule was not rushed nor was it onerous. In fact, some think it didn't go far enough. After ***years*** of debate, input from community and industry stakeholders, and nearly half a million public comments, the Obama administration finalized stringent but pragmatic Federal coal ash regulations to deal with post-closure requirements, groundwater monitoring, and public reporting. The Pruitt proposal, which was announced only 5 months ago, included very few hearings, very little outreach to the public, and last night was finalized. That is warp speed, even for the Trump administration's swamp-driven EPA antiregulation movement. So, no, the 2015 rule was not rushed; the Pruitt rule most certainly was. I also remind my colleagues of the catastrophic 2008 Kingston, Tennessee, coal ash spill and why the Federal Government got in this business to begin with. The Kingston spill was a devastating event. The breach released 5 million cubic yards of coal ash, covering 300 acres in toxic sludge, damaging and destroying homes and property, resulting in $1.2 billion in cleanup costs, mostly borne by the public. The lasting health consequences of that spill, some of which are still unknown, are even worse. Residents still suffer from respiratory illnesses and other side effects. Arsenic levels where the coal ash runoff was disposed of were measured at 100 times, Mr. Chairman, higher than the amount allowed under the Safe Drinking Water Act. The EPA has already said such exposure significantly increases risk of cancers. Earlier this ***year***, lawyers filed suit in Federal court alleging that more than 180 members of this Superfund cleanup now face severe health effects, and 30 individuals have died from the cleanup of this toxic waste. These coal ash spills continue to occur across the country, Mr. Chairman, including in my home State of Virginia, where a neighboring State, North Carolina, had a coal ash pond that spilled more than 39,000 tons of toxic ash and 24 million gallons of wastewater into the Dan River. Though much of the public and media attention to this spill was focused on North Carolina's regulatory shortcomings, Virginia was exposed to the dangers of the coal ash spill. As a result, Virginia's Department of Environmental Quality secured a $2.5 million settlement against Duke Energy Carolinas, a fraction of the cost of the cleanup. What has happened in Virginia, North Carolina, and Tennessee can happen in any one of our communities that have or are near coal ash impoundment ponds, which is why we must protect the 2015 Federal coal ash rule. Unfortunately, that is not what happened last night. What happened last night will weaken groundwater monitoring and cleanup requirements without considering the widespread evidence of significant groundwater contamination recently revealed by industry's own data. Already, under the 2015 rule's reporting requirements, coal ash waste sites across the country displayed evidence of contaminating groundwater. Under Pruitt's proposal, that data may not even see the light of day. We may not know. We are not going to monitor. Surely, if there is anything we here in Congress can agree on, it is the right of all people to have access to safe drinking water. As a result of the 2015 Federal rules, States are working to close legacy coal ash impoundments and protect water. Under the new finalized agreement that modified that rule last night, that is now in jeopardy. Because of that action, we are going to have to address coal ash in a different way, Mr. Chairman. Mr. Chairman, because of that action, I will be forced to withdraw this amendment. I yield back the balance of my time. Mr. Chair, I withdraw my amendment. The Acting CHAIR. The amendment is withdrawn. Amendment No. 58 Offered by Mr. Young of Alaska The Acting CHAIR. It is now in order to consider amendment No. 68 printed in House Report 115-830. Mr. YOUNG of Alaska. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: limitation Sec. \_\_. None of the funds made available by this Act may be used to require changes to an existing placer mining plan of operations with regard to reclamation activities, including revegetation, or to modify the bond requirements for the mining operation. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Alaska (Mr. Young) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Alaska. (Mr. YOUNG of Alaska asked and was given permission to revise and extend his remarks.) [[Page H6516]] Mr. YOUNG of Alaska. Mr. Chairman, Alaska has a long history of placer mining operations, beginning in the early 1800s and continuing through today. In fact, Alaska is one of the few places left, including California, that has placer mining operations. Most placer mining operations are small, but it as a robust industry in Alaska, providing hundreds of jobs and contributing to the growth of rural Alaskan communities. The Bureau of Land Management's Fortymile plan, finalized in the last days of the previous administration, upended decades of successful placer mining land management in the Fortymile Planning Area. The Fortymile plan imposed an overly complex regulatory framework on small-scale placer mining operations as part of an ongoing effort to discourage mining activity in the area. The Fortymile miners previously agreed to environmental remediation standards, and under the new plan proposed by the BLM, they are expected to reclaim land that they have not mined and mitigate in ways they did not agree to in their approved operation plans. They are expected to remediate land that was impacted by placer mining over 100 ***years*** ago, which adds to their financial burden and makes it economically impractical for miners to continue their operations. This language has been included in the appropriations report language by unanimous consent for the last 2 ***years***. This is a necessary piece of legislation and amendment to this bill to make sure the BLM recognizes that miners do have obligations, they have met their obligations, and the agencies have gone against them. Mr. Chairman, I urge my colleagues to vote ``yes'' on this amendment, and I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, I rise in opposition to this amendment. The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chairman, the gentleman from Alaska has been enlightening me more about placer mining, and I appreciate learning more; but I have some questions that remain unanswered, so that is why I have opposition to the gentleman's amendment. {time} 1815 I understand that between 400 and 600 miles of BLM-managed streams have historic or active placer mining impacts, and there is a legacy of historic claim with reduction of ecosystem function. Now, BLM continues various outreach activities, including public meetings and interactions with individual miners, and is working with industry to incorporate best management practices and new reclamation techniques to accelerate stream recovery. I think that would be a good thing. Of course, reclamation activities may be necessary, and what they are looking to do is to increase the cost to the miners, which the gentleman is objecting to, if I understand correctly, in order to get these streams and ecosystems back up to function. This amendment would prohibit assessing the cost of the reclamation areas to placer miners who are profiting from mineral extraction on BLM-managed land. I personally believe the American taxpayer should not shoulder the burden of the restoration costs, that responsible parties should. So the gentleman will probably be enlightening me over the next couple of months on what he thinks might be able to be worked out so that both parties feel that the burden is not over-burdensome, but there is adequate reclamation going forward. Mr. Chair, at this time I have to oppose the amendment, and I yield back the balance of my time. Mr. YOUNG of Alaska. Mr. Chair, I yield 1 minute to the gentleman from California (Mr. Calvert). Mr. CALVERT. Mr. Chair, I appreciate the Dean of the House's amendment and his dedication to the sound management of natural resources on behalf of constituents in his State. Obviously, mining, and certainly placer mining, is unique to Alaska. Alaska certainly has a unique history when it comes to mineral extraction, probably more than any other State in the Union. It is certainly a big part of Alaska's economy and the economy of the United States. It is a mutually beneficial enterprise. This amendment is similar to the ones adopted by voice vote in FY17 and FY18, so I certainly urge my colleagues to adopt it by a voice vote yet again. Mr. Chair, I support the amendment. Mr. YOUNG of Alaska. Mr. Chair, I appreciate the comments from the chairman, and especially the comments from the gentlewoman who understands and has opposition. I would like to remind everybody, again, the reclamation was taking place, the mitigation was taking place. They changed the rules after they agreed on it. This is not a newly mined area. This has been mined before. In fact, I just came from there on the Fourth of July. Chicken, Alaska. This is where this mine is. Lots of mom-and-pop operations, retired people. Chicken, Alaska. You know why they call it ``Chicken''? They couldn't spell ``ptarmigan.'' That is why they call that small community that. They are trying very hard, but very frankly, the BLM came in with this plan. It is not working. In fact, they are spending very large amounts of money trying to implement their reclamation concept when it doesn't work. And I will challenge anybody to show that these miners are not doing their best, but their proposal is trying to put them out of business. I just think that is wrong. If I thought they were doing some harm, I would definitely not be for them. I have been there. I have seen it. I have watched what they are trying to do. An agency, I think, has forgotten their role, and they don't support mining. BLM is supposed to. And they have made it very nearly impossible for, very frankly, a mom-and-pop operation to do so. So I hope the gentlewoman can see her way to allowing this amendment to this bill. Mr. Chair, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Alaska (Mr. Young). The amendment was agreed to. Amendment No. 59 Offered by Mr. Perry The Acting CHAIR. It is now in order to consider amendment No. 59 printed in House Report 115-830. Mr. PERRY. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used to give formal notification under, or prepare, propose, implement, administer, or enforce any rule or recommendation pursuant to, section 115 of the Clean Air Act (42 U.S.C 7415). The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Pennsylvania (Mr. Perry) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Pennsylvania. Mr. PERRY. Mr. Chairman, I want to start by thanking Chairman Calvert for this opportunity. Mr. Chair, this amendment prohibits the EPA from using funds for actions pursuant to section 115 of the Clean Air Act. Section 115 of the Clean Air Act allows the agency to mandate State emissions levels to whatever level the agency deems appropriate if, in collaboration with a foreign government, they determine endangerment and if the other government has a reciprocal agreement to prevent or control these emissions in their own nation. Now, this is a backdoor provision that allows the agency to vastly expand its regulatory authority and encroach on the constitutional rights of the States to regulate their own energy sectors, based on the actions of a foreign nation and the whims of the executive branch. It is irresponsible to allow unelected bureaucrats at the EPA to retain the ability to seize such an expansive authority. If the U.S government wants to pursue such a policy, one that, in my opinion, is constitutionally suspect, it should be done through an explicit congressional delegation of authority on a case-by-case basis. A similar amendment has passed the House during the interior and environmental appropriations packages for the [[Page H6517]] previous 2 fiscal ***years***, Mr. Chairman. I urge my colleagues to take back our Article I authority and support this amendment. Mr. Chairman, I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, I claim the time in opposition to this amendment. The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chair, it has been pointed out that this amendment would block the EPA from regulating air pollution under section 115 of the Clean Air Act, which deals with international pollution and allows the United States to work with other countries on transboundary pollution issues. Being a State that borders Canada, we enter into agreements with them many times to make sure that both of our countries are working together in the best interest of their citizens. This gentleman has offered this amendment for a number of ***years***. It used to be the amendment to torpedo the climate change agreement, but President Trump took care of that, so I am a little unclear as to why it is continuing to be offered. Section 115 could be a tool in our toolbox for a path to achieve reduction targets for greenhouse gases. The gentleman's amendment would prohibit both the EPA and the Trump White House from even developing a well-considered recommendation as to whether or not to use this authority. The President might, in some circumstances, want to work with another country to address something. This to me is just the latest in a long line of attacks on clean air and on the EPA's authority to respond to the urgent threat of climate change. A vote for this amendment is another vote, in my opinion, for climate denial and to block action to curb carbon pollution that is driving our dangerous climate change. We see the hurricanes getting stronger, the wildfires raging stronger, and now we are seeing the glaciers melt. Mr. Chair, so I would urge my colleagues to oppose this amendment and to leave this tool in the toolbox for the Republican administrator at EPA, as well as for the Republican person who is serving in the White House. Let's leave them one tool in the toolbox in case they want to take it out and use it. Mr. Chair, I yield back the balance of my time. Mr. PERRY. Mr. Chairman, are we or are we not a sovereign Nation? I think that most people would agree that we are, and, as such, we don't take issue with the Congress, with the administration doing its job to keep our air clean and to make treaties and provisions with other nations. But what we do take issue with is other nations working with, potentially, this administration, any administration, that comes up with an agreement not ratified by the American people, not ratified by this body or the body on the other side of the Capitol to encroach upon the constitutional rights of States to regulate their own environmental emissions, as provided. So it is not a question of whether we think that the climate isn't changing, man has something to do with it, or whether it should be regulated or how it should be regulated. It is a question of the authority vested in the Constitution, in these bodies, and the ones that are not. It is not the place of unelected bureaucrats or individuals to make an agreement with some other nation, then to impose itself on the States individually. That is all we are saying here. It has passed on numerous occasions because it is good. The President got us out of the Paris climate agreement, but that doesn't mean that some other administration in the future might make another agreement that, yet again, the American people had no part in; neither did this body. So this just ensures that if that is the case, we have the protection that this body should provide. Mr. Chairman, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Pennsylvania (Mr. Perry). The amendment was agreed to. AMENDMENT NO. 60 OFFERED BY MR. PEARCE The Acting CHAIR. It is now in order to consider amendment No. 60 printed in House Report 115-830. Mr. PEARCE. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: limitation on use of funds Sec. \_\_. None of the funds made available by this Act may be used to treat the New Mexico meadow jumping mouse as an endangered species under the Endangered Species Act of 1973 (16 U.S.C 1531 et seq.). The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from New Mexico (Mr. Pearce) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from New Mexico. Mr. PEARCE. Mr. Chairman, in the West, water is the key to everything. One small family, the Gosses--I met them my first ***year*** in Congress in 2003--has been fighting a 30-***year***, protracted battle with the Forest Service over the water and access to the water. They have been to two different courts, and the courts said, yes, the water is theirs. The Forest Service responded to the first court by fencing the water in. They said the 23 acres around it was their acreage and they couldn't walk their cows to get to the water. The Gosses went back to court, and found that the court said, okay, they don't have a right to walk the cows on your 23 acres, but they do have a right to move the water to the cows through a pipe or a ditch. The Forest Service responded by electrifying the fence. That is the kind of fight that we are in right now. A couple ***years*** ago, I stood out over that water for about 2\1/2\ or 3 hours with the Forest Service, the Gosses, and we all negotiated that the fences could be brought in, that accommodations could be met, that we could find habitat other places. And it was all agreed we would get to the water. Then, subsequently, the Fish and Wildlife Service said, well, there is a jumping mouse. They admitted themselves that the science was not very good, that they had never seen one of the jumping mice there, but they thought it might be there. They admitted that the science was very terrible. Despite the lack of any scientific evidence, despite everything, now that area has been shut back off. There are many areas where the jumping mouse could have a critical habitat, but the agency just refuses to do it. So my amendment is quite simple. It simply says that the New Mexico meadow jumping mouse cannot be listed as endangered or threatened until they do some better science. It is a very straightforward amendment where we are trying to find the balance between the Endangered Species Act and the need for jobs, the need for an economy in the West. And that revolves around open spaces, ranchland, water. It all comes together in this one single issue. Mr. Chairman, I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, I claim the time in opposition to this amendment. The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chairman, this amendment clearly would prohibit Fish and Wildlife Service from implementing or enforcing the endangered species listing of the New Mexico jumping mouse under the Endangered Species Act. It would restrict the Service from offering critical protections to preserve the species. This amendment is harmful. Once a species is listed under the Endangered Species Act, the role of Fish and Wildlife is primarily permissive, helping parties comply with the act as they carry out their activities. Now, the majority of the habitat of the New Mexico jumping mouse is on Federal land, and Fish and Wildlife is working with the Forest Service to develop conservation measures that will protect the mouse while allowing livestock grazing on Forest Service lands and assuring adequate water for these cattle. Since the endangered species listing, members of the livestock community [[Page H6518]] have voiced concern about their impacts to people who recreate and make their livelihood on Forest Service lands, which result from addressing the needs of the mouse. The Fish and Wildlife Service has established three working groups to address these concerns, and they have come up with some creative solutions, like establishing cattle lanes to assure cattle can have access to water while protecting the vegetation necessary for the survival of the mouse. We have been in contact, and we find that there is a lot of excitement and there is a lot of cooperation going on. So I would like to work with the Service to make sure that we give this a full chance of working. {time} 1830 Under this amendment, the Service would not be able to continue to recover this species, though all the Endangered Species Act prohibitions would still apply. So the Service wouldn't be able to continue to recover the species under this amendment, but all the other activities of the Endangered Species Act would still apply. So the Service wouldn't be able to work collaboratively any longer with stakeholders to provide ESA compliance. The Service has a statutory requirement to implement the Endangered Species Act. Defunding the Agency's ability to fulfill these legal requirements just makes the Agency and the Federal Government more vulnerable to lawsuits, which is an unnecessary cost for American taxpayers. Additionally, this amendment would limit the Service from undertaking a required status review of the subspecies or from initiating any rulemaking to downlist or even delist this species, when it became appropriate. Mr. Chairman, I reserve the balance of my time. Mr. PEARCE. Mr. Chairman, with respect to the gentlewoman, if the science underlying the decision was sound, and even the Agency itself has admitted that the science was seriously flawed--if the stakes were not so high--the entire listing of species would demand sound science. So this is a serious problem throughout the West and throughout the United States. If it weren't a matter of being able to provide jobs and have economies in these big rural areas of New Mexico, and there are no other tax bases in those areas, so as we crowd out the ranchers, then counties simply don't have the revenues to survive themselves. If the stakes weren't these, then I would listen more closely to the gentlewoman's arguments. But as it is, I just don't think that we can sustain a decision like this. If the Fish and Wildlife Service had showed up at that meeting where we found other critical habitat within a couple of miles, it is just that critical habitat didn't block access to this source of water, the only source of water in that section of the ranch, and these are ranches that are on mountain ranges. So you have the inability for cows to cross the mountain ranges over to the next range. Also, it is miles in between some of the loading stations and the water stations. So these are things that compel me to say that we have to find something different here. We want the Agency to reconsider it, to look for better science, to look for better critical habitat. Mr. Chairman, I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, the gentleman wasn't here earlier, because he was attending to other work and now has come down to do his amendment, but I have been making the case that this type of authorizing language, these types of debates and discussions, should be taking place in the authorizing committee where we can bring in the Service, bring in the ranchers, find out what we need to do better to create win-wins. When we just come and put things on the appropriations bill, it doesn't allow for that full vetting. It doesn't allow us that opportunity to work with the chairman of the Appropriations Committee after the authorizing committee is coming through and figuring out where we need to adjust the budget, or what we need to do, or how we need to do oversight to make sure that the Fish and Wildlife Service is doing things that the gentleman is talking about. So, an interesting thing, we got some information from the Service, and the Service has been working with the research community to expand the survey of the jumping mouse outside its currently known occupied areas. The goal of this expansion effort is to document additional populations. If they document additional populations, we could possibly move toward downlisting or delisting the species, as appropriate. But your amendment, unfortunately, would block that. I would like to see this type of amendment be brought up under the majority--the majority is the same in the Senate, and the majority is in control of the White House--and have an opportunity to do the right kind of oversight to make sure that, when we are doing legislation with the best of intentions--if this survey were to come back and say that we could downlist or delist the species, this amendment would prohibit us from doing it. So, at this time, I will oppose the gentleman's amendment. But I thank him for bringing this attention to the floor, and I will look more into it. Mr. Chairman, I yield back the balance of my time. Mr. PEARCE. Mr. Chairman, again, I respect the gentlewoman's opinions and observations. I would point out that these are 1907 water rights, which, in New Mexico, water rights are given, and the earlier, the better. So they can't get access because of the listing of a species. The science is very flawed. The Agency had the opportunity to go out to the forest with us. And that day, they simply turned down the opportunity to meet with us. We had the State forester, the head of the U.S Forest Service of New Mexico there. We had the regional forester. Everyone was there except the people who really needed to be there. They refused our invitation. I have been working on this single issue for 14 ***years*** myself, so it is not like we haven't been discussing the issue at length. Again, with that, I urge a ``yes'' vote on the amendment. Mr. Chairman, I yield back the balance of my time The Acting CHAIR. The question is on the amendment offered by the gentleman from New Mexico (Mr. Pearce). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Ms. McCOLLUM. Mr. Chairman, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from New Mexico will be postponed. The Acting CHAIR. The Chair understands that amendment No. 61 will not be offered. Amendment No. 62 Offered by Mr. Pearce The Acting CHAIR. It is now in order to consider amendment No. 62 printed in House Report 115-830. Mr. PEARCE. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: limitation on use of funds Sec. \_\_. None of the funds made available by this Act shall be used to draft, propose, finalize, implement, enforce, or carry out any rulemaking on the lesser prairie-chicken (Tympanuchus pallidicinctus) under section 4 of the Endangered Species Act of 1973 (16 U.S.C 1533). The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from New Mexico (Mr. Pearce) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from New Mexico. Mr. PEARCE. Mr. Chairman, this issue is very similar to the last one. As we approached the ***year*** 2013-2014, discussions were going on with Fish and Wildlife Service about the potential listing either as endangered or threatened of the lesser prairie chicken. We began to ask for volunteers. We asked for farmers and ranchers, for oil and gas companies, to work together to really come up with a collaborative plan in order to avoid the listing for the lesser prairie chicken as either threatened or endangered, and the industries responded very well. [[Page H6519]] To date, partners in that effort have contributed more than $64 million in enrollment and mitigation fees. They have agreed to conserve more than 150,000 acres of habitat. It was at that point that the Fish and Wildlife Service said, okay, this is the best effort we have had in this collaboration nationwide. They were all ecstatic. Then they turned around about a month later and simply listed the lesser prairie chicken. Again, the science was somewhat lacking in that. So, in 2015, a Federal district court looked at the issue, and they vacated the finding and said that the Fish and Wildlife Service took no account of the ongoing conservation. Keep in mind that the conservation efforts actually have been working. Just this ***year***, the number of birds is up from 30,000 to 39,000, so almost a 25 percent increase in the population. That is exactly what these collaborative efforts were intended to do. The court found that the Fish and Wildlife Service didn't conduct a proper analysis and that the analysis they did was neither rigorous nor valid. So we are simply asking, in this amendment, that the lesser prairie chicken not be listed, that it be delisted. Mr. Chairman, I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, I claim time in opposition to the amendment. The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chairman, in 2016, the Service officially removed the lesser prairie chicken from the Federal list of endangered and threatened wildlife in accordance with the September 2015 court order vacating the Service's 2014 delisting determination, as the gentleman pointed out. Now, the administration action was taken in light of the decision not to appeal the court's ruling. So they decided they weren't going to appeal, but they were going to try to move forward. So the Service is currently conducting a species status assessment to characterize the current and future conditions of the lesser prairie chicken. The assessment takes into account both the threats and conservation efforts. When I was in Nevada--I wasn't in your State, sir, but I was in Nevada with one of our other colleagues--I saw amazing work that was being done in collaboration, in fact, with an energy company, amazing work being done. The gentleman from Nevada was unable to produce one prairie chicken for me to see that morning when we were out, but I believe that they are there and that the conservation is working, in spite of the fact that I didn't get to see one lesser prairie chicken. But going back, the draft report was shared with peer and partner reviews, and the Service is working with them to get feedback. If the Service determines the listing of the lesser prairie chicken as threatened or endangered is warranted, it is unlikely that any rulemaking could be completed before 2018. So that would take 2 ***years***, in which Congress could take action. I would like the Service to be able to continue working closely with its partners, including State fish and wildlife agencies, the Western Association of Fish and Wildlife Agency, the U.S Department of ***Agriculture***, industry, private landowners, and other partners, in the interest of conserving the lesser prairie chicken. So what the amendment does, and why I am objecting to it, it halts, it stops, that transparent process that is working properly, that I saw in the field working properly and providing ample opportunity for public comment in how we could move forward. So this amendment would make the decision. It would make the decision final about the conservation of the species on the basis of what is not, in my opinion, good science. So, at this time, I urge my colleagues to oppose this amendment, and I hope all partners continue to work together. Mr. Chairman, I yield back the balance of my time. Mr. PEARCE. Mr. Chairman, I yield 1 minute to the gentleman from Kansas (Mr. Estes). Mr. ESTES of Kansas. Mr. Chairman, I rise today to support amendment No. 62 to H.R 6147. This amendment modernizes the Endangered Species Act and recognizes voluntary conservation efforts to protect the lesser prairie chicken. In 2015, the species native to western Kansas was inaccurately listed as threatened under the Endangered Species Act due to a multiyear drought. Since then, Kansas farmers and ranchers have devoted millions of dollars toward successful conservation through a range-wide plan. This along with increased rainfall has led to an increase in the lesser prairie chicken population. However, recently, the push to list the species as endangered was restarted, disregarding these voluntary efforts. I am glad this amendment recognizes the private conservation efforts toward the lesser prairie chicken. I cosponsored a similar measure in the farm bill, and I appreciate Representatives Pearce and Marshall for offering this amendment. I ask my colleagues to support it. Mr. PEARCE. Mr. Chairman, I yield 1 minute to the gentleman from California (Mr. Calvert), the chairman of the subcommittee. Mr. CALVERT. Mr. Chairman, I rise in support of the gentleman's amendment. In 2015, a Federal court ordered the Fish and Wildlife Service to remove the lesser prairie chicken from the list of threatened and endangered species. Environmental activists immediately petitioned the Agency to list the species again, and the Agency, having been stung by the court, concluded that the petition had merit. Now the Agency is on the verge of listing the species yet again, and it will end up in court again, where it will be delisted again. Rinse and repeat. Folks, how many times must we repeat this cycle before people start working together? How much money must be wasted fighting each other before we realize that our money is better spent actually helping the species? This amendment calls a timeout on the madness, at least for one species. That is why I am urging an ``aye'' vote. Mr. PEARCE. Mr. Chairman, again, I would point out that the collaboration was unprecedented across the Nation. What is going to happen, if this collaboration fails, is that others are going to say, okay, that collaboration process simply doesn't work. Though, again, the courts, we are simply agreeing with the court findings in the matter that the Fish and Wildlife Service failed to ask very important questions and needs to reaccomplish the evaluation. All in all, the States and local areas can and will pitch in to help the species survive. But the heavy-handed approach coming from the Fish and Wildlife Service simply, again, is going to kill jobs and kill the potential of collaborative efforts. Mr. Chairman, I urge a ``yes'' vote on the amendment, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from New Mexico (Mr. Pearce). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Ms. McCOLLUM. Mr. Chairman, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from New Mexico will be postponed. {time} 1845 AMENDMENT NO. 63 OFFERED BY MR. GOSAR The Acting CHAIR. It is now in order to consider amendment No. 63 printed in House Report 115-830. Mr. GOSAR. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used to carry out Proclamation 7320 entitled ``Establishment of the Ironwood Forest National Monument'' issued by the President of the United States on June 9, 2000. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Arizona (Mr. Gosar) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Arizona. [[Page H6520]] Mr. GOSAR. Mr. Chairman, I rise to offer an amendment that supports recreational shooting, K-12 education, and responsible energy development by prohibiting funds for the Ironwood Forest National Monument that was unilaterally designated under the Antiquities Act. By looking at the map here, it is very clear that this monument was a political land grab meant to prevent responsible energy and mineral production, as well as multiple use on Federal lands. You couldn't construct something even worse than that. As you can see, the monument boundary starts in the right corner here in the yellow and includes a large mineral deposit that includes molybdenum, manganese, gold, and peripheral lead-zinc-silver. The boundary then works its way up and also encircles the purple, which is a significant copper deposit. Continuing to move up to the green, the monument encompasses significant amounts of lead, zinc, and silver veins. Moving further up the map to the next yellow, the monument encircles the entire Silver Bell Mine and operations, as well as other claims, and also encompasses massive mineral deposits that contain molybdenum, manganese, gold, and peripheral lead-zinc-silver. Moving to the blue and to the top left of the monument, the boundary almost entirely encircles two large veins that contain barium, lead, and silver. Essentially, all the colored areas on the map are off limits to new energy and mineral exploration and development as a result of the monument land grab. Proponents claim the 188,619-acre monument is necessary to protect a stand of ironwood trees covering 640 acres. Let me repeat that. Proponents claim the 188,619-acre monument is necessary to protect a stand of ironwood trees covering 640 acres. Wow. If this unilateral monument designation was not political, it would have had a significantly different boundary and been much smaller. There is nothing glamorous about this monument, and it was an unconstitutional taking by then-Secretary Babbitt and the Clinton administration, pointblank. The Arizona Mining Association, Arizona Rock Products Association, Arizona Mining Industry Gets Our Support, and the Southern Arizona Business Coalition recently asked for this monument to be modified significantly, stating: ``One-third of the area encompassed in the Ironwood Monument is either State trust lands or privately owned. These lands have effectively lost all economic potential as a result of the national monument designation. . . . At the time of the designation, the State government estimated that it would lose $100 million in mineral rights. This does not include financial losses to private companies or the lost employment potential for the mines.'' Asarco and Liberty Star Uranium and Metals Corporation of Tucson have also asked for this monument to be significantly altered. Further, the Ironwood Forest National Monument has caused harm to the common schools beneficiary, K-12 education, by locking up these lands, preventing multiple use, and stopping important revenues from flowing to the educational coffers. The Ironwood Forest National Monument enacted a complete ban on recreational shooting. No utility corridors are allowed in the monument. One-quarter of the monument can be closed to human entry for over one-third of the ***year*** due to the presence of sheep, and nearly 10,000 acres of this monument are completely locked up at all times. Further, the monument constitutes an attack on ranchers by negatively impacting grazing. This monument designation was an unconstitutional taking. Asarco invested $72 million prior to the monument designation in hopes of expanding the mine. They will likely invest several hundred million more, create new jobs, and grow the economy if the mine is no longer within the monument boundary. The Arizona Game and Fish Department has not been able to fully implement vital management activities within the monument boundaries, including fencing to protect wildlife, predator control, law enforcement wildlife investigations, and responses to illegal wildlife activities. In November, 24 Members of Congress sent President Trump a letter recommending a recession of this monument amongst other monument recommendations. That letter was endorsed by the American Farm Bureau Federation, Americans for Responsible Recreation Access, the National Cattlemen's Beef Association, and the Public Lands Council. This amendment is endorsed by the American Exploration and Mining Association, American Encore, AMIGOS, Asarco Mining, the Competitive Enterprise Institute, Free Market America, the Arizona Farm Bureau, Arizona Liberty, the Arizona Pork Council, Concerned Citizens for America, Eagle Motorcycles, Rim Country Custom Rods, the Southern Arizona Business Coalition, and Yavapai County Supervisor Jack R. Smith, amongst others. Mr. Chairman, I thank the chairman and ranking member for their time and for their good work on this bill. I urge a ``yes'' vote on this amendment, and I reserve the balance of my time. The Acting CHAIR. The time of the gentleman from Arizona has expired. Mr. GRIJALVA. Mr. Chairman, I rise in opposition to the amendment. The Acting CHAIR. The gentleman from Arizona is recognized for 5 minutes. Mr. GRIJALVA. Mr. Chairman, I rise in opposition to this amendment that seeks to eliminate the Ironwood Forest National Monument, which is in my district. The fact that it is in my district is secondary to the callous disregard to the public input, the wishes of the people of southern Arizona, the history of the area, and the biodiversity that this amendment attacks. This amendment effectively repeals the monument, returning the lands back to multiple-use status, and opening them up for unfettered mining and other harmful activities. The sponsor of the legislation says that it is necessary to restore access for recreational shooting and to generate revenue for local schools, which I understand is a nod to the potential revenue garnered from future mining operations that he envisions will pop up once the monument is eliminated. He speaks for the mining industry, not Arizonans, and certainly not my constituents. A recent poll found that 73 percent of the people of Arizona oppose eliminating protections for national monuments. Arizonans don't want mining in their monuments, but that doesn't seem to matter to the sponsor of this amendment, who will seemingly do whatever it takes to roll back public lands protections. I also take issue with the sponsor of the amendment's notion that this amendment is about protecting access for recreational shooting. When the monument was established, recreational shooting was allowed, as it is on a large percentage of public lands. Unfortunately, some bad actors forced local land managers to rethink access for the entire shooting community. People were shooting up endangered cacti, leaving bullet hole-ridden sofas and other trash throughout the desert. Those were used as targets. One of the great things about living in Tucson and southern Arizona is that we are surrounded by public lands. Our protected desert landscapes support wildlife and an abundant biodiversity to a wide range of recreational activities. Unfortunately, this amendment views these rare landscapes as commodities, only available for extraction of resources and nothing more. It is kind of a corporate radar approach and mentality to our shared public assets and lands: use them, abuse them, discard them, and see how much we can make out of them, in terms of money. The spirit of conservation and preservation is very important to the people of southern Arizona, and this is one of our special places. This amendment is an attack on the people, its history, and our traditions in southern Arizona. This amendment is an attack on the Antiquities Act, and this amendment is an attack on our public lands. This monument was created in the ***year*** 2000 by President Clinton after the Pima County Board of Supervisors, the elected officials for the county, petitioned for it; the Tohono O'odham Nation petitioned for it; the people of southern Arizona petitioned for it; and that monument was created. [[Page H6521]] The vice chairman of the Tohono O'odham Nation, Mr. Verlon Jose, said, today: ``The Tohono O'odham have lived in this region since time immemorial, and the Ironwood Forest National Monument has tremendous cultural and historical importance. More than 200 important archeological sites with remains from our ancestors are within the monument, including two areas listed on the National Register of Historic Places. We must oppose misguided efforts to withhold funding from Ironwood, as it would have a devastating effect on efforts to protect this national treasure.'' Mr. Chairman, the issue here today is about trying to relive and undo a decision that was made with public participation, public input, the support of local elected officials, the support of affected Tribes, and do it for the specific interests of a mining company that feels they have a right, even though it is a foreign-owned company, to come in on our public lands, withdraw minerals, pay no royalties, and exploit the area. The Ironwood Forest National Monument is a landscape treasure. It is a rare treasure, and it needs to be maintained. I urge a ``no'' vote on this amendment, and I yield back the balance of my time. Mr. CALVERT. Mr. Chairman, I move to strike the last word. The Acting CHAIR. The gentleman from California is recognized for 5 minutes. Mr. CALVERT. Mr. Chairman, I yield to the gentleman from Arizona (Mr. Gosar). Mr. GOSAR. Mr. Chairman, look at how this monument is connected and concocted. I think every which way. You couldn't make a worse definition for a monument. What it basically does is it goes to the far side to catch these two minerals over here. Down here in the middle, it goes to the far edge. This is called gerrymandering for minerals. This is a political bias based upon takings from the people of Arizona. Remember, I responded by saying: Listen, one-third of this designation was private and State lands. These are part of the dedication to the citizens of Arizona. So when you look at this, this is the worst concocted. This is the vanity of, actually, atrocities of monuments gone haywire. Now, I am happy to work with the gentleman from southern Arizona to rightsize this monument. I would be happy to do that. But this concoction is a blatant exercise in overjurisdiction of the Federal Government and misutilizing the Antiquities Act. Mr. Chairman, I ask everybody to vote for my amendment. Mr. CALVERT. Mr. Chairman, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Arizona (Mr. Gosar). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Mr. GRIJALVA. Mr. Chairman, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Arizona will be postponed. Amendment No. 64 Offered by Mr. Posey The Acting CHAIR. It is now in order to consider amendment No. 64 printed in House Report 115-830. Mr. POSEY. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used in contravention of Federal Acquisition Regulation 6.101(a) with respect to aviation helmets. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Florida (Mr. Posey) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Florida. Mr. POSEY. Mr. Chairman, this is really pretty simple. A constituent came to me with a problem concerning procurement for aviation helmets. He has a manufacturing company here in the United States, but he is not able to sell his helmets to the Department of the Interior. His helmets are not inferior. They are used by many industries. They are used in many countries. But he is not on the approved list for Federal agencies. Currently, the approved list includes only one manufacturer. My amendment will change this by providing additional options through competition. The amendment requires compliance with the Federal acquisition regulation policy that ensures a full and open process in procuring aviation helmets. Mr. Chairman, I urge my colleagues to join me in supporting this great amendment, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Florida (Mr. Posey). The amendment was agreed to. Amendment No. 65 Offered by Mr. Denham The Acting CHAIR. It is now in order to consider amendment No. 65 printed in House Report 115-830. Mr. DENHAM. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available by this act may be used by the Secretary to modify operations of the New Melones reservoir authorized in section 10 of the Flood Control Act of 1944 (58 Stat. 887, 901) for the purposes of executing any component of the State Water Resources Control Board of California's Bay-Delta Water Quality Control Plan. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from California (Mr. Denham) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from California. Mr. DENHAM. Mr. Chairman, this amendment prevents a huge water grab by the State of California from farmers and communities in California's Central Valley. Under Sacramento's new plan, residents and farmers, alike, will suffer skyrocketing rates that will cripple our local economy, our farms, and our communities. Specifically, the State is mandating 40 percent of the water from Stanislaus, Tuolumne, and Merced Rivers to be flushed out into the ocean. {time} 1900 Currently, we are losing about 25 percent of our current water being flushed out by these mandated flows. This will increase it to 40 percent. This water feeds the Central Valley Project and the farmers that rely on it. My community relies on this water for drinking, to operate our local businesses, and for green power. This powers our local communities. The amendment prevents the State from robbing water from the Valley and protects the New Melones reservoir from depletion. The New Melones is a Federal facility that provides water for the Central Valley, and generates hydropower for Californians. The Bay-Delta Plan will drain significantly more water from New Melones each ***year*** than it currently releases, leaving the reservoir completely dry some ***years***. The reservoir will be unable to meet its water obligations to the federally-authorized Central Valley project, which is critical to moving water all across the Central Valley. Lower water levels will reduce the ability to generate power. My amendment prevents Federal dollars from contributing to this misguided plan, and the State from robbing our water. We need more water in the valley, not less. I reserve the balance of my time. Ms. McCOLLUM. Mr. Chair, I rise in opposition to this amendment. The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. This amendment seeks to block collaborative water management in California. Such management is aimed at benefiting all water users, cities, farmers, Tribes, the fishing industry, and recreation interests. Specifically, this amendment blocks Federal compliance with the California Bay-Delta Plan, which is a plan being developed by the State of California to prevent the collapse of California's iconic salmon fisheries, and to preserve all beneficial use of the State's water. [[Page H6522]] After a decade of research and public outreach, the State government is close to finalizing the Bay-Delta Plan. It will increase water flows into the California Bay-Delta from the San Joaquin River. The increased flows will improve salmon survival and prevent an unfolding ecological crisis in the Bay-Delta, which is key for the environment for the Bay and the Pacific Northwest fisheries, one of the most valuable and unique ecosystems in the world. While multiple factors have contributed to recent salmon declines, a key factor has been unsustainably large water diversions from the California rivers. The Bay-Delta seeks to address this by reducing diversions and increasing river flow. Mr. Chair, this obviously is an amendment which the author is very passionate about. This also is something that the State of California has engaged in. This amendment, in my opinion, once again, should be something that should be handled in an authorizing committee so the State of California can come in, the gentleman and his proponents of what the State is doing can have a discussion, and then the authorizers can work their will and let the appropriators know whether or not to move forward on this. To do this amendment here shuts out a full, transparent discussion about what should or should not take place in the State of California, where the California citizens all across the State have had input with their elected officials on how to move forward. So this amendment seeks to undermine what appears to be a successful implementation of the Bay-Delta Plan, which California has seen as a necessary step toward preventing precious fishery declines and the loss of thousands of jobs that rely on healthy fish and functioning ecosystems. Mr. Chairman, I oppose this amendment, and I reserve the balance of my time. Mr. DENHAM. Mr. Chair, I yield 1 minute to the gentleman from California (Mr. McClintock). The reservoir resides in his district. Mr. McCLINTOCK. Mr. Chairman, I thank the gentleman from California for bringing this amendment to the floor. The gentlewoman from Minnesota misses an important fact, and that is that the current massive water diversions have done absolutely nothing to improve salmon populations. By taking those diversions to 40 percent unimpaired flow to the ocean, in practical terms, this means that New Melones and Don Pedro reservoirs in my district will be drained to their dead-pool levels each fall. It would destroy what's left of ***agriculture*** in California's Central Valley, destroy the tourism these reservoirs attract in my region, and create catastrophic water shortages in one of the most water-rich regions of the Nation. We don't build these reservoirs to dump water into the ocean. We build them to store surplus water from wet ***years*** so that we have it in dry ones. This is insanity. It is the result of ***years*** of greens-gone-wild radicalism in California. This amendment assures that the Federal Government will not participate in such nonsense. Ms. McCOLLUM. Mr. Chair, I reserve the balance of my time. Mr. DENHAM. Mr. Chair, I yield 1 minute to the gentleman from California (Mr. LaMalfa). Mr. LaMALFA. Mr. Chair, in rising to support my colleague, Mr. Denham, on this amendment, I note that the California State Water Board is contemplating their next water grab, and how disconnected from reality these regulators are. In the latest plan, they want to take 40 percent of the flows from San Joaquin. Concurrently, they have a pending proposal to also increase the volume of flows from the Sacramento River, in my region, that washes out to the ocean, all under the guise, the failing guise of protecting fish. They are contemplating 45 to 65 percent of unimpeded flow. We already know that when it comes to protectin people or fish, Sacramento always decides to choose the latter. This plan defies even basic common sense or fairness. Instead, it relies on questionable science to impose arbitrary restrictions, with no solutions to address the loss of habitat for native species, or even the predators in the delta, which we already know to be a major threat to the fish population. Up to 90 percent of the affected species are devoured by these predator fish. It offers no recourse for the devastating impact it will have on jobs and local economies. I would like to remind the regulators, California voters overwhelmingly supported the effort to direct $2.7 billion for water storage projects, recognizing the need to invest in infrastructure such as Sites Reservoir. If that project already existed, the reservoir would be nearly full right now, providing enough water to serve 3.6 million Californians for an entire ***year***, and relieve the stress on the Sacramento and Central Valley water systems. Mr. Chair, we need some common sense. I urge my colleagues to support Mr. Denham's amendment. Ms. McCOLLUM. Mr. Chairman, could I inquire as to how much time both sides have? The Acting CHAIR (Mr. Comer). The gentlewoman from Minnesota has 2\1/ 2\ minutes remaining. The gentleman from California has 1 minute remaining. Ms. McCOLLUM. Mr. Chair, I yield 2 minutes to the gentleman from California (Mr. McNerney). Mr. McNERNEY. Mr. Chair, I understand my colleague's position on this. Water is a scarce commodity. You want to have access to water. You want to plant your trees. You want to feed your stocks and all that. But what you are not saying is what is going to happen if you continue to take more water from the delta. The delta is a finite water supply. The more you take water from the delta, the more saltwater from the ocean comes in and poisons our facilities, our docks, our fishing, it changes the whole environment. And we are going to cost jobs if you do that, so it is really a balance. Now, I think it is okay to work together to find a proper amount of water to ship out and a proper amount of water to stay in the delta. When we have bigger rain events, the water pushes the saltwater back out toward the ocean. It clears out water a little bit. So, I mean, it is not like we are just trying to save water to hurt you guys. That is not what is going on here. We have our own interests to take care of. This is always a fight. What we need to do is sit down and compromise and find some way to get through this so that we don't end up hurting one another, which is what happens. Again, I understand the position you are in. I understand the need for water. California is a dry State. We have ***years*** and ***years*** of drought. But continuing to demand access to water when there is only a finite supply, every ***year*** you want more, that is not going to work. It is just not going to work. Mr. DENHAM. Mr. Chair, I yield 30 seconds to the gentleman from California (Mr. Calvert). Mr. CALVERT. Mr. Chairman, our State Water Board is out of control. Our State Water Board is involved in a political operation to remove farming out of the State of California. This amendment would attempt to put a stop to the reckless State plan and continue the current New Melones operations. This is something we need to act on and act on immediately. We are in crisis. I am a strong advocate for Mr. Denham's position and, certainly, for his constituents, and I am glad to support this amendment. Ms. McCOLLUM. Mr. Chairman, at this time I will make my remarks to close. This amendment is an attempt to get the Congress involved in undermining a State's rights and its prerogatives. The Federal Government should be assisting California in ways to restore the State's rivers and recover needed fisheries, instead of trying to interfere with obstruction from Washington. I often hear my colleagues say that Washington should get out of the way. In this case, I totally agree. I urge my colleagues to defeat this amendment. I yield back the balance of my time. Mr. DENHAM. Mr. Chair, the gentleman talks about a compromise. I will not compromise and allow our people to go without water, people that [[Page H6523]] have no drinking water, only to have FEMA come in and bring bottled water. I will not shut down our farms. That is not a compromise. This is a Federal project that has our water for our community that now they want to double the amount that goes out to the ocean. It is a waste. It is harmful to our community. It will shut down our ***agriculture***, and it will leave people without potable drinking water. This is insanity to try to say that you are saving the fish when there is no science. This will harm the fish. Without water, without green power, and without cold water, you will kill the very fish that you are trying to save. I believe that our farms deserve this, our communities deserve this, and our people must have it to survive. I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from California (Mr. Denham). The amendment was agreed to. Amendment No. 66 Offered by Mr. Abraham The Acting CHAIR. It is now in order to consider amendment No. 66 printed in House Report 115-830. Mr. ABRAHAM. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: limitation on use of funds to restrict certain use of genetically modified crops in national wildlife refuges Sec. \_\_. None of the funds made available by this Act may be used to enforce any prohibition or limitation of any kind in a cooperative agreement referred to in section 29.2 of title 50, Code of Federal Regulations, on the planting of genetically modified crops in a national wildlife refuge. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Louisiana (Mr. Abraham) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Louisiana. Mr. ABRAHAM. Mr. Chairman, the Fish and Wildlife Service regularly enters into cooperative ***agricultural*** agreement with farmers to plant and raise crops on farm fields on national wildlife refuge land. Those agreements require that the farmers leave a portion of that crop standing over the winter in order to provide cover and forage for wildlife. In the spring, those farmers plow up everything and start all over again. In 2014, the Fish and Wildlife Service began to prevent farmers who entered into these agreements from planting GMO seed. This action was not based on facts, it was not on rules, and this action is harmful to both wildlife and to the farmers who are providing that food and cover. GMO crops are proven safe. They use less water. They use less pesticides. They use less fertilizer, and they feed much of the world, both humans and animals. Wildlife groups like Ducks Unlimited support this amendment, and I ask for your support, too. I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, I claim the time in opposition to this amendment. The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. {time} 1915 Ms. McCOLLUM. Mr. Chair, this amendment clearly would prohibit Fish and Wildlife Service from enforcing limitations or prohibitions on the use of genetically modified seed in commercial ***agricultural*** operations conducted on national wildlife refuges. As the gentleman pointed out, in 2014, a decision to curtail the use of genetically modified seeds or crops, GMOs, for use on National Wildlife Refuge System lands by 2016 grew out of several ***years*** of litigation successfully brought against U.S Fish and Wildlife. During the term of the litigation, the courts did not allow the use of GMOs. As a result of this restriction, the refuges found that they were able to meet their biological objectives and accomplish their wildlife management purposes without the use of GMOs and that GMO use could be curtailed nationwide. This approach avoids costly litigation for the taxpayers and the need for additional site-specific compatibility determinations and NEPA analysis of GMO crops. It is a saver of the taxpayers' dollars. Fish and Wildlife Service has proven over several ***years*** that they can accomplish their wildlife objectives without the use of GMOs. However, Fish and Wildlife policy on biological diversity, integrity, and environmental health does allow for the use of GMOs when it is essential to accomplish the refuge purposes and is approved by the Regional Refuge Chief. This amendment jeopardizes the current FWS policy that is based on ***years*** of experience. We should be supporting Fish and Wildlife Service and its efforts, not blocking the agency from doing its job. Mr. Chair, once again, this is the appropriations portion of Fish and Wildlife. This clearly is something that has gone through the court system, that has gone through authorization. It is a policy discussion and it should be done in the policy committee. It should be done where people can come in and testify and have their debate in full transparency. It should be done then and brought to the floor. Mr. Chair, the majority controls the House, the Senate, and the White House. I would encourage the author of the amendment to not use the appropriation bills to put more riders on. The gentleman may or may not be aware, Mr. Chair, that the Senate has no riders on its bill at all. And I believe that this could really put the chairman and myself, as the ranking member, possibly at a disadvantage when we go to reallocate those precious dollars, with all the requests that we have had on the floor over the past 2 days, when we go into doing what our job is, the appropriations. Mr. Chair, I yield back the balance of my time. Mr. ABRAHAM. Mr. Chairman, I yield 1 minute to the gentleman from California (Mr. Calvert). Mr. CALVERT. Mr. Chairman, I support the amendment. The National Academy of Sciences was established by Congress in 1863 in the midst of the Civil War to provide independent, objective advice to the Nation on matters related to science and technology. The Academy, in 2016, released a comprehensive literature review on the science of genetically engineered crops, or GMOs as they are commonly referred to. The Academy found zero scientific evidence that GMOs are any more or any less safe for human consumption and the environment than organisms modified by more traditional genetic methods, like selective breeding. This amendment blocks an outdated policy made during the last administration which pandered to extreme environmental groups by feeding into the unfounded fears of GMOs. This amendment is an opportunity to rise above fear-mongering and make sound policy based on science and rationality. Mr. Chair, let's do the right thing and vote ``aye.'' Mr. ABRAHAM. Mr. Chairman, I just ask that my colleagues support this commonsense amendment, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Louisiana (Mr. Abraham). The amendment was agreed to. Amendment No. 67 Offered by Ms. Jackson Lee The Acting CHAIR. It is now in order to consider amendment No. 67 printed in House Report 115-830. Ms. JACKSON LEE. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available in this Act may be used to eliminate the Urban Wildlife Refuge Partnership. The Acting CHAIR. Pursuant to House Resolution 996, the gentlewoman from Texas (Ms. Jackson Lee) and a Member opposed each will control 5 minutes. The Chair recognizes the gentlewoman from Texas. Ms. JACKSON LEE. Mr. Chairman, my amendment is prohibiting the use of appropriated funds to eliminate the Urban Wildlife Refuge Partnership, or [[Page H6524]] ***programs***, that are for the reforestation of urban areas. In fact, I celebrate and support the increase in funding. This amendment is particularly helpful, I hope, to create the legislative history of the importance of the urban reforestation ***program***. Mr. Chair, I thank the ranking member as well as the chairman of this committee for recognizing the importance of urban reforestation. This amendment emphasizes the importance of the Urban Wildlife Refuge Partnership in urban forests and preserves our ability to return urban areas to healthy and safe living environments for our children. I have offered similar amendments because I want an ongoing creation of legislative history to ensure that this ***program*** is kept. In the past 30 ***years*** alone, we have lost 30 percent of all of our urban trees, a loss of over 600 million trees. Eighty percent of the American population lives in dense quarters of the city. Reforestation ***programs*** return a tool of nature to concrete areas that can help remove air pollution, filter out chemicals and ***agricultural*** waste in water, and save communities millions of dollars in stormwater management costs. I have certainly seen the devastation of droughts right in large cities. In particular, Houston, a couple ***years*** ago, lost many, many trees in a severe drought that we experienced over the summer. It took many community investors--when I say that, nonprofits--and Federal dollars to restore green life to Houston. We know that asthma is on the rise. In people below the Federal poverty threshold, we see asthma increasing. Asthma comes when children have to be subjected to polluted air. Some of the reasons individuals at lower income may have increased risk of asthma are increased exposure to indoor and outdoor pollutants, cigarette smoking, secondhand smoke exposure, and nearby industrial pollutants and highway traffic. The good news is that trees provide the source of oxygen that is so necessary, and it comes about through a scientific process that I will discuss a little bit later. We have a headline here from Science Daily that says: ``Cities and Communities in the U.S Losing 36 Million Trees a ***Year***.'' And then another headline: ``Researchers Suggest Reforestation Around Urban Areas to Reduce Ozone Levels,'' which enhances, creates, makes worse the asthma that many of our children suffer from. Mr. Chair, I ask my colleagues to support my amendment. Thank you for this opportunity to speak in support of my amendment to Division A of H.R 6147, the Interior and Environment Appropriations Act for Fiscal ***Year*** 2019 and to commend Chairman Calvert and Ranking Member McCollum for their leadership in shepherding this bill through the legislative process. Among other agencies, this legislation funds the U.S Forest Service, the National Park System, and the Smithsonian Institution, which operates our national museums including the National Zoo. Mr. Chair, my amendment is simple but it sends a very important message from the Congress of the United States. The Jackson Lee Amendment emphasizes the importance of Urban Wildlife Refuge Partnerships and urban forests, and preserves our ability to return urban areas to healthy and safe living environments for our children. Similar amendments were offered and accepted in the Interior and Environment Appropriations Acts for Fiscal ***Year*** 2018 (H.R 3354), Fiscal ***Year*** 2017 (H.R 5538), Fiscal ***Year*** 2016 (H.R 2822), Fiscal ***Year*** 2008 (H.R 2643), and Fiscal ***Year*** 2007 (H.R 5386), and were adopted by voice vote. Mr. Chair, surveys indicate that some urban forests are in serious danger. In the past 30 ***years*** alone, we have lost 30 percent of all our urban trees--a loss of over 600 million trees. Eighty percent of the American population lives in the dense quarters of a city. Reforestation ***programs*** return a tool of nature to a concrete area that can help to remove air pollution, filter out chemicals and ***agricultural*** waste in water, and save communities millions of dollars in storm water management costs. I have certainly seen neighborhoods in Houston benefit from urban reforestation. In addition, havens of green in the middle of a city can have beneficial effects on a community's health, both physical and psychological, as well as increase property value of surrounding real estate. Reforestation of cities is an innovative way of combating urban sprawl and deterioration. Mr. Chair, a real commitment to enhancing our environment involves both the protection of existing natural resources and active support for restoration and improvement projects. Several ***years*** ago, American Forests, a leading conservation group, estimated that the tree cover lost in the greater Washington metropolitan area from 1973 to 1997 resulted in an additional 540 million cubic feet of storm water runoff annually, which would have taken more than $1 billion in storm water control facilities to manage. Trees breathe in carbon dioxide, and produce oxygen. People breathe in oxygen and exhale carbon dioxide. A typical person consumes about 38 pounds of oxygen per ***year***. A healthy tree, say a 32 ft tall ash tree, can produce about 260 lb of oxygen annually--two trees supply the oxygen needs of a person for a ***year***. Trees help reduce pollution by capturing particulates like dust and pollen with their leaves. A mature tree absorbs from 120 to 240 pounds of the small particles and gases of air pollution. Trees help combat the effects of ``greenhouse'' gases, the increased carbon dioxide produced from burning fossil fuels that is causing our atmosphere to ``heat up.'' Trees help cool down the overall city environment by shading asphalt, concrete and metal surfaces. Buildings and paving in city centers create a heat-island effect. A mature tree canopy reduces air temperatures by about 5-10 degrees Fahrenheit. A 25 foot tree reduces annual heating and cooling costs of a typical residence by 8 to 12 percent, producing an average annual savings of $120 per American household. Proper tree plantings around buildings can slow winter winds, and reduce annual energy use for home heating by 4-22 percent. Mr. Chair, trees play a vital role in making our cities more sustainable and more livable. The Jackson Lee Amendment simply provides for continued support to ***programs*** like Urban Wildlife Refuge Partnerships that reforest our urban areas. For all these reasons, Mr. Chairman, I urge adoption of the Jackson Lee Amendment and thank Chairman Calvert and Ranking Member McCollum for their courtesies, consideration, and very fine work in putting together this legislation. [From Science Daily, Apr. 18, 2018] Cities and Communities in the US Losing 36 Million Trees a ***Year*** Source: USDA Forest Service--Northern Research Station Summary: Nationally, urban/community tree cover declined from 42.9 percent to 42.2 percent between 2009-2014. This translates to losing an estimated 36 million trees or approximately 175,000 acres of tree cover annually. Scientists with the USDA Forest Service estimate that between 2009 and 2014, tree cover in the Nation's urban/ community areas declined by 0.7 percent, which translates to losing an estimated 36 million trees or approximately 175,000 acres of tree cover annually. Pavement and other impervious cover increased at a rate of about 167,000 acres a ***year*** during the same period, according to research by USDA Forest Service scientists. Nationally, urban/community tree cover declined from 42.9 percent to 42.2 percent. Twenty-three states had a statistically significant decrease in tree cover, with a total of 45 states showing a net decline. Trees improve air and water quality, reduce summer energy costs by cooling homes, reduce noise, mitigate runoff and flooding, and enhance human health and well-being, making them important to human health and urban and community infrastructure. The annual benefits derived from U.S urban forests due to air pollution removal, carbon sequestration, and lowered building energy use and consequent altered power plant emissions are estimated at $18 billion. The study by Dave Nowak and Eric Greenfield of the USDA Forest Service's Northern Research Station, ``Declining urban and community tree cover in the United States,'' was published in the journal Urban Forestry and Urban Greening. A table showing tree cover and impervious cover change by state is available at: [*https://www.nrs.fsis.fed.us/news*](https://www.nrs.fsis.fed.us/news)/ release/resources/cities-communities-losing-tree-cover/ ``Urban forests are a vital part of the nation's landscape,'' said Tony Ferguson, Director of the Forest Service's Northern Research Station and the Forest Products Laboratory. ``Forest Service research puts knowledge and tools into the hands of urban forest managers that supports stewardship and the wise allocation of resources.'' States or districts with the greatest annual net percent loss in urban/community tree cover were Rhode Island and the District of Columbia (minus 0.44 percent), Georgia (minus 0.40 percent), and Alabama and Nebraska (minus 0.32 percent each). States with the greatest annual net loss in tree cover were Georgia (minus 18,830 acre/***year***), Florida (minus 18,060 acre/***year***) and Alabama (minus 12,890 acre/***year***). [[Page H6525]] Three states--Mississippi, Montana and New Mexico--had slight, nonsignificant increases in urban/community tree cover. Nationally, Maine has the highest percent tree cover in urban/community areas with 68 percent tree cover. At 10 percent tree cover, North Dakota ranked as having the lowest percent urban/community tree cover. ``Urban forests are an important resource,'' said Nowak. ``Urban foresters, planners and decision-makers need to understand trends in urban forests so they can develop and maintain sufficient levels of tree cover--and the accompanying forest benefits--for current and future generations of citizens.'' As of 2010, urban land occupied 3 percent, or 68 million acres, of the United States, while urban/community land occupied just over 6 percent of the United States, or 141 million acres. Overall, urban/community impervious cover had a statistically significant increase from 14.5 percent to 15.1 percent (an increase of o.6 percent), States with the greatest annual net percent increase in impervious cover were Delaware (0.28 percent), Iowa (0.26 percent), and Colorado, Kansas and Ohio (0.24 percent each). States with the greatest annual net increase in impervious cover were Texas (17,590 acre/***year***), Florida (13,900 acre/***year***) and Ohio (8,670 acre/ ***year***). \_\_\_\_ [From Phys.org, Sept. 9, 2014] Researchers Suggest Reforestation Around Urban Areas to Reduce Ozone Levels (By Bob Yirka) A team of research conservationists with members from several universities in the U.S is suggesting in a paper they've had published in Proceedings of the National Academy of Sciences, that urban areas could benefit by investing in cost effective reforestation efforts around urban areas that currently suffer from high ozone levels. Planting trees, they suggest could help cities bring those levels down. The researchers note that despite aggressive efforts by many metropolitan areas to lower ozone levels in ground level air, levels remain high, causing the populations that live in them to live with an increased risk of health problems--prior research has indicated that as many as 152,000 premature deaths each ***year*** can be attributed to the damage ozone inflicts on lungs. Current efforts to combat ozone levels are aimed at the source, factory emissions, etc. Laws limiting emissions have not kept up with growth however, leading to increases in ozone levels. The researchers suggest a different approach--remove the ozone by planting trees. They suggest that land be purchased on the outskirts of cities with high ozone levels to be converted to forest--trees they note, remove both ozone, and one of its precursors. To bolster their point, the researchers looked at the Houston metro area in Texas, a part of the country with consistently high ozone levels. Land that is currently used for ***agriculture*** on the outskirts, they claim, could be purchased and replanted with trees, creating a 1.5-square- mile forest. They estimate that over a 30 ***year*** period, the reforested area could reduce ozone and precursors in ground- level air by 310 tons. They also note that if fast growing trees were planted, timber harvests could help make up initial outlays and loss of local revenue from ***agricultural*** products. The researchers also plotted potential targets on a map of the U.S , highlighting areas where reforestation would likely do the most good--along the 1-95 corridor in the northeast, for example, and around Chicago, Detroit and many parts of California. The team concludes by noting that if something isn't done, the problem of ozone pollution is only likely to get worse in the face of both continued growth and as global warming exacerbates the problem. Ms. JACKSON LEE. Mr. Chair, I reserve the balance of my time. Mr. CALVERT. Mr. Chair, I rise in support of the amendment. The Acting CHAIR. Without objection, the gentleman from California is recognized for 5 minutes. There was no objection. Mr. CALVERT. Mr. Chair, although the base bill already continues to support this ***program*** at the fiscal ***year*** 2018 level, I am happy to accept this amendment, as I have for the past 2 ***years***. Mr. Chair, I yield back the balance of my time. Ms. JACKSON LEE. Mr. Chair, I thank the gentleman from California. As I indicated, I think that creating the additional legislative history of the importance of this particular ***program*** is what I hope will strengthen it. May I ask, Mr. Chairman, how much time do I have? The Acting CHAIR. The gentlewoman has 2 minutes remaining. Ms. JACKSON LEE. Mr. Chair, I yield 1 minute to the gentlewoman from Minnesota (Ms. McCollum), the ranking member, to discuss the urban reforestation ***program***, and I thank her for her leadership. Ms. McCOLLUM. Mr. Chair, I thank the gentlewoman from Texas for this opportunity. I also thank the chairman of our subcommittee for accepting the amendment. Mr. Chair, many cities don't have urban wildlife refuges nearby, and to address that challenge, the Service has 21 Urban Wildlife Refuge Partnerships spanning the country. These partnerships have nourished an appreciation of wildlife conservation to new audiences, and I have seen them in action, empowering local community organizations to inspire conservation in local parks and other natural areas. I just want to list a few of these urban partnerships that can be found: New Haven; Chicago; Houston; Providence; Seattle; Baltimore; Los Angeles; Albuquerque; Santa Barbara; Yonkers; New Orleans; Denver; Philadelphia; Atlanta; Springfield, Massachusetts; Anchorage; Cincinnati; the twin cities of St. Paul and Minneapolis, St. Paul being my hometown; Elizabeth, New Jersey; West Palm Beach, Florida; San Juan; and Alamo, Texas. Mr. Chair, I urge my colleagues to learn more about this ***program***. Once again, I thank the gentlewoman for the time, and I thank Chairman Calvert for accepting this amendment. Ms. JACKSON LEE. Mr. Chair, I yield myself such time as I may consume. Mr. Chair, let me conclude my remarks by saying I have certainly seen neighborhoods in Houston benefit from urban reforestation. In addition, havens of green in the middle of a city can have beneficial effects on a community's health, both physical and psychological, as well as increased property values of surrounding real estate. But when you have had a drought, you know how important this ***program*** is. Reforestation of cities is an innovative way of combating urban sprawl and deterioration. Finally, let me say, photosynthesis, how many of us remember that in our classrooms? I love that process. That happens in plants, generally involves the green pigment chlorophyll, and generates oxygen as a byproduct, cleaning the air. That is what these ***programs*** do in urban America. Mr. Chair, I ask my colleagues to support the Jackson Lee amendment, and I yield back the balance of my time The Acting CHAIR. The question is on the amendment offered by the gentlewoman from Texas (Ms. Jackson Lee). The amendment was agreed to. Amendment No. 68 Offered by Ms. Jackson Lee The Acting CHAIR. It is now in order to consider amendment No. 68 printed in House Report 115-830. Ms. JACKSON LEE. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available in this Act may be used to limit outreach ***programs*** administered by the Smithsonian Institution. The Acting CHAIR. Pursuant to House Resolution 996, the gentlewoman from Texas (Ms. Jackson Lee) and a Member opposed each will control 5 minutes. The Chair recognizes the gentlewoman from Texas. Ms. JACKSON LEE. Mr. Chairman, I thank the ranking member and the chairman of this committee for considering my amendment. My amendment is prohibiting the use of appropriated funds to limit museum outreach ***programs*** administered by the Smithsonian Institution. Again, for ***programs*** like this, this is to advocate and create the legislative history of the importance of these ***programs***, and I am glad to have this amendment presented to the Congress at this time. Mr. Chair, in order to fulfill the Smithsonian's mission--the increase and diffusion of knowledge--the Smithsonian seeks to serve an even greater audience, and this has come about over the ***years*** by bringing the Smithsonian to enclaves of communities who otherwise would be deprived of the vast amount of cultural history offered by the Smithsonian. The Smithsonian's outreach ***program*** serves millions of Americans, thousands of communities, and hundreds of institutions in all 50 States through loans of objects, traveling exhibitions, [[Page H6526]] and sharing of educational resources via publications, lectures, presentations, training ***programs***, and websites. Let me say from personal experience, one of my predecessors, the Honorable Mickey Leland, that many people know died in an airplane going into an Ethiopian mountain trying to bring food to starving people in Eritrea and Ethiopia, had introduced the first bill for a museum dealing with slave history. He did not live to see that legislation go forward, but later, John Lewis introduced the legislation to create the Smithsonian Museum of African American History and Culture. We have it today, and it is a museum that has seen more people attend it, and the outreach is crucial: the board members, who are so proud to be a part of it, and the Congressional Black Caucus, that was the anchor of passing this legislation. Now we have an outstanding exhibit on Oprah Winfrey, and all are there to see this historic figure and many others. It is important that the Smithsonian Air and Space Museum and many others have the opportunity to reach out to Americans and let them know of these very special resources, these assets that are here. So this is a very important emphasis to have, and I would like to make sure that we continue to do it robustly so that more Americans can know their history. Mr. Chair, I ask my colleagues to support this amendment. Thank you for this opportunity to speak in support of my amendment to Division A of H.R 6147, the ``Interior and Environment Appropriations Act for Fiscal ***Year*** 2019.'' Let me also thank Chairman Calvert and Ranking Member McCollum for their leadership in shepherding this bill to the floor. Among other agencies, this legislation funds the Smithsonian Institution, which operates our national museums, including the Air and Space Museum; the Museum of African Art; the Museum of the American Indian; and the National Portrait Gallery. The Smithsonian also operates another national treasure: the National Zoo. Mr. Chair, my amendment is simple but it sends a very important message from the Congress of the United States. The Jackson Lee amendment simply provides that: Sec. \_\_. None of the funds made available in this Act may be used to limit outreach ***programs*** administered by the Smithsonian Institution. This amendment is identical to amendments I offered to the Interior and Environment Appropriations Acts for FY2017 (H.R 3354) and FY2016 (H.R 2822) that were approved by voice vote. Mr. Chair, the Smithsonian's outreach ***programs*** bring Smithsonian scholars in art, history and science out of ``the nation's attic'' and into their own backyard. Each ***year***, millions of Americans visit the Smithsonian in Washington, D.C But in order to fulfill the Smithsonian's mission, ``the increase and diffusion of knowledge,'' the Smithsonian seeks to serve an even greater audience by bringing the Smithsonian to enclaves of communities who otherwise would be deprived of the vast amount of cultural history offered by the Smithsonian. The Smithsonian's outreach ***programs*** serve millions of Americans, thousands of communities, and hundreds of institutions in all 50 states, through loans of objects, traveling exhibitions, and sharing of educational resources via publications, lectures and presentations, training ***programs***, and websites. Smithsonian outreach ***programs*** work in close cooperation with Smithsonian museums and research centers, as well as with 144 affiliate institutions and others across the nation. The Smithsonian's outreach activities support community-based cultural and educational organizations around the country. They ensure a vital, recurring, and high-impact Smithsonian presence in all 50 states through the provision of traveling exhibitions and a network of affiliations. Smithsonian outreach ***programs*** increase connections between the Institution and targeted audiences (African American, Asian American, Latino, Native American, and new American) and provide kindergarten through college-age museum education and outreach opportunities. These outreach ***programs*** enhance K-12 science education ***programs***, facilitate the Smithsonian's scholarly interactions with students and scholars at universities, museums, and other research institutions; and disseminate results related to the research and collections strengths of the Institution. The ***programs*** that provide the critical mass of Smithsonian outreach activity are: 1. the Smithsonian Institution Traveling Exhibition Service (SITES); 2. the Smithsonian Affiliations, the Smithsonian Center for Education and Museum Studies (SCEMS); 3. National Science Resources Center (NSRC); 4. the Smithsonian Institution Press (SIP); 5. the Office of Fellowships (OF); and 6. the Smithsonian Associates (TSA), which receives no federal funding. To achieve the goal of increasing public engagement, SITES directs some of its federal resources to develop Smithsonian Across America: A Celebration of National Pride. This ``mobile museum,'' which will feature Smithsonian artifacts from the most iconic (presidential portraits, historic American flags, Civil War records, astronaut uniforms, etc.) to the simplest items of everyday life (family quilts, prairie schoolhouse furnishings, historic lunch boxes, multilingual store front and street signs, etc.), has been a long-standing organizational priority of the Smithsonian. SITES ``mobile museum'' is the only traveling exhibit format able to guarantee audience growth and expanded geographic distribution during sustained periods of economic retrenchment, but also because it is imperative for the many exhibitors nationwide who are struggling financially yet eager to participate in Smithsonian outreach. For communities still struggling to fully recover from the economic downturn, the ability of museums to present temporary exhibitions, the ``mobile museum'' promises to answer an ever-growing demand for Smithsonian shows in the field. A single, conventional SITES exhibit can reach a maximum of 12 locations over a two- to three-***year*** period. In contrast, a ``mobile museum'' exhibit can visit up to three venues per week in the course of only one ***year***, at no cost to the host institution or community. The net result is an increase by 150 in the number of outreach locations to which SITES shows can travel annually. And in addition to its flexibility in making short-term stops in cities and towns from coast-to-coast, a ``mobile museum'' has the advantage of being able to frequent the very locations where people live, work, and take part in leisure time activities. By establishing an exhibit presence in settings like these, SITES will not only increase its annual visitor participation by 1 million, but also advance a key Smithsonian performance objective: to develop exhibit approaches that address diverse audiences, including population groups not always affiliated with mainstream cultural institutions. SITES also will be the public exhibitions' face of the Smithsonian's National Museum of African American History and Culture, as that new Museum comes online. Providing national access to projects that will introduce the American public to the Museum's mission, SITES in FY 2008 will tour such stirring exhibitions as NASA ART: 50 ***Years*** of Exploration; 381 Days: The Montgomery Bus Boycott Story; Beyond: Visions of Planetary Landscapes; The Way We Worked: Photographs from the National Archives; and More Than Words: Illustrated Letters from the Smithsonian's Archives of American Art. To meet the growing demand among smaller community and ethnic museums for an exhibition celebrating the Latino experience, SITES provided a scaled-down version of the National Museum of American History's 4,000- square-foot exhibition about legendary entertainer Celia Cruz. Two 1,500-square-foot exhibitions, one about Crow Indian history and the other on basket traditions, will give Smithsonian visitors beyond Washington a taste of the Institution's critically acclaimed National Museum of the American Indian. Two more exhibits, ``In Plane View'' and ``Earth from Space,'' provided visitors an opportunity to experience the Smithsonian's recently opened, expansive National Air and Space Museum Udvar-Hazy Center. For almost 30 ***years***, The Smithsonian Associates--the highly regarded educational arm of the Smithsonian Institution--has arranged Scholars in the Schools ***programs***. Through this tremendously successful and well-received educational outreach ***program***, the Smithsonian shares its staff--hundreds of experts in art, history and science--with the national community at a local level. The mission of Smithsonian Affiliations is to build a strong national network of museums and educational organizations in order to establish active and engaging relationships with communities throughout the country. There are currently 138 affiliates located in the United States, Puerto Rico, and Panama. By working with museums of diverse subject areas and scholarly disciplines, both emerging and well-established, Smithsonian Affiliations is building partnerships through which audiences and visitors everywhere will be able to share in the great wealth of the Smithsonian while building capacity and expertise in local communities. [[Page H6527]] The National Science Resources Center (NSRC) strives to increase the number of ethnically diverse students participating in effective science ***programs*** based on NSRC products and services. The Center develops and implements a national outreach strategy that will increase the number of school districts (currently more than 800) that are implementing NSRC K-8 ***programs***. The NSRC is striving to further enhance its ***program*** activity with a newly developed scientific outreach ***program*** introducing communities and school districts to science through literacy initiatives. In addition, through the building of the multicultural Alliance Initiative, the Smithsonian's outreach ***programs*** seek to develop new approaches to enable the public to gain access to Smithsonian collections, research, education, and public ***programs*** that reflect the diversity of the American people, including underserved audiences of ethnic populations and persons with disabilities. For all these reasons, Mr. Chair, I urge adoption of the Jackson Lee Amendment and thank Chairman Calvert and Ranking Member McCollum for their courtesies, consideration, and very fine work in putting together this excellent legislation. Mr. Chair, I reserve the balance of my time. {time} 1930 Mr. CALVERT. Mr. Chair, I rise to approve the amendment. The Acting CHAIR. Without objection, the gentleman from California is recognized for 5 minutes. There was no objection. Mr. CALVERT. Mr. Chair, I have no objection to the gentlewoman's amendment. It was accepted last ***year*** by voice vote, and I encourage adoption of the gentlewoman's amendment. I yield back the balance of my time. Ms. JACKSON LEE. Mr. Chairman, how much time do I have remaining? The Acting CHAIR. The gentlewoman from Texas has 2\1/2\ minutes remaining. Ms. JACKSON LEE. Mr. Chair, I yield 1 minute to the gentlewoman from Minnesota (Ms. McCollum), the ranking member, and thank her again for her leadership. Ms. McCOLLUM. Mr. Chair, I would like to thank the gentlewoman from Texas for the time, and I would like to commend the chairman of the subcommittee for accepting this amendment. The chairman and I know the importance of museums and the wealth of knowledge that they share with the American public. And when we have the Smithsonian Day at our hearings, when the chairman puts the gavel down, everybody is in attendance to see what the Smithsonian is going to bring to the history lesson that it is going to share with the Members of our committee. We are inspired, just as these museums inspire people of all ages, to better understand our world, and our place in it. I am very pleased that the Smithsonian is going to be able to go forward with its public outreach ***programs***, including exhibitions, ***programs***, and online resources, which anybody can access. It ensures that as many Americans as possible can benefit from their vast collections. At the Science Museum of Minnesota, we call it ``Museum in a Box,'' and I am glad the Smithsonian is going to continue with that. Ms. JACKSON LEE. Mr. Chair, let me thank the gentlewoman for really letting us know what a joy the Smithsonian is, even in front of the Appropriations Committee. Mr. Chair, I want to emphasize that the Smithsonian outreach ***programs*** increase connections between the Institution and targeted audiences: African Americans, Asian Americans, Latinos, Native Americans, and new Americans, and provide kindergarten through college age music education and outreach opportunities. Mr. Chairman, I failed to say that when we were putting this together, once the African American museum was established, the museum personnel leadership, Dr. Lonnie Bunch, went on the road across America collecting artifacts from African Americans and historic families to put in this museum, real items of slave history and the history from through the ***years***, through the centuries, and it made the museum a living example of the history of our time here in the United States. That has been done by the Smithsonian in many different groups. And so I would offer this article that says: ``New National Data Reveals the Economic Impact of Museums Is More Than Double Previous Estimates.'' The American Alliance of Museums released two groundbreaking reports revealing indisputable evidence that museums contribute more to the United States economy than previously thought and have widespread support. Mr. Chair, I ask my colleagues to support this amendment. I would like to include in the Record this American Alliance of Museums report dated February 13, 2018. [From the American Alliance of Museums, Feb. 13, 2018] New National Data Reveals the Economic Impact of Museums Is More Than Double Previous Estimates (By Laura Lott) Arlington, VA.--The American Alliance of Museums (AAM), the only organization representing the entire scope of the museum community, today released two groundbreaking reports revealing indisputable evidence that museums contribute more to the United States economy than previously thought and have widespread public support that transcends political affiliations and geographic locations. Armed with the two new reports and a wealth of data, on February 27 hundreds of museum professionals will visit with members of Congress and their staff to ask them to support funding for vital federal agencies and tax incentives for charitable donations. The Fiscal ***Year*** 2019 budget proposal announced by President Trump yesterday calls for the elimination of multiple agencies that support the arts and humanities. ``Never before in the 112-***year*** history of the Alliance have we possessed such comprehensive and statistically robust studies to support what we've always known,'' said Alliance President and CEO Laura Lott. ``Our legislators, policymakers, funders, and trustees can be confident in the fact that museums are important economic engines that support jobs and bring revenue to their local communities. In addition, our studies show that the American public is overwhelmingly supportive of museums in general, and specifically supports maintaining or increasing their federal funding.'' Two Reports Reinforce the Value of Museums The first study, Museums as Economic Engines, reveals that museums support 726,000 jobs in the United States, and directly employ 372,100 people, more than double that of the professional sports industry, according to the Bureau of Labor Statistics. The study, conducted by Oxford Economics with the support of the Andrew W. Mellon Foundation, shows that for every $100 of economic activity created by museums, an additional $220 is created in other sectors of the US economy as a result of supply chain and employee expenditure impacts. These impacts mean that museums contribute approximately $50 billion to the US economy each ***year***, a number that's more than twice previous estimates. The report is also the first to show that US museums generate more than $12 billion per ***year*** in tax revenue to federal, state, and local governments. The museum field's largest economic impact is on the leisure and hospitality industry (approximately $17 billion), but it also generates approximately $12 billion in the financial activities sector and approximately $3 billion each in the education/health services and manufacturing sectors. Museums provide important economic impacts to every part of the nation. The top 10 states driving this impact are geographically diverse and account for 57 percent of the gross value added to the national economy. States with the highest economic impact from the museum sector included California ($6.6 billion), New York ($5.4 billion), and Texas ($3.9 billion). However, those that rely most heavily on museums due to their relatively higher concentration include the District of Columbia, Hawaii, Wyoming, and Alaska. The second report, Museums & Public Opinion, examines the opinions of Americans concerning museums, their educational and economic value, as well as their thoughts about federal funding and support for museums in their community. Conducted jointly by AAM and Wilkening Consulting, the study was fielded by the market research experts at Ipsos and polled more than 2,000 Americans. The survey results overwhelmingly demonstrate the high degree to which Americans believe in and support their museums, regardless of political affiliation, geographic location, and whether they visit museums or not: 97 percent believe that museums provide valuable educational experiences to their communities 89 percent recognize the important economic contributions and jobs that museums bring 96 percent would approve of elected officials who act to support museums including acting to maintain or increase federal funding. ``The data speaks clearly: whether urban or rural, conservative or liberal, or a museum-goer or not, Americans treasure the museums in their communities and want elected officials to support them,'' Lott said. [[Page H6528]] Findings from the two reports will be discussed by leaders from the Alliance and its research partners February 26 at Museums Advocacy Day in Washington, DC and May 7 at the Alliance's Annual Meeting & Museum Expo in Phoenix. Congressional Honorees During Museums Advocacy Day, the Alliance will present awards to legislators who have demonstrated exemplary support for the nation's museums: Senator Lisa Murkowski (R-AK) used her position on the Senate Appropriations Committee to advocate for funding for key federal agencies. She is also an original cosponsor of legislation that would reauthorize the Institute of Museum and Library Services. Representative Suzanne Bonamici (D-OR) is a co-founder of the Congressional STEAM Caucus, and a leader in seeking funding that will help school districts provide a well- rounded education. Ms. JACKSON LEE. Mr. Chair, I ask my colleagues to support the Jackson Lee amendment, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentlewoman from Texas (Ms. Jackson Lee). The amendment was agreed to. Amendment No. 69 Offered by Mr. Jody B. Hice of Georgia The Acting CHAIR. It is now in order to consider amendment No. 69 printed in House Report 115-830. Mr. JODY B. HICE of Georgia. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used for the Environmental Justice Small Grants ***Program*** of the Environmental Protection Agency. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Georgia (Mr. Jody B. Hice) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Georgia. Mr. JODY B. HICE of Georgia. Mr. Chairman, the Office of Environmental Justice, also known as the OEJ, was established within the Environmental Protection Agency, the EPA, in 1992, in order to assess environmental concerns with the potential of affecting disadvantaged communities. To bring about this goal, the OEJ set in motion the Environmental Justice Small Grants ***Program*** in 1994. While this grants ***program*** initially sought to overcome environmental issues that could hurt underprivileged communities, it has, unfortunately, devolved into a platform for political activism, in addition to offering services typically powered by State and local governments. Furthermore, in recent ***years***, the Environmental Justice Small Grants ***Program*** has been used for purposes entirely unrelated to the office's stated mission. Examples would be: funding educational ***programs*** on urban gardening, creating healthy environments for nail salons, or the so-called negative consequences of automobile dependency. While some of these projects may be commendable, the bulk are not within the scope of the constitutional responsibilities delegated to the Federal Government. Our country currently shoulders $21 trillion in debt and we should not be subsidizing what would otherwise be State initiatives and local projects. It is for these reasons that I have introduced my amendment to discontinue funding for the OEJ Small Grants ***Program***. This will allow the EPA to refocus millions of taxpayer funds toward the Agency's core mission over the next decade, and I would ask my colleagues to support this amendment. I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, I rise in strong opposition to this amendment. The Acting CHAIR (Mr. Kustoff of Tennessee). The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chair, I want my colleagues to listen closely to what this amendment does. It prohibits funds to support the EPA's Environmental Justice Small Grants ***Program***, which, since its inception in 1994, has awarded funding to local and Tribal organizations working with communities facing environmental justice issues. These grants support and empower low-income communities to understand and address exposure to environmental harms and risks. If there is a problem, if there is a grant that hasn't been done properly, then it is Congress' responsibility to do oversight. So, in my opinion, there should be no Member of this body that supports cutting these critical funds. If there are problems, we should be requesting oversight. This is a case of David versus Goliath. With this amendment, small communities would be left defenseless when confronted with corporations that come in and sometimes cause illness due to their underlying pursuit of profit over human health. Examples of these ***programs*** supported by these grants are: a ***program*** to promote Baltimore residents' awareness of lead health risks and lead abatement services. It is important to provide education: Working with the residents in Puerto Rico to clean up coastal areas and reduce solid waste and aquatic debris. I was just recently in Puerto Rico watching the EPA work and clean up the debris, the unimaginable debris of the hurricanes that went through last ***year***. Working in Lawrence, Massachusetts, in one of the poorest and most populated cities in New England to educate families about lead contamination in soil, and, yes, sometimes that means knowing what is in the garden, what is in the yard, what is in the playground, as children touch soil contaminated by lead and then touch their faces and their mouths. The negative effect of growing vegetables in lead- contaminated soil can be life changing for children. Mr. Chair, I strongly oppose this amendment, and I reserve the balance of my time. Mr. JODY B. HICE of Georgia. Mr. Chairman, I would, again, just reiterate the fact that this grant ***program*** is not doing the job that it was designed to do. It is not even doing things that are related to the stated mission. It is a waste of taxpayer dollars, and for that, it is not something that we should continue funding. It has lost its purpose. It has lost its mission, and it just simply is not necessary to continue funding. When we talk about the issues happening in Puerto Rico or other parts of the world, we have FEMA and we have other avenues to deal with serious problems like what happened in Puerto Rico and other places in our country, and those means are working effectively. But to simply waste funds on a grant ***program*** that directly is involved in activities unrelated to their own mission statement, is not something that we should be involved in. As a result, this amendment has been endorsed by a number of organizations, such as: the Competitive Enterprise Institute, Heritage Action, Citizens Against Government Waste, Club for Growth, FreedomWorks, Free Market America, and a host of organizations who are concerned about the direction our country is going financially and are supportive of stopping the waste here. So I ask my colleagues to support this amendment, and I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, I would gently remind the gentleman from Georgia that Puerto Rico is a territory of the United States. It is not a foreign entity. I would like to yield 1\1/2\ minutes to the gentleman from California (Mr. Calvert), my dear friend and chairman of the committee. Mr. CALVERT. Mr. Chairman, I thank the gentlewoman, and I must rise in reluctant opposition. I wish I could have worked with the gentleman on this amendment, but this amendment reaches a little too far and is inconsistent even with the Trump administration's position. This ***year*** the President requested $2 million for the Environmental Justice Small Grants ***Program*** which would provide financial assistance to low income, minority, and Tribal populations, which we deal with quite often. This amendment would prohibit EPA's ability to issue grants altogether, which means all of the Office of Environmental Justice funds would be allocated to the payroll and personnel and could result in the hiring of more EPA staff, and I am sure that is not your intention. And so there would be [[Page H6529]] no savings according to the CBO. Zero. No savings at all in this amendment. I don't believe that is your intent. Because the amendment would have unintended consequences, I must oppose the amendment. Mr. JODY B. HICE of Georgia. Mr. Chairman, I appreciate these comments. What we are dealing with would simply do away with funding of the small grants part of this ***program*** where those funds are not being used according to the mission. Mr. Chair, I continue to ask for support from my colleagues, keeping in mind the multiple organizations that are supportive of this amendment. I ask my colleagues to support this, and I yield back the balance of my time. Ms. McCOLLUM. Mr. Chairman, may I inquire how much time I have remaining? The Acting CHAIR. The gentlewoman from Minnesota has 2 minutes remaining. Ms. McCOLLUM. Mr. Chair, I yield 1 minute to the gentlewoman from Texas (Ms. Jackson Lee). Ms. JACKSON LEE. Mr. Chair, I thank the gentlewoman very much and I am glad that she emphasized the work that the Environmental Justice grants have done in Puerto Rico, and the fact that they are citizens of the United States. But I have seen what the Environmental Justice grants have done because they are small. As Mr. Calvert indicated, the administration recommended $2 million. These grants are small, and they help communities clean up. They help communities deal with violators of environmental rules, both in the State and Federal, mostly State, and gives them the ability to clean and deal with neighborhood issues. That is how small these grants are. It also has provided assistance to Environmental Justice clinics that can work with community organizations on how to petition for something that is both an eyesore and environmental damage, to rid it of it, or to get the entity, the corporation, the small business, whatever it is, to clean it up. It makes it better for all concerned. Mr. Chair, I would just ask and recognize that this is part of civic participation, and these grants should be allowed. Ms. McCOLLUM. Mr. Chairman, in closing, I just have to ask the question. Tragedies like the water crisis in Flint, Michigan, demonstrate the issues surrounding environmental justice to continue to persist in our country. So the question is: When did it become partisan to ensure children drink clean water? This amendment ignores the need to identify and address disproportionately high adverse human health and environmental effects on minority and low-income populations. I urge, I implore the gentleman from Georgia, Mr. Chair, if he suspects that there is waste in this ***program***, let's do the oversight together. Mr. Chair, I urge my colleagues to oppose this amendment, and to stand with communities and the disenfranchised over corporations. I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Georgia (Mr. Jody B. Hice). The question was taken; and the Acting Chair announced that the noes appeared to have it. Mr. JODY B. HICE of Georgia. Mr. Chair, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Georgia will be postponed. {time} 1945 Amendment No. 70 Offered by Mr. Smith of Missouri The Acting CHAIR. It is now in order to consider amendment No. 70 printed in House Report 115-830. Mr. SMITH of Missouri. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division A (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used to pay attorney's fees pursuant to a settlement in any case, in which the Federal Government is a party, that arises under-- (1) the Clean Air Act (42 U.S.C 7401 et seq.); (2) the Federal Water Pollution Control Act (33 U.S.C 1251 et seq.); or (3) the Endangered Species Act of 1973 (16 U.S.C 1531 et seq.). The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Missouri (Mr. Smith) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Missouri. Mr. SMITH of Missouri. Mr. Chairman, I rise today in support of my amendment, which seeks to crack down on the practice commonly known as sue and settle. When Federal agencies settle lawsuits with outside advocacy groups behind closed doors, the outcome is pretty much what you would expect: costly new regulatory burdens with taxpayers picking up the tab. That is exactly how sue and settle works. Federal agencies accept lawsuits from outside advocacy organizations and, rather than defend themselves, proceed to settle that lawsuit in a closed-door agreement, resulting in new and more costly regulations. It is bad enough that the taxpayer ultimately pays for these regulations, but under current law, it is the taxpayer footing the bill for attorneys' fees for these outside organizations. That is absurd. My amendment prevents American taxpayer dollars from being used to pay the legal fees of outside advocacy groups for settlements under the Clean Air Act, the Clean Water Act, and the Endangered Species Act. Organizations can still sue whomever they want, but they cannot do it on the backs of taxpayers. Fortunately, we are making progress to end this practice. In the House, we have passed this amendment several times before, and the Trump administration has taken notice of our efforts. The Trump administration sees this practice for what it is: an abuse of our regulator process that must be reined in. The EPA announced last fall that it will no longer pay attorneys' fees as part of the settlement process and will ensure stakeholders have input and a more transparent settlement process. This amendment will help bolster the administration's efforts to stop this abusive practice. The Trump administration realizes that nowhere is the cost of these settlements more painful than in the environmental regulatory context. The result of these lawsuits is hundreds of new regulations and tens of millions--even billions--of dollars in compliance costs. If that isn't bad enough, as part of the agreements, agencies are often required to reprioritize their agendas, allocating limited resources to the priorities of these interest groups rather than priorities designated by Congress or ones that have received public and stakeholder input. The American people are tired of our unaccountable Federal Government, and we have the opportunity to do something about it. This is a necessary step to rein in overregulation and bring transparency back to the regulatory process. Mr. Chairman, I reserve the balance of my time. Ms. McCOLLUM. Mr. Chairman, I claim the time in opposition to this amendment. The Acting CHAIR. The gentlewoman from Minnesota is recognized for 5 minutes. Ms. McCOLLUM. Mr. Chairman, I am a little confused, because it would be only when the Trump administration would decide to be a party of a lawsuit that this judgment would ever be used. So I would assume that you would trust the Trump administration to be overly judicious before involving itself with any suit, would you not? I yield to the gentleman from Missouri. Mr. SMITH of Missouri. I support the Trump administration, but I also support our duty under the Constitution to make sure we tell the executive what to do. Ms. McCOLLUM. Reclaiming my time, Mr. Chairman, that is why I am confused, because this would be the Trump administration. The gentleman said, if I heard him correctly, Mr. Chair, that he would expect the Trump administration to be very judicious in using this. [[Page H6530]] So I find this amendment is extraneous. It puts the same parameters on attorneys' fees under the ESA, the Clean Air Act, and the Federal Water Pollution Control Act that are already in place for attorneys' fees under the Equal Access to Justice Act. The Equal Access to Justice Act already caps the hourly rate of attorneys' fees, unless the court determines an increase in the cost of living or special factors such as limited availability of qualified attorneys for the proceedings justifies a higher fee. And it requires the party to be a prevailing party. Mr. Chairman, we don't need to add an extraneous, redundant provision to a bill that is already overburdened with harmful legislative riders, especially when I trust that the Trump administration would be very limited and very judicious in ever using this. Mr. Chairman, I urge my colleagues to oppose the amendment. I reserve the balance of my time and my right to close. Mr. SMITH of Missouri. Mr. Chairman, I yield such time as he may consume to the gentleman from Montana (Mr. Gianforte). Mr. GIANFORTE. Mr. Chairman, I rise in support of this amendment. This amendment would block funds used by the agencies to pay legal fees under any lawsuit settlement that arises under the Clean Air Act, the Clean Water Act, and the Endangered Species Act. While the intent of these pieces of legislation was good, serial litigants and special interest groups have turned these laws into tools used to block access to our forests and our mineral resources. In Montana, we have a litigation problem, as many of our forest management projects are locked up by environmental extremists filing frivolous lawsuits. Agencies spend more time behind a desk and more resources defending their actions than they do working on our lands. These lawyers continue to get richer as Montana's landscape goes up in smoke and taxpayer funds are wasted. This same amendment passed the House last September, and I urge my colleagues to support this amendment again. Ms. McCOLLUM. Mr. Chairman, I reserve the right to close. Mr. SMITH of Missouri. Mr. Chairman, I yield such time as he may consume to the gentleman from California (Mr. Calvert), who is the subcommittee chairman. Mr. CALVERT. Mr. Chairman, I rise in support of the gentleman's amendment. Suing the government and settling has become a lucrative business that is supported by taxpayer dollars. The Endangered Species Act, for example, has become wrapped around the axle of the judicial system by excessive litigation. We are essentially paying people to sue the Federal Government. This needs to stop. Mr. Chairman, I urge an ``aye'' vote on the amendment. Mr. SMITH of Missouri. Mr. Chairman, the sue-and-settle practice cuts stakeholders and the public out of the regulatory process. It undermines the Article I authority we hold here in Congress. By restricting the ***payment*** of legal fees, we take away the incentive for these environmental advocacy groups to sue the Federal Government, and we protect public input in the rulemaking process. Mr. Chairman, I urge a ``yes'' vote on my amendment, and I yield back the balance of my time. Ms. McCOLLUM. Mr. Chairman, I yield myself such time as I may consume. This amendment is unnecessary and duplicative. The Equal Access to Justice Act already provides a framework for legal fees related to cases in which the Federal Government is a party. I find myself standing here as a Democrat, a person who has been resisting almost everything that President Trump has been trying to do in the environmental arena and other arenas that affect healthcare and so much more, but I find myself defending the Trump administration's right in which they are a party to participate in the Equal Access to Justice Act, just as I did for President Obama's administration. Mr. Chairman, I urge my colleagues to stop, take a minute, think about what this amendment is really doing, and agree with me that we should oppose this amendment. We should not stop the Federal Government when it is involved in cases and is a party from participating in the Equal Access to Justice Act. Mr. Chairman, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Missouri (Mr. Smith). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Ms. McCOLLUM. Mr. Chairman, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Missouri will be postponed. Amendment No. 71 Offered by Mr. Larson of Connecticut The Acting CHAIR. It is now in order to consider amendment No. 71 printed in House Report 115-830. Mr. LARSON of Connecticut. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 148, line 3, after the dollar amount, insert ``(reduced by $100,000) (increased by $100,000)''. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Connecticut (Mr. Larson) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Connecticut. Mr. LARSON of Connecticut. Mr. Chairman, I yield myself such time as I may consume. Mr. Chairman, I rise to offer an amendment to require a Federal study on the financial impact of the disaster known as crumbling foundations that is plaguing parts of the Northeast, including my home State of Connecticut, Massachusetts, and with further study, we believe, it impacts much of the northeastern region of our country. This amendment simply asks for the Treasury to lead a joint study with our Federal regulators to assess the financial impact of this disaster and provide recommendations to help mitigate Federal and local losses, and help these suffering homeowners who, through no fault of their own, have experienced a catastrophic disaster. There is no one who has worked harder on this in our State of Connecticut than Joe Courtney. Joe has been a leader in this, organizing people in both the State and local arenas, as well as our two United States Senators Blumenthal and Murphy. Joe has led the way, and I have had the fortune, along with State Senator Tim Larson, to travel to South Windsor, East Windsor, and Manchester, Connecticut, and witness the devastation and the heartache that these homeowners go through. I know, looking out and seeing Mr. Young, he will remember what happened in the South with the famous, or infamous, China drywall. It is similar to that experience, where homeowners and individuals, through no fault of their own, experienced catastrophic loss. We have been working tirelessly on this effort and feel that this study, in fact, will reveal the impact that it will have on homeowners, many of whose loans and homes have been backed by GSEs Fannie Mae and Freddie Mac, and even as we project out into the future, having Federal bases there where this concrete may have been used that has impacted the people there in a dramatic fashion. As I indicated, nobody knows more about this issue and has studied it more thoroughly than Congressman Joe Courtney from the Second Congressional District. Mr. Chairman, I yield such time as he may consume to the gentleman from Connecticut (Mr. Courtney) to explain further the issue of crumbling foundations. Mr. COURTNEY. Mr. Chairman, I thank Mr. Larson for yielding and, again, for offering this amendment, which has been part of a number of initiatives that we have worked on jointly together to deal with this issue. Again, for the record, just to clarify what is going on here, a concrete quarry up in north central Connecticut, [[Page H6531]] which had been mining aggregate for foundations in homes, it turned out there was a material called pyrrhotite, which is an iron sulfide material that, over time, when it is exposed to moisture, rusts and cracks in a sickening fashion and results in the total collapse of home foundations. The estimate is as high as 19,000 homes have had foundations using material from this quarry. As the gentleman pointed out, this has also occurred in western Massachusetts. It goes as far north, actually, as Three Rivers, Quebec, because it is a strain of pyrrhotite that runs from Canada down through New England. This picture shows vividly the damage caused to a home in Coventry, Connecticut, where the repairs require you to lift the house, clean out the old foundation, pour a new foundation, and, again, lower the house back. It costs roughly about $200,000. We were able to secure a tax ruling from the Treasury Department that allows individuals like this homeowner in the picture to basically deduct those losses, which, again, is some relief. Frankly, there is more that we need to bring to the table. The gentleman's amendment would allow the Federal regulators that set up the rules for lending banks and institutions to get some flexibility for loan-to-value ratio rules that occur when there are natural disasters. {time} 2000 Again, in Federal natural disasters in places like Florida and Texas, there is some flexibility to allow homeowners to get a loan perhaps above the loan-to-value ratios so they can, again, basically conduct repairs to make their houses habitable again. This amendment will set up that process. Secretary Mnuchin, as the gentleman and I know we have met with personally, would be the Department that would organize this task force that the amendment contemplates. Again, it is something which the banking industry in Connecticut and Massachusetts has expressed a strong interest in basically allowing some relief for homeowners who, again, have poured their heart and soul into their homes to be able to recover their losses. I thank the gentleman for offering this amendment. We had a similar amendment last night that was adopted by Mr. Calvert. Again, I want to thank the majority for their understanding on this issue. Mr. LARSON of Connecticut. Mr. Chair, I would also like to thank Secretary Mnuchin again for his outstanding work, his understanding and empathy, and the prompt manner in which they have taken up what, as you can imagine for these homeowners, is just catastrophic in nature. We want to commend him and also the Tax Advocate as well for their testimony before the Ways and Means Committee on this very important issue. Mr. Chair, I yield back the balance of my time The Acting CHAIR. The question is on the amendment offered by the gentleman from Connecticut (Mr. Larson). The amendment was agreed to. Amendment No. 72 Offered by Mr. Young of Alaska The Acting CHAIR. It is now in order to consider amendment No. 72 printed in House Report 115-830. Mr. YOUNG of Alaska. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 156, line 2, after the dollar amount, insert ``(increased by $2,000,000)''. Page 157, line 13, after the dollar amount, insert ``(increased by $2,000,000)''. Page 221, line 13, after the dollar amount, insert ``(reduced by $2,000,000)''. Page 224, line 19, after the dollar amount, insert ``(reduced by $2,000,000)''. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Alaska (Mr. Young) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Alaska. Mr. YOUNG of Alaska. Mr. Chairman, I rise in support of my amendment No. 72 to provide additional funding for the Native American CDFI Assistance ***Program***. This ***program*** supports critical economic development in Native communities, which face significant barriers to accessing basic financial services and capital. For example, almost all Alaska Native villages in my State do not have banks and are not connected to the road system. The Native ***program*** provides financial assistance and technical assistance awards on a competitive basis to Native CDFIs, allowing them to effectively build wealth and further economic self-determines in Native communities. These mission-driven Native organizations are working to finance businesses, create jobs, expand and improve affordable housing options, and much more. The Native ***program*** accounts for a small portion of the fund's overall budget but has a significant positive impact, which includes empowering Alaska Natives to improve their economic well-being in my home State. Without my amendment, a cut to the Native ***program*** in FY 2019 would be especially devastating to our Nation's impoverished and underserved Native communities. I urge my colleagues to support this noncontroversial bipartisan amendment to restore funding for the Native ***program***. My amendment, when considered with Representative Steven Palazzo's CDFI amendment, would restore the ***program*** to the current enacted level of $16 million so the Native organizations may continue growing small businesses, create jobs, and promote vital economic development in Native communities. I would like to thank the Native CDFI Network and the amendment's cosponsors, Representative Gwen Moore, Colleen Hanabusa, and Tulsi Gabbard. Mr. Chairman, I yield to the gentlewoman from Hawaii (Ms. Gabbard). Ms. GABBARD. Mr. Chair, I thank my colleague for introducing this amendment of which I am a proud cosponsor. This amendment provides additional funding for the Native American CDFI Assistance ***Program***, also known as NACA, which supports critical economic development in Native communities like mine in Hawaii, those in Alaska, and communities all across the country which already face significant barriers to accessing financial mainstream services and capital. NACA accounts for a small portion of the CDFIs, but it provides significant support to Native CDFIs, including Native Hawaii organizations in my home State of Hawaii. Of the $22.7 million in CDFI awards made to Hawaii since the fund was launched, 41 percent of total dollars awarded came from this NACA ***Program***. It has funded organizations like the Council for Native Hawaiian Advancement, which supports Native Hawaiian communities with homeownership counseling and mortgage loans, small business access to capital, and loans to farmers and ranchers. While the NACA ***Program*** is unable to meet the demand by qualified Native CDFIs at its current funding level, a cut to NACA in FY 2019 would be especially devastating to our Nation's impoverished and underserved Native communities. I urge my colleagues to join my colleague from Hawaii, Representative Colleen Hanabusa, and me to support this noncontroversial, bipartisan amendment to restore funding to NACA. The amendment, when considered with Representative Palazzo's CDFI amendment, would restore NACA to the current enacted level of $16 million so that Native CDFIs may continue growing small businesses, creating jobs, and promoting vital economic opportunity and development in Native communities. Mr. YOUNG of Alaska. Mr. Chairman, I thank the gentlewoman for her comments. This is a good amendment to this bill, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Alaska (Mr. Young). The amendment was agreed to. Amendment No. 73 Offered by Ms. Michelle Lujan Grisham of New Mexico The Acting CHAIR. It is now in order to consider amendment No. 73 printed in House Report 115-830. Ms. MICHELLE LUJAN GRISHAM of New Mexico. Mr. Chairman, I have an amendment at the desk. [[Page H6532]] The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 156, line 2, after the dollar amount, insert ``(increased by $5,000,000)''. Page 221, line 13, after the dollar amount, insert ``(reduced by $5,000,000)''. Page 224, line 19, after the dollar amount, insert ``(reduced by $5,000,000)''. The Acting CHAIR. Pursuant to House Resolution 996, the gentlewoman from New Mexico (Ms. Michelle Lujan Grisham) and a Member opposed each will control 5 minutes. The Chair recognizes the gentlewoman from New Mexico. Ms. MICHELLE LUJAN GRISHAM of New Mexico. Mr. Chair, my amendment increases funding for community development financial institutions, CDFIs. CDFIs are critical to New Mexican communities because they provide financial products like loans, investments, and tax credits to underserved communities, including poor, rural, and Tribal areas. This helps New Mexican entrepreneurs obtain capital to start and grow small businesses. It enables pueblos to build housing, and it provides access to economic development opportunities for rural communities throughout my State. There are currently 19 CDFIs in New Mexico, which have received $48 million in Federal grants since 1996. In total, CDFIs have provided 14,700 loans worth more than $830 million for New Mexico communities, organizations, and individuals. On average, every dollar in CDFI funding can be leveraged for 12 times that amount. It should come as no surprise just how critical this funding is for the economic development of my State, which is still struggling to recover from the recession. For example, when no other lenders would give them a loan, the Clinica la Esperanza in the South Valley received a $31,000 loan from the Accion CDFI to provide much-needed primary care to residents in the South Valley. A few ***years*** later, the clinic received an additional $76,000 from Accion to move to a larger location in order to serve a larger client base of 3,800 patients. Another example of CDFI lending is Tiwa Lending Services, which provides loans and financial education to the Pueblo of Isleta and other surrounding Native American communities. And just last month, Clearinghouse CDFI received a $3.2 million grant to build affordable housing in several States, including New Mexico. Mr. Chairman, the evidence is clear. CDFIs have proven to be successful drivers of economic growth and development in underserved areas. They create jobs, provide American opportunity, and stimulate growth. I urge my colleagues to support my amendment to increase funding for CDFIs to help spur economic development in communities throughout the country. Mr. Chair, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentlewoman from New Mexico (Ms. Michelle Lujan Grisham). The amendment was agreed to. Amendment No. 74 Offered by Mr. Palazzo The Acting CHAIR. It is now in order to consider amendment No. 74 printed in House Report 115-830. Mr. PALAZZO. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 156, line 4, after the dollar amount, insert ``(increased by $17,000,000)''. Page 157, line 13, after the dollar amount, insert ``(increased by $1,000,000)''. Page 158, line 1, after the dollar amount, insert ``(increased by $4,000,000)''. Page 158, line 4, after the dollar amount, insert ``(increased by $3,000,000)''. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Mississippi (Mr. Palazzo) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Mississippi. Mr. PALAZZO. Mr. Chairman, this amendment is very simple. During committee markup of this bill, we were successful in adding a restoration of $25 million to the CDFI fund. Because of the way the amendment was drafted in committee, this secondary amendment is necessary to designate the individual funds within the CDFI account. The CDFI banks that this amendment seeks to assist provide essential financial products to underserved populations, often the poorest of the poor. Additionally, financial literacy education provided by CDFI banks is an invaluable service to our most at-risk and disadvantaged communities across the Nation. Again, this amendment is purely clerical in nature and ensures that the $25 million added at committee markup is equitably distributed between the separate CDFI funds so it can do the most good for our most needy. Mr. Chair, I ask the House to pass this amendment to ensure these reach their intended recipients, and I reserve the balance of my time. Mr. QUIGLEY. Mr. Chair, I claim the time in opposition, although I do not oppose the amendment. The Acting CHAIR. Without objection, the gentleman from Illinois is recognized for 5 minutes. There was no objection. Mr. QUIGLEY. Mr. Chairman, I rise in support of this amendment. I was disappointed that this bill originally cut CDFI by $59 million and was very supportive of the full committee amendment that Mr. Palazzo offered to add $25 million to the ***program***, which passed with bipartisan support. This amendment simply allocates that increase among the various worthy ***programs*** in CDFI. I am particularly pleased to note that the Bank Enterprise Award ***Program*** and Healthy Food Financing Initiative received some of the funding, although I would like to point out that this increase alone does not bring any of the individual ***programs*** to their enacted levels and still leaves CDFI $34 million, or 14 percent, below the current level. I urge support of the amendment and hope that we will be able to work towards getting the CDFI the additional increases it needs in conference. Mr. Chair, I yield back the balance of my time. Mr. PALAZZO. Mr. Chairman, I thank the gentleman for his remarks. Seeing no other speakers, I would like to thank the chairman and ranking member for their support in committee for restoring the funds. Mr. Chairman, I urge an ``aye'' vote on my amendment, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Mississippi (Mr. Palazzo). The amendment was agreed to. Amendment No. 75 Offered by Mr. Soto The Acting CHAIR. It is now in order to consider amendment No. 75 printed in House Report 115-830. Mr. SOTO. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 160, line 3, insert ``(increased by $1,000,000)'' before ``shall''. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Florida (Mr. Soto) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Florida. Mr. SOTO. Mr. Chair, my amendment would increase funding for the Tax Counseling for the Elderly ***Program*** by $1 million. For this amendment, we are not taking the $1 million from any other account. Rather, there is a $2.4 billion account for taxpayer services, and this simply adds to the carveout from that total for Tax Counseling for the Elderly. {time} 2015 This amendment is identical to an amendment I offered last ***year*** that passed this body by a voice vote, and I urge my colleagues to support this amendment again this ***year***. The Tax Counseling for the Elderly ***program*** offers free tax help for individuals who are aged 60 or older. Cooperative grant agreements are entered into between the IRS and eligible organizations to provide tax assistance to elderly taxpayers. These funds provided by the IRS are used by organizations to reimburse volunteers for their out-of-pocket expenses, including transportation, meals, and other expenses incurred by them in providing tax counseling assistance at locations convenient to the taxpayer. [[Page H6533]] This amendment will restore funding to this ***program*** at the level that passed both the House last ***year*** and the Congress in the Consolidated Appropriations Act of 2018. Mr. Chair, I urge my colleagues to support this amendment; I thank the chairman for his support; and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Florida (Mr. Soto). The amendment was agreed to. Amendment No. 76 Offered by Mr. Soto The Acting CHAIR. It is now in order to consider amendment No. 76 printed in House Report 115-830. Mr. SOTO. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 160, line 13, after the dollar amount, insert ``(increased by $500,000)''. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Florida (Mr. Soto) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Florida. Mr. SOTO. Mr. Chair, my amendment would increase funding for the IRS's identity theft and refund fraud casework by $500,000. For this amendment, we are not taking the $500,000 from any account. Rather, there is a $2.4 billion account for Taxpayer Services, and this simply adds to the carveout from that total for the Taxpayer Advocate Services identity theft and refund fraud casework. This amendment will restore funding to this ***program*** at the level that passed the Congress in the Consolidated Appropriations Act of 2018. Last ***year***, there were 597,000 tax returns with confirmed identity theft, resulting in $6 billion in taxpayer refunds being affected. Identity theft can be frustrating and confusing to victims. While identity thieves steal information from sources outside the tax system, the IRS is often the first to inform a victim that their identity has been stolen. The IRS is working hard to resolve identity theft cases as quickly as possible and has made considerable progress at closing backlogs; however, more work remains. Fighting identity theft is an ongoing battle, as identity thieves continue to create new ways of stealing personal information and using it for their gain. Identity theft cases are among the most complex handled by the IRS. The IRS is continually reviewing processes and policies to minimize instances of identity theft and to help those who find themselves victimized. We, as a Congress, should be giving the IRS the resources necessary to close backlogs and help our constituents as expeditiously as possible. Mr. Chair, I urge my colleagues to support this amendment; I thank the chairman for his support; and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Florida (Mr. Soto). The amendment was agreed to. Amendment No. 77 Offered by Mr. Carbajal The Acting CHAIR. It is now in order to consider amendment No. 77 printed in House Report 115-830. Mr. CARBAJAL. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Strike section 125 of title I of division B. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from California (Mr. Carbajal) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from California. Mr. CARBAJAL. Mr. Chairman, this week President Trump's Treasury Secretary, Steven Mnuchin, decided that the agency will no longer collect information on donations to political nonprofits. This administration will no longer require 501(c)(4) organizations to disclose their donors, including groups like the National Rifle Association, the NRA, that operates as a nonprofit, but also spends millions of dollars each ***year*** on lobbying and advertising to influence our elections. This announcement comes the same week that the Department of Justice arrested and charged a known Russian foreign agent who had infiltrated the NRA, an organization that has received thousands of dollars from Russian nationals since 2015. The Treasury Secretary's decision this week only thickens the swamp by unleashing a new opportunity for dark money and money from foreign powers to continue to flood our upcoming midterm elections. I believe that we need more transparency in our elections, not less. While super PACs are currently required to disclose donors, now 501(c)(4)s are not. If you were a donor looking to influence elections and wanted to hide your identity, the underlying bill is currently making 501(c)(4) organizations an even more attractive way to conceal contributions. There is a provision in today's appropriations package that prohibits the IRS--prohibits the IRS--from issuing guidance on whether an organization is operating exclusively for the promotion of social welfare purposes, as written in the IRS code for 501(c)(4) nonprofits, to ensure that no one is abusing our Tax Code to influence our elections. My amendment simply strikes out that provision so that the IRS may issue guidance differentiating which groups are truly social welfare organizations with a charitable mission from political organizations abusing our nonprofit tax laws to hide their political donors from the public. More and more, our elections are being driven by organizations that are receiving hundreds of millions of dollars in unreported, secret donations. Dark money is strangling our democracy and silencing the will of the American people. In the 2012 presidential election, dark-money groups such as these spent over a quarter of a billion dollars on partisan political advertising and other campaign activities. In 2014, we saw the greatest wave of secret, special-interest money ever raised in a congressional election. Moreover, in 2016, dark-money groups spent nearly 10 times what they did the previous cycle, totaling over $1.1 billion, and that pattern of undisclosed political spending continues to grow this ***year***. These political nonprofit organizations are receiving tax-exempt treatment and are being allowed to corrupt Federal tax law meant to help social welfare organizations like volunteer firefighters, rotary clubs, and other community service groups. Our current election laws make it impossible to know where this money is coming from or if it is coming from foreign adversaries, like we saw recently with the NRA. This amendment is not partisan and will only continue to allow the IRS to identify nonprofits that are spending significant amounts of their money to influence our elections, regardless of their party affiliation. Mr. Chairman, at this pivotal moment in our democracy, I urge my colleagues who are serious about draining the swamp to take this small step towards increased transparency in our political process. Mr. Chair, I reserve the balance of my time. Mr. GRAVES of Georgia. Mr. Chairman, I rise in opposition to the amendment. The Acting CHAIR. The gentleman from Georgia is recognized for 5 minutes. Mr. GRAVES of Georgia. Mr. Chair, I thank the gentleman from California. We have carried this provision the past 3 ***years*** in this very same bill. In fact, it has been signed into law, not only by President Trump, but also by President Barack Obama. It has been bipartisan in nature. Retaining section 125 continues the current state of affairs as we know it today on this very, very sensitive issue. The IRS has limited resources at this time, but a lot of demands on them. Taking this section away and impacting this regulation that clearly everyone hates--we should have the IRS use their resources for the things that it should be intended for: resources to improve customer service, to implement tax reform law that we recently passed, reducing tax fraud, and moving ahead in this new tax season. Mr. Chairman, reluctantly, I have to rise in opposition and ask that we continue the current law as it stands today. Mr. Chair, I reserve the balance of my time. [[Page H6534]] Mr. CARBAJAL. Mr. Chair, I appreciate the feedback from my colleague. Mr. Chair, this will not detour or take away from the efficiency of the focus of work and spending of resources by the IRS. This only does a fundamental thing, and that is provide for more disclosure and transparency to ensure that the American public has sunshine on who is spending what resources through which organizations. This amendment merely provides that transparency. Mr. Chairman, I yield back the balance of my time. Mr. GRAVES of Georgia. Mr. Chairman, I'll close with this. I appreciate the gentleman's sentiments towards how the IRS should use their resources. Being a member of the Appropriations Committee and a member of this subcommittee my entire time on the full committee, I can assure you that the IRS is operating at a level that was not last seen since about 2011. Their resources are tremendously limited at this time, and we would prefer that they focus on customer service and implementing the Tax Cuts and Jobs Act that we recently passed. Mr. Chair, I'll continue to oppose the gentleman's amendment, ask the House to do the same, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from California (Mr. Carbajal). The amendment was rejected. Amendment No. 78 Offered by Mr. Kustoff of Tennessee The Acting CHAIR. It is now in order to consider amendment No. 78 printed in House Report 115-830. Mr. KUSTOFF of Tennessee. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 185, line 8, after the dollar amount insert ``(increase by $5,000,000)''. Page 221, line 13, after the dollar amount insert ``(reduced by $5,000,000)''. Page 224, line 19, after the dollar amount insert ``(reduced by $5,000,000)''. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Tennessee (Mr. Kustoff) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Tennessee. Mr. KUSTOFF of Tennessee. Mr. Chairman, I rise today in support of my amendment to increase funding for the High Intensity Drug Trafficking Areas ***program*** by $5 million. I have had numerous conversations with law enforcement throughout my district, and it is crystal clear that the opioid epidemic continues to be one of their primary concerns. Our drug task forces in the Eighth Congressional District desperately need these resources, as we have seen a spike in narcotics trafficking along Interstate 40 in Tennessee. Mr. Chairman, I know that many of my colleagues are having similar discussions in their district, so they understand just how serious this issue is becoming for the safety and the security of the American people. It is no secret that the spread of illegal drugs throughout west Tennessee and across the Nation leads to higher crime rates, which ultimately increases the financial strain on our local, State, and Federal law enforcement. We must do more to support law enforcement in this fight. This amendment will provide necessary funds for additional equipment and man-hours to conduct and carry out lengthy investigations to arrest these drug traffickers. The brave men and women in uniform are working tirelessly on the front lines to combat the opioid epidemic, and we can't afford to simply sit back and watch. We also must think of the resources needed to battle the drug addiction epidemic, such as the opioid crisis. The extra funding will take major steps to target these high-risk areas in a front-end approach to preventing the spread of the opioid crisis in our communities. We must be proactive now, because prevention is the best long-term solution. I am a former United States attorney, and I have seen firsthand how much these funds can make a huge difference in forward progress. I believe that funding the High Intensity Drug Trafficking Area ***program*** is a good first step to supporting our law enforcement and combating rampant opioid epidemics. Law enforcement at the local, State, and Federal level have expressed support for this amendment, and I urge my colleagues to do the same today. I also want to thank my colleagues, Mrs. Comstock and Mr. McKinley, for their hard work and support of this amendment. Mr. Chairman, I yield back the balance of my time. {time} 2030 The Acting CHAIR. The question is on the amendment offered by the gentleman from Tennessee (Mr. Kustoff). The amendment was agreed to. Amendment No. 79 Offered by Mrs. Murphy of Florida The Acting CHAIR. It is now in order to consider amendment No. 79 printed in House Report 115-830. Mrs. MURPHY of Florida. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 246, line 16, after the dollar amount, insert ``(reduced by $1,000,000) (increased by $1,000,000)''. The Acting CHAIR. Pursuant to House Resolution 996, the gentlewoman from Florida (Mrs. Murphy) and a Member opposed each will control 5 minutes. The Chair recognizes the gentlewoman from Florida. Mrs. MURPHY of Florida. Mr. Chairman, I yield myself such time as I may consume. I rise in support of this bipartisan amendment, which I am proud to colead with the Congressman from California (Mr. Knight), the Congressman from Pennsylvania (Mr. Fitzpatrick), and the Congressman from Nebraska (Mr. Bacon). This amendment would provide additional support for two important and successful initiatives overseen by the U.S Small Business Administration. First, it would increase funding for SBA Women's Business Centers by $600,000. This amendment builds on a successful floor amendment I offered to last ***year***'s bill, which boosted funding for WBCs by $1 million. If our amendment is adopted, the House would provide a total of $19 million for WBCs, a substantial funding level that I will work to retain when the House and the Senate meet to reconcile their respective bills. There are more than 100 Women's Business Centers located across the country, each operated by a local nonprofit organization that receives financial support from SBA and others. These WBCs provide business training, counseling, and mentoring geared to women, especially those who are socially and economically disadvantaged. Every WBC tailors its services to the specific needs of the community in which it is located, but all provide training in finance, management, and marketing. They also help clients utilize SBA's suite of capital, counseling, and contracting ***programs***. My central Florida district is home to many talented entrepreneurs, and, yet, it currently lacks a WBC. If this amendment is adopted, it will increase the number of WBCs that can be established nationwide and increase the chances that a WBC will be established in the Orlando area. This would help many of my constituents start or grow their small businesses and, in doing so, further strengthen our local economy. In addition, our amendment would increase funding for SBA's Veterans Outreach ***programs*** by $400,000, from $12.3 million to $12.7 million. Each ***year***, SBA uses these resources to serve more than 200,000 veterans and their families, including service-disabled veterans. SBA provides veterans with business training and mentorship, and helps them obtain loans, apply for Federal contracts, and cultivate connections with commercial supply chains. My support for these investments in our veterans is rooted in the belief that servicemembers have fought for our Nation, and, we, as a Nation, must fight for them, both while they are in the military and once they transition to civilian life. Our amendment does not increase the total amount of founding appropriated by Congress in the bill, and it enhances support for WBCs and veterans ***programs*** without reducing support for any other priorities. [[Page H6535]] I thank the Rules Committee for allowing the House to consider this bipartisan amendment. I respectfully ask my colleagues on both sides of the aisle to support it. Mr. Chairman, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentlewoman from Florida (Mrs. Murphy). The amendment was agreed to. Amendment No. 80 Offered by Mr. Polis The Acting CHAIR. It is now in order to consider amendment No. 80 printed in House Report 115-830. Mr. POLIS. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 248, line 17, after the dollar amount, insert ``(reduced by $1,000,000) (increased by $1,000,000)''. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Colorado (Mr. Polis) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Colorado. Mr. POLIS. Mr. Chairman, I rise in support of my amendment. Employee- owned businesses are uniquely structured where the employer and the shareholders and the executives benefit, as well as the workers. There are different forms of making sure that employees can participate in the success and capital growth of a company. Those include co-ops, cooperatives; ESOPs, which stands for employee stock ownership plans; stock options; profit sharing. There are a number of ways to do it. But some of the key findings are that, over time, employees at employee-owned businesses, whether they are partially or entirely owned by employees, have greater success. The companies do better and the workers do better: higher wages; more savings for retirement; more sustainability; and more profitability as an enterprise, because it improves retention rates and employee morale. I think that employee-owned businesses are an important market- oriented mechanism to reduce the wage gap between executives, shareholders, and workers. But it can be difficult for a business to transition to an employee-ownership model or a business structure that allows for accessing financing and capital markets to make that transition happen. That is why I am sponsoring this amendment today to encourage the Small Business Administration to provide technical assistance, as well as education and outreach about existing ***programs***, one of which is called the loan guarantee ***program***, which is available to employee-owned businesses. SBA loans are a critical resource for many small businesses, and the employee-owned loan guarantee ***program*** is underutilized because a lot of lenders don't understand the unique nature of employee-owned businesses, especially smaller banks. ESOPs can be a very compelling model, as can the other models of employee ownership. There are a number of successful employee-owned companies in the district I am honored to represent in northern Colorado, including New Belgium Brewing. SBA loans are actually a critical part of helping companies make that transition to employee ownership, especially for small and midsized enterprises. I encourage the adoption of my amendment to help employee-owned businesses access financing options that will help small businesses grow, and help our communities retain community, local employee ownership of small businesses. I encourage my colleagues on both sides of the aisle to support this amendment to highlight the role that SBA can play in making employee ownership options a real-life occurrence for more companies and people across our country. Mr. Chairman, of course, there are a number of pieces of legislation, many of them bipartisan, under the jurisdiction of different committees with regard to how we can remove barriers to employee ownership in our economy. But this simple one before us today would simply encourage the SBA to provide technical assistance under current authorized, funded ***programs***, to help make sure that there is a greater awareness about the opportunities of employee ownership, both for economic productivity as well as for reducing the equity and wage gap in our country. Mr. Chairman, I urge adoption, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Colorado (Mr. Polis). The amendment was agreed to. Amendment No. 81 Offered by Mr. Carbajal The Acting CHAIR. It is now in order to consider amendment No. 81 printed in House Report 115-830. Mr. CARBAJAL. Mr. Chairman, I rise as the designee for the gentleman from Massachusetts (Mr. Capuano), and I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 264, strike lines 13 through 18. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from California (Mr. Carbajal) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from California. Mr. CARBAJAL. Mr. Chairman, this amendment strikes section 628 of the underlying bill prohibiting the Securities and Exchange Commission, SEC, from issuing rules on disclosures for corporations spending money to influence our elections, primarily through paid advertising. The Supreme Court's 2010 Citizens United decision means that corporations, even foreign-controlled corporations, are now allowed to spend unlimited amounts of money to influence American elections. Publicly traded corporations can buy millions of dollars' worth of TV, social media, and radio ads without disclosing their political expenditures to their shareholders. This outside spending in our elections has created a greater need for Members to raise more money for their campaigns and less time legislating. This has eroded the public's faith in our institutions and is damaging to our democracy. Families in my district and across the country are concerned about paying their children's tuition or medical bills, not spending thousands of dollars to influence Federal elections. Their voices shouldn't be drowned out by millions of dollars of secret special-interest advertising from corporations. A corporation's main goal is to make a profit, not to improve the quality of life for all Americans. They shouldn't have a say in our elections without their shareholders and the public knowing about it. That is why we cannot muzzle the SEC's ability to issue rules regarding disclosures for publicly traded corporations on all their political expenditures. Stockholders and voters have been clear: They want to know the details of the political donations of the companies they own and give their business to. In fact, more than 1.2 million comments have been submitted to the SEC requesting that they require political disclosure by publicly traded companies. That is the largest number of comments on a rule in the history of the agency. Congress should stop standing in the way of the SEC's mission, which is to provide transparency to the markets and the public. This amendment does not infringe on a corporation's right to spend money on political activity. It would just allow the SEC to disclose what money is being spent. This is yet another opportunity for my Republican colleagues to prevent special interests from gaining even more pull in Washington and begin draining that swamp. This should not be a Democrat or a Republican issue, and it goes to the heart of our democracy and maintaining a government that is of, by, and for the American people. Mr. Chairman, I urge my colleagues to adopt this amendment, and I reserve the balance of my time. Mr. HUIZENGA. Mr. Chairman, I claim the time in opposition to the amendment. The Acting CHAIR. The gentleman from Michigan is recognized for 5 minutes. Mr. HUIZENGA. Mr. Chairman, since the courts have weighed in, Democrats have been attempting to use the securities laws to mandate the disclosure of [[Page H6536]] companies' political spending activities in order to name and shame companies from engaging in such free speech activity. Time and time again, when the issue of political disclosure has come up as a shareholder proposal at every company's annual proxy meeting where it has been proposed, it has been shot down. It has been defeated. In fact, according to Proxy Monitor, the average percentage vote in favor of a political disclosure shareholder proposal in 2016 was just 23 percent support. Shareholders have repeatedly weighed in against requiring disclosure of this information and do not believe it is important in making their own investment decisions regarding that company. Our securities laws and disclosure requirements have always centered on the concept of materiality, as determined by the Supreme Court, whether an omitted fact is material by looking at ``whether there is a substantial likelihood that a reasonable shareholder would consider it important in deciding how to vote.'' In fact, under the Obama administration, former SEC Chair Mary Jo White declined to advance a political disclosure rule, stating it was ``not one of the priorities we are advancing.'' Additionally, former Chair White was vocal about ensuring that disclosures were not causing informational overload for investors. As a member of the Financial Services Committee, we heard repeated-- repeated--testimony on that fact. This provision to prevent the SEC from issuing a political disclosure rule has continually been part of appropriations packages that have been signed into law by Presidents of both parties and should continue to stay as part of this package. {time} 2045 Now, earlier you heard that the mission of the SEC is to provide transparency. Let me read exactly what the mission of the Securities and Exchange Commission is: ``The mission of the U.S Securities and Exchange Commission is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.'' This simply does not fit into that tripartite mission of the Securities and Exchange Commission. Now, with that being said, nothing--and let me repeat that, nothing-- prevents companies from voluntarily reporting this information if they believe that it is important for them to make such disclosures or for their shareholders to also vote that way. So all companies, private and public, should remain free to do just that: make that decision as they decide is the best course for that particular company. Mr. Chairman, I reserve the balance of my time. Mr. CARBAJAL. Mr. Chairman, this is not about shaming anyone. This does not restrict free speech or the ability of corporations to engage in political activity. It only allows the SEC to require disclosure of corporate political spending, a little bit of transparency providing disclosure to the public, so that they clearly know the companies that they are investing their money in. Moreover, more than 150 large companies, including more than half of the companies in the S&P 100, are disclosing their political spending already. Investors have filed over 300 shareholder proposals since 2011 asking companies to disclose political spending. This is all about transparency and protecting our democracy. We should not be scared of giving the public more information. Mr. Chairman, I yield back the balance of my time. Mr. HUIZENGA. Mr. Chairman, I will repeat a couple of things very briefly. All of these proxy proposals have garnered 23 percent, average, support, so there is not widespread support among the investors. And again, I will repeat that three-pronged mission that the Securities and Exchange Commission has: ``protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.'' This particular effort does none of those things, advances none of those things, and that is why I oppose the amendment. Mr. Chairman, I yield back the balance of my time The Acting CHAIR. The question is on the amendment offered by the gentleman from California (Mr. Carbajal). The question was taken; and the Acting Chair announced that the noes appeared to have it. Mr. CARBAJAL. Mr. Chairman, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from California will be postponed. Amendment No. 82 Offered by Mr. Zeldin The Acting CHAIR. It is now in order to consider amendment No. 82 printed in House Report 115-830. Mr. ZELDIN. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division B (before the short title), insert the following: Sec. \_\_. None of the funds appropriated by this Act may be used to enforce section 540 of Public Law 110-329 (122 Stat. 3688) or section 538 of Public Law 112-74 (125 Stat. 976; 6 U.S.C 190 note). The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from New York (Mr. Zeldin) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from New York. Mr. ZELDIN. Mr. Chairman, I rise today in support of my important bipartisan amendment to halt the sale and marketing of Plum Island, New York, by the General Services Administration. Situated at the gateway of the Long Island Sound, Plum Island is a treasure for our local community in both New York and Connecticut. As a critical resource for research, approximately 90 percent of the land on Plum Island has been sheltered from development, protecting the diverse ecosystem of Long Island Sound and critical habitat for migratory birds, marine mammals, and rare plants. With recorded history dating back to the 1700s, Plum Island is also an essential cultural and historical resource. Since World War II, Plum Island has been utilized as a resource laboratory. The facility, which has been under Federal jurisdiction since 1899, has since grown to become what is known today as the Plum Island Animal Disease Center. In 2005, the Department of Homeland Security, which currently has jurisdiction over the island, announced that the Animal Disease Center would be moved to a new Federal facility in Kansas. To offset the cost of this relocation, a law was enacted in 2008 that called for the private sale of Plum Island to the highest bidder. The traditional interagency consultation process regarding the disposal of Federal property was bypassed, fast-tracking the potential sale of this island without consulting the local community or other Federal agencies. This statutory mandate was also based on a false assumption that a sale could offset the cost of the new facility, when the true value of the island, including cleanup costs, still are not clear. The town of Southold, New York, has local jurisdiction over the island and has passed ordinances preventing any private development. This factor, coupled with the significant cleanup and environmental mitigation costs associated with closing this facility, gives Plum Island little to no commercial value. Furthermore, according to a DHS report issued in April of 2016, the new site in Manhattan, Kansas, is already fully paid for through a combination of Federal appropriations and State funding. Allowing for continued research, public access, and permanent preservation of the island is a priority shared by elected officials, conservation groups, and local residents on both sides of the sound. The GSA must stop advancing the sale of this island and stop wasting taxpayer money on retaining expensive real estate firms in violation of the will of the people and in spite of pending litigation over this proposed sale. This amendment allows Congress to use the power of the purse to stop the GSA from marketing or selling the island while we continue the fight for a permanent solution that will preserve the island for conservation and education. [[Page H6537]] Mr. Chairman, this amendment passed the House on a bipartisan vote in 2016 as part of Financial Services and General Government Appropriations. My similar stand-alone bill, the Plum Island Preservation Act, has also passed with unanimous support in the House now in two consecutive Congresses. Mr. Chairman, I once again urge all of my colleagues to support this bipartisan amendment. Mr. Chairman, in closing, I thank my partners from Connecticut, Rosa DeLauro and Joe Courtney, for once again introducing this amendment with me. I also thank my additional cosponsors from New York, Kathleen Rice, Tom Suozzi, and John Faso. The broad range of bipartisan support for this effort throughout our region shows what an important gem Plum Island is for our environment and for our history. Mr. Chairman, I urge adoption of this amendment, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from New York (Mr. Zeldin). The amendment was agreed to. Amendment No. 83 Offered by Mr. Palmer The Acting CHAIR. It is now in order to consider amendment No. 83 printed in House Report 115-830. Mr. PALMER. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division B (before the short title), insert the following: Sec. \_\_. None of the funds made available under title IV or title VIII of this Act may be used by the District of Columbia government to carry out the Health Insurance Requirement Amendment Act of 2018 (subtitle A of title V of the Fiscal ***Year*** 2019 Budget Support Act of 2018; D.C Bill 22-753). The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Alabama (Mr. Palmer) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Alabama. Mr. PALMER. Mr. Chairman, my amendment would prohibit funds from being used to carry out the District of Columbia's Health Insurance Requirement Amendment Act of 2018. This is essentially the District's version of ObamaCare's individual mandate with a few important and troubling distinctions. The mandate requires that all residents of the District of Columbia purchase government-sanctioned health insurance or pay what the District calls a ``shared responsibility ***payment***.'' However, the mandate goes even further by allowing D.C authorities to place liens on, seize, and sell the property of their residents if they are unwilling or unable to pay the tax penalty. Let me repeat. If a D.C resident chooses not to purchase the government-sanctioned health insurance plan or purchases health insurance that doesn't meet the District of Columbia's preferences, they will now have the authority to impose a tax penalty or seize and sell that person's assets. But it gets worse. Every plan available through the D.C Health Link covers elective abortion, which means that the mandate forces individuals who don't wish to purchase this coverage to choose between violating their conscience and facing a tax penalty or, even worse, having their property seized. I am sure you will hear objections to Congress meddling in District of Columbia affairs, but I will remind those objectors that Article I, section 8, clause 17 of the Constitution vests Congress, not the D.C City Council, with the authority to exercise exclusive legislation in all cases whatsoever regarding the District. When the District of Columbia makes it a priority to force the residents to buy insurance coverage they neither want nor need, it is incumbent upon Congress to exercise their constitutional authority and prohibit the use of funds to carry out this policy. Mr. Chairman, I reserve the balance of my time. Ms. NORTON. Mr. Chairman, I claim the time in strong opposition to this amendment interfering in the local affairs of the District of Columbia. The Acting CHAIR. The gentlewoman from the District of Columbia is recognized for 5 minutes. Ms. NORTON. Mr. Chairman, you wouldn't know it from hearing the Member on the other side speak, but in 1973, Congress passed the bipartisan District of Columbia Home Rule Act, which created a locally elected government. According to the Home Rule Act, a central purpose of the act was to ``relieve Congress of the burden of legislating upon essentially local District matters.'' In his signing statement of the Home Rule Act, President Nixon wrote, ``It will give the people of the District of Columbia the right . . . to govern themselves in local affairs. . . . `' Yet the bill before us would either repeal or block the District of Columbia from carrying out or enacting five local laws. I filed amendments to strike all of these undemocratic riders, but the Rules Committee has blocked me from offering any of them on the floor, even though they all complied with House rules. I have gotten some of these amendments off in the past, and I intend to do so again, because this matter has to go to the Senate as well, Mr. Chairman. Adding insult to injury, the Rules Committee allowed this and one other undemocratic amendment to be offered. Republicans were not satisfied with sabotaging the Affordable Care Act by, among other things, reducing the penalty for failure to comply with the individual responsibility requirement to $0 in the recently enacted GOP tax scam. The ACA remains standing and popular, nevertheless, throughout the country. Mr. Palmer has moved to sabotage, therefore, the District of Columbia's local health insurance market, too, and deny the 700,000 Federal taxpaying Americans who live in the District of Columbia access to quality, affordable health insurance coverage. This antidemocratic healthcare amendment is offered by Mr. Palmer of Alabama, who doesn't live in and is not responsible to the people of the District of Columbia, but answers to another district. I doubt that Representative Palmer's constituents want him taking time from their business to meddle in the business of another Member's district. This amendment would prohibit the District from spending its own local funds, consisting solely of local taxes and fees, to carry out a local District of Columbia bill that requires individuals to maintain health coverage or to pay a penalty for failure to do so. I remind the House that three States have adopted this same approach. In response to Republican efforts to sabotage the ACA, the District of Columbia, like States across the country, decided to do what they could and, in our case, convened a working group that consisted of businesses, providers, consumers, and insurers on how to preserve quality, affordable coverage locally. In February, the working group unanimously recommended creating a local individual responsibility requirement--and I thought the other side was all about localism--and the District of Columbia Health Benefit Exchange Authority Executive Board unanimously supported the recommendation. {time} 2100 The District of Columbia Mayor then included an individual responsibility of requirement in her budget, and the D.C Council debated and unanimously passed the Health Insurance Requirement Amendment Act of 2018, as required by Congress. Thus, D.C will join three States in requiring residents to maintain health insurance coverage, and more States are considering doing the very same thing. I urge Members to vote ``no'' on this undemocratic, offensive, and harmful amendment that would reduce enrollment in the D.C individual insurance market by 15 percent, and increase premiums. I ask the gentleman to stay out of the business of my district. I yield back the balance of my time. Mr. PALMER. Mr. Chairman, how much time do I have remaining? The Acting CHAIR. The gentleman from Alabama has 3 minutes remaining. Mr. PALMER. Mr. Chairman, I yield 1 minute to the distinguished gentleman from North Carolina (Mr. Meadows). [[Page H6538]] Mr. MEADOWS. Mr. Chair, I want to applaud my good friend from Alabama, Mr. Palmer, and my colleague from North Carolina, Mr. Walker, for their work on this particular amendment. I couldn't disagree more with the gentlewoman from the District of Columbia. This is not about individual liberties. In fact, this amendment supports individual liberties. It keeps liens from being placed on property. Quite frankly, Congress, overwhelmingly has supported repealing the individual mandate. And for some city to say that they are wanting to implement an individual mandate, it has nothing to do with healthcare. It has more to do with political statements. And I can tell you that to have the particular initiative here in Washington, D.C , limit short-term health plans and, certainly, association health plans, it, again, is not about healthcare. So I would encourage an adoption of the amendment and stand for liberty. Mr. PALMER. Mr. Chairman, I yield 1 minute to the other distinguished gentleman from North Carolina (Mr. Walker). Mr. WALKER. Mr. Chair, I rise today in support of this amendment. In December, Congress passed historic tax reform that frees people from ObamaCare's erroneous individual mandate which punished lower and middle income families for not buying health insurance they don't want or cannot afford. Well, how does D.C respond? The City Council has now decreed that all residents must buy health insurance, no matter the cost or need. And listen, if you refuse, not only will you be financially penalized, but the D.C government can seize your personal property. What? The idea that a local government can force you to buy a private product just because of your zip code is unjust and un-American. Congress, which has direct oversight of D.C , cannot allow the District to ignore Federal law and use politics to punish their residents. I urge my colleagues to support the measure. Mr. PALMER. Mr. Chairman, how much time is remaining? The Acting CHAIR (Mr. Curtis). The gentleman from Alabama has 1 minute remaining. Mr. PALMER. Mr. Chairman, I thank the gentlemen from North Carolina, Mr. Meadows and Mr. Walker, for their support of this amendment. And I would just like to point out, as Mr. Meadows was pointing out, this is really about defending rights. This amendment prohibits the District of Columbia Council from imposing on individual property rights. It denies people the option to buy less expensive health insurance and insurance that they want and need. I would like to also point out that in ObamaCare, even there, there was no force imposed on people to buy health insurance. They could pay the penalty, or they could apply for a waiver with the IRS and, literally, millions did that. At no time did ObamaCare pose a threat to people's property rights, as this amendment does. So, Mr. Chairman, I urge my colleagues to stand up for the rights of the citizens of the District of Columbia to protect their property rights and support this amendment. I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Alabama (Mr. Palmer). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Ms. NORTON. Mr. Chairman, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Alabama will be postponed. Amendment No. 84 Offered by Mr. Meadows The Acting CHAIR. It is now in order to consider amendment No. 84 printed in House Report 115-830. Mr. MEADOWS. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division B (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used to carry out section 1334 of the Patient Protection and Affordable Care Act. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from North Carolina (Mr. Meadows) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from North Carolina. Mr. MEADOWS. Mr. Chair, before I get into my amendment, I want to thank the chairman of the subcommittee and the entire staff for not only a very thoughtful bill that really requires very few amendments, but really working with Members of all different ideological stripes in our conference. And I look forward to being able to support this when it comes up for a vote tomorrow. My amendment prohibits funds from being used by the Office of Personnel Management, better known as OPM, to administer the ObamaCare's multistate ***program***. ObamaCare required OPM to contract with health insurers to make multistate plans available to consumers in all the States, and D.C , by 2017. Now, there is only one problem with that. There is only one State participating. And yet, here we continue to fund it. The multistate plan ***program*** has failed to meet its statutory requirements. It has failed to generate competition in the healthcare marketplace. And it has failed to lower health insurance premiums. According to OPM, the government has spent $53 million on administrative costs for this failed ***program***. The evidence is clear: This ***program*** doesn't work and it is a waste of taxpayer dollars. In fact, the Congressional Budget Office and the Joint Committee on Taxation said eliminating funding for this plan will not affect the levels of competition or premiums in the insurance markets, nor would it affect any ObamaCare subsidies. So my amendment does not take funds away from OPM. It leaves more money for OPM to continue its other mission-critical ***programs*** without having to waste the time and resources on a poorly-functioning multistate plan ***program***. I have got letters from the OPM, Office of Personnel Management, who administers the plan, supporting the elimination of this ***program***. I also have a letter from the National Active and Retired Federal Employees Association, better known as NARFE, who represent the interests of more than 5 million Federal employees and retirees and their survivors, supporting the elimination of this ***program***. So finally, this ***program*** is widely viewed by analysts on the both the left and the right as either a de facto public option or a plausible foundation for a future public option. The House should vote overwhelmingly to do away with this, and I urge my colleagues, both Democrats and Republicans, to do so. I reserve the balance of my time. Mr. QUIGLEY. Mr. Chair, I claim the time in opposition. The Acting CHAIR. The gentleman from Illinois is recognized for 5 minutes. Mr. QUIGLEY. This amendment is another in a long line of attacks on the Affordable Care Act. It is, unfortunately, an example of Republicans turning to the appropriations process, instead of working through the appropriate channels via the authorization committees. Weighing down bills with partisan riders does nothing but make it more difficult to enact these spending bills, especially in a timely manner. Turning to the substance of the amendment, our constituents would be better served if we focused our efforts on extending quality, affordable coverage to more individuals, not eliminating plans. Healthcare is an essential right, and a healthy America is a more productive, safer, and better place to call home. I suggest my colleagues vote ``no'' on the Meadows amendment. I yield back the balance of my time. Mr. MEADOWS. Mr. Chairman, how much time do I have left? The Acting CHAIR. The gentleman from North Carolina has 2\1/2\ minutes remaining. Mr. MEADOWS. Mr. Chair, I appreciate the gentleman opposite with his articulation of opposition; but I find it [[Page H6539]] interesting because the last time I checked, he is not from Arkansas, which is the only State that actually is benefiting from this. And yet, his State, my State, and every other State is paying for this for the benefit. And I would use that word very liberally, because it is not really benefiting them. They just keep it there. It is not lowering premiums in Arkansas. So at what time do we look at a failed Federal ***program*** and say enough is enough? I think that that day is today, and I urge all my colleagues to support this amendment. I want to thank the gentleman for his leadership. I urge a vote in support of this particular amendment. I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from North Carolina (Mr. Meadows). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Mr. QUIGLEY. Mr. Chairman, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from North Carolina will be postponed. Amendment No. 85 Offered by Mr. Rothfus The Acting CHAIR. It is now in order to consider amendment No. 85 printed in House Report 115-830. Mr. ROTHFUS. Mr. Chairman, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division B (before the short title), insert the following: Sec. \_\_. None of the funds made available under title IV or title VIII of this Act may be used by the District of Columbia government to carry out section 47-4471, D.C Official Code, with respect to the liability of a taxpayer under section 47-5108, D.C Official Code (as added by subtitle A of title V of the Fiscal ***Year*** 2019 Budget Support Act of 2018; D.C Bill 22-753). The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from Pennsylvania (Mr. Rothfus) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Pennsylvania. Mr. ROTHFUS. Mr. Chairman, I rise today in support of this amendment, a narrow amendment which simply prohibits any funds from going toward the District of Columbia from seizing property of citizens not in compliance with the District's individual healthcare mandate. It is a narrower amendment than the one we just debated. My amendment does not take away the mandate. It simply says one of the remedies cannot be the seizure of property if an individual does not comply with the mandate to buy health insurance. The individual mandate is, of course, controversial. Even Barack Obama opposed it when he was running in 2008. In one of the debates in the 2008 primary, then Senator and Presidential candidate Obama said: ``A mandate means that in some fashion, everybody will be forced to buy health insurance. . . . But I believe,'' then candidate Obama said, ``the problem is not that folks are trying to avoid getting healthcare. The problem is they can't afford it.'' He separately said: If the mandate was the solution, we could try to solve homelessness by mandating that everyone buy a house. The reason why they don't have the house is they don't have the money. So our focus has been on reducing costs and making it available. Regardless of what anyone on either side of the aisle thinks about a requirement to buy health insurance, it seems ill-advised and unjust to take away property from people that cannot even afford insurance. I have to imagine that this was an oversight in writing the law, because surely no legislators could have intended such a harsh result. I would note, Mr. Chairman, that in 2015, 6,902 residents of the District of Columbia were forced to pay the mandate penalty. Seventy- five percent of them made less than $50,000. I hope that my colleagues on both sides of the aisle will join me in supporting this commonsense measure, and I reserve the balance of my time. Ms. NORTON. Mr. Chairman, I claim time in strong opposition to yet another amendment that interferes with another Member's district, indicating that there is more than one Member in this body that does not have enough to do at home. The Acting CHAIR. The gentlewoman from the District of Columbia is recognized for 5 minutes. {time} 2115 A few minutes ago, we debated an amendment offered by Representative Gary Palmer of Alabama that would prohibit the District from spending its own local funds, consisting solely of taxes and fees, to carry out a local D.C bill, the Health Insurance Requirement Amendment Act of 2018, that requires individuals to maintain health insurance coverage or pay a tax penalty for failure to do so. This amendment before us now offered by this Member, Mr. Rothfus of Pennsylvania, seeks to weaken the coverage requirement by prohibiting D.C from spending its local funds to carry out a method of tax collection in existing D.C law to enforce the penalty. Mr. Rothfus has plenty to do representing his own district, but is now venturing far afield into a district represented by another Member of the House of Representatives. In particular, D.C would be prohibited from using its local funds to collect the tax penalty by distraint, or the seizure of property to obtain ***payment***, for failure to pay. The District is not unique in authorizing distraint, and it is seldom used. I can't think of when it has been used. The seizure of property to settle tax debt is standard practice for the Federal Government, States, and cities across the country, including, would you believe, Representative Rothfus' State of Pennsylvania. Under title 53 of the Pennsylvania Consolidated Statutes, section 16031, Pennsylvania jurisdictions are allowed to collect taxes by distraint. I wonder if the sponsor has asked his own legislature to repeal that statute. Let him start at home before he tries to repeal something passed unanimously by the council of the District of Columbia. It is true that the Affordable Care Act prohibited the Internal Revenue Service from seizing property to collect the individual responsibility requirement tax penalty, although it did authorize the IRS to withhold the penalty amount from future tax refunds, which amounts to the very same thing. However, each State and the District is free to authorize distraint to collect the local individual responsibility requirement tax penalty. However, it is important to note, and I emphasize, that the District rarely seizes property to collect taxes owed. When it does, it does so only as a last resort. I can't think of when this has even happened. If a ***payment*** plan or settlement could not be established with a taxpayer, the District would first turn to remedies like withholding tax refunds or garnishing wages, not seizing a house or a car. I am sure that is what happens in Mr. Rothfus' State of Pennsylvania as well. I will not tolerate Republicans, this Member or any other, using the District of Columbia to score points with opponents of the ACA. They haven't been able to beat the ACA. This amendment is one of several that constitute the most significant abuse of Federal power over the District of Columbia since Republicans took control in 2011. So the ACA remains popular throughout the United States. They just can't bear that. So Mr. Rothfus moves on to the District, to see if he can do to the District what his side has not been able to do in the country for the ACA. We found greater respect for democratic self-rule in the Senate in getting such riders removed. We intend to do so again. Mr. Chair, I say to the gentleman, mind your own business. Mr. Chair, I urge my colleagues to reject this abuse of power, and I urge a ``no'' vote. The Acting CHAIR. The time of the gentlewoman has expired. Mr. ROTHFUS. Mr. Chairman, I would hope that the gentlewoman would realize that this amendment scores points for the 75 percent of the people who were subject to the penalty who made less than $50,000 a ***year***. That is what happens when we have the mandate. [[Page H6540]] And it is Federal policy now, Federal policy, that holds that people should not be punished if they can't afford to purchase health insurance. They certainly shouldn't be punished by having their property seized. And if it is only a few people, as the gentlewoman says, I would wonder why she is opposed to this amendment. This is the Federal city. It is Federal policy that people should not be so punished. President Obama, when he was running for President in 2008, was pretty clear. He knew what would happen. He observed what was going on with the Massachusetts mandate. He said: Now, Massachusetts has a mandate right now. They have exempted 20 percent of the uninsured because they've concluded that that 20 percent can't afford it. In some cases, there are people who are paying fines and still can't afford it. So now they are worse off than they were. They don't have health insurance and they're paying a fine. And in order for you to force people to get health insurance, you have to have a very harsh, stiff penalty. President Obama understood that. He understood, as a candidate, that it would be wrong to seize property. Again, when you look at the people who were being levied the penalty in 2015, when the ACA had a penalty, 75 percent of the people who paid the penalty in the District of Columbia made less than $50,000 a ***year***. Again, President Obama as a candidate: I think it is important to recognize that, if you are going to mandate the purchase of insurance and it is not affordable, then there is going to have to be some enforcement mechanism that the government uses. It may charge people who don't already have healthcare fines or have to take it out of their paychecks. And candidate Obama said: And that, I don't think, is helping people without health insurance. Again, he liked to keep on going and talking about Massachusetts. What is happening in Massachusetts, then-candidate Obama said: There are articles being written about it which are that folks are paying fines that don't have healthcare. They would rather go ahead and take the fine, because they cannot afford coverage. Mr. Chairman, this is for the folks who may not be able to afford it, people making less than $50,000 a ***year***. They shouldn't have their property seized. Mr. Chair, I urge my colleagues to accept this commonsense, narrow amendment, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Pennsylvania (Mr. Rothfus). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Ms. NORTON. Mr. Chair, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Pennsylvania will be postponed. The Chair understands that amendment No. 86 will not be offered. Amendment No. 87 Offered by Mr. McHenry The Acting CHAIR. It is now in order to consider amendment No. 87 printed in House Report 115-830. Mr. McHENRY. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of division B (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used by the United States Postal Service to-- (1) implement any approach in the report of the Office of Inspector General of the Postal Service on May 21, 2015, entitled ``The Road Ahead for Postal Financial Services''; or (2) carry out any pilot project pursuant to the report. The Acting CHAIR. Pursuant to House Resolution 996, the gentleman from North Carolina (Mr. McHenry) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from North Carolina. Mr. McHENRY. Mr. Chairman, my amendment is very simple. It would bar the United States Postal Service from expanding on its current offerings of financial services and banking products. I think it is important that the Postal Service focus on its core business of delivering the mail. While the idea of postal banking is nothing new, it is still a terrible idea. In 2015, the inspector general for the Postal Service took the highly unusual step in proposing that the Postal Service should expand its banking services in areas like prepaid cards, savings products, and money orders. Since then, postal banking advocates have used the report to argue that the Postal Service has the authority to offer more banking products, all without congressional oversight or consent. Recent reports indicate that these efforts include using a pilot ***program*** to implement this awful idea. That is the reason why I am offering my amendment. To make things even worse, rather than proposing the idea legislatively, the current strategy of those advocating for postal banking is to institute the ***program*** via behind-the-scenes negotiation between government bureaucrats and liberal special interest groups. This amendment draws a clear, bright line that says that no taxpayer money shall be used to subsidize these quiet attempts at making postal banking a reality. Proponents of postal banking argue that it would help the under- banked in this country, but the simple fact is that socialized banking is not the answer. Instead, we have to focus on working together in a bipartisan way around financial innovation as the pathway toward financial inclusion. Postal banking is a giant step backward. The Postal Service, as I said, should focus on its core mission of delivering our mail. Postal banking would simply create yet another government ***program*** that fails to solve the underlying problem. Further, if Congress does not step in and stop this now, we endanger our small community banks and credit unions that are already in trouble, while at the same time putting an additional burden on the American taxpayer, who will be stuck footing the bill for this horrible idea. This amendment protects the American taxpayers from being forced to finance a terrible idea called postal banking. Its passage would also maintain the role of Congress in determining the fate of the Postal Service and postal banking, not government bureaucrats and interest groups. Mr. Chair, I urge support of my amendment, and I reserve the balance of my time. Ms. KAPTUR. Mr. Chair, I claim time in opposition to the amendment. The Acting CHAIR. The gentlewoman from Ohio is recognized for 5 minutes. Ms. KAPTUR. Mr. Chair, sadly, the provisions contained in this amendment would block the Postal Service from running a pilot ***program*** designed to improve operations and save taxpayers money, like allowing travelers to submit passport applications at post offices across the country. It would severely limit the potential of one of our most essential, constitutionally mandated government agencies, and hurt our communities and our citizens in the process. I represent not only countless letter carriers, but thousands of Ohioans who rely on the Postal Service for timely delivery of their Social Security checks, electric bills, and birthday cards from loved ones. Expanding the services provided at our Nation's post offices would achieve two ends: supporting a great Federal job provider, and helping our communities and citizens at the same time. At a time when banks and other institutions are abandoning inner cities and rural communities, in my district alone, post offices present a perfect medium to collocate, including with traditional banks or credit unions. For example, in my home State, 18.6 percent of Cleveland households have no checking or savings account, and 24.1 percent of households are under-banked, forced to use costly payday and auto title firms or currency exchange stores to cash paychecks or make consumer loans. More than 35 percent of Cleveland's 389,000 residents live below the Federal poverty line. Many post offices are located in bank deserts. Fifty-nine percent of post offices are in ZIP Codes with either zero banks or only one bank branch. By giving the Postal Service the opportunity to serve our communities in [[Page H6541]] a more expansive capacity, we could also put the Postal Service back on the right track financially, bring back hundreds of American jobs, and, in so doing, restore faith in one of our most fundamental government services. The Postal Service is already providing an impressive, expansive, and affordable service to all the American people--and by the American people, by the way. I am fighting in Congress to support the hardworking employees of the Postal Service and our citizens, especially in underserved communities across not just my district, but our country. It is really horrendous to go into communities that have no financial services, where people are being ripped off every day. Mr. Chair, I hope my colleagues will join me in this effort and oppose this misguided amendment. Mr. Chair, I yield my remaining time to the gentleman from Virginia (Mr. Connolly), a very able and intelligent Congressman. {time} 2130 Mr. CONNOLLY. Mr. Chair, may I inquire how much time we have remaining. The Acting CHAIR. The gentlewoman from Ohio has 2 minutes remaining. Mr. CONNOLLY. Mr. Chair, I rise in strong opposition to this amendment which would limit the Postal Service's ability to offer products and services on a pilot basis that could help the Postal Service find its way to financial stability. At a time when the Postal Service is bleeding red ink, this bill takes away existing revenue and potential revenue. In fiscal ***year*** 2017, the Postal Service reported a loss of $2.7 billion, marking the 11th straight ***year*** in the red. And just coincidentally, it got in the red because Congress, in 2006, restricted what the Postal Service could do. Well, it really worked well: 11 ***years*** of red ink, putting the Postal Service in insolvency, technically. To address the Postal Service's financial situation, the Postal Service needs financial relief, not further restrictions. H.R 6076, the Postal Reform Act of 2018, which I introduced with the gentleman from North Carolina, Congressman Mark Meadows, on a bipartisan basis, passed the authorizing committee unanimously, and we are hoping to take it to the floor, and that is where it belongs, in an authorization bill, not as a rider on the appropriations bill. This bill even addresses issues raised by the gentleman from North Carolina's amendment. Under the Postal Reform Act, the Postal Service would have to limit any new nonpostal products and services to only those provided to State, local, and Tribal governments and Federal agencies. The bill would preserve existing nonpostal products and services. However, this amendment is much more restrictive than that. This amendment includes a blanket prohibition that would prevent the Postal Service from implementing any other recommendations from a May 2015 Postal Service Inspector General Report, including improving its existing range of financial services, such as money orders. The Acting CHAIR. The time of the gentlewoman has expired. Mr. CONNOLLY. Mr. Chairman, as the designee of Ranking Member Lowey, I move to strike the last word. The Acting CHAIR. The gentleman from Virginia is recognized for 5 minutes. Mr. CONNOLLY. Mr. Chair, this amendment, as I said, includes blanket prohibitions that would prevent the Postal Service from implementing the reports and recommendations of the 2015 Postal Service Inspector General Report, including improving its existing range of financial services, such as money orders. I might add, the assertions that have been made that there has been no congressional oversight, that is not true. My committee, the Oversight and Government Reform Committee, has had numerous hearings on the Postal Service, numerous briefings with the Postmaster General and her predecessor and his predecessor. We have marked up numerous bills. We finally got one we could agree on, and it is pending. That is how this should be done--not piecemeal, not in a way that further constrains and circumscribes the Postal Service that can only lead to more red ink. We are trying to save the Postal Service, which is mandated in the Constitution. It has a requirement for universal service that private sector firms do not. And we have allowed some pilot ***programs*** to see if they can work. They are not a threat to financial institutions. So we are fixing a problem here that does not really exist, and we are going to do real harm to a Postal Service we have already harmed with the 2006 legislation Congress passed in a lame-duck session in the name of reform, and it backfired. It blew up, and it has done incalculable damage which we are now trying to repair to the Postal Service. Mr. Chair, I urge my colleagues to reject this unwarranted intrusion into the prerogatives of the authorizing committee that is doing its job and has a bipartisan bill that passed our committee unanimously, which is a remarkable statement for the Oversight and Government Reform Committee. We ought not to be legislating on an appropriations bill in this way with respect to the Postal Service. It deserves better, our consumers deserve better, Postal Service customers deserve better, and we can do better. Mr. Chair, I yield back the balance of my time. Mr. McHENRY. Mr. Chairman, I include in the Record a letter from the American Bankers Association, the Credit Union National Association, the Independent Community Bankers of America, and the National Association of Federally Insured Credit Unions in support of this amendment. July 18, 2018. Dear Congressman Patrick McHenry: On behalf of our organizations and the Americans we represent, we write to express support of your Amendment to Division B, within the Financial Services and General Government section of H.R      6147. This amendment would prohibit the use of any taxpayer funds for postal banking and financial services and prohibit the creation of any new pilot ***program*** that would expand this business practice through collective bargaining. While the USPS serves an important role in delivering mail and packages, we are concerned about expanding the Postal Service's primary role and allowing the government to compete with the private sector. This would include lower fees, subsidized services and even competing based on real estate and office location. Consideration of expanding postal operations to engage in banking and financial services is not a new concept. It has been touted as a solution to help stabilize the US Postal Service's financial practices. The cost alone to hire additional workers and retrain existing employees to offer banking products would further undermine the Postal Service's budgetary issues. Additionally, we have reservations about the ability of the Postal Service to safeguard customers' identities and information such as bank accounts and passwords. Regardless of the federal agency, the government has shown it can be slow to react to cyber threats, allowing bad actors to access citizens' private records. It is clear the US Postal Service's financial health is troubling. Expanding USPS's operations to compete with private sector banks and credit unions is not the answer. We, the undersigned organizations, support your amendment to H.R      6147 and encourage its inclusion in the final appropriations legislation. Sincerely, Grover G. Norquist, President, Americans for Tax Reform; Tim Chapman, Executive Director, Heritage Action; Tom Schatz, President, Council for Citizens Against Government Waste; Adam Brandon, President, FreedomWorks; Brandon Arnold, Executive Vice President, National Taxpayers Union; Kevin Kosar, Vice President of Policy, R Street Institute; Andrew F. Quinlan, President, Center for Freedom and Prosperity; Iain Murray, Vice President for Strategy and Sr. Fellow, Competitive Enterprise Institute. Who supports the amendment? American Bankers Association, Americans for Tax Reform, Center for Freedom and Prosperity, Citizens Against Government Waste, Competitive Enterprise Institute, Credit Union National Association, Freedom Works, Heritage Action, Independent Community Bankers of American, National Association of Federally Insured Credit Unions, National Taxpayers Union, R Street Institute. Mr. McHENRY. Mr. Chair, I also include in the Record a letter on behalf of Americans for Tax Reform, Heritage Action for America, Council for Citizens Against Government Waste, FreedomWorks, National Taxpayer Union, R Street, and the Center for Freedom and Prosperity, along with the Competitive Enterprise Institute in support of this amendment. [[Page H6542]] July 17, 2018. Hon. Paul Ryan, Speaker, House of Representatives, Washington, DC. Hon. Nancy Pelosi, Minority Leader, House of Representatives, Washington, DC. Dear Speaker Ryan and Minority Leader Pelosi: On behalf of the members of the American Bankers Association, the Credit Union National Association, the Independent Community Bankers of America, and the National Association of Federally Insured Credit Unions, I write to urge the adoption of Congressman Patrick McHenry's amendment to the Financial Services and General Government (FSGG) appropriations bill to prohibit the U.S Postal Service from providing banking services. Financial institutions are strongly supportive of the Postal Service, as one of the largest mailers of any industry group in America. Physical mail remains an important communications channel for banks and credit unions. Financial institutions of all sizes use the mail to communicate with current and potential customers, to send statements and receive ***payments***, and to market new products and services to their customers. Financial companies are also a vital revenue source for the Postal Service, generating billions of dollars of annual revenue that supports postal infrastructure. For these reasons, our members are committed to identifying long- term solutions to ensure an efficient, self-sustaining, and affordable U.S postal system. Postal banking is not one of those solutions. Although there have been a number of proposals over the past few ***years*** to turn the U.S Postal Service into the world's largest shadow banking system, we are very concerned that allowing the U.S Postal Service to provide banking services will be beyond the Postal Service's core competencies, will raise a number of serious regulatory and consumer protection questions, and will present significant competitive issues for private sector entities. Congress should encourage the Postal Service to focus on its core business of physical mail delivery, and not be distracted by expanding the mission to businesses outside of the Postal Service's area of expertise. Most significantly, postal banking does not address the Postal Service's financial challenges, and may well make them worse. The U.S Postal Service agrees. The Postal Service has strongly argued against authority to provide banking services, noting that providing these products would almost certainly cause it to lose money: ``The Postal Service's mission is to provide the American public with trusted, affordable, universal mail service. Our core function is delivery, not banking . . . Profit margins on these financial services businesses across the industry are very low . . . so even if we achieved $1 billion in revenue and executed well, our cash position would only increase by an estimated $100-200 million, which will not materially change our financial condition--we need to focus on the core delivery business.'' The Postal Service went on to note that to the extent that more affordable pricing of financial services is a primary goal of postal banking efforts, ``[m]ore affordable appears to mean at a lower price level than the free market provides today . . . Since established financial services firms make a slim margin on revenue . . . it seems unlikely that there is any significant room to lower prices without incurring a loss, and at a minimum, a lower profit margin.'' No doubt, postal reform is a serious topic that Congress must confront. We encourage Congress to enact legislation that would reduce costs and increase efficiencies to put the U.S Postal Service on a sound and sustainable financial path over the long run, but the provision of banking services is not an acceptable solution. We look forward to continuing to work with you on postal reform efforts in the coming months, but urge you to support Congressman McHenry's amendment to the FSGG appropriations bill to ban the Postal Service from providing banking services when it is on the House Floor this week. Sincerely, American Bankers Association, Credit Union National Association, Independent Community Bankers of America, National Association of Federally Insured Credit Unions. Mr. McHENRY. Mr. Chairman, I submit to you that the Postal Service, as my colleagues across the aisle say, is a constitutional function. It is really important that the Postal Service do its mission of delivering the mail. What we don't think we should do is give a government bureau, through a nonlegislative means, the right to expand into nonessential services for a part of the government that is bleeding money. An institution that cannot balance its own books should not be getting into the offering of credit or the movement of money and funds. While I am in favor of postal reform, and while I support my letter carriers, I do not favor postal banking. I think it is important for this Congress to put a note down that we are in opposition to that, and that is why I urge my colleagues to vote for this amendment, and I yield back the balance of my time. Ms. KAPTUR. Mr. Chair, as the designee of Ranking Member Lowey, I move to strike the last word. The Acting CHAIR. The gentlewoman from Ohio is recognized for 5 minutes. Ms. KAPTUR. Mr. Chair, I would just like to respond to the gentleman. The offer of this amendment should never be on an appropriation bill. This is one of these extraneous riders that belongs in other bills, and it is very damaging to the future of communities across this country, thousands of which lack banking services and financial services of any kind. What we are talking about here is something simple. It is something very simple: a pilot ***program***. We are not saying this is going to happen all over the United States. This gentleman wants to deny the ability of communities to have any kind of normal financial service where they have been redlined by the very letters that the gentleman just asked to be placed in the Record. Those very institutions abandoned the communities that we are seeking to serve. I am really disappointed that the gentleman would want people to be subjected to usurious interest rates or to a lack of any kind of financial service, even paying your electric bill, for heaven's sake. So, for two reasons, I ask my colleagues to vote against the gentleman's amendment: number one, it doesn't belong in this bill; and number two, it does a great disservice to the people of this country. They have a right to better service. The Postal Service is coast to coast. It is audited, it is properly staffed, and it is universal. Whether you are poor or whether you are rich in this country, you have a right. You have a right to be treated fairly by the institutions that this Nation manages. Mr. Chair, I want to congratulate those who work for our great Postal Service. I ask that the gentleman's amendment be defeated, and let us support what is in the Constitution of the United States, which is respect for the Postal Service, coast to coast to every citizen. Mr. Chair, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from North Carolina. The question was taken; and the Acting Chair announced that the ayes appeared to have it. Ms. KAPTUR. Mr. Chair, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from North Carolina will be postponed. Ms. KAPTUR. Mr. Chairman. The Acting CHAIR. For what purpose does the gentlewoman from Ohio seek recognition? Ms. KAPTUR. Mr. Chairman, you know, if they would operate these microphones for the Democrats as well as they operate them for the Republicans, maybe we could be heard on this floor, and especially for the women Democrats, I might add. The Acting CHAIR. The gentlewoman's request for a recorded vote has been postponed. Ms. KAPTUR. Thank you. Mr. FRELINGHUYSEN. Mr. Chair, I move to strike the last word. The Acting CHAIR. The gentleman from New Jersey is recognized for 5 minutes. Mr. FRELINGHUYSEN. Mr. Chair, before we can conclude our debate, I wanted to thank Chairman Calvert and Ranking Betty McCollum of the Interior, Environment, and Related Agencies Subcommittee for their work; and also the Financial Services and General Government Subcommittee Chairman Tom Graves and Ranking Member Mike Quigley for the great job they did; and for the men and women behind them that make up the professional and personal staff of the Appropriations Committee. As of today, all 12 appropriations bills have been released. With the passage of this legislation, the full House will have halfway done all of our bills on the floor. Mr. Chairman, we continue our momentum by passing H.R 6147. I guess that will be tomorrow, and I urge support of the bill. Mr. Chair, I yield back the balance of my time. [[Page H6543]] Announcement by the Acting Chair The Acting CHAIR (Mr. Collins of Georgia). Pursuant to clause 6 of rule XVIII, proceedings will now resume on those amendments printed in House Report 115-830 on which further proceedings were postponed, in the following order: Amendment No. 43 by Mr. Mullin of Oklahoma. Amendment No. 44 by Mr. Mullin of Oklahoma. Amendment No. 46 by Mrs. McMorris Rodgers of Washington. Amendment No. 48 by Mr. Lamborn of Colorado. Amendment No. 49 by Mr. Lamborn of Colorado. Amendment No. 50 by Mr. Goodlatte of Virginia. Amendment No. 51 by Mr. Gallego of Arizona. Amendment No. 60 by Mr. Pearce of New Mexico. Amendment No. 62 by Mr. Pearce of New Mexico. Amendment No. 63 by Mr. Gosar of Arizona. Amendment No. 69 by Mr. Jody B. Hice of Georgia. Amendment No. 70 by Mr. Smith of Missouri. Amendment No. 81 by Mr. Carbajal of California. Amendment No. 83 by Mr. Palmer of Alabama. Amendment No. 84 by Mr. Meadows of North Carolina. Amendment No. 85 by Mr. Rothfus of Pennsylvania. Amendment No. 87 by Mr. McHenry of North Carolina. The Chair will reduce to 2 minutes the time for any electronic vote after the first vote in this series. Amendment No. 43 Offered by Mr. Mullin The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from Oklahoma (Mr. Mullin) on which further proceedings were postponed and on which the ayes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The vote was taken by electronic device, and there were--ayes 215, noes 194, not voting 19, as follows: [Roll No. 346] AYES--215 Abraham Aderholt Allen Amash Amodei Arrington Babin Bacon Banks (IN) Barletta Barr Barton Bergman Biggs Bilirakis Bishop (GA) Bishop (MI) Bishop (UT) Blum Bost Brady (TX) Brat Brooks (AL) Brooks (IN) Buchanan Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Cole Collins (GA) Collins (NY) Comer Comstock Conaway Cook Cramer Crawford Cuellar Culberson Curtis Davidson Davis, Rodney Denham DesJarlais Diaz-Balart Donovan Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Ferguson Fleischmann Flores Fortenberry Foxx Frelinghuysen Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Harris Hartzler Hensarling Herrera Beutler Hice, Jody B. Higgins (LA) Hill Holding Hollingsworth Hudson Huizenga Hultgren Hunter Hurd Issa Jenkins (KS) Jenkins (WV) Johnson (LA) Johnson (OH) Johnson, Sam Jones Jordan Joyce (OH) Kelly (MS) Kelly (PA) King (IA) King (NY) Kinzinger Knight Kustoff (TN) Labrador LaHood LaMalfa Lamborn Latta Lesko Lewis (MN) LoBiondo Long Loudermilk Love Lucas Luetkemeyer MacArthur Marchant Marino Marshall Massie McCarthy McCaul McClintock McHenry McKinley McMorris Rodgers McSally Meadows Messer Mitchell Moolenaar Mooney (WV) Mullin Newhouse Noem Norman Nunes Olson Palazzo Palmer Pearce Perry Pittenger Poe (TX) Poliquin Posey Ratcliffe Reed Renacci Rice (SC) Roby Roe (TN) Rogers (AL) Rogers (KY) Rohrabacher Rokita Rooney, Thomas J. Ross Rothfus Rouzer Royce (CA) Russell Rutherford Scalise Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Simpson Smith (MO) Smith (NE) Smith (TX) Smucker Stewart Stivers Taylor Tenney Thompson (PA) Thornberry Tipton Trott Turner Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (AK) Young (IA) Zeldin NOES--194 Adams Barragan Beatty Bera Beyer Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brown (MD) Brownley (CA) Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Coffman Cohen Connolly Cooper Correa Costa Costello (PA) Courtney Crist Crowley Cummings Curbelo (FL) Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Faso Fitzpatrick Foster Frankel (FL) Fudge Gabbard Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Grijalva Gutierrez Hastings Heck Higgins (NY) Himes Huffman Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Kaptur Katko Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind Krishnamoorthi Kuster (NH) Lamb Lance Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch Maloney, Carolyn B. Maloney, Sean Mast Matsui McCollum McEachin McGovern McNerney Meeks Meng Moore Moulton Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Payne Pelosi Perlmutter Pingree Pocan Polis Price (NC) Quigley Raskin Reichert Rooney, Francis Ros-Lehtinen Rosen Roskam Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sanford Sarbanes Schakowsky Schiff Schneider Schrader Scott (VA) Scott, David Serrano Sewell (AL) Sherman Sires Smith (NJ) Smith (WA) Soto Stefanik Suozzi Swalwell (CA) Takano Thompson (CA) Thompson (MS) Titus Tonko Torres Tsongas Upton Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Yarmuth NOT VOTING--19 Aguilar Bass Black Blackburn Cardenas DeSantis Gaetz Hanabusa Hoyer Paulsen Peters Peterson Rice (NY) Richmond Shea-Porter Shuster Sinema Speier Walz {time} 2203 Mr. COFFMAN changed his vote from ``aye'' to ``no.'' So the amendment was agreed to. The result of the vote was announced as above recorded. Stated for: Mr. PAULSEN. Mr. Chair, I was unavoidably detained. Had I been present, I would have voted ``yea'' on rollcall No. 346. Stated against: Mr. AGUILAR. Mr. Chair, I was unavoidably detained. Had I been present, I would have voted ``nay'' on rollcall No. 346. Mr. PETERS. Mr. Chair, I was unavoidably detained. Had I been present, I would have voted ``nay'' on rollcall No. 346. Miss RICE of New York. Mr. Chair, I was unavoidably detained. Had I been present, I would have voted ``nay'' on rollcall No. 346. Ms. SINEMA. Mr. Chair, I was unavoidably detained. Had I been present, I would have voted ``nay'' on rollcall No. 346. Amendment No. 44 Offered by Mr. Mullin The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from Oklahoma (Mr. Mullin) on which further proceedings were postponed and on which the ayes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 215, noes 199, not voting 14, as follows: [[Page H6544]] [Roll No. 347] AYES--215 Abraham Aderholt Allen Amash Arrington Babin Bacon Banks (IN) Barletta Barr Barton Biggs Bilirakis Bishop (GA) Bishop (MI) Bishop (UT) Blum Bost Brady (TX) Brat Brooks (AL) Brooks (IN) Buchanan Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Coffman Cole Collins (GA) Collins (NY) Comer Comstock Conaway Cook Cramer Crawford Cuellar Culberson Curtis Davidson Davis, Rodney Denham DesJarlais Diaz-Balart Donovan Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Ferguson Fleischmann Flores Fortenberry Foxx Frelinghuysen Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Harris Hartzler Hensarling Herrera Beutler Hice, Jody B. 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Ross Rothfus Rouzer Russell Rutherford Sanford Scalise Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Simpson Smith (MO) Smith (NE) Smith (NJ) Smith (TX) Smucker Stewart Stivers Taylor Tenney Thompson (PA) Thornberry Tipton Trott Turner Upton Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (AK) Young (IA) Zeldin NOES--199 Adams Aguilar Amodei Barragan Beatty Bera Bergman Beyer Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brown (MD) Brownley (CA) Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Cohen Connolly Cooper Correa Costa Costello (PA) Courtney Crist Crowley Cummings Curbelo (FL) Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Faso Fitzpatrick Foster Frankel (FL) Fudge Gabbard Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Grijalva Gutierrez Hastings Heck Higgins (NY) Himes Huffman Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Kaptur Katko Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind Krishnamoorthi Kuster (NH) Lamb Lance Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch Maloney, Carolyn B. Maloney, Sean Matsui McCollum McEachin McGovern McHenry McNerney Meeks Meng Moore Moulton Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Paulsen Payne Pelosi Perlmutter Peters Pingree Pocan Polis Price (NC) Quigley Raskin Reed Rice (NY) Rooney, Francis Ros-Lehtinen Rosen Roskam Roybal-Allard Royce (CA) Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sarbanes Schakowsky Schiff Schneider Schrader Scott (VA) Scott, David Serrano Sewell (AL) Shea-Porter Sherman Sinema Sires Smith (WA) Soto Stefanik Suozzi Swalwell (CA) Takano Thompson (CA) Thompson (MS) Titus Tonko Torres Tsongas Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Yarmuth NOT VOTING--14 Bass Black Blackburn Cardenas DeSantis Gaetz Hanabusa Hoyer Joyce (OH) Peterson Richmond Shuster Speier Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. {time} 2207 So the amendment was agreed to. The result of the vote was announced as above recorded. Amendment No. 56 Offered by Ms. McMorris Rodgers The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentlewoman from Washington (Ms. McMorris Rodgers) on which further proceedings were postponed and on which the ayes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 227, noes 185, not voting 16, as follows: [Roll No. 348] AYES--227 Abraham Aderholt Allen Amodei Arrington Babin Bacon Banks (IN) Barletta Barr Barton Bergman Biggs Bilirakis Bishop (MI) Bishop (UT) Blum Bost Brady (TX) Brat Brooks (AL) Brooks (IN) Buchanan Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Coffman Collins (GA) Collins (NY) Comer Comstock Conaway Cook Costello (PA) Cramer Crawford Cuellar Culberson Curbelo (FL) Curtis Davidson Davis, Rodney Denham DesJarlais Diaz-Balart Donovan Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Faso Ferguson Fleischmann Flores Fortenberry Foxx Frelinghuysen Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Harris Hartzler Hensarling Herrera Beutler Hice, Jody B. Higgins (LA) Hill Holding Hollingsworth Hudson Huizenga Hultgren Hunter Hurd Issa Jenkins (KS) Jenkins (WV) Johnson (LA) Johnson (OH) Johnson, Sam Jones Jordan Joyce (OH) Katko Kelly (MS) Kelly (PA) King (IA) King (NY) Kinzinger Knight Kustoff (TN) Labrador LaHood LaMalfa Lamborn Latta Lesko Lewis (MN) Long Loudermilk Love Lucas Luetkemeyer MacArthur Maloney, Carolyn B. Marchant Marino Marshall Massie Mast McCarthy McCaul McClintock McHenry McKinley McMorris Rodgers McSally Meadows Messer Mitchell Moolenaar Mooney (WV) Mullin Newhouse Noem Norman Nunes Olson Palazzo Palmer Paulsen Pearce Perry Pittenger Poe (TX) Poliquin Posey Ratcliffe Reed Reichert Renacci Rice (SC) Roby Roe (TN) Rogers (AL) Rogers (KY) Rohrabacher Rokita Rooney, Francis Rooney, Thomas J. Ros-Lehtinen Roskam Ross Rothfus Rouzer Royce (CA) Russell Rutherford Scalise Schrader Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Simpson Smith (MO) Smith (NE) Smith (TX) Smucker Stefanik Stewart Stivers Taylor Tenney Thompson (PA) Thornberry Tipton Trott Turner Upton Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Waters, Maxine Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (AK) Young (IA) Zeldin NOES--185 Adams Aguilar Amash Barragan Beatty Bera Beyer Bishop (GA) Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brown (MD) Brownley (CA) Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Cohen Cole Connolly Cooper Correa Costa Courtney Crist Crowley Cummings Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Fitzpatrick Foster Frankel (FL) Fudge Gabbard [[Page H6545]] Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Hastings Heck Higgins (NY) Himes Huffman Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Kaptur Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind Krishnamoorthi Kuster (NH) Lamb Lance Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski LoBiondo Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch Maloney, Sean Matsui McCollum McEachin McGovern McNerney Meeks Meng Moore Moulton Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Payne Pelosi Perlmutter Peters Pingree Pocan Polis Price (NC) Quigley Raskin Rice (NY) Rosen Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sanford Sarbanes Schakowsky Schiff Schneider Scott (VA) Serrano Sewell (AL) Shea-Porter Sherman Sinema Sires Smith (NJ) Smith (WA) Soto Suozzi Swalwell (CA) Takano Thompson (CA) Thompson (MS) Titus Tonko Torres Tsongas Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Watson Coleman Welch Wilson (FL) Yarmuth NOT VOTING--16 Bass Black Blackburn Cardenas DeSantis Gaetz Grijalva Gutierrez Hanabusa Hoyer Peterson Richmond Scott, David Shuster Speier Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. {time} 2210 So the amendment was agreed to. The result of the vote was announced as above recorded. AMENDMENT NO. 48 OFFERED BY MR. LAMBORN The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from Colorado (Mr. Lamborn) on which further proceedings were postponed and on which the ayes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 213, noes 202, not voting 13, as follows: [Roll No. 349] AYES--213 Abraham Aderholt Allen Amodei Arrington Babin Bacon Banks (IN) Barletta Barr Barton Bergman Biggs Bilirakis Bishop (MI) Bishop (UT) Blum Bost Brady (TX) Brat Brooks (IN) Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Coffman Cole Collins (GA) Collins (NY) Comer Comstock Conaway Cook Cramer Crawford Culberson Curtis Davidson Davis, Rodney Denham DesJarlais Diaz-Balart Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Faso Ferguson Fleischmann Flores Foxx Frelinghuysen Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Harris Hartzler Hensarling Herrera Beutler Hice, Jody B. Higgins (LA) Hill Holding Hollingsworth Hudson Huizenga Hultgren Hunter Hurd Issa Jenkins (KS) Jenkins (WV) Johnson (LA) Johnson (OH) Johnson, Sam Jones Jordan Joyce (OH) Katko Kelly (MS) Kelly (PA) King (IA) Kinzinger Knight Kustoff (TN) Labrador LaHood LaMalfa Lamborn Latta Lesko Lewis (MN) Long Loudermilk Love Lucas Luetkemeyer MacArthur Marchant Marino Marshall Massie Mast McCarthy McCaul McClintock McHenry McKinley McMorris Rodgers McSally Meadows Messer Mitchell Moolenaar Mooney (WV) Mullin Newhouse Noem Norman Nunes Olson Palazzo Palmer Pearce Perry Pittenger Poe (TX) Poliquin Posey Ratcliffe Reed Renacci Rice (SC) Roby Roe (TN) Rogers (AL) Rogers (KY) Rohrabacher Rokita Rooney, Francis Rooney, Thomas J. Roskam Ross Rothfus Rouzer Royce (CA) Russell Rutherford Scalise Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Simpson Smith (MO) Smith (NE) Smith (TX) Smucker Stefanik Stewart Stivers Taylor Tenney Thompson (PA) Thornberry Tipton Trott Turner Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (AK) Young (IA) Zeldin NOES--202 Adams Aguilar Amash Barragan Beatty Bera Beyer Bishop (GA) Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brooks (AL) Brown (MD) Brownley (CA) Buchanan Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Cohen Connolly Cooper Correa Costa Costello (PA) Courtney Crist Crowley Cuellar Cummings Curbelo (FL) Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Donovan Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Fitzpatrick Fortenberry Foster Frankel (FL) Fudge Gabbard Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Grijalva Gutierrez Hastings Heck Higgins (NY) Himes Huffman Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Kaptur Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind King (NY) Krishnamoorthi Kuster (NH) Lamb Lance Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski LoBiondo Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch Maloney, Carolyn B. Maloney, Sean Matsui McCollum McEachin McGovern McNerney Meeks Meng Moore Moulton Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Paulsen Payne Pelosi Perlmutter Peters Pingree Pocan Polis Price (NC) Quigley Raskin Reichert Rice (NY) Ros-Lehtinen Rosen Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sanford Sarbanes Schakowsky Schiff Schneider Schrader Scott (VA) Scott, David Serrano Sewell (AL) Shea-Porter Sherman Sinema Sires Smith (NJ) Smith (WA) Soto Suozzi Swalwell (CA) Takano Thompson (CA) Thompson (MS) Titus Tonko Torres Tsongas Upton Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Yarmuth NOT VOTING--13 Bass Black Blackburn Cardenas DeSantis Gaetz Hanabusa Hoyer Peterson Richmond Shuster Speier Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. {time} 2213 Ms. MAXINE WATERS of California changed her vote from ``aye'' to ``no.'' So the amendment was agreed to. The result of the vote was announced as above recorded. AMENDMENT NO. 49 OFFERED BY MR. LAMBORN The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from Colorado (Mr. Lamborn) on which further proceedings were postponed and on which the ayes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 213, noes 201, not voting 14, as follows: [Roll No. 350] AYES--213 Abraham Aderholt Allen Amash Amodei Arrington Babin Bacon Banks (IN) Barletta Barr Barton Bergman Biggs Bilirakis Bishop (MI) Bishop (UT) Blum Bost Brady (TX) Brat Brooks (IN) Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Coffman Cole Collins (GA) Collins (NY) Comer Comstock [[Page H6546]] Conaway Cook Costa Cramer Crawford Cuellar Culberson Curtis Davidson Davis, Rodney Denham DesJarlais Diaz-Balart Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Ferguson Fleischmann Flores Foxx Frelinghuysen Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Harris Hartzler Hensarling Herrera Beutler Hice, Jody B. Higgins (LA) Hill Holding Hollingsworth Hudson Huizenga Hultgren Hunter Hurd Issa Jenkins (KS) Jenkins (WV) Johnson (LA) Johnson (OH) Johnson, Sam Jones Jordan Joyce (OH) Kelly (MS) Kelly (PA) King (IA) Kinzinger Knight Kustoff (TN) Labrador LaHood LaMalfa Lamborn Latta Lesko Lewis (MN) Long Loudermilk Love Lucas Luetkemeyer MacArthur Marchant Marino Marshall Massie McCarthy McCaul McClintock McHenry McKinley McMorris Rodgers McSally Meadows Messer Mitchell Moolenaar Mooney (WV) Mullin Newhouse Noem Norman Nunes Olson Palmer Pearce Perry Pittenger Poe (TX) Poliquin Posey Ratcliffe Reed Renacci Rice (SC) Roby Roe (TN) Rogers (AL) Rogers (KY) Rohrabacher Rokita Rooney, Francis Rooney, Thomas J. Roskam Ross Rothfus Rouzer Royce (CA) Russell Rutherford Sanford Scalise Schrader Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Simpson Smith (MO) Smith (NE) Smith (TX) Smucker Stewart Stivers Taylor Tenney Thompson (PA) Thornberry Tipton Trott Turner Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (AK) Young (IA) Zeldin NOES--201 Adams Aguilar Barragan Beatty Bera Beyer Bishop (GA) Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brooks (AL) Brown (MD) Brownley (CA) Buchanan Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Cohen Connolly Cooper Correa Costello (PA) Courtney Crist Crowley Cummings Curbelo (FL) Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Donovan Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Faso Fitzpatrick Fortenberry Foster Frankel (FL) Fudge Gabbard Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Grijalva Gutierrez Hastings Heck Higgins (NY) Himes Huffman Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Kaptur Katko Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind King (NY) Krishnamoorthi Kuster (NH) Lamb Lance Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski LoBiondo Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch Maloney, Carolyn B. Maloney, Sean Mast Matsui McCollum McEachin McGovern McNerney Meeks Meng Moore Moulton Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Paulsen Payne Pelosi Perlmutter Peters Pingree Pocan Polis Price (NC) Quigley Raskin Reichert Rice (NY) Ros-Lehtinen Rosen Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sarbanes Schakowsky Schiff Schneider Scott (VA) Scott, David Serrano Sewell (AL) Shea-Porter Sherman Sinema Sires Smith (NJ) Smith (WA) Soto Stefanik Suozzi Swalwell (CA) Takano Thompson (CA) Thompson (MS) Titus Tonko Torres Tsongas Upton Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Yarmuth NOT VOTING--14 Bass Black Blackburn Cardenas DeSantis Gaetz Hanabusa Hoyer Palazzo Peterson Richmond Shuster Speier Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. {time} 2216 So the amendment was agreed to. The result of the vote was announced as above recorded. Amendment No. 50 Offered by Mr. Goodlatte The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from Virginia (Mr. Goodlatte) on which further proceedings were postponed and on which the ayes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 213, noes 202, not voting 13, as follows: [Roll No. 351] AYES--213 Abraham Aderholt Allen Amash Amodei Arrington Babin Bacon Banks (IN) Barletta Barr Barton Bergman Biggs Bilirakis Bishop (MI) Bishop (UT) Blum Bost Brady (TX) Brat Brooks (IN) Buchanan Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Cole Collins (GA) Collins (NY) Comer Conaway Cook Costello (PA) Cramer Crawford Cuellar Culberson Curtis Davidson Davis, Rodney Denham DesJarlais Diaz-Balart Donovan Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Ferguson Fleischmann Flores Fortenberry Foxx Frelinghuysen Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Hartzler Hensarling Herrera Beutler Hice, Jody B. Higgins (LA) Hill Holding Hollingsworth Hudson Huizenga Hultgren Hunter Hurd Issa Jenkins (KS) Jenkins (WV) Johnson (LA) Johnson (OH) Johnson, Sam Jones Jordan Katko Kelly (MS) Kelly (PA) King (IA) King (NY) Kinzinger Knight Kustoff (TN) Labrador LaHood LaMalfa Lamborn Latta Lesko Lewis (MN) Long Loudermilk Love Lucas Luetkemeyer Marchant Marino Marshall Massie Mast McCarthy McCaul McClintock McHenry McKinley McMorris Rodgers McSally Meadows Messer Mitchell Moolenaar Mooney (WV) Mullin Newhouse Noem Norman Nunes Olson Palazzo Palmer Pearce Perry Pittenger Poe (TX) Poliquin Posey Ratcliffe Reichert Renacci Rice (SC) Roby Roe (TN) Rogers (AL) Rogers (KY) Rohrabacher Rokita Rooney, Francis Rooney, Thomas J. Roskam Ross Rothfus Rouzer Royce (CA) Russell Rutherford Sanford Scalise Schrader Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Simpson Smith (MO) Smith (NE) Smith (TX) Smucker Stewart Stivers Tenney Thompson (PA) Thornberry Tipton Trott Turner Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Womack Woodall Yoder Yoho Young (AK) Young (IA) Zeldin NOES--202 Adams Aguilar Barragan Beatty Bera Beyer Bishop (GA) Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brooks (AL) Brown (MD) Brownley (CA) Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Coffman Cohen Comstock Connolly Cooper Correa Costa Courtney Crist Crowley Cummings Curbelo (FL) Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Faso Fitzpatrick Foster Frankel (FL) Fudge Gabbard Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Grijalva Gutierrez Harris Hastings Heck Higgins (NY) Himes Huffman Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Joyce (OH) Kaptur Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind Krishnamoorthi Kuster (NH) Lamb Lance Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski LoBiondo Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch MacArthur Maloney, Carolyn B. Maloney, Sean Matsui McCollum McEachin McGovern McNerney Meeks Meng Moore Moulton [[Page H6547]] Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Paulsen Payne Pelosi Perlmutter Peters Pingree Pocan Polis Price (NC) Quigley Raskin Reed Rice (NY) Ros-Lehtinen Rosen Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sarbanes Schakowsky Schiff Schneider Scott (VA) Scott, David Serrano Sewell (AL) Shea-Porter Sherman Sinema Sires Smith (NJ) Smith (WA) Soto Stefanik Suozzi Swalwell (CA) Takano Taylor Thompson (CA) Thompson (MS) Titus Tonko Torres Tsongas Upton Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Wittman Yarmuth NOT VOTING--13 Bass Black Blackburn Cardenas DeSantis Gaetz Hanabusa Hoyer Peterson Richmond Shuster Speier Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. {time} 2219 So the amendment was agreed to. The result of the vote was announced as above recorded. Amendment No. 51 Offered by Mr. Gallego The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from Arizona (Mr. Gallego) on which further proceedings were postponed and on which the noes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 203, noes 212, not voting 13, as follows: [Roll No. 352] AYES--203 Adams Aguilar Amash Beatty Bera Beyer Bishop (GA) Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brooks (AL) Brown (MD) Brownley (CA) Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Coffman Cohen Connolly Cooper Correa Costa Costello (PA) Courtney Crist Crowley Cuellar Cummings Curbelo (FL) Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Faso Fitzpatrick Fortenberry Foster Frankel (FL) Fudge Gabbard Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Grijalva Gutierrez Hastings Heck Higgins (NY) Himes Huffman Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Jones Kaptur Katko Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind Krishnamoorthi Kuster (NH) Lamb Lance Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski LoBiondo Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch Maloney, Carolyn B. Maloney, Sean Matsui McCollum McEachin McGovern McNerney Meeks Meng Moore Moulton Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Paulsen Payne Pelosi Perlmutter Peters Pingree Pocan Polis Price (NC) Quigley Raskin Rice (NY) Rohrabacher Ros-Lehtinen Rosen Roskam Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sanford Sarbanes Schakowsky Schiff Schneider Schrader Scott (VA) Scott, David Serrano Sewell (AL) Shea-Porter Sherman Sinema Sires Smith (NJ) Smith (WA) Soto Stefanik Suozzi Swalwell (CA) Takano Thompson (CA) Thompson (MS) Titus Tonko Torres Tsongas Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Yarmuth NOES--212 Abraham Aderholt Allen Amodei Arrington Babin Bacon Banks (IN) Barletta Barr Barragan Barton Bergman Biggs Bilirakis Bishop (MI) Bishop (UT) Blum Bost Brady (TX) Brat Brooks (IN) Buchanan Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Cole Collins (GA) Collins (NY) Comer Comstock Conaway Cook Cramer Crawford Culberson Curtis Davidson Davis, Rodney Denham DesJarlais Diaz-Balart Donovan Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Ferguson Fleischmann Flores Foxx Frelinghuysen Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Harris Hartzler Hensarling Herrera Beutler Hice, Jody B. Higgins (LA) Hill Holding Hollingsworth Hudson Huizenga Hultgren Hunter Hurd Issa Jenkins (KS) Jenkins (WV) Johnson (LA) Johnson (OH) Johnson, Sam Jordan Joyce (OH) Kelly (MS) Kelly (PA) King (IA) King (NY) Kinzinger Knight Kustoff (TN) Labrador LaHood LaMalfa Lamborn Latta Lesko Lewis (MN) Long Loudermilk Love Lucas Luetkemeyer MacArthur Marchant Marino Marshall Massie Mast McCarthy McCaul McClintock McHenry McKinley McMorris Rodgers McSally Meadows Messer Mitchell Moolenaar Mooney (WV) Mullin Newhouse Noem Norman Nunes Olson Palazzo Palmer Pearce Perry Pittenger Poe (TX) Poliquin Posey Ratcliffe Reed Reichert Renacci Rice (SC) Roby Roe (TN) Rogers (AL) Rogers (KY) Rokita Rooney, Francis Rooney, Thomas J. Ross Rothfus Rouzer Royce (CA) Russell Rutherford Scalise Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Simpson Smith (MO) Smith (NE) Smith (TX) Smucker Stewart Stivers Taylor Tenney Thompson (PA) Thornberry Tipton Trott Turner Upton Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (AK) Young (IA) Zeldin NOT VOTING--13 Bass Black Blackburn Cardenas DeSantis Gaetz Hanabusa Hoyer Peterson Richmond Shuster Speier Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. {time} 2222 So the amendment was rejected. The result of the vote was announced as above recorded. Amendment No. 60 Offered by Mr. Pearce The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from New Mexico (Mr. Pearce) on which further proceedings were postponed and on which the ayes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 206, noes 209, not voting 13, as follows: [Roll No. 353] AYES--206 Abraham Aderholt Allen Amodei Arrington Babin Bacon Banks (IN) Barletta Barr Barton Bergman Biggs Bilirakis Bishop (MI) Bishop (UT) Blum Bost Brady (TX) Brat Brooks (IN) Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Coffman Cole Collins (GA) Collins (NY) Comer Comstock Conaway Cook Cramer Crawford Culberson Curtis Davidson Davis, Rodney Denham DesJarlais Diaz-Balart Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Ferguson Fleischmann Flores Foxx Gallagher Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Grothman Guthrie Handel Harper Harris Hartzler Hensarling Herrera Beutler Hice, Jody B. Higgins (LA) Hill Holding Hollingsworth Hudson Huizenga Hultgren Hunter Hurd Jenkins (KS) Jenkins (WV) Johnson (LA) Johnson (OH) Johnson, Sam Jones Jordan Joyce (OH) Katko Kelly (MS) Kelly (PA) [[Page H6548]] King (IA) Kinzinger Knight Kustoff (TN) Labrador LaHood LaMalfa Lamborn Latta Lesko Lewis (MN) Long Loudermilk Love Lucas Luetkemeyer MacArthur Marchant Marino Marshall Massie McCarthy McCaul McClintock McHenry McKinley McMorris Rodgers McSally Meadows Messer Mitchell Moolenaar Mooney (WV) Mullin Newhouse Noem Norman Nunes Olson Palazzo Palmer Pearce Perry Pittenger Poe (TX) Poliquin Posey Ratcliffe Reed Renacci Rice (SC) Roby Roe (TN) Rogers (AL) Rogers (KY) Rohrabacher Rokita Rooney, Francis Rooney, Thomas J. Roskam Ross Rothfus Rouzer Royce (CA) Russell Rutherford Scalise Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Simpson Smith (MO) Smith (NE) Smith (TX) Smucker Stewart Stivers Taylor Tenney Thompson (PA) Thornberry Tipton Trott Turner Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (AK) Young (IA) Zeldin NOES--209 Adams Aguilar Amash Barragan Beatty Bera Beyer Bishop (GA) Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brooks (AL) Brown (MD) Brownley (CA) Buchanan Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Cohen Connolly Cooper Correa Costa Costello (PA) Courtney Crist Crowley Cuellar Cummings Curbelo (FL) Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Donovan Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Faso Fitzpatrick Fortenberry Foster Frankel (FL) Frelinghuysen Fudge Gabbard Gallego Garamendi Garrett Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Griffith Grijalva Gutierrez Hastings Heck Higgins (NY) Himes Huffman Issa Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Kaptur Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind King (NY) Krishnamoorthi Kuster (NH) Lamb Lance Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski LoBiondo Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch Maloney, Carolyn B. Maloney, Sean Mast Matsui McCollum McEachin McGovern McNerney Meeks Meng Moore Moulton Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Paulsen Payne Pelosi Perlmutter Peters Pingree Pocan Polis Price (NC) Quigley Raskin Reichert Rice (NY) Ros-Lehtinen Rosen Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sanford Sarbanes Schakowsky Schiff Schneider Schrader Scott (VA) Scott, David Serrano Sewell (AL) Shea-Porter Sherman Sinema Sires Smith (NJ) Smith (WA) Soto Stefanik Suozzi Swalwell (CA) Takano Thompson (CA) Thompson (MS) Titus Tonko Torres Tsongas Upton Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Yarmuth NOT VOTING--13 Bass Black Blackburn Cardenas DeSantis Gaetz Hanabusa Hoyer Peterson Richmond Shuster Speier Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. {time} 2225 So the amendment was rejected. The result of the vote was announced as above recorded. Amendment No. 62 Offered by Mr. Pearce The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from New Mexico (Mr. Pearce) on which further proceedings were postponed and on which the ayes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 216, noes 199, not voting 13, as follows: [Roll No. 354] AYES--216 Abraham Aderholt Allen Amash Amodei Arrington Babin Bacon Banks (IN) Barletta Barr Barton Bergman Biggs Bilirakis Bishop (MI) Bishop (UT) Blum Bost Brady (TX) Brat Brooks (IN) Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Coffman Cole Collins (GA) Collins (NY) Comer Comstock Conaway Cook Costello (PA) Cramer Crawford Cuellar Culberson Curbelo (FL) Curtis Davidson Davis, Rodney Denham DesJarlais Diaz-Balart Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Ferguson Fleischmann Flores Foxx Frelinghuysen Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Guthrie Handel Harper Harris Hartzler Hensarling Hice, Jody B. Higgins (LA) Hill Holding Hollingsworth Hudson Huizenga Hultgren Hunter Hurd Issa Jenkins (KS) Jenkins (WV) Johnson (LA) Johnson (OH) Johnson, Sam Jones Jordan Joyce (OH) Katko Kelly (MS) Kelly (PA) King (IA) Kinzinger Knight Kustoff (TN) Labrador LaHood LaMalfa Lamborn Latta Lesko Lewis (MN) LoBiondo Long Loudermilk Love Lucas Luetkemeyer MacArthur Marchant Marino Marshall Massie McCarthy McCaul McClintock McHenry McKinley McMorris Rodgers McSally Meadows Messer Mitchell Moolenaar Mooney (WV) Mullin Newhouse Noem Norman Nunes Olson Palazzo Palmer Paulsen Pearce Perry Pittenger Poe (TX) Poliquin Posey Ratcliffe Reed Reichert Renacci Rice (SC) Roby Roe (TN) Rogers (AL) Rogers (KY) Rohrabacher Rokita Rooney, Francis Rooney, Thomas J. Ros-Lehtinen Roskam Ross Rothfus Rouzer Royce (CA) Russell Rutherford Scalise Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Simpson Smith (MO) Smith (NE) Smith (TX) Smucker Stewart Stivers Taylor Tenney Thompson (PA) Thornberry Tipton Trott Turner Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (AK) Young (IA) Zeldin NOES--199 Adams Aguilar Barragan Beatty Bera Beyer Bishop (GA) Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brooks (AL) Brown (MD) Brownley (CA) Buchanan Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Cohen Connolly Cooper Correa Costa Courtney Crist Crowley Cummings Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Donovan Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Faso Fitzpatrick Fortenberry Foster Frankel (FL) Fudge Gabbard Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Grijalva Grothman Gutierrez Hastings Heck Herrera Beutler Higgins (NY) Himes Huffman Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Kaptur Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind King (NY) Krishnamoorthi Kuster (NH) Lamb Lance Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch Maloney, Carolyn B. Maloney, Sean Mast Matsui McCollum McEachin McGovern McNerney Meeks Meng Moore Moulton Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Payne Pelosi Perlmutter Peters Pingree Pocan Polis Price (NC) Quigley Raskin Rice (NY) Rosen Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sanford Sarbanes Schakowsky Schiff Schneider Schrader Scott (VA) Scott, David Serrano Sewell (AL) Shea-Porter Sherman Sinema Sires Smith (NJ) Smith (WA) Soto Stefanik Suozzi Swalwell (CA) Takano Thompson (CA) Thompson (MS) Titus Tonko [[Page H6549]] Torres Tsongas Upton Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Yarmuth NOT VOTING--13 Bass Black Blackburn Cardenas DeSantis Gaetz Hanabusa Hoyer Peterson Richmond Shuster Speier Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. {time} 2227 So the amendment was agreed to. The result of the vote was announced as above recorded. Amendment No. 63 Offered by Mr. Gosar The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from Arizona (Mr. Gosar) on which further proceedings were postponed and on which the ayes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 193, noes 220, not voting 15, as follows: [Roll No. 355] AYES--193 Abraham Aderholt Allen Amash Amodei Arrington Babin Bacon Banks (IN) Barletta Barr Barton Bergman Biggs Bishop (MI) Bishop (UT) Blum Bost Brady (TX) Brat Brooks (AL) Brooks (IN) Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Cole Collins (GA) Collins (NY) Comer Conaway Cook Cramer Culberson Curtis Davidson Davis, Rodney Denham DesJarlais Diaz-Balart Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Ferguson Fleischmann Flores Foxx Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Harris Hartzler Hensarling Hice, Jody B. Higgins (LA) Hill Holding Hollingsworth Hudson Huizenga Hultgren Hunter Issa Jenkins (KS) Jenkins (WV) Johnson (LA) Johnson (OH) Johnson, Sam Jordan Kelly (MS) Kelly (PA) King (IA) Kinzinger Kustoff (TN) Labrador LaHood LaMalfa Lamborn Latta Lesko Lewis (MN) Long Loudermilk Love Lucas Luetkemeyer MacArthur Marchant Marino Marshall Massie Mast McCarthy McCaul McClintock McKinley McMorris Rodgers Meadows Messer Mitchell Moolenaar Mooney (WV) Mullin Newhouse Noem Norman Nunes Olson Palazzo Palmer Pearce Perry Pittenger Poe (TX) Posey Ratcliffe Reed Renacci Rice (SC) Roby Roe (TN) Rogers (AL) Rogers (KY) Rohrabacher Rokita Rooney, Francis Rooney, Thomas J. Ross Rothfus Rouzer Royce (CA) Russell Rutherford Sanford Scalise Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Smith (MO) Smith (NE) Smith (TX) Smucker Stewart Tenney Thompson (PA) Thornberry Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (AK) Young (IA) Zeldin NOES--220 Adams Aguilar Barragan Beatty Bera Beyer Bilirakis Bishop (GA) Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brown (MD) Brownley (CA) Buchanan Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Coffman Cohen Comstock Connolly Cooper Correa Costa Costello (PA) Courtney Crist Crowley Cuellar Cummings Curbelo (FL) Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Donovan Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Faso Fitzpatrick Fortenberry Foster Frankel (FL) Frelinghuysen Fudge Gabbard Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Grijalva Gutierrez Hastings Heck Herrera Beutler Higgins (NY) Himes Huffman Hurd Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Jones Joyce (OH) Kaptur Katko Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind King (NY) Knight Krishnamoorthi Kuster (NH) Lamb Lance Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski LoBiondo Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch Maloney, Carolyn B. Maloney, Sean Matsui McCollum McEachin McGovern McHenry McNerney McSally Meeks Meng Moore Moulton Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Paulsen Payne Pelosi Perlmutter Peters Pingree Pocan Poliquin Polis Price (NC) Quigley Raskin Reichert Rice (NY) Ros-Lehtinen Rosen Roskam Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sarbanes Schakowsky Schiff Schneider Schrader Scott (VA) Scott, David Serrano Sewell (AL) Shea-Porter Sherman Simpson Sinema Sires Smith (NJ) Smith (WA) Soto Stefanik Stivers Suozzi Swalwell (CA) Takano Taylor Thompson (CA) Thompson (MS) Titus Tonko Torres Trott Tsongas Turner Upton Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Yarmuth NOT VOTING--15 Bass Black Blackburn Cardenas Crawford DeSantis Gaetz Hanabusa Hoyer Peterson Richmond Shuster Speier Tipton Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. {time} 2231 So the amendment was rejected. The result of the vote was announced as above recorded. Amendment No. 69 Offered by Mr. Jody B. Hice of Georgia The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from Georgia (Mr. Jody B. Hice) on which further proceedings were postponed and on which the noes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 174, noes 240, not voting 14, as follows: [Roll No. 356] AYES--174 Abraham Aderholt Allen Amash Arrington Babin Banks (IN) Barletta Barr Barton Bergman Biggs Bilirakis Bishop (MI) Bishop (UT) Blum Bost Brady (TX) Brat Brooks (AL) Brooks (IN) Buck Budd Burgess Byrne Carter (GA) Carter (TX) Chabot Cheney Cloud Collins (GA) Comer Comstock Conaway Cook Cramer Crawford Culberson Curtis Davidson DesJarlais Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Ferguson Fleischmann Flores Fortenberry Gallagher Garrett Gianforte Gibbs Gohmert Gonzalez (TX) Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Harris Hartzler Hensarling Hice, Jody B. Higgins (LA) Hill Holding Hudson Huizenga Hultgren Hunter Issa Jenkins (KS) Johnson (LA) Johnson (OH) Johnson, Sam Jones Jordan Kelly (MS) Kelly (PA) King (IA) Kinzinger Kustoff (TN) Labrador LaHood LaMalfa Lamborn Latta Lesko Lewis (MN) Long Loudermilk Love Luetkemeyer Marchant Marino Marshall Massie Mast McCarthy McCaul McClintock McHenry McMorris Rodgers Meadows Messer Mitchell Mooney (WV) Mullin Newhouse Noem Norman Olson Palazzo Palmer Pearce Perry Pittenger Poe (TX) Poliquin Posey Ratcliffe Renacci Rice (SC) Roe (TN) Rogers (AL) Rohrabacher Rokita Rooney, Francis Rooney, Thomas J. Ross Rothfus Rouzer Russell Sanford Scalise Schweikert Scott, Austin Sensenbrenner [[Page H6550]] Sessions Smith (MO) Smith (NE) Smith (TX) Smucker Stewart Thompson (PA) Thornberry Wagner Walberg Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Woodall Yoder Yoho Young (AK) Young (IA) Zeldin NOES--240 Adams Aguilar Amodei Bacon Barragan Beatty Bera Beyer Bishop (GA) Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brown (MD) Brownley (CA) Buchanan Bucshon Bustos Butterfield Calvert Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Coffman Cohen Cole Collins (NY) Connolly Cooper Correa Costa Costello (PA) Courtney Crist Crowley Cuellar Cummings Curbelo (FL) Davis (CA) Davis, Danny Davis, Rodney DeFazio DeGette Delaney DeLauro DelBene Demings Denham DeSaulnier Deutch Diaz-Balart Dingell Doggett Donovan Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Faso Fitzpatrick Foster Foxx Frankel (FL) Frelinghuysen Fudge Gabbard Gallego Garamendi Gomez Gottheimer Green, Al Green, Gene Grijalva Gutierrez Hastings Heck Herrera Beutler Higgins (NY) Himes Hollingsworth Huffman Hurd Jackson Lee Jayapal Jeffries Jenkins (WV) Johnson (GA) Johnson, E. B. Joyce (OH) Kaptur Katko Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind King (NY) Knight Krishnamoorthi Kuster (NH) Lamb Lance Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski LoBiondo Loebsack Lofgren Lowenthal Lowey Lucas Lujan Grisham, M. Lujan, Ben Ray Lynch MacArthur Maloney, Carolyn B. Maloney, Sean Matsui McCollum McEachin McGovern McKinley McNerney McSally Meeks Meng Moolenaar Moore Moulton Murphy (FL) Nadler Napolitano Neal Norcross Nunes O'Halleran O'Rourke Pallone Panetta Pascrell Paulsen Payne Pelosi Perlmutter Peters Pingree Pocan Polis Price (NC) Quigley Raskin Reed Reichert Rice (NY) Roby Rogers (KY) Ros-Lehtinen Rosen Roskam Roybal-Allard Royce (CA) Ruiz Ruppersberger Rush Rutherford Ryan (OH) Sanchez Sarbanes Schakowsky Schiff Schneider Schrader Scott (VA) Scott, David Serrano Sewell (AL) Shea-Porter Sherman Shimkus Simpson Sinema Sires Smith (NJ) Smith (WA) Soto Stefanik Stivers Suozzi Swalwell (CA) Takano Taylor Tenney Thompson (CA) Thompson (MS) Tipton Titus Tonko Torres Trott Tsongas Turner Upton Valadao Vargas Veasey Vela Velazquez Visclosky Walden Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Womack Yarmuth NOT VOTING--14 Bass Black Blackburn Cardenas DeSantis Gaetz Hanabusa Hoyer Nolan Peterson Richmond Shuster Speier Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. {time} 2233 So the amendment was rejected. The result of the vote was announced as above recorded. Amendment No. 70 Offered by Mr. Smith of Missouri The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from Missouri (Mr. Smith) on which further proceedings were postponed and on which the ayes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 215, noes 199, not voting 14, as follows: [Roll No. 357] AYES--215 Abraham Aderholt Allen Amash Amodei Arrington Babin Bacon Banks (IN) Barletta Barr Barton Bergman Biggs Bilirakis Bishop (MI) Bishop (UT) Blum Bost Brat Brooks (AL) Brooks (IN) Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Coffman Cole Collins (GA) Collins (NY) Comer Comstock Conaway Cook Cramer Crawford Culberson Curtis Davidson Davis, Rodney Denham DesJarlais Diaz-Balart Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Faso Ferguson Fleischmann Flores Fortenberry Foxx Frelinghuysen Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Harris Hartzler Hensarling Herrera Beutler Hice, Jody B. Higgins (LA) Hill Holding Hollingsworth Hudson Huizenga Hultgren Hunter Hurd Issa Jenkins (KS) Jenkins (WV) Johnson (LA) Johnson (OH) Johnson, Sam Jones Jordan Joyce (OH) Kelly (MS) Kelly (PA) King (IA) Kinzinger Knight Kustoff (TN) Labrador LaHood LaMalfa Lamborn Latta Lesko Lewis (MN) Long Loudermilk Love Lucas Luetkemeyer Marchant Marino Marshall Massie Mast McCarthy McCaul McClintock McHenry McKinley McMorris Rodgers McSally Meadows Messer Mitchell Moolenaar Mooney (WV) Mullin Newhouse Noem Norman Nunes Olson Palazzo Palmer Paulsen Pearce Perry Pittenger Poe (TX) Poliquin Posey Ratcliffe Reed Reichert Renacci Rice (SC) Roby Roe (TN) Rogers (AL) Rogers (KY) Rohrabacher Rokita Rooney, Francis Rooney, Thomas J. Roskam Ross Rothfus Rouzer Royce (CA) Russell Rutherford Sanford Scalise Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Simpson Smith (MO) Smith (NE) Smith (TX) Smucker Stewart Stivers Taylor Tenney Thompson (PA) Thornberry Tipton Trott Turner Upton Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (AK) Young (IA) NOES--199 Adams Aguilar Barragan Beatty Bera Beyer Bishop (GA) Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brown (MD) Brownley (CA) Buchanan Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Cohen Connolly Cooper Correa Costa Costello (PA) Courtney Crist Crowley Cuellar Cummings Curbelo (FL) Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Donovan Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Fitzpatrick Foster Frankel (FL) Fudge Gabbard Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Grijalva Gutierrez Hastings Heck Higgins (NY) Himes Huffman Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Kaptur Katko Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind King (NY) Krishnamoorthi Kuster (NH) Lamb Lance Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski LoBiondo Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch MacArthur Maloney, Carolyn B. Maloney, Sean Matsui McCollum McEachin McGovern McNerney Meeks Meng Moore Moulton Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Payne Pelosi Perlmutter Peters Pingree Pocan Polis Price (NC) Quigley Raskin Rice (NY) Ros-Lehtinen Rosen Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sarbanes Schakowsky Schiff Schneider Schrader Scott (VA) Scott, David Serrano Sewell (AL) Shea-Porter Sherman Sinema Sires Smith (NJ) Smith (WA) Soto Stefanik Suozzi Swalwell (CA) Takano Thompson (CA) Thompson (MS) Titus Tonko Torres Tsongas Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Yarmuth Zeldin NOT VOTING--14 Bass Black Blackburn Brady (TX) Cardenas DeSantis Gaetz Hanabusa Hoyer Peterson Richmond Shuster Speier Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. [[Page H6551]] {time} 2236 So the amendment was agreed to. The result of the vote was announced as above recorded. Amendment No. 81 Offered by Mr. Carbajal The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from California (Mr. Carbajal) on which further proceedings were postponed and on which the noes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 190, noes 224, not voting 14, as follows: [Roll No. 358] AYES--190 Adams Aguilar Bacon Barragan Beatty Bera Beyer Bishop (GA) Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brown (MD) Brownley (CA) Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Cohen Comer Connolly Cooper Correa Costa Courtney Crist Crowley Cuellar Cummings Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Foster Frankel (FL) Fudge Gabbard Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Grijalva Gutierrez Harris Hastings Heck Higgins (NY) Himes Huffman Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Jones Kaptur Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind Krishnamoorthi Kuster (NH) Lamb Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch Maloney, Carolyn B. Maloney, Sean Matsui McCollum McEachin McGovern Meeks Meng Moore Moulton Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Payne Pelosi Perlmutter Peters Pingree Pocan Poliquin Polis Price (NC) Quigley Raskin Rice (NY) Rosen Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sarbanes Schakowsky Schiff Schneider Schrader Scott (VA) Scott, Austin Scott, David Serrano Sewell (AL) Shea-Porter Sherman Sinema Sires Smith (WA) Soto Suozzi Swalwell (CA) Takano Thompson (CA) Thompson (MS) Titus Tonko Torres Tsongas Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Yarmuth NOES--224 Abraham Aderholt Allen Amash Amodei Arrington Babin Banks (IN) Barletta Barr Barton Bergman Biggs Bilirakis Bishop (MI) Bishop (UT) Blum Bost Brat Brooks (AL) Brooks (IN) Buchanan Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Coffman Cole Collins (GA) Collins (NY) Comstock Conaway Cook Costello (PA) Cramer Crawford Culberson Curbelo (FL) Curtis Davidson Davis, Rodney Denham DesJarlais Diaz-Balart Donovan Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Faso Ferguson Fitzpatrick Fleischmann Flores Fortenberry Foxx Frelinghuysen Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Hartzler Hensarling Herrera Beutler Hice, Jody B. Higgins (LA) Hill Holding Hollingsworth Hudson Huizenga Hultgren Hunter Hurd Issa Jenkins (KS) Jenkins (WV) Johnson (LA) Johnson (OH) Johnson, Sam Jordan Joyce (OH) Katko Kelly (MS) Kelly (PA) King (IA) King (NY) Kinzinger Knight Kustoff (TN) Labrador LaHood LaMalfa Lamborn Lance Latta Lesko Lewis (MN) LoBiondo Long Loudermilk Love Lucas Luetkemeyer MacArthur Marchant Marino Marshall Massie Mast McCarthy McCaul McClintock McHenry McKinley McMorris Rodgers McNerney McSally Meadows Messer Mitchell Moolenaar Mooney (WV) Mullin Newhouse Noem Norman Nunes Olson Palazzo Palmer Paulsen Pearce Perry Pittenger Poe (TX) Posey Ratcliffe Reed Reichert Renacci Rice (SC) Roby Roe (TN) Rogers (AL) Rogers (KY) Rohrabacher Rokita Rooney, Francis Rooney, Thomas J. Ros-Lehtinen Roskam Ross Rothfus Rouzer Royce (CA) Russell Rutherford Sanford Scalise Schweikert Sensenbrenner Sessions Shimkus Simpson Smith (MO) Smith (NE) Smith (NJ) Smith (TX) Smucker Stefanik Stewart Stivers Taylor Tenney Thompson (PA) Thornberry Tipton Trott Turner Upton Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (AK) Young (IA) Zeldin NOT VOTING--14 Bass Black Blackburn Brady (TX) Cardenas DeSantis Gaetz Hanabusa Hoyer Peterson Richmond Shuster Speier Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. {time} 2239 So the amendment was rejected. The result of the vote was announced as above recorded. Amendment No. 83 Offered by Mr. Palmer The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from Alabama (Mr. Palmer) on which further proceedings were postponed and on which the ayes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 226, noes 189, not voting 13, as follows: [Roll No. 359] AYES--226 Abraham Aderholt Allen Amash Amodei Arrington Babin Bacon Banks (IN) Barletta Barr Barton Bergman Biggs Bilirakis Bishop (MI) Bishop (UT) Blum Bost Brady (TX) Brat Brooks (AL) Brooks (IN) Buchanan Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Coffman Cole Collins (GA) Collins (NY) Comer Comstock Conaway Cook Costello (PA) Cramer Crawford Culberson Curbelo (FL) Curtis Davidson Davis, Rodney Denham DesJarlais Diaz-Balart Donovan Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Ferguson Fleischmann Flores Fortenberry Foxx Frelinghuysen Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Harris Hartzler Hensarling Herrera Beutler Hice, Jody B. Higgins (LA) Hill Holding Hollingsworth Hudson Huizenga Hultgren Hunter Hurd Issa Jenkins (KS) Jenkins (WV) Johnson (LA) Johnson (OH) Johnson, Sam Jones Jordan Joyce (OH) Katko Kelly (MS) Kelly (PA) King (IA) King (NY) Kinzinger Knight Kustoff (TN) Labrador LaHood LaMalfa Lamborn Lance Latta Lesko Lewis (MN) LoBiondo Long Loudermilk Love Lucas Luetkemeyer MacArthur Marchant Marino Marshall Massie Mast McCarthy McCaul McClintock McHenry McKinley McMorris Rodgers McSally Meadows Messer Mitchell Moolenaar Mooney (WV) Mullin Newhouse Noem Norman Nunes Olson Palazzo Palmer Paulsen Pearce Perry Pittenger Poe (TX) Poliquin Posey Ratcliffe Reed Reichert Renacci Rice (SC) Roby Roe (TN) Rogers (AL) Rogers (KY) Rokita Rooney, Francis Rooney, Thomas J. Roskam Ross Rothfus Rouzer Royce (CA) Russell Rutherford Sanford Scalise Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Simpson Smith (MO) Smith (NE) Smith (NJ) Smith (TX) Smucker Stefanik Stewart Stivers Taylor Tenney Thompson (PA) Thornberry Tipton Trott Turner Upton [[Page H6552]] Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (AK) Young (IA) Zeldin NOES--189 Adams Aguilar Barragan Beatty Bera Beyer Bishop (GA) Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brown (MD) Brownley (CA) Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Cohen Connolly Cooper Correa Costa Courtney Crist Crowley Cuellar Cummings Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Faso Fitzpatrick Foster Frankel (FL) Fudge Gabbard Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Grijalva Gutierrez Hastings Heck Higgins (NY) Himes Huffman Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Kaptur Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind Krishnamoorthi Kuster (NH) Lamb Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch Maloney, Carolyn B. Maloney, Sean Matsui McCollum McEachin McGovern McNerney Meeks Meng Moore Moulton Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Payne Pelosi Perlmutter Peters Pingree Pocan Polis Price (NC) Quigley Raskin Rice (NY) Rohrabacher Ros-Lehtinen Rosen Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sarbanes Schakowsky Schiff Schneider Schrader Scott (VA) Scott, David Serrano Sewell (AL) Shea-Porter Sherman Sinema Sires Smith (WA) Soto Suozzi Swalwell (CA) Takano Thompson (CA) Thompson (MS) Titus Tonko Torres Tsongas Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Yarmuth NOT VOTING--13 Bass Black Blackburn Cardenas DeSantis Gaetz Hanabusa Hoyer Peterson Richmond Shuster Speier Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. {time} 2243 So the amendment was agreed to. The result of the vote was announced as above recorded. Amendment No. 84 Offered by Mr. Meadows The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from North Carolina (Mr. Meadows) on which further proceedings were postponed and on which the ayes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 223, noes 192, not voting 13, as follows: [Roll No. 360] AYES--223 Abraham Aderholt Allen Amash Amodei Arrington Babin Bacon Banks (IN) Barletta Barr Barton Bergman Biggs Bilirakis Bishop (MI) Bishop (UT) Blum Bost Brady (TX) Brat Brooks (AL) Brooks (IN) Buchanan Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Coffman Cole Collins (GA) Collins (NY) Comer Comstock Conaway Cook Costello (PA) Cramer Crawford Culberson Curbelo (FL) Curtis Davidson Davis, Rodney Denham DesJarlais Diaz-Balart Donovan Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Ferguson Fleischmann Flores Fortenberry Foxx Frelinghuysen Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Harris Hartzler Hensarling Herrera Beutler Hice, Jody B. Higgins (LA) Holding Hollingsworth Hudson Huizenga Hultgren Hunter Hurd Issa Jenkins (KS) Jenkins (WV) Johnson (LA) Johnson (OH) Johnson, Sam Jones Jordan Joyce (OH) Kelly (MS) Kelly (PA) King (IA) King (NY) Kinzinger Knight Kustoff (TN) Labrador LaHood LaMalfa Lamborn Latta Lesko Lewis (MN) LoBiondo Long Loudermilk Love Lucas Luetkemeyer Marchant Marino Marshall Massie Mast McCarthy McCaul McClintock McHenry McKinley McMorris Rodgers McSally Meadows Messer Mitchell Moolenaar Mooney (WV) Mullin Newhouse Noem Norman Nunes Olson Palazzo Palmer Paulsen Pearce Perry Pittenger Poe (TX) Poliquin Posey Ratcliffe Reichert Renacci Rice (SC) Roby Roe (TN) Rogers (AL) Rogers (KY) Rohrabacher Rokita Rooney, Francis Rooney, Thomas J. Ros-Lehtinen Roskam Ross Rothfus Rouzer Royce (CA) Russell Rutherford Sanford Scalise Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Simpson Sinema Smith (MO) Smith (NE) Smith (NJ) Smith (TX) Smucker Stewart Stivers Taylor Tenney Thompson (PA) Thornberry Tipton Trott Turner Upton Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (AK) Young (IA) Zeldin NOES--192 Adams Aguilar Barragan Beatty Bera Beyer Bishop (GA) Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brown (MD) Brownley (CA) Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Cohen Connolly Cooper Correa Costa Courtney Crist Crowley Cuellar Cummings Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Faso Fitzpatrick Foster Frankel (FL) Fudge Gabbard Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Grijalva Gutierrez Hastings Heck Higgins (NY) Hill Himes Huffman Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Kaptur Katko Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind Krishnamoorthi Kuster (NH) Lamb Lance Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch MacArthur Maloney, Carolyn B. Maloney, Sean Matsui McCollum McEachin McGovern McNerney Meeks Meng Moore Moulton Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Payne Pelosi Perlmutter Peters Pingree Pocan Polis Price (NC) Quigley Raskin Reed Rice (NY) Rosen Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sarbanes Schakowsky Schiff Schneider Schrader Scott (VA) Scott, David Serrano Sewell (AL) Shea-Porter Sherman Sires Smith (WA) Soto Stefanik Suozzi Swalwell (CA) Takano Thompson (CA) Thompson (MS) Titus Tonko Torres Tsongas Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Yarmuth NOT VOTING--13 Bass Black Blackburn Cardenas DeSantis Gaetz Hanabusa Hoyer Peterson Richmond Shuster Speier Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. {time} 2246 So the amendment was agreed to. The result of the vote was announced as above recorded. Amendment No. 85 Offered by Mr. Rothfus The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from Pennsylvania (Mr. Rothfus) on which further proceedings were postponed and on which the ayes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. [[Page H6553]] Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 231, noes 184, not voting 13, as follows: [Roll No. 361] AYES--231 Abraham Aderholt Allen Amash Amodei Arrington Babin Bacon Banks (IN) Barletta Barr Barton Bergman Biggs Bilirakis Bishop (MI) Bishop (UT) Blum Bost Brady (TX) Brat Brooks (AL) Brooks (IN) Buchanan Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Coffman Cole Collins (GA) Collins (NY) Comer Comstock Conaway Cook Costello (PA) Cramer Crawford Culberson Curbelo (FL) Curtis Davidson Davis, Rodney Denham DesJarlais Diaz-Balart Donovan Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Faso Ferguson Fitzpatrick Fleischmann Flores Fortenberry Foxx Frelinghuysen Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Harris Hartzler Hensarling Herrera Beutler Hice, Jody B. 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Ros-Lehtinen Roskam Ross Rothfus Rouzer Royce (CA) Russell Rutherford Sanford Scalise Schrader Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Simpson Smith (MO) Smith (NE) Smith (NJ) Smith (TX) Smucker Stefanik Stewart Stivers Taylor Tenney Thompson (PA) Thornberry Tipton Trott Turner Upton Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (AK) Young (IA) Zeldin NOES--184 Adams Aguilar Barragan Beatty Bera Beyer Bishop (GA) Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brown (MD) Brownley (CA) Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Cohen Connolly Cooper Correa Costa Courtney Crist Crowley Cuellar Cummings Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Foster Frankel (FL) Fudge Gabbard Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Grijalva Gutierrez Hastings Heck Higgins (NY) Himes Huffman Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Kaptur Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind Krishnamoorthi Kuster (NH) Lamb Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch Maloney, Carolyn B. Maloney, Sean Matsui McCollum McEachin McGovern McNerney Meeks Meng Moore Moulton Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Payne Pelosi Perlmutter Peters Pingree Pocan Polis Price (NC) Quigley Raskin Rice (NY) Rosen Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sarbanes Schakowsky Schiff Schneider Scott (VA) Scott, David Serrano Sewell (AL) Shea-Porter Sherman Sinema Sires Smith (WA) Soto Suozzi Swalwell (CA) Takano Thompson (CA) Thompson (MS) Titus Tonko Torres Tsongas Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Yarmuth NOT VOTING--13 Bass Black Blackburn Cardenas DeSantis Gaetz Hanabusa Hoyer Peterson Richmond Shuster Speier Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. {time} 2248 So the amendment was agreed to. The result of the vote was announced as above recorded. Amendment No. 87 Offered by Mr. McHenry The Acting CHAIR. The unfinished business is the demand for a recorded vote on the amendment offered by the gentleman from North Carolina (Mr. McHenry) on which further proceedings were postponed and on which the ayes prevailed by voice vote. The Clerk will redesignate the amendment. The Clerk redesignated the amendment. Recorded Vote The Acting CHAIR. A recorded vote has been demanded. A recorded vote was ordered. The Acting CHAIR. This is a 2-minute vote. The vote was taken by electronic device, and there were--ayes 201, noes 212, not voting 15, as follows: [Roll No. 362] AYES--201 Abraham Aderholt Allen Amash Arrington Babin Bacon Banks (IN) Barletta Barr Barton Bergman Biggs Bilirakis Bishop (MI) Bishop (UT) Blum Brady (TX) Brat Brooks (AL) Brooks (IN) Buchanan Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Cloud Coffman Cole Collins (GA) Collins (NY) Comer Comstock Conaway Cramer Crawford Culberson Curtis Davidson DesJarlais Diaz-Balart Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Ferguson Fleischmann Flores Foxx Frelinghuysen Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Harris Hartzler Hensarling Herrera Beutler Hice, Jody B. Higgins (LA) Hill Holding Hollingsworth Hudson Huizenga Hultgren Hunter Hurd Issa Jenkins (KS) Jenkins (WV) Johnson (LA) Johnson, Sam Jordan Kelly (MS) Kelly (PA) King (IA) Kinzinger Kustoff (TN) Labrador LaHood LaMalfa Lamborn Latta Lesko Lewis (MN) Long Loudermilk Love Lucas Luetkemeyer MacArthur Marchant Marino Marshall Massie McCarthy McCaul McClintock McHenry McMorris Rodgers McSally Messer Mitchell Moolenaar Mooney (WV) Mullin Newhouse Noem Norman Nunes Olson Palazzo Palmer Paulsen Pearce Pittenger Poe (TX) Poliquin Posey Ratcliffe Reed Reichert Renacci Rice (SC) Roby Roe (TN) Rogers (AL) Rogers (KY) Rohrabacher Rokita Rooney, Francis Rooney, Thomas J. Roskam Ross Rothfus Rouzer Royce (CA) Russell Rutherford Sanford Scalise Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Simpson Smith (MO) Smith (NE) Smith (TX) Smucker Stewart Stivers Taylor Tenney Thompson (PA) Thornberry Tipton Trott Upton Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (IA) Zeldin NOES--212 Adams Aguilar Barragan Beatty Bera Beyer Bishop (GA) Blumenauer Blunt Rochester Bonamici Bost Boyle, Brendan F. Brady (PA) Brown (MD) Brownley (CA) Bustos Butterfield Capuano Carbajal Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Cohen Connolly Cook Cooper Correa Costa Costello (PA) Courtney Crist Crowley Cuellar Cummings Curbelo (FL) Davis (CA) Davis, Danny Davis, Rodney DeFazio DeGette Delaney DeLauro DelBene Demings Denham DeSaulnier Deutch Dingell Doggett Donovan Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) [[Page H6554]] Evans Faso Fitzpatrick Fortenberry Foster Frankel (FL) Fudge Gabbard Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Grijalva Gutierrez Hastings Heck Higgins (NY) Himes Huffman Jackson Lee Jayapal Jeffries Johnson (GA) Johnson (OH) Johnson, E. B. Jones Joyce (OH) Kaptur Katko Keating Kelly (IL) Kennedy Khanna Kihuen Kildee Kilmer Kind King (NY) Knight Krishnamoorthi Kuster (NH) Lamb Lance Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski LoBiondo Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch Maloney, Carolyn B. Maloney, Sean Mast Matsui McCollum McEachin McGovern McKinley McNerney Meadows Meeks Meng Moore Moulton Murphy (FL) Nadler Napolitano Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Payne Pelosi Perlmutter Perry Peters Pingree Pocan Polis Price (NC) Quigley Raskin Rice (NY) Ros-Lehtinen Rosen Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sarbanes Schakowsky Schiff Schneider Schrader Scott (VA) Scott, David Serrano Sewell (AL) Shea-Porter Sherman Sires Smith (NJ) Smith (WA) Soto Stefanik Suozzi Swalwell (CA) Takano Thompson (CA) Thompson (MS) Titus Tonko Torres Tsongas Turner Valadao Vargas Veasey Vela Velazquez Visclosky Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Yarmuth Young (AK) NOT VOTING--15 Amodei Bass Black Blackburn Cardenas DeSantis Gaetz Hanabusa Hoyer Peterson Richmond Shuster Sinema Speier Walz Announcement by the Acting Chair The Acting CHAIR (during the vote). There is 1 minute remaining. {time} 2252 So the amendment was rejected. The result of the vote was announced as above recorded. Stated against: Ms. SINEMA. Mr. Chair, I was unavoidably detained. Had I been present, I would have voted ``nay'' on rollcall No. 362. The Acting CHAIR. There being no further amendments, under the rule, the Committee rises. Accordingly, the Committee rose; and the Speaker pro tempore (Mr. Curtis) having assumed the chair, Mr. Collins of Georgia, Acting Chair of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H.R 6147) making appropriations for the Department of the Interior, environment, and related agencies for the fiscal ***year*** ending September 30, 2019, and for other purposes, and, pursuant to House Resolution 996, he reported the bill, as amended by that resolution, back to the House with sundry further amendments adopted in the Committee of the Whole. The SPEAKER pro tempore. Under the rule, the previous question is ordered. Is a separate vote demanded on any further amendment reported from the Committee of the Whole? If not, the Chair will put them en gros. The amendments were agreed to. The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill. The bill was ordered to be engrossed and read a third time, and was read the third time. The SPEAKER pro tempore. Pursuant to clause 1(c) of rule XIX, further consideration of H.R 6147 is postponed.

**Load-Date:** July 20, 2018

**End of Document**



[***Register of Commission documents:REPORT containing a motion for a non-legislative resolution on the draft Council decision on the conclusion, on behalf of the Union, of the Enhanced Partnership and Cooperation Agreement between the European Union and its Member States, of the one part, and the Republic of Kazakhstan, of the other part Document date: 2017-10-26 P8\_A(2017)0335 Reports***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R5J-9J41-JDG9-Y346-00000-00&context=1516831)

Impact News Service

December 12, 2017 Tuesday

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**Length:** 7413 words

**Body**

Brussels: Public Register European Parliament has issued the following document:

RR\1138031EN.docx PE608.083v02-00 EN United in diversity EN European Parliament 2014-2019 Plenary sitting A8-0335/2017 26.10.2017 REPORT containing a motion for a non-legislative resolution on the draft Council decision on the conclusion, on behalf of the Union, of the Enhanced Partnership and Cooperation Agreement between the European Union and its Member States, of the one part, and the Republic of Kazakhstan, of the other part (12409/2016 – C8-0469/2016 – 2016/0166(NLE) – 2017/2035(INI)) Committee on Foreign Affairs Rapporteur: Liisa Jaakonsaari PE608.083v02-00 2/20 RR\1138031EN.docx EN PR\_INI\_ConsentMotion CONTENTS Page MOTION FOR A EUROPEAN PARLIAMENT NON-LEGISLATIVE RESOLUTION ....... 3 OPINION OF THE COMMITTEE ON INTERNATIONAL TRADE ................................... 14 INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE ................................ 19 FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE .................................... 20 RR\1138031EN.docx 3/20 PE608.083v02-00 EN MOTION FOR A EUROPEAN PARLIAMENT NON-LEGISLATIVE RESOLUTION on the draft Council decision on the conclusion, on behalf of the Union, of the Enhanced Partnership and Cooperation Agreement between the European Union and its Member States, of the one part, and the Republic of Kazakhstan, of the other part (12409/2016 – C8-0469/2016 – 2016/0166(NLE) – 2017/2035(INI)) The European Parliament, – having regard to the draft Council decision (12409/2016), – having regard to the draft Enhanced Partnership and Cooperation Agreement between the European Union and its Member States, of the one part, and the Republic of Kazakhstan, of the other part (09452/2015), – having regard to the request for consent submitted by the Council in accordance with Articles 31(1) and 37 of the Treaty on European Union and to Articles 91, 100(2), 207 and 209 of the Treaty on the Functioning of the European Union, and in particular Article 218(6)(a) thereof (C8-0469/2016), – having regard to the signing of the Enhanced Partnership and Cooperation Agreement (EPCA) on 21 December 2015 in Astana, in the presence of the Vice-President / High Representative of the Union for Foreign Affairs and Security Policy (VP/HR), Federica Mogherini, – having regard to the provisional application of the parts of the EPCA under the exclusive competence of the EU as of 1 May 2016, – having regard to the continued implementation of the EU-Kazakhstan Partnership and Cooperation Agreement (PCA), signed on 23 January 1995, since its entry into force on 1 July 1999, – having regard to its resolution of 22 November 2012 containing the European Parliament recommendations to the Council, the Commission and the European External Action Service on the negotiations for an EU-Kazakhstan enhanced partnership and cooperation agreement1, – having regard to its previous resolutions on Kazakhstan, including those of 10 March 20162, 18 April 20133, 15 March 20124, and 17 September 2009 on the case of Yevgeny Zhovtis in Kazakhstan5, – having regard to its resolution of 15 December 2011 on the state of implementation of the EU Strategy for Central Asia6, and of 13 April 2016 on implementation and review 1 OJ C 419, 16.12.2015, p. 159. 2 Texts adopted, P8\_TA(2016)0083. 3 OJ C 45, 5.2.2016, p. 85. 4 OJ C 251 E, 31.8.2013, p. 93. 5 OJ C 224 E, 19.8.2010, p. 30. 6 OJ C 168 E, 14.6.2013, p. 91. PE608.083v02-00 4/20 RR\1138031EN.docx EN of the EU-Central Asia Strategy1, – having regard to its legislative resolution of 19 January 2017 on the draft Council decision on the conclusion of the Agreement continuing the International Science and Technology Center2, established in Astana, Kazakhstan, – having regard to its legislative resolution of ... on the proposal for a draft decision3, – having regard to the Council conclusions of 22 June 2015 and 19 June 2017 on the EU Strategy for Central Asia, – having regard to the fourth progress report by the European External Action Service (EEAS) and the Commission services of 13 January 2015 on the implementation of the EU Strategy for Central Asia adopted in 2007, – having regard to annual EU-Kazakhstan Human Rights Dialogues, – having regard to various EU-Central Asia meetings, – having regard to Rule 99(2) of its Rules of Procedure, – having regard to the report of the Committee on Foreign Affairs and the opinion of the Committee on International Trade (A8-0335/2017), A. whereas the EPCA should lead to a perceptible deepening and strengthening of the political and economic ties between the two parties, while respecting and taking account of existing differences and the specific political, economic and social circumstances of the parties, for the benefit of the people of both Kazakhstan and the EU; B. whereas the EPCA (Article 1) could strengthen the framework for the fulfilment of essential elements, such as respect for democracy, the rule of law, human rights and the principles of a market economy, already provided for in the PCA, as long as the implementation of all of the clauses is subject to a strict and effective monitoring mechanism based on clear benchmarks and deadlines; whereas countering the proliferation of weapons of mass destruction has been added as a new essential element (Article 11); C. whereas Kazakhstan is the first Central Asian country to have signed an EPCA with the EU; whereas the EPCA, once ratified by all Member States and the European Parliament, will replace the Partnership and Cooperation Agreement (PCA) of 1999, and whereas the text of the EPCA was made public on 15 July 2015; D. whereas the EPCA sets out a broad spectrum of new areas of cooperation, which are not only in the political and economic interest of the EU, but are also suited to supporting Kazakhstan in the next stage of modernisation to which it aspires, while at the same time securing cooperation in meeting global challenges, particularly as regards sustainable social and economic development for all citizens, the preservation of 1 Texts adopted, P8\_TA(2016)0121. 2 Texts adopted, P8\_TA(2017)0007. 3 Texts adopted, P8\_TA(0000)0000. RR\1138031EN.docx 5/20 PE608.083v02-00 EN cultural diversity, conservation of the environment and management of the consequences of climate change in accordance with the requirements of the Paris Agreement, as well as peacekeeping and regional cooperation; E. whereas since May 2016, two-thirds of the EPCA has been applied provisionally; F. whereas the European Parliament is prepared, within the framework of its competences, to involve itself actively in developing and fleshing out the specific areas of cooperation with Kazakhstan, including parliamentary relations; G. whereas Kazakhstan joined the WTO on 1 January 2016; H. whereas Kazakhstan joined the European Commission for Democracy through Law (Venice Commission) in March 2012; General provisions on EU-Kazakhstan relations and on the EPCA 1. Stresses that the enhancement of political, economic and cultural relations between the EU and Kazakhstan must be based on shared commitments to universal values, in particular, to democracy, the rule of law, good governance and respect for human rights and guided by mutual interests; 2. Notes Kazakhstan’s consistent strategy of rapprochement with the EU; underlines the country’s essential contribution to the implementation of the EU-Central Asia strategy, which will undergo a substantial review in 2019; 3. Welcomes the fact that the EPCA establishes a solid basis for the deepening of relations; notes that Kazakhstan is the first Central Asian partner country with which the EU has negotiated and signed an EPCA; considers this new-generation agreement to be a good model that could in future also be applied to other countries in the region; 4. Welcomes the ambition expressed in the EPCA to enhance cooperation and to significantly boost economic ties between the EU and Kazakhstan in various areas of concern and common interest, such as democracy and the rule of law, human rights and fundamental freedoms, sustainable development, foreign and security policy, trade, justice, freedom and security and in 29 other key sectoral policy areas, such as economic and financial cooperation, energy, transport, environment and climate change, employment and social affairs, culture, education and research; encourages both sides to actively fulfil their commitments; 5. Expects that the EPCA will promote a strengthening of the rule of law and democratic participation by all citizens, a more diverse political landscape, a better functioning, independent and impartial judiciary, increased transparency and accountability of the government, improvements to the labour laws in line with ILO requirements, more business opportunities for small and medium-sized enterprises, sustainable development of the environment, water management, and of other resources, such as an efficient use of energy and the development of renewable energy sources; 6. Underlines the importance and continued validity of Parliament’s recommendations on the negotiations for an EU-Kazakhstan EPCA of 22 November 2012; PE608.083v02-00 6/20 RR\1138031EN.docx EN 7. Recalls that Parliament emphasised that progress in the negotiation of the EPCA must be linked to progress of political reform and real progress on respect for human rights, the rule of law, good governance and democratisation, where implementation of the Venice Commission recommendations could play a beneficial role; expresses serious concerns that rights to the freedom of expression, of peaceful assembly and association remain restricted; urges the country to implement fully the recommendations made by the UN Special Rapporteur on the rights to freedom of peaceful assembly and of association in the outcome report concerning his mission to Kazakhstan in January 2015; 8. Stresses that further steps need to be based on the application of the ‘more for more’ principle; 9. Welcomes the fact that the EPCA introduced the possibility of negotiating a visa facilitation agreement between the EU and Kazakhstan in parallel with the possible negotiation of an agreement regulating the specific obligations in relation to readmissions; points out the importance of stepping up exchanges, in particular at youth and academic level, and calls, in this respect, for a substantial expansion of the Erasmus + ***programme*** for Kazakhstan; 10. Reiterates its call on the Council, Commission and the VP/HR: – to ensure that both sides abide by the essential elements of the EPCA, because failure to observe them would lead to either a dispute settlement (Article 278) or even suspension in the event of serious violations (Article 279), – develop benchmarks and deadlines for implementation of the EPCA, – provide for a comprehensive monitoring mechanism between Parliament and the EEAS once the EPCA fully enters into force, including the elements as specified in its resolution of 22 November 2012; 11. Recalls that Article 218(10) TFEU and relevant ECJ rulings with regard to immediate and full access by Parliament to all negotiating documents and related information are still only partially upheld by the VP/HR, Council and the Commission; 12. Asks the EU-Kazakhstan Parliamentary Cooperation Committee (PCC) to update its Rules of Procedure in order to provide for democratic scrutiny of the provisional application in those fields that have entered into force already and to use its prerogatives to adopt recommendations, and to prepare for scrutiny of the whole EPCA once it enters into force fully; Political dialogue and cooperation, democracy, the rule of law, good governance and fundamental freedoms 13. Calls on the EU to consistently prioritise in its political dialogue with Kazakhstan, the issues of the rule of law and democracy, fundamental freedoms and human rights; 14. Calls on Kazakhstan, in the light of social protests, some of them violent, to take proactive and concrete steps, when implementing the ‘Kazakhstan 2050’ ***programme***, RR\1138031EN.docx 7/20 PE608.083v02-00 EN on political, democratic and social reforms, including a clear separation of powers between the executive and legislative branches, and introducing further checks and balances within the constitutional system, in line with the country’s international commitments under various UN, OSCE and Council of Europe instruments; reiterates its conviction that the transition which Kazakhstan seeks, towards a new type of growth with an intensive scientific focus, would not appear to be possible without high-quality education, access for much of the population to essential modern services, an inclusive social policy and a system of regulated social relationships, particularly in the economy; welcomes the ‘100-step ***programme***’ as an attempt to address the need for urgent reforms in the country; 15. Welcomes some recent positive developments in the field of constitutional and administrative reforms as well as the establishment of a civil society consultative platform; is, however, gravely concerned about the restrictive effects of the Criminal and Administrative Codes that entered into force in 2015 on civil society organisations and their activities; 16. Calls on Kazakhstan to fully implement the recommendations from the OSCE/ODIHR international observation mission to the 20 March 2016 elections according to which the country still has a considerable way to go in meeting its OSCE commitments for democratic elections; urges the Kazakh authorities to avoid restricting the activity of independent candidates; urges, furthermore, that citizens’ electoral rights be respected; 17. Welcomes Kazakhstan’s cooperation with the Venice Commission and calls for full implementation of the relevant recommendations made by it in the area of democratic and judicial reforms in particular; 18. Welcomes the current administrative reforms and recommends further reforms guaranteeing a genuinely independent and impartial judiciary and more efficient efforts in fighting corruption at all levels; appeals, however, for enhanced governance and reform, with a truly independent judiciary free from corruption and guaranteeing the right to a fair trial and defence rights, and for greater, more efficient efforts in fighting corruption, organised crime and drug trafficking; calls for the improvement and modernisation of and investments in core social sectors; stresses that further attention for economic and social development in peripheral regions and outside the main cities will be important for the country’s long-term stability; 19. Notes the existence of civil society dialogue platforms; reiterates its concern about the legislation on NGOs, undermining their independence and ability to operate; recalls the importance of an active and independent civil society for the sustainable future of Kazakhstan; urges the Kazakh authorities to guarantee in all circumstances that all human rights activists and NGOs in Kazakhstan are able to carry out their legitimate human rights activities without fear of reprisals, and free of all restrictions and thus contribute to the sustainable development of society and the strengthening of democracy; takes the view that the EPCA also implies enhanced support for the development of a genuine civil society, and calls on the Kazakh authorities to act accordingly, and on the Commission to step up ***programmes*** aimed at strengthening and consolidating the action of independent NGOs; 20. Asks for an end to be put to the judicial persecution, harassment and imprisonment of PE608.083v02-00 8/20 RR\1138031EN.docx EN independent journalists, civil society activists, trade union leaders, human rights defenders, opposition political figures and other outspoken individuals in retaliation for their exercise of the freedom of expression and other fundamental freedoms, a phenomenon that has intensified over the last couple of ***years***; calls for the full rehabilitation and immediate release of all activists and political prisoners currently in jail, as well as for the lifting of restrictions placed on the movements on others; requests an end to abuse of its Interpol’s extradition procedures and a stop to the harassment of political opposition abroad; 21. Welcomes the release on parole from prison of the prominent Kazakh activist and Alga!

opposition party leader Vladimir Kozlov in August 2016; 22. Expresses its concerns about the curtailment of freedom of the media, freedom of expression, and freedom of association and assembly, and freedom of religion, including by means of restrictive legislation, pressure, censorship and criminal prosecution of activists; points out that freedom of speech for the independent media, bloggers and individual citizens is a universal value that must be upheld; recommends Kazakhstan to apply the standards of the Council of Europe in its legal system; takes note of the efforts of Kazakhstan to improve the country’s international image as shown by the recent opening of EXPO-2017 in Astana; points out, nevertheless, that these efforts are contradicted by the crackdown on dissenting voices and pressure on civil society over the last few months; 23. Is concerned that some of the provisions of the recently reformed Criminal Code and the Criminal Procedural Code restrict the freedom of expression; encourages Kazakhstan to revisit those in particular with regard to the criminalisation of defamation; 24. Underlines that freedom of media and freedom of expression are essential in establishing and consolidating democracy, the rule of law and human rights; regrets that the environment for independent media outlets has become ever more hostile; expresses concern about the draft media legislation aimed at implementing rules for journalists involving them verifying their information with state authorities; urges the Kazakh authorities to withdraw such amendments from their draft legislation and to ensure full independence of investigation and reporting for journalists; calls, furthermore, on the Kazakh authorities to refrain from restricting access to state-critical online and offline media in the country and from abroad; regrets that defamation also remains criminalised in Kazakhstan, and underlines that this has become problematic in the light of freedom of expression in the country; is concerned by the large number of defamation lawsuits, including cases against a few news broadcasters and other websites that report unfavourably on government policies and which are also routinely blocked, initiated by public officials and other public figures who enjoy special protection and demand large amounts in moral compensation as a result of articles containing allegations of corruption, misconduct or other issues that do not please them; 25. Urges the reversal of the negative trends in terms of freedom of the media, freedom of expression, and freedom of association and assembly, and freedom of religion; recommends that Kazakhstan apply the standards of the Council of Europe in its laws; takes note, in this context, that, as of 2016, all Kazakh NGOs have been required by law RR\1138031EN.docx 9/20 PE608.083v02-00 EN to register with the authorities and to provide annual information on their activities for inclusion in a government database on NGOs; underlines that this step might be directed towards enhancing transparency in the sector; is concerned, however, that the new requirements add to the already extensive reporting obligations for the non-governmental sector to the state, while the transparency policy is disproportionally applied towards the non-profit, non-governmental sectors, as it does not apply to any other legal entities; is concerned that involvement in unregistered associations is criminalised and that failing to provide information for the new database or providing ‘incorrect’ information may result in penalties for organisations; regrets that the activities of registered public associations may be suspended or terminated by courts for any violation of national law, no matter how minor; 26. Notes with concern that the adoption of recent anti-terrorism laws, including a bill proposing the withdrawal of citizenship for terrorist suspects could lead to the suppression of peaceful and legitimate political opposition; urges the Kazakh authorities to avoid using this legislation due to the possible effects of restricting freedom of speech, freedom of religion or belief, the independence of the judiciary or banning opposition activity; 27. Takes note that, in its concluding observations on Kazakhstan adopted in summer 2016, the UN Human Rights Committee expressed concern about the broadly formulated provisions of the Criminal Code’s Article 174, which bans ‘inciting’ social, national or other discord, and Article 274, which prohibits ‘spreading information that is known to be false’, and the use of these articles to unduly restrict freedom of expression and other rights protected by the International Covenant on Civil and Political Rights (ICCPR); regrets that a number of civil society activists and journalists have been charged and imprisoned on the basis of the above-mentioned articles of the Criminal Code; notes that the list includes Maks Bokayev and Talgat Ayan, who are serving five-***year*** prison terms for their role in peaceful land reform protests, which took place in Kazakhstan in the spring of 2016; urges the Kazakh Government to release them all and to drop the charges against them; 28. Calls on Kazakhstan to revise its Trade Union Law of 2014 and the Labour Code of 2015 to bring them in line with ILO standards; reminds Kazakhstan of its obligations to comply fully with the conclusions adopted by the ILO Committee on the Application of Standards (in 2017, 2016, and 2015); 29. Condemns the closure of the Confederation of Independent Trade Unions of Kazakhstan (CITUK) by a court order in January 2017 for allegedly failing to confirm its status under the country’s restrictive 2014 Law on Trade Unions; reminds the Kazakh authorities of the need to guarantee an independent and impartial judiciary and to enable real social dialogue also by fostering the existence and functioning of independent trade unions, such as CITUK and its affiliates; refers to the Conclusions of the ILO Committee on the Application of Standards on the situation in Kazakhstan in June 2017; regrets that Larisa Kharkova, President of CITUK, was found guilty by a court on 25 July 2017 of charges of embezzlement and fraud related to the use of trade union funds, which are believed to be politically motivated charges; deplores the fact that she has been arbitrarily sentenced to four ***years*** of court-imposed restrictions on her freedom of movement, in addition to 100 hours of community work and a ban on holding leading PE608.083v02-00 10/20 RR\1138031EN.docx EN positions in public associations for five ***years***; calls on Kazakhstan to quash the conviction and drop the charges against her; 30. Regrets that, in April and May 2017, two other trade union leaders, Nurbek Kushakbayev and Amin Yeleusinov, were sentenced to two and half and two ***years*** in prison, respectively, on criminal charges also considered to be politically motivated; notes that the sentences against the three trade union leaders are a blow to independent trade union activity in the country; 31. Notes the multi-ethnic and multi-religious character of Kazakhstan and stresses the need for a protection of minorities and their rights, in particular with regard to the use of languages, freedom of religion or belief, non-discrimination and equal opportunities; welcomes the peaceful co-existence of different communities in Kazakhstan; 32. Calls for a substantial review of the annual EU-Kazakhstan Human Rights Dialogue, in order to make it more effective and result-oriented; calls on the Kazakh authorities to fully engage in it, as well as in all other forums, in order to achieve tangible progress on the human rights situation in the country while paying particular attention to individual cases; recalls that the involvement of civil society in these dialogues and consultations must be guaranteed; 33. Underlines the necessity for continual engagement within the cycle of the Universal Periodic Review mechanism of the UN Human Rights Council (UNHRC), in particular with regard to effective implementation of its recommendations; 34. Insists that Kazakhstan comply with the recommendations of the UN Committee Against Torture and the 2009 recommendations of the UN Special Rapporteur on Torture; 35. Regrets that Kazakhstan has so far refused an independent international investigation into the Zhanaozen events of 2011, despite calls by the UNHRC; 36. Welcomes the country’s application to join several Council of Europe conventions; 37. Regrets that Kazakhstan is neither a party to, nor a signatory state of the Rome Statute of the International Criminal Court and calls on Kazakhstan to sign and accede to it; International relations, regional cooperation, and global challenges 38. Welcomes Kazakhstan’s constructive cooperation in international relations as an important contributor to peace and stability at both regional and global levels, for example, through its facilitation of the talks on the Iranian nuclear deal, the negotiations between the parties in Astana for a comprehensive solution to end the war in Syria, its diplomatic efforts with regard to the conflict in Ukraine and its initiative on the Conference on Interaction and Confidence-Building Measures in Asia; encourages Kazakhstan to continue to engage in and play a constructive role on the international stage; welcomes, in this regard, its call for the gradual eradication of armed conflict through nuclear non-proliferation and disarmament, and its initiation of the Universal Declaration for the Achievement of a Nuclear-Weapon-Free World; welcomes, in particular, the decision of Kazakhstan not to join the Russian ban on EU ***agricultural*** RR\1138031EN.docx 11/20 PE608.083v02-00 EN products, and considers this as a concrete and encouraging sign of the willingness of this country to step up its dialogue and cooperation with the EU; 39. Notes Kazakhstan’s geostrategic importance and acknowledges the country’s multi-vector foreign policy, with its aim of fostering friendly and predictable relations, including, as a priority, building and balancing good neighbourly relations with Russia, China, the Central Asian states with which it shares borders, and other partners, including the US and the EU; 40. Recognises Kazakhstan as an important player in foreign and security policy not least due to the consistent role it plays in global nuclear disarmament and security, and its non-permanent membership on the UN Security Council in 2017-2018; 41. Recognises the security challenge posed to Kazakhstan by Daesh and other UN Security Council-designated terrorist organisations; notes the high number of Kazakh citizens among the foreign fighters in the Middle East; recognises the potential for further destabilisation of Kazakhstan resulting from the on-going conflict in Afghanistan, including by means of religious extremism, drug trafficking and terrorism; calls for closer cooperation on countering violent extremism and fighting against terrorism, and points out that the priority should be to address the root causes of radicalisation; notes that Article 13 of the EPCA focuses on counter-terrorism measures and plays a crucial role, especially in the current international environment; 42. Notes that Kazakhstan belongs to all of the main regional organisations; regards the international profile which Kazakhstan has very recently achieved, through chairing international organisations as diverse as the OSCE, the Organisation of Islamic Cooperation (OIC), the Commonwealth of Independent States (CIS), the Shanghai Cooperation Organisation and the Collective Security Treaty Organisation, as a good starting point for joint activities endeavouring to stabilise the security situation in the Central Asia region and to find multilateral solutions to global challenges; welcomes, in this context, Kazakhstan’s clear statements to the effect that its membership of the Eurasian Economic Union (EAEU) will not affect the strengthening of relations with the EU; 43. Recommends that the EU continue its support for regional cooperation in Central Asia, in particular the rule of law, confidence-building measures, water and resource management, border management, stability and security; supports, in this regard, Kazakhstan’s efforts in promoting good neighbourly relations and becoming a guarantor of stability in the region; calls for a sustainable Central Asian settlement on water management, energy and security issues that responds to all interests; 44. Recognises that Kazakhstan is a leading power in the Central Asian region; urges Kazakhstan to use this position as a basis for positive engagement with its regional neighbours and to take steps to move forward in regional cooperation; Sustainable development, energy and environment 45. Welcomes Kazakhstan’s third modernisation strategy, announced in January 2017, with the goal of becoming one the 30 most developed countries in the world; PE608.083v02-00 12/20 RR\1138031EN.docx EN 46. Welcomes the enhanced chapter on raw materials and energy cooperation, which holds great potential for contributing to EU energy security; recalls that Kazakhstan plays an important role as an energy supplier to the EU; calls for the EU to engage in more active energy cooperation and to bolster its dialogue with Kazakhstan and other Central Asian countries to strengthen EU energy security; 47. Welcomes the inclusion in the EPCA of the chapter on cooperation in the area of climate change; calls for the EU to continue to cooperate with the Government of Kazakhstan, assisting it in identifying and developing innovative and sustainable environmental and ecological policies; recalls that Kazakhstan is heavily affected by the consequences of two of the most devastating man-made environmental disasters in the world, namely the drying up of the Aral sea and the Soviet-era nuclear testing at the site of Semey/Semipalatinsk; calls on the Commission to step up its assistance to the Kazakh authorities, both on a technical and a financial level, in order to improve substantially water management and water conservation in the Aral sea basin in the framework of the action ***programme*** of the International Fund for Saving the Aral Sea, and to develop an effective action plan for the cleaning-up of the former nuclear ‘Polygon’ area; welcomes Kazakhstan's participation in the voluntary Partnership ***Programme*** ‘Green Bridge’; believes this will provide a stable and long-term basis for green investment, the ***transfer*** of new technologies and innovations, and moving towards a carbon-energy-free society; 48. Underlines the need to apply the principles of environmentally sustainable development in Kazakhstan with regard to extraction and the processing of its vast natural resources; welcomes, in this context, the fact that the country complies with the standards of the Extractive Industries Transparency Initiative (EITI); Trade and economy 49. Recalls that the EU is the country’s first trade and investment partner and that Kazakhstan is the EU’s main trade partner in Central Asia; hopes that these relations will be further strengthened; notes that 80 % of Kazakhstan’s exports to the EU consist of oil and gas; reiterates the importance of greater diversification of its trade with the EU; highlights that trade and human rights can positively reinforce each other when operating in a rule of law environment; recalls that the business community has an important role to play in offering positive incentives in terms of promoting human rights, democracy, and corporate responsibility; points out that global value chains contribute to enhancing international core labour, environmental, social and human rights standards, including the establishment and enforcement of occupational health and safety measures, educational opportunities, impartial institutions, and the reduction of corruption; 50. Welcomes Kazakhstan’s accession t

o the WTO on 1 January 2016, which fostered the economic and administrative modernisation of the country; notes that Kazakhstan’s economy is largely based on the exploitation and export of raw materials and hydrocarbons; hopes that the ambitious ***programme*** for diversifying the economy, in which the EU could play an important role, and for reforming the country, which includes, inter alia, the professionalisation of the public administration and the introduction of anti-corruption measures, is fully executed in practice; calls, in RR\1138031EN.docx 13/20 PE608.083v02-00 EN particular, on the Commission to assist Kazakhstan so as to make its economy environmentally friendly and sustainable; 51. Takes note of Kazakhstan’s commitment to fully liberalising the movement of capital in the form of direct investment, and regrets that the Trade and Business title of the EPCA does not contain anti-corruption provisions; takes the view that particular attention should be paid to the issues of corporate governance and corruption in monitoring the implementation of the agreement, in order to avoid increasing the risk of money laundering; 52. Welcomes Kazakhstan’s determination, as shown during the first ***year*** of the EPCA’s application, to honour and fulfil its EPCA and WTO commitments; calls on Kazakhstan to fulfil its commitments under the EPCA regarding intellectual property rights (IPRs), on the basis of a regional exhaustion regime; 53. Calls on Kazakhstan to fully align its import tariffs with its WTO and EPCA commitments, irrespective of its participation in the Eurasian Economic Union (EEU), in order to avoid costly compensation ***payments*** to WTO trading partners; 54. Calls on Kazakhstan to join the Trade Control and Expert System (TRACES) in order to enable effective sanitary and phytosanitary (SPS) controls, and to use the bilateral EU-Kazakhstan SPS certificates; 55. Takes note of the general five-***year*** transition period for public procurement and the eight-***year*** transition period for construction laid down in the EPCA, and looks forward to increased trade once these periods have drawn to a close; notes that public procurement constitutes a significant public policy instrument for Kazakhstan; ° ° ° 56. Instructs its President to forward this resolution to the Council, the Commission, the Vice-President / High Representative of the Union for Foreign Affairs and Security Policy, the EU Special Representative for Central Asia, the governments and parliaments of the Member States, and the government and the parliament of Kazakhstan. PE608.083v02-00 14/20 RR\1138031EN.docx EN 27.9.2017 OPINION OF THE COMMITTEE ON INTERNATIONAL TRADE for the Committee on Foreign Affairs on a motion for a non-legislative resolution on the draft Council decision on the conclusion, on behalf of the Union, of the Enhanced Partnership and Cooperation Agreement between the European Union and its Member States, of the one part, and the Republic of Kazakhstan, of the other part (2017/2035(INI)) Rapporteur: David Borrelli SUGGESTIONS The Committee on International Trade calls on the Committee on Foreign Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution: 1. Supports Parliament’s conclusion of the Enhanced Partnership and Cooperation Agreement (EPCA) with Kazakhstan, since it upgrades trade provisions and builds on WTO membership obligations and disciplines; stresses the high importance of enhancing the EU’s political, economic and trade relations with Kazakhstan, on the basis of shared commitments to international values, including WTO obligations; underlines the EU’s importance to Kazakhstan and that the EU plays a significant role in supporting the development and diversification of the Kazakh economy; notes that this gives the EU significant leverage with regard to improving the human rights situation, in particular in relation to labour standards; reserves the right, therefore, to call on the Commission and the Council to suspend the agreement in the case of flagrant breaches of human rights; 2. Notes that the EU is Kazakhstan’s main trade and investment partner; believes that economic diversification, liberalisation, investment in research, education and vocational training and sustainable development, tackling corruption, and opening up to productive, real and sustainable foreign direct investment (FDI) could be important means to further develop and strengthen trade and economic relations within the wider framework of the general principles of the EPCA; calls on the Kazakh authorities to comply with international standards, notably those relating to combating money laundering, tax avoidance and tax evasion; calls on the Commission to continue its RR\1138031EN.docx 15/20 PE608.083v02-00 EN efforts to assist the Kazakh authorities in implementing the EPCA effectively in these fields, by developing benchmarks for implementation and by providing for an effective and comprehensive monitoring mechanism between Parliament, the Commission and the European External Action Service (EEAS) for the whole EPCA; notes that regulatory approximation plays a key role in facilitating the development of bilateral trade relations; 3. Notes that Kazakhstan’s economy is largely based on the exploitation and export of raw materials and hydrocarbons; takes the view that the EPCA should help Kazakhstan diversify its economy in an environment-friendly and sustainable manner; 4. Welcomes Kazakhstan’s economic and administrative modernisation, stemming from its accession to the WTO on 1 January 2016 and its chairing of the WTO Committee on Trade and Environment; 5. Takes note of Kazakhstan’s commitment to fully liberalising the movement of capital in the form of direct investment, and regrets that the Trade and Business title of the EPCA does not contain anti-corruption provisions; takes the view that particular attention should be paid to the issues of corporate governance and corruption in monitoring the implementation of the agreement, in order to avoid increasing the risk of money laundering; 6. Welcomes Kazakhstan’s determination, as shown during the first ***year*** of the EPCA’s application, to honour and fulfil its EPCA and WTO commitments; calls on Kazakhstan to fulfil its commitments under the EPCA regarding intellectual property rights (IPRs), on the basis of a regional exhaustion regime; 7. Calls on Kazakhstan to fully align its import tariffs with its WTO and EPCA commitments, irrespective of its participation in the Eurasian Economic Union (EEU), in order to avoid costly compensation ***payments*** to WTO trading partners; 8. Calls on Kazakhstan to join the Trade Control and Expert System (TRACES) in order to enable effective sanitary and phytosanitary (SPS) controls, and to use the bilateral EU-Kazakhstan SPS certificates; 9. Welcomes Kazakhstan’s participation in the voluntary Green Bridge Partnership ***Programme***; believes it will provide a stable and long-term basis for green investment and the ***transfer*** of new technologies and innovations, with a view to achieving a carbon-free society; 10. Takes note of the general five-***year*** transition period for public procurement and the eight-***year*** transition period for construction laid down in the EPCA, and looks forward to increased trade once these periods have drawn to a close; notes that public procurement constitutes a significant public policy instrument for Kazakhstan; 11. Calls on the Council and the Commission to use all possible EU leverage to continue to encourage and assist the Kazakh authorities in their efforts to implement the core ILO conventions effectively and to ensure respect for human rights, good governance, the rule of law and freedom of association, including with regard to trade unions, their role PE608.083v02-00 16/20 RR\1138031EN.docx EN and membership and the right to strike; recalls that human rights, including labour rights, are an essential element of the EPCA; urges the Commission to activate the dispute settlement mechanism provided for in the Trade and Sustainable Development chapter without delay. RR\1138031EN.docx 17/20 PE608.083v02-00 EN INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION Date adopted 25.9.2017 Result of final vote +: –: 0: 28 1 1 Members present for the final vote William (The Earl of) Dartmouth, Laima Liucija Andrikienė, Tiziana Beghin, Santiago Fisas Ayxelà, Eleonora Forenza, Karoline Graswander-Hainz, Heidi Hautala, France Jamet, Bernd Lange, David Martin, Emma McClarkin, Anne-Marie Mineur, Sorin Moisă, Alessia Maria Mosca, Franck Proust, Godelieve Quisthoudt-Rowohl, Viviane Reding, Inmaculada Rodríguez-Piñero Fernández, Tokia Saïfi, Marietje Schaake, Helmut Scholz, Hannu Takkula, Iuliu Winkler, Jan Zahradil Substitutes present for the final vote Edouard Ferrand, Agnes Jongerius, Sajjad Karim, Sander Loones Substitutes under Rule 200(2) present for the final vote Massimiliano Salini, Bogdan Brunon Wenta PE608.083v02-00 18/20 RR\1138031EN.docx EN FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION 28 + ALDE Hannu Takkula, Marietje Schaake ECR Emma McClarkin, Jan Zahradil, Sajjad Karim, Sander Loones EFDD Tiziana Beghin, William (The Earl of) Dartmouth GUE/NGL Anne-Marie Mineur, Eleonora Forenza, Helmut Scholz PPE Bogdan Brunon Wenta, Franck Proust, Godelieve Quisthoudt-Rowohl, Iuliu Winkler, Laima Liucija Andrikienė, Massimiliano Salini, Santiago Fisas Ayxelà, Tokia Saïfi, Viviane Reding S&D Agnes Jongerius, Alessia Maria Mosca, Bernd Lange, David Martin, Inmaculada Rodríguez-Piñero Fernández, Karoline Graswander-Hainz, Sorin Moisă Verts/ALE Heidi Hautala 1 - ENF France Jamet 1 0 ENF Edouard Ferrand Key to symbols: + : in favour - : against 0 : abstention RR\1138031EN.docx 19/20 PE608.083v02-00 EN INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE Date adopted 10.10.2017 Result of final vote +: –: 0: 47 3 6 Members present for the final vote Lars Adaktusson, Michèle Alliot-Marie, Francisco Assis, Goffredo Maria Bettini, Mario Borghezio, Elmar Brok, Klaus Buchner, James Carver, Lorenzo Cesa, Andi Cristea, Georgios Epitideios, Knut Fleckenstein, Eugen Freund, Michael Gahler, Sandra Kalniete, Manolis Kefalogiannis, Tunne Kelam, Janusz Korwin-Mikke, Eduard Kukan, Ilhan Kyuchyuk, Ryszard Antoni Legutko, Barbara Lochbihler, Sabine Lösing, Alex Mayer, David McAllister, Francisco José Millán Mon, Clare Moody, Javier Nart, Demetris Papadakis, Alojz Peterle, Tonino Picula, Julia Pitera, Cristian Dan Preda, Jozo Radoš, Sofia Sakorafa, Jaromír Štětina, Charles Tannock, Miguel Urbán Crespo, Ivo Vajgl, Geoffrey Van Orden, Hilde Vautmans, Anders Primdahl Vistisen, Boris Zala Substitutes present for the final vote Laima Liucija Andrikienė, Raffaele Fitto, Ana Gomes, Rebecca Harms, Liisa Jaakonsaari, Urmas Paet, Miroslav Poche, José Ignacio Salafranca Sánchez-Neyra, Helmut Scholz, Traian Ungureanu Substitutes under Rule 200(2) present for the final vote Heidi Hautala, Răzvan Popa, Gabriele Preuß PE608.083v02-00 20/20 RR\1138031EN.docx EN FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE 47 + ALDE Ilhan Kyuchyuk, Javier Nart, Urmas Paet, Jozo Radoš, Ivo Vajgl, Hilde Vautmans ECR Raffaele Fitto, Ryszard Antoni Legutko, Charles Tannock, Geoffrey Van Orden, Anders Primdahl Vistisen PPE Lars Adaktusson, Michèle Alliot-Marie, Laima Liucija Andrikienė, Elmar Brok, Lorenzo Cesa, Michael Gahler, Sandra Kalniete, Manolis Kefalogiannis, Tunne Kelam, Eduard Kukan, David McAllister, Francisco José Millán Mon, Alojz Peterle, Julia Pitera, Cristian Dan Preda, José Ignacio Salafranca Sánchez-Neyra, Traian Ungureanu, Jaromír Štětina S&D Francisco Assis, Goffredo Maria Bettini, Andi Cristea, Knut Fleckenstein, Eugen Freund, Ana Gomes, Liisa Jaakonsaari, Alex Mayer, Clare Moody, Demetris Papadakis, Tonino Picula, Miroslav Poche, Răzvan Popa, Gabriele Preuß, Boris Zala Verts/ALE Rebecca Harms, Heidi Hautala, Barbara Lochbihler 3 - EFDD James Carver NI Georgios Epitideios, Janusz Korwin-Mikke 6 0 ENF Mario Borghezio GUE/NGL Sabine Lösing, Sofia Sakorafa, Helmut Scholz, Miguel Urbán Crespo Verts/ALE Klaus Buchner Key to symbols: + : in favour - : against 0 : abstention

**Load-Date:** December 13, 2017

**End of Document**



[***Overseas Business Risk - Cuba***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RJ1-4S21-JDG9-Y2F8-00000-00&context=1516831)

Impact News Service

January 30, 2018 Tuesday

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**Length:** 2262 words

**Body**

London: UK Government has issued the following news release: 1. Politics

Cuba is a one-party state, run by the Cuban Communist Party. President Raúl Castro is Head of State and Government, First Secretary of the Communist Party and President of the Council of State and Council of Ministers, which holds executive and administrative authority. In elections in February 2013, President Raul Castro stated he would step down as President in 2018. Miguel Diaz-Canel, First Vice President since early 2013, is widely expected to succeed Raul Castro in April 2018.

Cuba is ranked 68th out of 188 countries in the 2016 UN Human Development Index. Long life expectancy (79.6 ***years***), low birth rates and outward migration is resulting in a rapidly ageing population. This presents challenges for the government in financing universal access to health care, education and state benefits – in a country with negligible, though growing, tax revenue and a struggling economy. Notwithstanding current challenges to the education system, Cuba’s workforce is highly educated, and the adult literacy rate is 99.7% according to UNDP.

Despite the restoration of diplomatic relations between the US and Cuba in 2015, and measures taken by the Obama Administration to reduce some restrictions on travel, remittances and certain exports, the US trade embargo endures. In June 2017, the Trump Administration indicated that it would adopt a stronger enforcement position on some aspects of the embargo. The US Treasury Department subsequently published a factsheet, in November 2017, on the changes to its Cuba sanctions rules, including measures to channel economic activity away from the Cuban military, intelligence and security services.

In September 2017, the US took the decision to withdraw a large proportion of US diplomatic staff from the US Embassy in Havana due to reports of attacks on US diplomatic staff in Cuba. The US Government also issued a travel warning to US citizens intending to travel to Cuba, and in October 2017 ordered the departure of 15 officials from the Cuban Embassy in Washington.

Cuba and the EU have formalised their relationship via a new Political Dialogue and Cooperation Agreement (EU-Cuba PDCA). This was signed in December 2016 and was provisionally applied in November 2017. It covers political relations, a human rights dialogue, trade and investment, and development cooperation.

In 2016, Philip Hammond became the first British Foreign Secretary to visit Cuba since 1959. During this visit, he signed a debt repayment agreement with Cuba, and four memoranda of understanding on energy, higher education, financial and professional services, and culture. The Lord Mayor of the City of London visited Cuba shortly afterwards. Foreign and Commonwealth Office Minister Sir Alan Duncan also visited in 2016, as did the FCO’s Permanent Under-Secretary. In March 2017, Cuban Vice-Minister for Higher Education, Dr. Aurora Fernandez, led a higher education delegation to the UK. The Vice President of the Cuban Central bank and 4 Presidents of Cuban commercial banks visited the City of London in September 2016.

In addition to these senior level bilateral contacts, the British Embassy promotes UK/Cuba cooperation in priority areas, including the modernisation of the banking and financial services sector, renewable energy technology, public procurement, and biotech and life sciences. The UK Government’s scholarship ***programme*** ‘Chevening’ has been active in Cuba for 25 ***years***, and recently expanded. 16 Cuban professionals went to the UK in 2017 to study a Masters degree under the scheme. 2. Economics

The Cuban Government continues to implement its package of economic reforms (known as guidelines or ‘lineamientos’ to ‘update the Cuban economic model’) though progress, by its own admission, has been slow. External challenges continue, including decreased economic support from Venezuela (mainly in the form of subsidised oil), the US embargo, falling prices for some of Cuba’s exports (e.g sugar, nickel, petroleum), and extreme weather events (specifically Hurricane Matthew in 2016 and Hurricane Irma in 2017). Cuba is attracting some foreign direct investment (FDI), but this has not been at the pace desired by the Cuban Government.

While the economy remains dominated by state and military run enterprises, there is a growing private sector including self employed persons in regulated areas (‘cuenta-propistas’) and cooperatives (mainly in ***agriculture***, retail, services, catering). The private sector faces an uncertain regulatory environment – frequent freezing of new operating licences for example – as the state asserts its control over how new businesses develop and interact with the rest of the economy.

A major part of the Cuban Government’s strategy to boost the economy, provide jobs, update infrastructure and ***transfer*** knowledge is to attract greater foreign investment. It promotes the Mariel Special Economic Development Zone outside Havana as its main tax-break zone for foreign investment, promising faster decision making on contracts, and easier recruiting practices. The Government also periodically releases a portfolio of investment opportunities open to foreign investors. The latest edition, together with summaries of investment legislation, can be downloaded from the Cuban Chamber of Commerce website.

While investors are still showing high levels of interest in Cuba, many express concerns around the bureaucracy involved in doing business, slow pace of decision making, and inadequate infrastructure (e.g poor transport links, lack of widespread or reliable internet, poor facilities for expatriate staff). Internet access in Cuba is improving: foreign businesses can connect via the state telecommunications company ETECSA, though this is expensive. ETECSA have announced that mobile internet should begin in Cuba during 2018, and access is being expanded for the Cuban population via a reported 500+ wifi parks and a limited roll-out of home internet.

Cuba has renegotiated its bilateral debt with a number of countries and entities, including the UK, in recent ***years***. Some debt has been written off, some is being repaid under new terms, and some exchanged for access to investment projects in Cuba. In this context, President Castro said in December 2017 that Cuba will continue to try and regain the international credibility of its economy, including by fulfilling agreements made to creditors.

In August 2017, UK Export Finance announced it could provide support to help boost UK/Cuba trade. Details of the type of cover available can be found on UK Export Finance’s website here

Considerable uncertainty exists around the widely expected unification of the two currencies in Cuba – the ‘Convertible Peso’ (CUC) is likely to be phased out making the Cuban Peso (CUP) the only legal tender. The dual currency system and the uncertainty around its removal have a damaging effect on the economy. While the Cuban Government is clearly making preparations for this changeover, the timetable and transition mechanisms are not clear. Avoiding high levels of inflation is one of the key concerns. President Castro said in December 2017 that the process had taken longer than expected, and that steps were being taken to resolve the issue as soon as possible.

Sanctions are applied by the US Government against companies which it deems to be in breach of the US embargo on Cuba. These have also been applied extra-territorially to foreign-owned companies based in third countries, where the US deems that company to fall under US jurisdiction. The Cuba sanctions ***programme*** is contained in the Cuba Assets Control regulations (CACR), issued by the US Office of Foreign Asset Control (OFAC), which also includes the 1992 Cuba Democracy Act and 1996 Cuban Liberty and Democracy (Libertad) Act (popularly known as ‘Helms-Burton’ after its sponsors).

The UK Protection of Trading Interests Act makes it illegal for UK-based companies to comply with extraterritorial legislation (like Helms-Burton) and there is provision for fines to be levied against offending companies and individuals. In parallel an EU Blocking Statute also makes it illegal to comply. The risk of US sanctions can create uncertainty and businesses, especially banks, sometimes find themselves caught between conflicting legal requirements. UK companies, SMEs in particular, have for example encountered problems in ***payments*** to/from Cuba being blocked by UK banks. We recommend that companies with extensive US interests which are interested in doing business with Cuba seek legal advice. In addition, a number of advisory notes regarding US regulations have been issued on the OFAC website, and potential investors are advised to read them. Companies should avoid making international transactions involving Cuba in USD, and instead use EUR or GBP. But these challenges have not stopped major UK companies with interests in the US doing business successfully with Cuba. Figures for trade in goods and services between the UK and Cuba from 1999 to 2016 can be seen at the UK’s Office for National Statistics website.

The UK has a bilateral Investment Protection Agreement with Cuba which includes basic provisions for foreign investors, compensation in cases of expropriation and dispute settlement mechanisms. Companies are advised to include arbitration clauses in their contracts. 3. Business and Human Rights

Cuba has signed and ratified the majority of the core International Labour Organisation (ILO) conventions. However, the ILO has repeatedly criticised the Cuban government for failing to meet ILO standards and conventions.

Foreign businesses are required to pay a fee to a centralised agency to employ Cuban staff, who in turn only receive a fraction of this ***payment***. Average state salaries remain low, though the Government announced in 2017 that they had risen from an average of $16 USD equivalent per month in 2007 to an average of $30 USD equivalent per month in 2016. Certain professional categories command higher amounts (e.g senior doctors can earn $65+), and certain industries attract a higher average (e.g sugar, mining, financial services). There is no evidence of slavery, servitude or forced labour in Cuba today.

Cuba has a positive track record on child, women’s and LGBT rights, while women and ethnic minorities are well represented in politics and the civil service. More widely on human rights, the UK has previously expressed concerns around restrictions on freedom of expression and assembly in Cuba, and the use of short term detention. Cuba ranks 173 out of 179 countries in the 2017 World Press Freedom Index. 4. Terrorism Threat

Read the information provided on our Terrorism threat page and always check the Foreign Travel Advice before travelling to Cuba. 5. Bribery and Corruption

Bribery is illegal. It is an offence for British nationals or someone who is ordinarily resident in the UK, a body incorporated in the UK or a Scottish partnership, to bribe anywhere in the world. In addition, a commercial organisation carrying on a business in the UK can be liable for the conduct of a person who is neither a UK national or resident in the UK or a body incorporated or formed in the UK. In this case it does not matter whether the acts or omissions which form part of the offence take place in the UK or elsewhere.

In 2016 Cuba was ranked 60 out of 176 countries in Transparency International’s corruption perception index. The government has appointed Vice President Gladys Bejerano to the post of Comptroller General to oversee a crackdown on corruption and tighten auditing of state enterprises. In recent ***years*** there have been some high profile cases of ministers and senior officials being brought to trial and given lengthy prison sentences for corruption.

Some of these cases have involved foreign businessmen who have also been tried in Cuba and given custodial sentences. There have also been cases where companies have had their licence to trade revoked. Some foreigners caught up in corruption inquiries have been held for extended periods in detention centres pending the outcome of investigations.

Low level corruption in the form of theft from state institutions and companies is pervasive and popularly condoned as a ‘survival strategy’ given chronically low wages in the state sector. This includes theft from hotels, restaurants, retail outlets and factories.

Visit the Business Anti-Corruption portal page providing advice and guidance about corruption in Cuba and some basic effective procedures you can establish to protect your company from them.

Read the information provided on our Bribery and corruption page. 6. Protective Security Advice

Cuba is generally a safe country. It is however a poor country (despite its middle income ranking), where wages are low, state employees face redundancies and petty theft from foreign tourists is on the increase. Visitors should take sensible precautions (e.g avoid unlit streets at night, keep bags about your person, lock car doors, never flag down a cab - only use official taxis - usually outside hotels and the airports). Read the information provided on our Protective security advice page 7. Organised Crime

This is not considered to be a serious threat in Cuba. The UK has longstanding cooperation with Cuban authorities on countering drug trafficking and organised crime is one of the priority areas included in the UK/Cuba Declaration on Bilateral Cooperation (signed July 2011). The UK’s National Crime Agency maintains an active dialogue with its Cuban counterpart.

**Load-Date:** January 31, 2018

**End of Document**



[***Defra's senior officials' expenses, October to December 2017***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RYY-3V91-F0YC-N2K7-00000-00&context=1516831)

Impact News Service

March 27, 2018 Tuesday

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**Length:** 7505 words

**Body**

London: UK Government has issued the following news release:

| **Senior official (SCS2 and above)** | **Start date of trip** | **Duration of Visit** | **Destination** | **Purpose of trip** | **Mode of transport** | **Class of travel** | **Accommodation/Meals** | **Other (including hospitality given)** | **Total cost, including all visas, accommodation, travel, meals etc (£)** | **Total Cost of Use of Official Secure Car** |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Clare Moriarty, Permanent Secretary | October | N/A | In and around London | Oyster journeys to and from the office on official business | Tube |  |  | 20 | 20.30 |  |  |  |
| Clare Moriarty, Permanent Secretary | 05 October 2017 | Evening | Hampton Court Palace | Taxi from Hampton Court Palace to Hotel following speech and attendance at Food is GREAT Dinner engagement | Taxi |  |  | 8.00 Taxi | 8.00 |  |  |  |
| Clare Moriarty, Permanent Secretary | November |  | In and around London | Oyster journeys to and from the office on official business | Tube |  |  | 18.60 | 18.60 |  |  |  |
| Clare Moriarty, Permanent Secretary | 03 November 2017 | A.M | Farnham | Visit to Alice Holt (Forest) | Train | Standard | N/A | N/A | 6.60 |  |  |  |
| Clare Moriarty, Permanent Secretary | 17 November 2017 | Half Day | Havant | Speaking Engagement at Havant Park Community School as part of a Permanent Secretary wide campaign | Car | Public Transport Rate |  |  | 6.50 |  |  |  |
| Clare Moriarty, Permanent Secretary | 24 November 2017 | Half Day | Selsey and Pagham, Hampshire | Fisheries Visit | Car | Public Transport Rate |  |  | 17.50 |  |  |  |
| Clare Moriarty, Permanent Secretary | 27 November 2017 | P.M | Nottingham | Defra Group Engagement Visit |  |  | 8.95 |  | 8.95 |  |  |  |
| Clare Moriarty, Permanent Secretary | December |  | In and around London | Oyster journeys to and from the office on official business |  |  |  | 11.4 | 11.40 |  |  |  |
| Clare Moriarty, Permanent Secretary | 07 December 2017 | Overnight and 1 day | Belfast | Visit to DAERA (Department for ***Agriculture***, Environment and Rural Affairs), Northern Ireland | Flight | Standard |  | 25.00 Heathrow Express 88.83 Flight 75.00 Hotel 10.20 Fuel | 188.83 |  |  |  |
| Clare Moriarty, Permanent Secretary | 15 December 2017 | 1 Day | Harwell, Oxfordshire | Visit to Science and Technology Facilities Centre | Car | Public Transport Rate |  |  | 29.00 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Nick Joicey, Director General Strategy, EU and Finance | 12 October 2017 | 1 | Oxford | Corporate Service Leaders Day | Rail | Standard | 0.00 | Taxi fare £10.00 | 58.00 |  |  |  |
| Nick Joicey, Director General Strategy, EU and Finance | 03 November 2017 | 1 | Berkhamsted | Interviewer at SLS leadership event | Rail | Standard | 0.00 | Taxi Fare £10.00 | 40.80 |  |  |  |
| Nick Joicey, Director General Strategy, EU and Finance | 07 November 2017 | 1 | Crewe | Exco meeting | Rail | Standard | 0.00 | Taxi fare £51.40 - Train broke down so had to get a taxi from Milton Keynes to Luton | 220.40 |  |  |  |
| Nick Joicey, Director General Strategy, EU and Finance | 22 November 2017 | 1 | York | Fera Board meeting | Rail | Standard | 0.00 | Taxi Fare £5.00 | 262.30 |  |  |  |
| Nick Joicey, Director General Strategy, EU and Finance | 27 November 2017 | 1 | York | Office visits | Rail | Standard | 63.00 | Taxi Fare £4.00 | 173.20 |  |  |  |
| Nick Joicey, Director General Strategy, EU and Finance | 04 December 2017 | 5 | Oxford | MPLA Training course | Rail | Standard | 0.00 | 2 Taxi fares (£10.00 & £8.00) | 74.00 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| David Kennedy, Director General - Food and Farming and Biosecurity | 14 December 2017 | 1 | West Byfleet | VMD ARAC and AMB meeting | Rail | Standard |  |  | 12.60 |  |  |  |
| David Kennedy, Director General - Food and Farming and Biosecurity | 05 October 2017 | 2 | Cheltenham Spa | Badger Cull Visit | Rail | Standard | 54 |  | 70.8 |  |  |  |
| David Kennedy, Director General - Food and Farming and Biosecurity | 18 October 2017 | 1 | Reading | Countryside Stewardship teach in session | Rail | Standard |  |  | 20.6 |  |  |  |
| David Kennedy, Director General - Food and Farming and Biosecurity | 07 November 2017 | 1 | Crewe | ExCo for a day (Crewe) | Rail | Standard |  |  | 218 |  |  |  |
| David Kennedy, Director General - Food and Farming and Biosecurity | 24 November 2017 | 1 | Berkhamsted | Mock interviews for SLS (Ashridge) | Rail | Standard |  |  | 21.9 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Betsy Bassis, Chief Operating Officer | 12 October 2017 | 1 | Reading | Corporate Service Leaders event: Betsy visiting Benson Lock. | Rail | Standard | 130 Travel 22 Meal 23.60 Travel |  | 175.60 |  |  |  |
| Betsy Bassis, Chief Operating Officer | 13 October 2017 | 1 | London | Corporate Service Leaders Event: Conference day | Rail | Standard |  |  | 31.50 |  |  |  |
| Betsy Bassis, Chief Operating Officer | 01 November 2017 | 1 | Peterborough | Visiting Corporate Service Staff at Peterborough Office | Rail | Standard |  |  | 45.80 |  |  |  |
| Betsy Bassis, Chief Operating Officer | 06 November 2017 | 1 | Crewe | Travel to Crewe night before for Exective Committe on 7/11 | Rail | Standard | 68.00 |  | 125.60 |  |  |  |
| Betsy Bassis, Chief Operating Officer | 07 November 2017 | 1 | London | Executive Committe for a day in Crewe | Rail | Standard |  |  | 22.00 |  |  |  |
| Betsy Bassis, Chief Operating Officer | 04 December 2017 | 1 | Oxford | Travel to MPLA OMP training Course | Rail | Standard |  |  | 46.50 |  |  |  |
| Betsy Bassis, Chief Operating Officer | 20 December 2017 | 1 | Weybridge/West Byfleet | VisitingCcorporate Service staff at Weybridge office | Rail | Standard |  |  | 20.40 |  |  |  |
| Betsy Bassis, Chief Operating Officer | 04 January 2018 | 1 | Crewe | Visiting IT EU Exit team at Crewe office | Rail | Standard |  |  | 129.00 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Sonia Phippard, Director General - Environment, Rural and Marine | 05 October 2017 | 1 | Newcastle | Marine Away Day at MMO offices, Lancaster House | Rail | Standard | Jurys Inn Scotswood Rd, Newcastle. | N/A | 65.00 |  |  |  |
| Sonia Phippard, Director General - Environment, Rural and Marine | 23 October 2017 | 1 | Tallinn | Easyjet direct flight one way LGW - TLL £306.97 inc seat & bag. Return flight with Scandanavian Airlines via Oslo on 24 Oct. | Air | Standard | N/A | N/A | 306.97 |  |  |  |
| Sonia Phippard, Director General - Environment, Rural and Marine | 23 October 2017 | 1 | Tallinn | L Ermitage Hotel, Toompuieste 19, Tallinn 10137 | N/A | N/A | Hotel | N/A | 95.00 |  |  |  |
| Sonia Phippard, Director General - Environment, Rural and Marine | 24 October 2017 | 1 | Oslo / London | Scandanavian Airlines flight from Tallinn (TLL) to LHR via Oslo (OSL) | Air | Standard | N/A | N/A | 102.50 |  |  |  |
| Sonia Phippard, Director General - Environment, Rural and Marine | 07 November 2017 | 1 | Crewe | ExCo for a Day at Crewe. | Train | Standard | N/A | N/A | 43.40 |  |  |  |
| Sonia Phippard, Director General - Environment, Rural and Marine | 08 November 2017 | 1 | Oxford | Oceanography Club dinner speech at St Hughs College, Uni of Oxford. 2 x Anytime day singles booked as a return journey ticket Paddington to Oxford £53.30 Due to LNH Kiosk not working TOD purchased. | Train | Standard | See Below | N/A | 53.30 |  |  |  |
| Sonia Phippard, Director General - Environment, Rural and Marine | 23 November 2017 | 1 | Leeds | Big Conversation at RPA offices in Leeds on 24th Nov. Anytime single ticket London Kings Cross to Menston via Leeds £126.00 Stayed with friends overnight to reduce costs. TOD purchased as LNH Kiosk not working. | Train | Standard | N/A | N/A | 126.00 |  |  |  |
| Sonia Phippard, Director General - Environment, Rural and Marine | 24 November 2017 | 1 | Leeds | Big Conversation at RPA offices in Leeds. Single ticket from Menston to Leeds £5.20 Return ticket standard advance single from Leeds to London Kings Cross £53.00 | Train | Standard | N/A | N/A | 58.20 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Prof Ian Boyd, Chief Scientific Advisor | 17 October 2017 | 4 | Iowa, USA | Attend World Food Prize / Borlag Symposium | Air | Economy | Accommodation 504.63 | Flight 1363.77 Train 37.00 Meal reimbursement 18.40 | 1,923.80 |  |  |  |
| Prof Ian Boyd, Chief Scientific Advisor | 27 October 2017 | 1 | Edinburgh | Attend Scottish Chief Scientific Adviser Interviews | Train | Standard |  | Train 16.65 | 16.65 |  |  |  |
| Prof Ian Boyd, Chief Scientific Advisor | 30 October 2017 | 2 | Exeter & Bristol | Visit to Environment Agency | Air, Train | Standard | Accommodation 72.00 | Flight 141.26 Taxi 51.00 Rail 36.80 | 301.06 |  |  |  |
| Prof Ian Boyd, Chief Scientific Advisor | 02 November 2017 | 1 | Newark | Visit to arable and pig farming business, Lincolnshire | Train | Standard |  | Rail 85.15 | 85.15 |  |  |  |
| Prof Ian Boyd, Chief Scientific Advisor | 07 November 2017 | 1 | Coventry | Attend SAGE Exercise | Rail | Standard |  | Rail 56.15 | 56.15 |  |  |  |
| Prof Ian Boyd, Chief Scientific Advisor | 08 November 2017 | 1 | York | Attend FERA Science Advisory Group | Rail | Standard |  | Rail 81.50 Taxi 5.00 | 86.50 |  |  |  |
| Prof Ian Boyd, Chief Scientific Advisor | 16 November 2017 | 1 | Byfleet & New Haw | Attend Directorate Awayday, APHA, Weybridge | Rail | Standard |  | Train 9.00 Taxi 10.00 | 19.00 |  |  |  |
| Prof Ian Boyd, Chief Scientific Advisor | 22 November 2017 | 1 | Leeds | Keynote speech at Resource Recovery from Waste conference | Rail | Standard |  | Train 28.25 | 28.25 |  |  |  |
| Prof Ian Boyd, Chief Scientific Advisor | 28 November 2017 | 1 | Harpenden | Speak at Sustainable Intensification Research Platform (SIP) International conference, Rothamsted | Rail | Standard |  | Train 9.40 Taxi 11.00 | 20.40 |  |  |  |
| Prof Ian Boyd, Chief Scientific Advisor | 30 November 2017 | 1 | York | Attend & speak at FERA Conference, York | Rail | Standard |  | Train 70.10 | 70.10 |  |  |  |
| Prof Ian Boyd, Chief Scientific Advisor | 01 December 2017 | 1 | Cambridge | Attend dinner at Clare College, Cambridge | Rail | Standard |  | Train 31.15 | 31.15 |  |  |  |
| Prof Ian Boyd, Chief Scientific Advisor | 04 December 2017 | 1 | London | For miscellaneous travel within London | Rail | Standard |  | Tube 50.00 | 50.00 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 03 October 2017 | 2 | Rome | G7 Forum on AI | Hotel |  | 310 EUR |  | 310 EUR |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 03 October 2017 | 2 | Rome | G7 Forum on AI | Rail | Standard | 290.27 |  | 295.27 |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 20 October 2017 | 2 | Southport | BCVA Congress | Rail | Standard | 95.60 |  | 95.60 |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 23 October 2017 | 2 | Brussels | CVO/CMO meeting and EU CVO meeting | Hotel |  | 250 EUR |  | 250 EUR |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 23 October 2017 | 2 | Brussels | CVO/CMO meeting and EU CVO meeting | Hotel | N/A | 236.95 |  | 236.95 |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 29 October 2017 | 1 | Newport South Wales | Speaking at the EPIC conference | Rail | Standard | 49.00 |  | 95.50 |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 30 October 2017 | 1 | Reading | Return from the EPIC conference | Rail | Standard | 40.60 |  | 39.60 |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 01 November 2017 | 1 | Belfast | Speaking at the World Dairy Summit | Hotel |  | 43.50 |  |  |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 01 November 2017 | 1 | Belfast | Speaking at the World Dairy Summit | Hotel | N/A | 46.10 |  | 46.10 |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 06 November 2017 | 1 | Paris | OIE Think Tank on vaccine banks | Hotel | N/A | 178.07 |  | 178.07 |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 07 November 2017 | 1 | London | Industry/Government seminar | Air | Standard | 15.50 |  | 54.40 |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 08 November 2017 | 1 | Coventry | Industry/Government seminar | Rail | Standard | 92.00 |  | 105.50 |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 16 November 2017 | 1 | Dublin | AHDB visit | Air | Standard | 0.00 |  | 85.89 |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 17 November 2017 | 1 | London Heathrow | Return from AHDB visit | Air | Standard | 164.70 |  | 164.70 |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 30 November 2017 | 1 | Birmingham | Speaking at Action on Infection conference | Rail | Standard | 130.50 |  | 130.50 |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 13 December 2017 | 1 | West Byfleet | APHA Manangement Board and then BVA reception | Rail | Standard | 10.20 |  | 18.80 |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 20 December 2017 | 1 | Vienna | Regional Core Group of the OIE Commissionfor Europe | Hotel |  | 116.10 EUR |  | 116.10 EUR |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 20 December 2017 | 1 | Vienna | Regional Core Group of the OIE Commissionfor Europe | Air | Standard |  |  | 180.99 |  |  |  |
| Nigel Gibbens, Chief Veterinary Officer | 21 December 2017 | 1 | London | Return from Regional Core Group of the OIE Commissionfor Europe | Air | Standard | 72.90 |  | 72.90 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 03 October 2017 | 3 days | Reading | Long Service Recognition Award, Exec Team Mtg, Northern farming Conference, Mtg with Abaco, CS update with the SOS | Hotel | Standard | Penta hotel, Reading | NA | 100.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 03 October 2017 |  | London |  | Rail | Standard | NA | NA | 123.60 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 03 October 2017 |  | Reading |  | Rail | Standard | NA | NA | 41.20 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 04 October 2017 |  | London |  | Hotel | Double | Danubius Regents Pa | NA | 115.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 03 October 2017 |  | NA |  | NA | NA | Expenses | NA | 72.51 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 10 October 2017 | 2 days | London | MYR with MA & EA 121 with Lynda Oates & Food, Farming and Biosecurity System Leadership Conference | Hotel | Double | Danubius Regents Pa | NA | 120.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 10 October 2017 |  | Reading |  | Rail | Standard | NA | NA | 131.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 11 October 2017 |  | London |  | Rail | Standard | NA | NA | 38.60 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 11 October 2017 |  | Carlisle |  | Rail | Standard | NA | NA | 121.70 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 10 October 2017 |  | NA |  | NA | NA | Expenses | NA | 31.75 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 18 October 2017 | 1day | London | Catch up With Mr Eustice | Rail | Standard | NA | NA | 123.60 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 18 October 2017 |  | NA |  | NA | NA | Expenses | NA | 20.40 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 25 October 2017 | 1 day | London | NED Discussion, Catch up with Sarah Church, Operational Update meeting, Livestock Information ***Programme*** Board, AMB, Internal Comms Update | Rail | Standard | NA | NA | 123.60 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 25 October 2017 |  | NA |  | NA | NA | Expenses | NA | 20.10 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 30 October 2017 | 2 days | London | Org Design, Mtg with Kirsty Shaw | Hotel | Double | Danubius Regents Pa | NA | 115.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 30 October 2017 |  | London |  | Rail | Standard | NA | NA | 123.60 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 30 October 2017 |  | NA |  | NA | NA | Expenses | NA | 49.10 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 14 November 2017 | 1 day | London | NAO meeting on EU Exit Readiness, Meeting with Sarah Church, MRY with David Kennedy | Rail | Standard | NA | NA | 123.60 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 14 November 2017 |  | NA |  | NA | NA | Expenses | NA | 7.98 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 20 November 2017 | 2 days | London | Livestock information ***Programme*** Mtg, Countryside Stewardship Mtg, Agency Management Board, 18/19 budget and 1:1 with Anne Marie Millar, Meeting with Sarah Church, Urgent PLCD Discussion | Rail | Standard | NA | NA | 123.60 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 20 November 2017 |  | London |  | Hotel | Double | Danubius Regents Pa | NA | 115.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 22 November 2017 |  | Newcastle |  | Car | NA | NA | NA |  |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 20 November 2017 |  | NA |  | NA | NA | Expenses | NA | 44.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 28 November 2017 | 3 days | Reading | CS Stocktake with Mr Eustice, EU Exit Vision Presentation with Abaco, Mtg with Anne-Marie, ET Strategic Purpose Mtg, Support and Governance Discussion CS/BPS MI Performance meeting, Mtg with Sarah Church, Disallowance Steering Group, Use of Surge into 2018, Posts pre and post detailed design, BPS Performance call, Executive Team Mtg, MoS Roundtable Discussion, MoS visit with RPA colleagues. | Rail | Standard | NA | NA | 261.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency |  |  | NA |  | Hotel | Double | Penta Hotel, Reading | NA | 100.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 29 November 2017 |  | London |  | Rail | Standard | NA | NA | 53.50 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 29 November 2017 |  | NA |  | Hotel | Double | Penta hotel, Reading | NA | 100.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 30 November 2017 |  | NA |  | NA | NA | Expenses | NA | 82.30 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 04 December 2017 | 3 days | London | Defra group leaders, Save for filming post Defra Leaders event, Wkly Mtg with David Kennedy, Future of Farming Introduction, PwC Interview, EU Exit Follow up with NAO, Mtg with Alice De Soer, Ops Delivery Director recruitment mtg, Talent Management Graduation Event, ET mtg, Mtg with Gordon Woods | Rail | Standard | NA | NA | 117.60 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 04 November 2017 |  | NA |  | Hotel | Double | Danubius Regents Pa | NA | 115.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 05 November 2017 |  | NA |  | Hotel | Double | Danubius Regents Pa | NA | 115.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 06 November 2017 |  | Reading |  | Rail | Standard | NA | NA | 44.10 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 06 November 2017 |  | NA |  | Hotel | Standard | Penta hotel, Reading | NA | 100.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 04 December 2017 |  | NA |  | NA | NA | Expenses | NA | 99.73 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 11 December 2017 | 2 days | London | NAO mtg, FY18/19 business case funding position, FFaB System Committee meeting, Round up and option discussion. | Rail | Standard | NA | NA | 123.60 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 11 December 2017 |  | NA |  | Hotel | Double | Danubius Regents Pa | NA | 115.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 11 December 2017 |  | NA |  | NA | NA | Expenses | NA | 37.53 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 18 December 2017 | 3 days | London | 1:2:1 with Alison Webster, Mtg with Sarah Church to discuss tranche 3, Agency Management Board, 1:2:1 with Sarah Milum, Mtg with John Renard, ***Programme*** Sub Committee, Mtg with Nicola Bettesworth, System Committee Workforce Planning mtg, | Rail | Standard | NA | NA | 123.60 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 18 December 2017 | 1 | NA |  | Hotel | Standard | NA | NA | 115.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 19 December 2017 | 1 | NA |  | Hotel | Standard | NA | NA | 120.00 |  |  |  |
| Paul Caldwell, Chief Executive, Rural ***Payments*** Agency | 18 December 2017 | 1 | NA |  | NA | NA | Expenses | NA | 20.00 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 02 October 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard |  | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 25 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 09 October 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard | 4.05 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 29.05 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 11 October 2017 | 1 | London | FFAB System Committee Away Day, The Nave, Spitafields | Train | Standard |  | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 + Taxi from Cannon Street to venue = £17.00 + Taxi from Venue to Cannot Street = £10.00 | 52.00 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 12 October 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard |  | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 25.00 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 17 October 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard |  | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 25.00 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 19 October 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard | 3.99 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 28.99 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 24 October 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard | 3.95 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 28.95 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 30 October 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard | 7.94 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 32.94 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 31 October 2017 | 1 | London | LGC 175 ***years*** : Official Reception at Royal College of Surgeons | Train | Standard |  | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 + Taxi from Regents Park to Charing Cross = £17.00 | 42.00 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 08 November 2017 | 1 | Birmingham | APHA Grade 6 Collective Meeting | Hire car |  | 9 | Dartford Toll = £5 + Fuel for hire car = £33.17+ car parking at venue = £5.00 = Hire car= £50.40 | 102.17 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 13 November 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard | 4 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 29.00 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 14 November 2017 | 1 | Worcester | Official meetings at APHA Worcester | Hire car |  | 12.85 | Dartford Toll= £5 + Hire car = £118.31 | 131.16 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 16 November 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard | 6.59 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 31.59 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 17 November 2017 | 1 | London | Association of Chief Executives (ACE) meeting | Train | Standard |  | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 25.00 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 20 November 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard | 5.2 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 30.20 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 21 November 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard | 5.35 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 30.35 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 22 November 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard | 9.15 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 34.15 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 23 November 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard | 3.99 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 28.99 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 27 November 2017 | 1 | London | Defra EU Exit Readiness Conference | Train | Standard | 3.99 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 + Taxi from Charing Cross to Oval = £14.00 = Taxi from Oval to Charing Cross = £12.00 | 54.99 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 28 November 2017 | 1 | London | APHA Directorate Leadesrship Team held at Defra Nobel House. | Train | Standard | 9.1 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 34.10 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 30 November 2017 | 1 | Pirbright | Official meeting with CEO of The Pirbright Institute | Personal vehicle |  |  | Mileage claimed from APHA Weybridge to The Pirbright Insitute (inc return) = £10.00 | 10.00 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 05 December 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard | 2.85 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 27.85 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 07 December 2017 | 1 | Cardiff | Official meeting with the Welsh Cabinet Secretary | Train | Standard | 11.42 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £234.00 + Taxi from Cardiff Central to Welsh Assembly = £5.30 | 258.22 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 11 December 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard | 7.99 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 32.99 |  |  |  |
| Chris Hadkiss, Chief Executive of the Animal and Plant Health Agency (APHA) | 12 December 2017 | 1 | London | Official Defra Group meetings at Defra Nobel House. | Train | Standard | 9.35 | Car park - £5.50 + £2.00 - travel from home to station + Rail - £17.50 | 34.35 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Peter Borriello, Chief Executive Veterinary Medicines Directorate | 11 October 2017 | 3 | Beirut | WPSA AMR seminar | Scheduled flight (paid for by inviting company) | Economy | (paid for by inviting company) |  | 19.49 |  |  |  |
| Peter Borriello, Chief Executive Veterinary Medicines Directorate | 30 October 2017 | 1 | London | Interview panel for VMD Director of Authorisations | Train | Economy | £31.35 |  | 31.35 |  |  |  |
| Peter Borriello, Chief Executive Veterinary Medicines Directorate | 23 November 2017 | 1 | Edinburgh | Meeting with GALVmed | Scheduled flight | Economy | £6.69 |  | 89.06 |  |  |  |
| Peter Borriello, Chief Executive Veterinary Medicines Directorate | 28 November 2017 | 3 | Estonia | Heads of Medicines Agency meetings | Scheduled flight | Economy | £387.67 |  | 737.27 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Tom Karsten, Cefas Chief Executive |  |  |  |  |  |  |  |  |  |  |  |  |
| Tom Karsten, Cefas Chief Executive | 02 October 2017 | 2 days | Weymouth | Official Cefas Meeting | Rail/Taxi | Standard | 16.45 | 201.00 | 217.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 04 October 2017 | 1 day | London | Official Defra Meeting | Rail/Taxi | Standard | 7.40 | 159.00 | 166.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 05 October 2017 | 2 days | Newcastle | Official Defra Meeting | Rail/Taxi | Standard | 26.80 | 457.60 | 484.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 09 October 2017 | 1 day | London | Official Defra & Cefas Meeting | Rail/Taxi | Standard |  | 106.00 | 106.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 16 October 2017 | 1 day | London | Official Defra & Cefas Meeting | Rail/Taxi | Standard |  | 97.90 | 98.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 17 October 2017 | 1 day | Weymouth | Official Cefas Meeting | Rail/Taxi/Flight | Standard | 6.80 | 98.70 | 105.50 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 18 October 2017 | 1 day | London | Official Defra Meeting | Rail/Taxi | Standard | 4.00 | 106.00 | 110.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 24 October 2017 | 3 daya | London | Official External & Cefas Meeting | Rail/Taxi | Standard |  | 325.46 | 325.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 30 October 2017 | 2 days | Weymouth | Official External Meeting | Rail/Taxi | Standard | 17.70 | 201.00 | 219.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 06 November 2017 | 1 day | London | Official Defra Meeting | Rail/Taxi | Standard |  | 106.00 | 106.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 07 November 2017 | 1 day | London | Official MGD Meeting | Rail/Taxi | Standard |  | 122.80 | 123.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 09 November 2017 | 1 day | London / Lowestoft | Official Defra & Cefas Meeting | Rail/Taxi | Standard |  | 106.70 | 107.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 15 November 2017 | 1 day | London | Official Defra Meeting | Rail/Taxi | Standard | 4.00 | 106.00 | 110.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 16 November 2017 | 1 day | London | Official Cefas Meeting | Rail/Taxi | Standard | 4.00 | 106.00 | 110.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 20 November 2017 | 1 day | London/ Lowestoft | Official Defra & External Meeting | Rail/Taxi | Standard | 5.85 | 122.80 | 129.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 23 November 2017 | 1 day | London | Official Defra Meeting | Rail/Taxi | Standard | 7.00 | 106.00 | 113.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 27 November 2017 | 2 days | Aberdeen/Newcastle/Scarborough | Official Cefas & External Meeting | Rail/Taxi | Standard | 37.58 | 613.50 | 651.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 29 November 2017 | 1 day | London | Official Defra Meeting | Rail/Taxi | Standard | 4.00 | 106.00 | 110.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 30 November 2017 | 1 day | Weymouth | Official External Meeting | Rail/Taxi | Standard |  | 107.20 | 107.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 04 December 2017 | 1 day | London | Official Defra & External Meeting | Rail/Taxi | Standard | 4.00 | 106.00 | 110.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 05 December 2017 | 1 day | London | Official Defra Meeting | Rail/Taxi | Standard | 4.00 | 106.00 | 110.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 06 December 2017 | 1 day | Weymouth | Official Cefas Meeting | Rail/Taxi | Standard | 6.00 | 98.80 | 105.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 07 December 2017 | 1 day | London | Official Defra & External Meeting | Rail/Taxi | Standard | 9.35 | 106 | 115.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 11 December 2017 | 1 day | London | Official Defra Meeting | Rail/Taxi | Standard | 3.8 | 77.2 | 81.00 |  |  |  |
| Tom Karsten, Cefas Chief Executive | 12 December 2017 | 1 day | London / Lowestoft | Official Defra Meeting | Rail/Taxi | Standard | 5.98 | 94 | 100.00 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Sarah Church, Director of Future Farming and Countryside ***Programme*** | 01 November 2017 | 1 | Oxenholme Lake District | Site visit in the Lake District Park | Rail | Standard | 0.00 |  | 98.50 |  |  |  |
| Sarah Church, Director of Future Farming and Countryside ***Programme*** | 02 November 2017 | 1 | Lancaster | site visit in the Lake district Park | Rail | Standard | 79.60 |  | 181.90 |  |  |  |
| Sarah Church, Director of Future Farming and Countryside ***Programme*** | 06 December 2017 | 1 | Reading | Future Farming 2 day workshop | Rail | Standard |  |  | 18.80 |  |  |  |
| Sarah Church, Director of Future Farming and Countryside ***Programme*** | 07 December 2017 | 1 | Reading | Future Farming 2 day workshop | Rail | Standard |  |  | 22.70 |  |  |  |
| Sarah Church, Director of Future Farming and Countryside ***Programme*** | 14 December 2017 | 1 | Reading | MPLA Cohort 19 - org Design Master Class | Rail | Standard |  |  | 46.00 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Sarah Hendry, Director for Water and Flood Risk Management | 17 October 2017 | 1 | Nottingham | Visit British Geological Survey and give welcome address at EU groundwater meeting | Rail | Standard |  |  | 172.00 |  |  |  |
| Sarah Hendry, Director for Water and Flood Risk Management | 24 October 2017 | 1 | Warrington | Meeting United Utilities water company | Rail | Standard | 90.60 |  | 237.60 |  |  |  |
| Sarah Hendry, Director for Water and Flood Risk Management | 25 October 2017 | 1 | Carlisle | Visit Flood Resilience projects in Carlisle | Rail | Standard |  |  | 49.50 |  |  |  |
| Sarah Hendry, Director for Water and Flood Risk Management | 14 November 2017 | 1 | Stafford | Working day with GDS team at Stafford office | Rail | Standard |  |  | 129.50 |  |  |  |
| Sarah Hendry, Director for Water and Flood Risk Management | 17 November 2017 | 1 | Lancing | Meeting and visit to Southern Water company | Rail | Standard |  |  | 57.90 |  |  |  |
| Sarah Hendry, Director for Water and Flood Risk Management | 23 November 2017 | 2 | Bristol/Exeter St Davids | Working at Bristol; then Meeting and visit with South West Water company | Rail | Standard | 168.18 |  | 298.68 |  |  |  |
| Sarah Hendry, Director for Water and Flood Risk Management | 24 November 2017 | 1 | London | Return from SouthWest Water visit | Rail | Standard |  |  | 56.50 |  |  |  |
| Sarah Hendry, Director for Water and Flood Risk Management | 03 December 2017 | 3 | Tallinn | EU Water Directors meeting, Tallinn | Air | Standard |  |  | 158.55 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Shirley Trundle, Director for Natural Environment Policy | 09 November 2017 | 1 | Bristol | NEP Senior Leaders Meeting and Drop-in Sessions for Bristol Staff | Rail | Standard |  |  | 130.80 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Iain Williams, Deputy Chief Scientic Adviser | 03 October 2017 | 1 | Weymouth | Visit to Cefas, Weymouth | Car |  |  | Mileage reimbursement 49.50 | 49.50 |  |  |  |
| Iain Williams, Deputy Chief Scientic Adviser | 15 October 2017 | 3 | Luton | Attend Tetrapartite Meeting | Car |  | Accommodation & meals 360.00 | Mileage reimbursement 27.50 | 387.50 |  |  |  |
| Iain Williams, Deputy Chief Scientic Adviser | 21 October 2017 | 6 | Washington | Attend GEO Executive Committee, Washington | Air | Economy | Accommodation & meals 1061.34 | Flight 1019.77 | 2081.11 |  |  |  |
| Iain Williams, Deputy Chief Scientic Adviser | 13 November 2017 | 3 | Berlin Tegel | Attend MACS/G20 2017, Potsdam, Germany | Air | Economy | Accommodation 162.50 | Flight 304.30 Subsistence 132.40 | 599.20 |  |  |  |
| Iain Williams, Deputy Chief Scientic Adviser | 21 November 2017 | 3 | Cambridge | Policy fellowship visit, Cambridge University | Rail | Standard |  | Rail 36.20 | 36.20 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Jac Broughton, HR Director | 11 October 2017 | 1 | Bristol | Engagement with EA teams | Rail | Standard | 24.00 |  | 24.00 |  |  |  |
| Jac Broughton, HR Director | 12 October 2017 | 1 | Basingstoke-Reading | Corporate Service Leaders Event | Rail | Standard | 11.00 |  | 11.00 |  |  |  |
| Jac Broughton, HR Director | 13 October 2017 | 1 | Oxford - Basingstoke | Corporate Service Leaders Event | Rail | Standard | 22.60 |  | 22.60 |  |  |  |
| Jac Broughton, HR Director | 25 October 2017 | 1 | Leeds | Engagement with EA teams | Hotel |  | 75.00 |  | 75.00 |  |  |  |
| Jac Broughton, HR Director | 25 October 2017 | 1 | Leeds-London Return | Engagement with EA teams | Rail | Standard | 245.00 |  | 245.00 |  |  |  |
| Jac Broughton, HR Director | 06 November 2017 | 1 | Crewe | EXCO for a day in Crewe | Hotel |  | 68.00 |  | 68.00 |  |  |  |
| Jac Broughton, HR Director | 07 November 2017 | 1 | Crewe | EXCO for a day in Crewe | Rail | Standard | 130.83 |  | 130.83 |  |  |  |
| Jac Broughton, HR Director | 29 November 2017 | 1 | Peterborough | Big Room Conversation | Rail | Standard | 108.00 |  | 108.00 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Emily Miles, Group Strategy Director | 12 October 2017 | 1 day | Oxford | MPLA Training Course | Rail | Standard | n/a | n/a | 63.4 |  |  |  |
| Emily Miles, Group Strategy Director | 24 October 2017 | 1 day | Cambridge | Civil Society Futures Workshop | Rail | Standard | n/a | n/a | 30 |  |  |  |
| Emily Miles, Group Strategy Director | 07 November 2017 | 1 day | Crewe | ExCo day | Rail | Standard | n/a | n/a | 105 |  |  |  |
| Emily Miles, Group Strategy Director | 14 November 2017 | 1 day | Cambridge | Speaking Engagement. Uncertianty and Certainty in Policy Making | Rail | Standard | n/a | n/a | 25.6 |  |  |  |
| Emily Miles, Group Strategy Director | 24 November 2017 | 1 day | Worcester | APHA | Rail | Standard | n/a | n/a | 195 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Pam Beadman, Finance Director | 02 October 2017 | 2 | London | ExCo meeting and PWC planning session | Hotel | N/A | 115.60 |  | 115.60 |  |  |  |
| Pam Beadman, Finance Director | 11 October 2017 | 2 | London | Mid-***year*** reviews with London staff | Rail | Standard | 0.00 |  | 176.00 |  |  |  |
| Pam Beadman, Finance Director | 16 October 2017 | 1 | London | Interviews at BEIS | Rail | Standard | 0.00 |  | 245.00 |  |  |  |
| Pam Beadman, Finance Director | 17 October 2017 | 1 | Burley Park | Defra Group Finance Event in Leeds | Rail | Standard | 0.00 |  | 29.30 |  |  |  |
| Pam Beadman, Finance Director | 19 October 2017 | 1 | Reading | FLT planning session workshop | Rail | Standard | 0.00 |  | 275.00 |  |  |  |
| Pam Beadman, Finance Director | 25 October 2017 | 1 | London | Defra ARAC meeting | Rail | Standard | 115.60 |  | 291.70 |  |  |  |
| Pam Beadman, Finance Director | 26 October 2017 | 2 | Reading | Finance Directors Group meeting | Rail | Standard | 115.60 |  | 161.60 |  |  |  |
| Pam Beadman, Finance Director | 31 October 2017 | 1 | London | ExCo attendance and London team visit | Rail | Standard | 0.00 |  | 159.00 |  |  |  |
| Pam Beadman, Finance Director | 06 November 2017 | 1 | London/Bristol | Team visits | Rail | Standard | 0.00 |  | 224.00 |  |  |  |
| Pam Beadman, Finance Director | 07 November 2017 | 1 | Bristol / York | Team Visits | Rail | Standard | 0.00 |  | 109.80 |  |  |  |
| Pam Beadman, Finance Director | 20 November 2017 | 1 | London | Team visits | Rail | Standard | 0.00 |  | 245.00 |  |  |  |
| Pam Beadman, Finance Director | 23 November 2017 | 1 | London | Finance Directors Group meeting | Hotel | N/A | 115.60 |  | 115.60 |  |  |  |
| Pam Beadman, Finance Director | 27 November 2017 | 1 | London | Defra SCS EU Exit readiness planning conference | Rail | Standard | 0.00 |  | 175.00 |  |  |  |
| Pam Beadman, Finance Director | 07 December 2017 | 1 | London | team visits and Operating Model Committee meeting | Rail | Standard | 0.00 |  | 245.00 |  |  |  |
| Pam Beadman, Finance Director | 11 December 2017 | 1 | London | Visit cancelled - refund requested | Rail | Standard | 0.00 |  | 159.00 |  |  |  |
| Pam Beadman, Finance Director | 18 December 2017 | 1 | Peterborough | Finance Director's Group meeting | Rail | Standard | 0.00 |  | 169.00 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 02 October 2017 | 4 | London | Official Defra meetings, meetings with Veterinary Directorate and Animal, Plant and Health Agency and retturn to home base | Rail | Standard | 408.09 |  | 1022.13 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 09 October 2017 | 1 | Crewe | Project Progress/Assurance Meetings | Rail | Standard | 80 |  | 160.55 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 10 October 2017 | 1 | Carlisle | Visit to Project team in Carlisle | Rail | Standard | 16.7 |  | 163.7 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 11 October 2017 | 1 | Milton Keynes | Presentation at BEIS course at Cranfield School of Management | Rail |  | 102.6 |  | 156.6 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 12 October 2017 | 1 | London | Defra/Prog Director Interview and return to Home base | Rail |  |  |  | 67.1 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 16 October 2107 | 2 | London | Project Progress/Assurance meetings, Executive Committee Meeting | Rail |  | 230.15 |  | 504.15 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 18 October 2017 | 2 | Crewe | Project Progress/Assurance meetings and return to home base | Rail |  | 140.5 |  | 311.6 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 26 October 2017 | 2 | London | Project Progress/Assurance Meetings and return to home base | Rail |  | 141.55 |  | 297.5 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 30 October 2017 | 1 | London | Meetings with External Suppliers - ASI and BCG | Rail |  | 83 |  | 285.9 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 31 October 2017 | 2 | Crewe | Project Progress/Assurance Meetings | Rail |  | 182.79 |  | 182.79 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 02 November 2017 | 1 | Weybridge | Meeting with Veterinary Director and return to home base | Rail |  | 6.5 |  | 104.4 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 06 November 2017 | 4 | Crewe | Project Progress/Assurance Meetings | Rail |  | 221.96 |  | 321.11 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 13 November 2017 | 2 | London | Visit to Cambridge office and Project Progress/Assurance Meetings | Rail |  | 261.65 |  | 374 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 15 November 2017 | 2 | Crewe | Project Progress/Assurance Meetingsand reurn to home base | Rail |  | 64.78 |  | 221.38 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 20 November 2017 | 2 | London | Transformation Workshop | Rail |  | 240.89 |  | 344.84 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 22 November 2017 | 1 | Milton Keynes | Presentation at BEIS course at Cranfield School of Management | Rail |  | 95.84 |  | 174.8 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 23 November 2017 | 1 | Crewe | Project Progress/Assurance Meetings and return to home base | Rail |  |  |  | 40.6 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 27 November 2017 | 1 | London | Defra SCS Conference EU Exit Readiness | Rail |  | 14.95 |  | 116.9 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 28 November 2017 | 3 | Crewe | Project Progress/Assurance Meetings and TOM Workshop and return to home base | Rail |  | 219.34 |  | 504.64 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 04 December 2017 | 1 | Crewe | Project Progress/Assurance Meetings | Rail |  | 71.21 |  | 170.36 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 05 December 2017 | 2 | London | Project Progress/Assurance Meetings and Meeting with External Bodies | Rail |  | 186.16 |  | 262.56 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 07 December 2017 | 1 | Crewe | Project Progress/Assurance Meetings and return to home base | Rail |  | 3.99 |  | 110.3 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 11 December 2017 | 4 | London | Defra Digital Transformation Partner Supplier Presentationand return to home base | Rail |  | 25.17 |  | 402.57 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 18 December 2017 | 1 | Crewe | Project Progress/Assurance Meetings | Rail |  | 17.43 |  | 137.33 |  |  |  |
| Jo Broomfield, DDTS (RPA/Defra) | 19 December 2017 | 3 | London | TOM Workshop and COO visit to Weybridge and return to home base | Rail |  | 393.02 |  | 507.92 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Sally Warren, Director Food Chain | 20 October 2017 | 4 | Shanghai | Best of British Exhibition | Hotel | N/A | 617.33 | 390.49 (burner phone, airport parking, expenses inc food, taxis) | 1007.82 |  |  |  |
| Sally Warren, Director Food Chain | 21 November 2017 | 1 | Biggleswade | Food Chain visit | Rail | Standard | 0 |  | 29.70 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Shaun Gallagher, Director Environmental Quality | 06 October 2017 | 1 | Runcorn | Visit to chemicals industry: NANO Material Manufacturers | Rail | Standard | 0.00 |  | 66.50 |  |  |  |
| Shaun Gallagher, Director Environmental Quality | 20 October 2017 | 1 | York | Visiting EQ Colleauges in York | Rail | Standard | 0.00 |  | 244.00 |  |  |  |
| Shaun Gallagher, Director Environmental Quality | 23 October 2017 | 1 | Brussels | Waste Directors' Meeting | Rail | Standard | 151.67 |  | 469.67 |  |  |  |
| Shaun Gallagher, Director Environmental Quality | 12 December 2017 | 1 | Edinburgh | Meeting w/Devolved Administration: Bridget Campbell: DA Engagement on Frameworks and Domestic Readiness | Air | Standard | 0.00 |  | 127.37 |  |  |  |
| Shaun Gallagher, Director Environmental Quality | 22 December 2017 | 1 | Peterborough | Meeting w/Joint Nature Conservation Committee: Discussion on EU Exit | Rail | Standard | 0.00 |  | 52.50 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Harriet Green, Chief Technology Officer (Job-share) | 04 October 2017 | 1 | London | Officia Defra Meetings | Rail | Standard |  | 84.90 | 84.90 |  |  |  |
| Harriet Green, Chief Technology Officer (Job-share) | 10 October 2017 | 1 | London | Officia Defra Meetings | Rail | Standard |  |  | 84.90 |  |  |  |
| Harriet Green, Chief Technology Officer (Job-share) | 12 October 2017 | 1 | Reading | Officia Defra Meetings | Rail | Standard |  |  | 34.10 |  |  |  |
| Harriet Green, Chief Technology Officer (Job-share) | 13 October 2017 | 1 | Oxford | Officia Defra Meetings | Rail | Standard |  |  | 28.00 |  |  |  |
| Harriet Green, Chief Technology Officer (Job-share) | 16 October 2017 | 1 | London | Officia Defra Meetings | Rail | Standard |  |  | 40.40 |  |  |  |
| Harriet Green, Chief Technology Officer (Job-share) | 17 October 2017 | 1 | Oxford | Officia Defra Meetings | Rail | Standard | 5.20 |  | 37.70 |  |  |  |
| Harriet Green, Chief Technology Officer (Job-share) | 24 October 2017 | 2 | London | Officia Defra Meetings | Rail | Standard | 4.94 |  | 99.74 |  |  |  |
| Harriet Green, Chief Technology Officer (Job-share) | 01 November 2017 | 2 | London | Officia Defra Meetings | Rail | Standard |  |  | 189.70 |  |  |  |
| Harriet Green, Chief Technology Officer (Job-share) | 07 November 2017 | 3 | London | Officia Defra Meetings | Rail | Standard |  |  | 94.80 |  |  |  |
| Harriet Green, Chief Technology Officer (Job-share) | 14 November 2017 | 2 | London | Officia Defra Meetings | Rail | Standard |  |  | 71.40 |  |  |  |
| Harriet Green, Chief Technology Officer (Job-share) | 16 November 2017 | 1 | Bristol | Officia Defra Meetings | Rail | Standard |  |  | 16.90 |  |  |  |
| Harriet Green, Chief Technology Officer (Job-share) | 22 November 2020 | 1 | Warrington | Officia Defra Meetings | Rail | Standard |  |  | 61.40 |  |  |  |
| Harriet Green, Chief Technology Officer (Job-share) | 23 November 2017 | 1 | Birmingham | Officia Defra Meetings | Rail | Standard |  |  | 19.50 |  |  |  |
| Harriet Green, Chief Technology Officer (Job-share) | 29 November 2017 | 1 | Reading | Officia Defra Meetings | Rail | Standard |  |  | 168.80 |  |  |  |
| Harriet Green, Chief Technology Officer (Job-share) | 05 December 2017 | 3 | London | Officia Defra Meetings | Rail | Standard |  |  | 94.80 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 03 October 2017 | 1 | Warrington | Officia Defra Meetings | Rail | Standard | 106.25 |  | 237.15 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 10 October 2017 | 3 | London | Officia Defra Meetings | Car |  | 5.60 |  | 154.30 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 16 October 2017 | 1 | London | Officia Defra Meetings | Rail + Car | Standard | 20.00 |  | 123.25 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 17 October 2017 | 1 | London | Officia Defra Meetings | Rail+Car | Standard | 22.90 |  | 131.45 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 18 October 2017 | 1 | Birmingham | Officia Defra Meetings | Rail | Standard | 25.45 |  | 44.95 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 20 October 2017 | 1 | London | Officia Defra Meetings |  |  | 17.20 |  |  |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 23 October 2017 | 1 | London | Officia Defra Meetings | Rail+Car | Standard | 20.00 |  | 126.25 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 24 October 2017 | 1 | London | Officia Defra Meetings | Rail | Standard |  |  | 81.30 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 25 October 2017 | 1 | Reading | Officia Defra Meetings | Rail+Car | Standard | 12.95 |  | 88.90 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 30 October 2017 | 1 | London | Officia Defra Meetings | Car |  |  |  | 40.95 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 31 October 2017 | 1 | London | Officia Defra Meetings | Rail | Standard |  |  | 65.30 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 01 November 2017 | 1 | Bristol | Officia Defra Meetings | Car |  |  |  | 83.95 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 06 November 2017 | 1 | Warrington | Officia Defra Meetings | Rail | Standard | 77.02 |  | 160.02 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 08 November 2017 | 1 | Bristol | Officia Defra Meetings | Rail | Standard |  |  | 16.90 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 12 November 2017 | 3 | Weybridge | Officia Defra Meetings | Rail+Car |  | 280.20 |  | 494.13 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 27 November 2017 | 1 | Melton Mowbray | Officia Defra Meetings | Hotel |  | 64.00 |  |  |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 21 November 2017 | 1 | Bristol | Officia Defra Meetings | Rail | Standard | 14.00 |  | 30.90 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 22 November 2017 | 1 | Bristol | Officia Defra Meetings | Rail | Standard |  |  | 16.90 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 27 November 2017 | 1 | London | Officia Defra Meetings | Rail+Car | Standard | 20.00 |  | 135.00 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 28 November 2017 | 1 | Birmingham | Officia Defra Meetings | Rail+Car | Standard | 8.30 |  | 142.70 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 27 November 2017 | 1 | Melton Mowbray | Officia Defra Meetings | Rail | Standard |  |  | 95.00 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 11 December 2017 | 3 | London | Officia Defra Meetings | Car |  | 13.35 |  | 108.05 |  |  |  |
| Ms Myra Hunt, Chief Technology Officer (Job-share) | 18 December 2017 | 1 | London | Officia Defra Meetings | Car |  |  |  | 78.70 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Anne Marie Millar, Finance Director RPA | 02 October 2017 | 1 | London | Official Defra meetings | Rail | standard |  |  | 53.50 |  |  |  |
| Anne Marie Millar, Finance Director RPA | 11 October 2017 | 1 | London | FFB conference, Spitalfields | Rail | Standard |  |  | 53.50 |  |  |  |
| Anne Marie Millar, Finance Director RPA | 11 October 2017 |  | London | Replacement ticket | Rail |  |  |  | 47.80 |  |  |  |
| Anne Marie Millar, Finance Director RPA | 13 October 2017 | 1 | Oxford | Corporate Services Leadership | Rail | Standard |  |  | 8.10 |  |  |  |
| Anne Marie Millar, Finance Director RPA | 16 October 2017 | 2 | Gloucester | DEFRA Conference Leeds | Rail | Standard |  |  | 94.00 |  |  |  |
| Anne Marie Millar, Finance Director RPA | 16 October 2017 | 1 | Leeds | IBIS Hotel, Leeds | Hotel |  | 48.00 |  |  |  |  |  |
| Anne Marie Millar, Finance Director RPA |  |  | Nobel | Official Defra Meetings | Rail |  |  |  | 53.50 |  |  |  |
| Anne Marie Millar, Finance Director RPA |  | 1 | Nobel | Official Defra Meetings | Rail |  |  |  | 53.50 |  |  |  |
| Anne Marie Millar, Finance Director RPA |  |  | Noble House | Official Defra Meetings | Rail |  |  |  | 53.50 |  |  |  |
| Anne Marie Millar, Finance Director RPA |  |  | Deloittte, EC4A | Conference : Risk Advisory |  |  |  |  |  |  |  |  |
| Anne Marie Millar, Finance Director RPA |  |  |  | Women In Leadship Event |  |  |  |  |  |  |  |  |
| Anne Marie Millar, Finance Director RPA |  |  | Reading | IBIS Hotel |  |  | 87.00 |  | 53.50 |  |  |  |
| Anne Marie Millar, Finance Director RPA | 06 December 2017 |  | Reading | RPA ET event |  |  |  |  |  |  |  |  |
| Anne Marie Millar, Finance Director RPA |  |  | Reading | Penta Hotel | Hotel |  | 100.00 |  |  |  |  |  |
| Anne Marie Millar, Finance Director RPA | 08 December 2017 | 1 | London | Finance Design workshop | Rail | standard |  |  |  |  |  |  |
| Anne Marie Millar, Finance Director RPA |  |  |  | NER System - Green Room |  |  |  |  |  |  |  |  |
| Anne Marie Millar, Finance Director RPA |  |  |  | Travel Lodge, Convent Garden | Hotel |  | 127.85 |  |  |  |  |  |
| Anne Marie Millar, Finance Director RPA | 18 December 2017 | 1 | Peterborough | FOM meeting | Rail | standard |  |  | 53.50 |  |  |  |
| Anne Marie Millar, Finance Director RPA |  |  |  | FD meeting |  |  |  |  |  |  |  |  |
| Anne Marie Millar, Finance Director RPA | 19 December 2017 | 1 | London | AMB meeting | Rail | standard |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  | 53.50 |  |  |  |
| John Seglias, Group Chief Digital and Information Officer | 12 October 2017 | 1 | Reading | Corporate Services Leaders Event | Rail | Standard |  |  | 17.2 |  |  |  |
| John Seglias, Group Chief Digital and Information Officer | 13 October 2017 | 1 | Ealing | Corporate Services Leaders Event | Rail | Standard |  |  | 38.9 |  |  |  |
| John Seglias, Group Chief Digital and Information Officer | 27 October 2017 | 1 | Ipswich | Visit CEFAS, Lowestoft | Rail | Standard |  |  | 161.2 |  |  |  |
| John Seglias, Group Chief Digital and Information Officer | 01 November 2017 | 1 | Warrington Bank Quay | A day ***Transfer*** to Warrington, Richard Fairclough House | Rail | Standard |  |  | 297.2 |  |  |  |
| John Seglias, Group Chief Digital and Information Officer | 07 November 2017 | 1 | Crewe | ExCo visit with Besty Bassis | Rail | Standard |  |  | 140.5 |  |  |  |
| John Seglias, Group Chief Digital and Information Officer | 27 November 2017 | 1 | Melton Mowbray | Market visit in Melton Mowbay | Rail | Standard |  |  | 264.2 |  |  |  |
| John Seglias, Group Chief Digital and Information Officer | 29 November 2017 | 1 | Reading | Target Operating Model DDTS TOM workshop | Rail | Standard |  |  | 31 |  |  |  |
| John Seglias, Group Chief Digital and Information Officer | 20 December 2017 | 1 | Weybridge/ Addlestone | Corporate Services Leaders Event | Rail | Standard |  |  | 64.2 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| John Curnow, Chief Economist | 05 October 2017 | 2 | Paris | EPOC meeting | Rail | Standard |  |  | 653.49 |  |  |  |
| John Curnow, Chief Economist | 07 November 2017 | 2 | Paris | COAG meeting | Rail | Standard |  |  | 346.48 |  |  |  |

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**End of Document**



[***Federal Register: United States v. GS Caltex Corp. et al.; Proposed Final Judgments and Competitive Impact Statement Pages 60306 - 60327 [FR DOC # 2018-25461]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TTC-3XJ1-JDG9-Y4B5-00000-00&context=1516831)

Impact News Service

November 23, 2018 Friday

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**Body**

Washington: Office of the Federal Register has issued the following notice:

 Department of Justice ----------------------------------------------------------------------- Antitrust Division ----------------------------------------------------------------------- United States v. GS Caltex Corp. et al.; Proposed Final Judgments and Competitive Impact Statement; Notice Federal Register / Vol. 83 , No. 226 / Friday, November 23, 2018 / Notices [[Page 60306]] ----------------------------------------------------------------------- DEPARTMENT OF JUSTICE Antitrust Division United States v. GS Caltex Corp.

et al.; Proposed Final Judgments and Competitive Impact Statement Notice is hereby given pursuant to the Antitrust Procedures and Penalties Act, 15 U.S.C Sec. 16(b)-(h), that proposed Final Judgments, Stipulations, and a Competitive Impact Statement have been filed with the United States District Court for the Southern District of Ohio in United States v. GS Caltex et al., Case No. 2:18-cv-01456- ALM-CMV. On November 14, 2018, the United States filed a Complaint alleging that between 2005 and 2016, GS Caltex Corporation (``GS Caltex''), Hanjin Transportation Co., Ltd. (``Hanjin''), and SK Energy Co., Ltd. (``SK Energy''), along with unnamed co-conspirators, conspired to rig bids for Posts, Camps & Stations (PC&S) and Army and Air Force Exchange Service (AAFES) fuel supply contracts with the U.S military in South Korea, in violation of Section 1 of the Sherman Act, 15 U.S.C Sec. 1. A proposed Final Judgment for each Defendant, filed at the same time as the Complaint, requires GS Caltex, Hanjin, and SK Energy to pay the United States, respectively, $57,500,000, $6,182,000, and $90,384,872. In addition, each Defendant has agreed to cooperate with further civil investigative and judicial proceedings and to institute an antitrust compliance ***program***. Copies of the Complaint, proposed Final Judgments, and Competitive Impact Statement are available for inspection on the Antitrust Division's website at [*http://www.justice.gov/atr*](http://www.justice.gov/atr) and at the Office of the Clerk of the United States District Court for the Southern District of Ohio. Copies of these materials may be obtained from the Antitrust Division upon request and ***payment*** of the copying fee set by Department of Justice regulations. Public comment is invited within 60 days of the date of this notice. Such comments, including the name of the submitter, and responses thereto, will be posted on the Antitrust Division's website, filed with the Court, and, under certain circumstances, published in the Federal Register. Comments should be directed to Kathleen S. O'Neill, Chief, Transportation, Energy & ***Agriculture*** Section, Antitrust Division, Department of Justice, 450 5th Street NW, Suite 8000, Washington, DC 20530. Patricia A. Brink, Director of Civil Enforcement. United States District Court for the Southern District of Ohio Eastern Division United States Of America, Plaintiff, v. GS Caltex Corporation, GS Tower, 508, Nonhyeon-ro, Gangnam-gu, Seoul, South Korea Hanjin Transportation Co., Ltd., 20th Floor Hanjin New Bldg. 63, Namdaemun-ro, Jung-gu, Seoul, South Korea and SK Energy Co., Ltd., SK Bldg., 26, Jong-ro, Jongno-gu, Seoul, South Korea, Defendants. Case No. 2:18-cv-01456-ALM-CMV Complaint: Violation of Section 1 of the Sherman Act, 15 U.S.C Sec. 1 Judge: Algenon L. Marbley COMPLAINT The United States of America, acting under the direction of the Acting Attorney General of the United States, brings this civil antitrust action to obtain equitable monetary relief and recover damages from GS Caltex Corporation, Hanjin Transportation Co., Ltd., and SK Energy Co., Ltd., for conspiring to rig bids and fix prices, in violation of Section 1 of the Sherman Act, 15 U.S.C Sec. 1, on the supply of fuel to the U.S military for its operations in South Korea. I. INTRODUCTION 1. Since the end of the Korean War, the U.S armed forces have maintained a significant presence in South Korea, protecting American interests in the region and safeguarding peace for the Korean people. To perform this important mission, American service members depend on fuel to power their bases and military vehicles. The U.S military procures this fuel from oil refiners located in South Korea through a competitive bidding process. 2. For at least a decade, rather than engage in fair and honest competition, Defendants and their co-conspirators defrauded the U.S military by fixing prices and rigging bids for the contracts to supply this fuel. Defendants met and communicated in secret with other large South Korean oil refiners and logistics companies, and pre-determined which conspirator would win each contract. Defendants and their co- conspirators then fraudulently submitted collusive bids to the U.S military. Through this scheme, Defendants reaped vastly higher profit margins on the fuel they supplied to the U.S military than on the fuel they sold to the South Korean military and to private parties. 3. As a result of this conduct, Defendants and their co- conspirators illegally overcharged American taxpayers by well over $100 million. This conspiracy unreasonably restrained trade and commerce, in violation of Section 1 of the Sherman Act, 15 U.S.C Sec. 1. Defendants have agreed to plead guilty to an information charging a criminal violation of Section 1 of the Sherman Act for this unlawful conduct, and in this civil action, the United States seeks compensation for the injuries it incurred as a result of this conspiracy. II. DEFENDANTS 4. GS Caltex Corporation (``GS Caltex'') is an oil company headquartered in Seoul, South Korea. GS Caltex is a joint venture between GS Energy, a South Korean corporation, and Chevron Corp., a Delaware corporation; each owns a 50 percent interest in GS Caltex. GS Caltex refines and supplies gasoline, diesel, kerosene, and other petroleum products for sale internationally. During the conspiracy, GS Caltex supplied fuel to U.S military installations in South Korea. 5. Hanjin Transportation Co., Ltd. (``Hanjin'') is a global transportation and logistics company based in Seoul, South Korea. Hanjin is a member of Hanjin Group, a South Korean conglomerate with U.S subsidiaries, including Hanjin International America. Beginning in 2009, Hanjin partnered with oil companies, including a co-conspirator oil company (``Company A''), to supply fuel to U.S military installations in South Korea. 6. SK Energy Co., Ltd. (``SK Energy'') is an oil company headquartered in Seoul, South Korea. SK Energy is a wholly-owned subsidiary of SK Innovation Co., Ltd., a South Korean company with U.S subsidiaries, including SK Energy Americas Inc. SK Energy refines and supplies gasoline, diesel, kerosene, and other petroleum products for sale internationally. During the conspiracy, SK Energy supplied fuel to U.S military installations in South Korea. 7. Other persons, not named as defendants in this action, participated as co-conspirators in the offense alleged in this Complaint and performed acts and made statements in furtherance thereof. These co-conspirators include, among others, a logistics firm (``Company B'') and an oil company (``Company C'') that jointly supplied fuel to the U.S military. 8. Whenever this Complaint refers to any act, deed, or transaction of any [[Page 60307]] business entity, it means that the business entity engaged in the act, deed, or transaction by or through its officers, directors, employees, agents, or other representatives while they were actively engaged in the management, direction, control, or transaction of its business or affairs. III. JURISDICTION AND VENUE 9. The United States brings this action under Section 4 of the Sherman Act, 15 U.S.C Sec. 4, and Section 4A of the Clayton Act, 15 U.S.C Sec. 15a, seeking equitable relief, including equitable monetary remedies, and damages from Defendants' violation of Section 1 of the Sherman Act, 15 U.S.C Sec. 1. 10. This Court has subject matter jurisdiction over this action under 15 U.S.C Sec. Sec. 4 and 15a and 28 U.S.C Sec. Sec. 1331 and 1337. 11. Defendants have consented to venue and personal jurisdiction in this district for the purpose of this Complaint. 12. Defendants entered into contracts with the U.S military to supply and deliver fuel to U.S military installations in South Korea. Under the terms of these contracts, Defendants agreed that the laws of the United States would govern all contractual disputes and that U.S administrative bodies and courts would have exclusive jurisdiction to resolve all such disputes. To be eligible to enter into these contracts, Defendants registered in databases located in the United States. For certain contracts, Defendants submitted bids to U.S Department of Defense offices in the United States. After being awarded these contracts, Defendants submitted invoices to and received ***payments*** from U.S Department of Defense offices in Columbus, Ohio, which included use of wires and mails located in the United States. 13. Through its contracts with the U.S military, Defendants' activities had a direct, substantial, and reasonably foreseeable effect on interstate commerce, import trade or commerce, and commerce with foreign nations. Defendants' conspiracy had a substantial and intended effect in the United States. Defendants caused U.S Department of Defense agencies to pay non-competitive prices for the supply of fuel to U.S military installations. Defendants also caused a U.S Department of Defense agency located in the Southern District of Ohio to ***transfer*** U.S dollars to their foreign bank accounts. IV. BACKGROUND 14. From at least March 2005 and continuing until at least October 2016 (``the Relevant Period''), the U.S military procured fuel for its installations in South Korea through competitive solicitation processes. Oil companies, either independently or in conjunction with a logistics company, submitted bids in response to these solicitations. 15. The conduct at issue relates to two types of contracts to supply fuel to the U.S military for use in South Korea: Post, Camps, and Stations (``PC&S'') contracts and Army and Air Force Exchange Services (``AAFES'') contracts. 16. PC&S contracts are issued and administered by the Defense Logistics Agency (``DLA''), a combat support agency in the U.S Department of Defense. DLA, formerly known as the Defense Energy Support Center, is headquartered in Fort Belvoir, Virginia. The fuel procured under PC&S contracts is used for military vehicles and to heat U.S military buildings. During the Relevant Period, PC&S contracts ran for a term of three or four ***years***. DLA issued PC&S solicitations listing the fuel requirements for installations across South Korea, with each delivery location identified by a separate line item. Bidders offered a price for each line item on which they chose to bid. DLA awarded contracts to the bidders offering the lowest price for each line item. The Defense Finance and Accounting Service (``DFAS''), a finance and accounting agency of the U.S Department of Defense, wired ***payments*** to the PC&S contract awardees from its office in Columbus, Ohio. 17. AAFES is an agency of the Department of Defense headquartered in Dallas, Texas. AAFES operates official retail stores (known as ``exchanges'') on U.S Army and Air Force installations worldwide, which U.S military personnel and their families use to purchase everyday goods and services, including gasoline for use in their personal vehicles. AAFES procures fuel for these stores via contracts awarded through a competitive solicitation process. The term of AAFES contracts is typically two ***years***, but may be extended for additional ***years***. In 2008, AAFES issued a solicitation that listed the fuel requirements for installations in South Korea. Unlike DLA, AAFES awarded the entire 2008 contract to the bidder offering the lowest price across all the listed locations. V. DEFENDANTS' UNLAWFUL CONDUCT 18. From at least March 2005 and continuing until at least October 2016, Defendants and their co-conspirators engaged in a series of meetings, telephone conversations, e-mails, and other communications to rig bids and fix prices for the supply of fuel to U.S military installations in South Korea. 2006 PC&S and 2008 AAFES Contracts 19. GS Caltex, SK Energy, and Companies B and C conspired to rig bids and fix prices on the 2006 PC&S contracts, which were issued in response to solicitation SP0600-05-R-0063, supplemental solicitation SP0600-05-0063-0001, and their amendments. The term of the 2006 PC&S contracts covered the supply of fuel from February 2006 through July 2009. 20. Between early 2005 and mid-2006, GS Caltex, SK Energy, and other conspirators met multiple times and exchanged phone calls and e- mails to allocate the line items in the solicitations for the 2006 PC&S contracts. For each line item allocated to a different co-conspirator, the other conspirators agreed not to bid or to bid high enough to ensure that they would not win that item. Through these communications, these conspirators agreed to inflate their bids to produce higher profit margins. DLA awarded the 2006 PC&S line items according to the allocations made by the conspiracy. 21. As part of their discussions related to the 2006 PC&S contracts, GS Caltex and other conspirators agreed not to compete with SK Energy in bidding for the 2008 AAFES contract. In 2008, GS Caltex and other conspirators honored their agreement: GS Caltex bid significantly above the bid submitted by SK Energy for the AAFES contract, while Companies B and C declined to bid even after AAFES explicitly requested their participation in the bidding. The initial term of the 2008 AAFES contract ran from July 2008 to July 2010; the contract was later extended through July 2013. As envisioned by the conspiracy, AAFES awarded the 2008 contract to SK Energy. 2009 PC&S Contracts 22. Continuing their conspiracy, Defendants and other co- conspirators conspired to rig bids and fix prices for the 2009 PC&S contracts, which were issued in response to solicitation SP0600-08-R- 0233. Hanjin and Company A joined the conspiracy for the purpose of bidding on the solicitation for the 2009 PC&S contracts. Hanjin and Company A partnered to bid jointly on the 2009 PC&S contracts, with Company A providing the fuel and Hanjin providing transportation and logistics. The term of the 2009 PC&S contracts covered the supply of fuel from October 2009 through August 2013. [[Page 60308]] 23. Between late 2008 and mid-2009, Defendants and other co- conspirators met multiple times and exchanged phone calls and e-mails to allocate the line items in the solicitation for the 2009 PC&S contracts. As in 2006, these conspirators agreed to bid high so as to not win line items allocated to other co-conspirators. The original conspirators agreed to allocate to Hanjin and Company A certain line items that had previously been allocated to the original conspirators. 24. With one exception, DLA awarded the 2009 PC&S contracts in line with the allocations made by the Defendants and other co-conspirators. Companies B and C accidentally won one line item that the conspiracy had allocated to GS Caltex. To remedy this misallocation, Company B and GS Caltex agreed that GS Caltex, rather than Company C, would supply Company B with the fuel procured under this line item. 2013 PC&S Contracts 25. Similar to 2006 and 2009, Defendants and other co-conspirators conspired to rig bids and fix prices for the 2013 PC&S contracts, which were issued in response to solicitation SP0600-12-R-0332. The term of the 2013 PC&S Contract covered the supply of fuel from August 2013 through July 2016. 26. Defendants and other co-conspirators communicated via phone calls and e-mails to allocate and set the price for each line item in the solicitation for the 2013 PC&S contracts. Defendants and other co- conspirators believed that they had an agreement as to their bidding strategy and pricing for the 2013 PC&S contracts. As a result of this agreement, they bid higher prices than they would have in a competitive process. 27. However, Hanjin and Company A submitted bids for the 2013 PC&S contracts below the prices set by the other co-conspirators. Although lower than the pricing agreed upon by the conspirators, Hanjin and Company A still submitted bids above a competitive, non-collusive price, knowing that they would likely win the contracts because the other conspirators would bid even higher prices. 28. As a result of their bidding strategy, Hanjin and Company A jointly won nearly all the line items in the 2013 PC&S contracts. As in 2009, Company A was to provide the fuel for these line items, and Hanjin was to provide transportation and logistics. GS Caltex and other co-conspirators won a few, small line items; SK Energy won none. DLA made inflated ***payments*** under the 2013 PC&S contracts through October 2016. 29. After the award of the 2013 PC&S contracts, Hanjin, Company A, and GS Caltex reached an understanding that GS Caltex, rather than Company A, would supply Hanjin with fuel for certain line items. Under this side agreement, Hanjin paid a much lower price to GS Caltex for fuel than the price it previously had agreed to pay Company A to acquire fuel for those line items. However, the price that Hanjin paid to GS Caltex exceeded a competitive price for fuel. VI. VIOLATIONS ALLEGED 30. The United States incorporates by reference the allegations in paragraphs 1 through 29. 31. The conduct of Defendants and their co-conspirators unreasonably restrained trade and harmed competition for the supply of fuel to the U.S military in South Korea in violation of Section 1 of the Sherman Act, 15 U.S.C Sec. 1. 32. The United States was injured as a result of the unlawful conduct because it paid more for the supply of fuel than it would have had the Defendants and their co-conspirators engaged in fair competition. VIII. REQUEST FOR RELIEF 33. The United States requests that this Court: (a) adjudge that Defendants' and their co-conspirators' conduct constitutes an unreasonable restraint of interstate commerce, import trade or commerce, and commerce with foreign nations in violation of Section 1 of the Sherman Act, 15 U.S.C Sec. 1; (b) award the United States damages to which it is entitled for the losses incurred as the result of Defendants' and their co-conspirators' conduct; (c) award the United States equitable disgorgement of the ill- gotten gains obtained by Defendants; (d) award the United States its costs of this action; and (e) award the United States other relief that the Court deems just and proper. Dated: November 14, 2018 Respectfully submitted, FOR PLAINTIFF UNITED STATES OF AMERICA: ----------------------------------------------------------------------- Makan Delrahim, Assistant Attorney General for Antitrust. ----------------------------------------------------------------------- Andrew C. Finch, Principal Deputy Assistant Attorney General. ----------------------------------------------------------------------- Bernard A. Nigro Jr., Deputy Assistant Attorney General. ----------------------------------------------------------------------- Patricia A. Brink, Director of Civil Enforcement. ----------------------------------------------------------------------- Kathleen S. O'Neill, Chief, Transportation, Energy & ***Agriculture*** Section. ----------------------------------------------------------------------- Robert A. Lepore, Assistant Chief, Transportation, Energy & ***Agriculture*** Section. ----------------------------------------------------------------------- J. Richard Doidge Julie Elmer Jeremy Evans John A. Holler Caroline Anderson Jonathan Silberman Patrick Kuhlmann Attorneys for the United States U.S Department of Justice, Antitrust Division, 450 5th Street NW, Suite 8000, Washington, DC 20530, Tel.: (202) 514-8944, Fax: (202) 616-2441, E-mail: [*Dick.Doidge@usdoj.gov*](mailto:Dick.Doidge@usdoj.gov) Dated: November 14, 2018 Respectfully submitted, FOR PLAINTIFF UNITED STATES OF AMERICA Benjamin C. Glassman, United States Attorney By: ----------------------------------------------------------------------- Andrew M. Malek (Ohio Bar #0061442) Assistant United States Attorney, 303 Marconi Boulevard, Suite 200, Columbus, Ohio 43215, Tel: (614) 469-5715, Fax: (614) 469-2769, E- mail: [*Andrew.Malek@usdoj.gov*](mailto:Andrew.Malek@usdoj.gov) United States District Court for the Southern District of Ohio Eastern Division United States of America, Plaintiff, v. GS Caltex Corporation, Defendant. Case No. 2:18-cv-01456-ALM-CMV PROPOSED FINAL JUDGMENT AS TO DEFENDANT GS CALTEX CORPORATION WHEREAS Plaintiff, United States of America, filed its Complaint on November 14, 2018, the United States and Defendant GS Caltex Corporation (``GS Caltex''), by their respective attorneys, have consented to the entry of this Final Judgment without trial or adjudication of any issue of fact or law; WHEREAS, on such date as may be determined by the Court, GS Caltex will plead guilty pursuant to Fed. R. Crim. P. 11(c)(1)(C) (the ``Plea Agreement'') to an Information to be filed in United States v. GS Caltex Corporation [to be assigned] (S.D.Ohio) (the ``Criminal Action'') that will allege a violation of Section 1 of the Sherman Act, 15 U.S.C Sec. 1, relating to the same events giving rise to the allegations described in the Complaint; [[Page 60309]] WHEREAS, this Final Judgment does not constitute any evidence against or admission by any party regarding any issue of fact or law; NOW, THEREFORE, before the taking of any testimony and without trial or final adjudication of any issue of fact or law herein, and upon consent of the parties hereto, it is hereby ORDERED, ADJUDGED, AND DECREED: I. JURISDICTION This Court has jurisdiction of the subject matter of this action and each of the parties consenting hereto. The Complaint states a claim upon which relief may be granted to the United States against GS Caltex under Section 1 of the Sherman Act, 15 U.S.C Sec. 1. II. APPLICABILITY This Final Judgment applies to GS Caltex, as defined above, and all other persons in active concert or participation with any of them who receive actual notice of this Final Judgment by personal service or otherwise. III. ***PAYMENT*** GS Caltex shall pay to the United States within ten (10) business days of the entry of this Final Judgment the amount of fifty-seven million, five hundred thousand dollars ($57,500,000), less the amount paid (excluding any interest) pursuant to the settlement agreement attached hereto as Attachment 1, to satisfy all civil antitrust claims alleged against GS Caltex by the United States in the Complaint. ***Payment*** of the amount ordered hereby shall be made by wire ***transfer*** of funds or cashier's check. If the ***payment*** is made by wire ***transfer***, GS Caltex shall contact Janie Ingalls of the Antitrust Division's Antitrust Documents Group at (202) 514-2481 for instructions before making the ***transfer***. If the ***payment*** is made by cashier's check, the check shall be made payable to the United States Department of Justice and delivered to: Janie Ingalls, United States Department of Justice Antitrust Division, Antitrust Documents Group, 450 5th Street, NW, Suite 1024, Washington, D.C 20530. In the event of a default in ***payment***, interest at the rate of eighteen (18) percent per annum shall accrue thereon from the date of default to the date of ***payment***. IV. COOPERATION GS Caltex shall cooperate fully with the United States regarding any matter about which GS Caltex has knowledge or information relating to any ongoing civil investigation, litigation, or other proceeding arising out of any ongoing federal investigation of the subject matter discussed in the Complaint (hereinafter, any such investigation, litigation, or proceeding shall be referred to as a ``Civil Federal Proceeding''). The United States agrees that any cooperation provided in connection with the Plea Agreement and/or pursuant to the settlement agreement attached hereto as Attachment 1 will be considered cooperation for purposes of this Final Judgment, and the United States will use its reasonable best efforts, where appropriate, to coordinate any requests for cooperation in connection with the Civil Federal Proceeding with requests for cooperation in connection with the Plea Agreement and the settlement agreement attached hereto as Attachment 1, so as to avoid unnecessary duplication and expense. GS Caltex's cooperation shall include, but not be limited to, the following: (a) Upon request, completely and truthfully disclosing and producing, to the offices of the United States and at no expense to the United States, copies of all non-privileged information, documents, materials, and records in its possession (and for any foreign-language information, documents, materials, or records, copies must be produced with an English translation), regardless of their geographic location, about which the United States may inquire in connection with any Civil Federal Proceeding, including but not limited to all information about activities of GS Caltex and present and former officers, directors, employees, and agents of GS Caltex; (b) Making available in the United States, at no expense to the United States, its present officers, directors, employees, and agents to provide information and/or testimony as requested by the United States in connection with any Civil Federal Proceeding, including the provision of testimony in trial and other judicial proceedings, as well as interviews with law enforcement authorities, consistent with the rights and privileges of those individuals; (c) Using its best efforts to make available in the United States, at no expense to the United States, its former officers, directors, employees, and agents to provide information and/or testimony as requested by the United States in connection with any Civil Federal Proceeding, including the provision of testimony in trial and other judicial proceedings, as well as interviews with law enforcement authorities, consistent with the rights and privileges of those individuals; (d) Providing testimony or information necessary to identify or establish the original location, authenticity, or other basis for admission into evidence of documents or physical evidence produced by GS Caltex in any Civil Federal Proceeding as requested by the United States; and (e) Completely and truthfully responding to all other inquiries of the United States in connection with any Civil Federal Proceeding. However, notwithstanding any provision of this Final Judgment, GS Caltex is not required to: (1) Request of its current or former officers, directors, employees, or agents that they forgo seeking the advice of an attorney nor that they act contrary to that advice; (2) take any action against its officers, directors, employees, or agents for following their attorney's advice; or (3) waive any claim of privilege or work product protection. The obligations of GS Caltex to cooperate fully with the United States as described in this Section shall cease upon the conclusion of all Civil Federal Proceedings (which may include Civil Federal Proceedings related to the conduct of third parties), including exhaustion of all appeals or expiration of time for all appeals of any Court ruling in each such Civil Federal Proceeding, at which point the United States will provide written notice to GS Caltex that its obligations under this Section have expired. V. ANTITRUST COMPLIANCE ***PROGRAM*** A. Within thirty (30) days after entry of this Final Judgment, GS Caltex shall appoint an Antitrust Compliance Officer and identify to the United States his or her name, business address, telephone number, and email address. Within forty-five (45) days of a vacancy in the Antitrust Compliance Officer position, GS Caltex shall appoint a replacement, and shall identify to the United States the Antitrust Compliance Officer's name, business address, telephone number, and email address. GS Caltex's initial or replacement appointment of an Antitrust Compliance Officer is subject to the approval of the United States, in its sole discretion. B. The Antitrust Compliance Officer shall institute an antitrust compliance ***program*** for the company's employees and directors with responsibility for bidding for any contract with the United States. The antitrust compliance ***program*** shall provide at least two hours of training annually on the antitrust laws of the United States, such training to be delivered by an attorney with [[Page 60310]] relevant experience in the field of United States antitrust law. C. Each Antitrust Compliance Officer shall obtain, within six months after entry of this Final Judgment, and on an annual basis thereafter, on or before each anniversary of the entry of this Final Judgment, from each person subject to Paragraph V.B of this Final Judgment, and thereafter maintaining, a certification that each such person has received the required two hours of annual antitrust training. D. Each Antitrust Compliance Officer shall communicate annually to all employees that they may disclose to the Antitrust Compliance Officer, without reprisal, information concerning any potential violation of the United States antitrust laws. E. Each Antitrust Compliance Offer shall provide to the United States within six months after entry of this Final Judgment, and on an annual basis thereafter, on or before each anniversary of the entry of this Final Judgment, a written statement as to the fact and manner of GS Caltex's compliance with Section V of this Final Judgment. VI. RETENTION OF JURISDICTION This Court retains jurisdiction to enable any of the parties to this Final Judgment to apply to this Court at any time for further orders and directions as may be necessary or appropriate to carry out or construe this Final Judgment, to modify or terminate any of its provisions, to enforce compliance, and to punish violations of its provisions. VII. ENFORCEMENT OF FINAL JUDGMENT A. The United States retains and reserves all rights to enforce the provisions of this Final Judgment, including the right to seek an order of contempt from the Court. GS Caltex agrees that in any civil contempt action, any motion to show cause, or any similar action brought by the United States regarding an alleged violation of this Final Judgment, the United States may establish a violation of the decree and the appropriateness of any remedy therefor by a preponderance of the evidence, and GS Caltex waives any argument that a different standard of proof should apply. B. The Final Judgment should be interpreted to give full effect to the procompetitive purposes of the antitrust laws and to restore all competition the United States alleged was harmed by the challenged conduct. GS Caltex agrees that they may be held in contempt of, and that the Court may enforce, any provision of this Final Judgment that, as interpreted by the Court in light of these procompetitive principles and applying ordinary tools of interpretation, is stated specifically and in reasonable detail, whether or not it is clear and unambiguous on its face. In any such interpretation, the terms of this Final Judgment should not be construed against either party as the drafter. C. In any enforcement proceeding in which the Court finds that GS Caltex has violated this Final Judgment, the United States may apply to the Court for a one-time extension of this Final Judgment, together with such other relief as may be appropriate. In connection with any successful effort by the United States to enforce this Final Judgment against GS Caltex, whether litigated or resolved prior to litigation, GS Caltex agrees to reimburse the United States for the fees and expenses of its attorneys, as well as any other costs including experts' fees, incurred in connection with that enforcement effort, including in the investigation of the potential violation. VIII. EXPIRATION OF FINAL JUDGMENT Unless this Court grants an extension, this Final Judgment shall expire seven (7) ***years*** from the date of its entry, except that after five (5) ***years*** from the date of its entry, this Final Judgment may be terminated upon notice by the United States to the Court and GS Caltex that the continuation of the Final Judgment no longer is necessary or in the public interest. IX. PUBLIC INTEREST DETERMINATION Entry of this Final Judgment is in the public interest. The parties have complied with the requirements of the Antitrust Procedures and Penalties Act, 15 U.S.C Sec. 16, including making copies available to the public of this Final Judgment, the Competitive Impact Statement, and any comments thereon and the United States' responses to comments. Based upon the record before the Court, which includes the Competitive Impact Statement and any comments and response to comments filed with the Court, entry of this Final Judgment is in the public interest. Dated:----------------------------------------------------------------- ----------------------------------------------------------------------- United States District Judge ATTACHMENT 1 SETTLEMENT AGREEMENT This Settlement Agreement (Agreement) is entered into among the United States of America, acting through the Civil Division of the United States Department of Justice and the United States Attorney's Office for the Southern District of Ohio, on behalf of the Defense Logistics Agency (DLA) and the Army and Air Force Exchange Service (AAFES) (collectively the ``United States''), GS Caltex Corporation (GS Caltex), and Relator [REDACTED] (hereafter collectively referred to as ``the Parties''), through their authorized representatives. RECITALS A. GS Caltex is a South Korea-based energy company that produces various petroleum products that it sells to South Korean and international customers, including the United States Department of Defense (DoD). B. On February 28, 2018, Relator, a resident and citizen of South Korea, filed a qui tam action in the United States District Court for the Southern District of Ohio captioned United States ex rel. [REDACTED] v. GS Caltex, et al., Civil Action No. [REDACTED], pursuant to the qui tam provisions of the False Claims Act, 31 U.S.C Sec. 3730(b) (the Civil FCA Action). Relator contends that GS Caltex conspired with other South Korean entities to rig bids on DoD contracts to supply fuel to U.S military bases throughout South Korea beginning in 2005 and continuing until 2016, including DLA Post, Camps, and Stations contracts and/or contract amendments (``PC&S contracts'') executed in 2006, 2009, 2011, and 2013, and AAFES contracts executed in 2008. C. On such date as may be determined by the Court, GS Caltex will plead guilty pursuant to Fed. R. Crim. P. 11(c)(1)(C) (the ``Plea Agreement'') to an Information to be filed in United States v. GS Caltex Corporation, Criminal Action No. [to be assigned] (S.D Ohio) (the ``Criminal Action'') that will allege that GS Caltex participated in a combination and conspiracy beginning at least in or around March 2005 and continuing until at least in or around October 2016, to suppress and eliminate competition on certain contracts solicited by the DoD to supply ultra[dash]low sulfur diesel and gasoline to numerous U.S Army, Navy, Marine, and Air Force installations in Korea, known as PC&S contracts, in violation of the Sherman Antitrust Act, 15 U.S.C Sec. 1. D. GS Caltex will execute a Stipulation with the Antitrust Division of the United States Department of Justice in which GS Caltex will consent to the entry of a Final Judgment to be filed in United States v. GS Caltex Corporation, Civil Action No. [to be assigned] (S.D Ohio) (the Civil Antitrust Action) that will settle any and all civil antitrust claims of the United States [[Page 60311]] against GS Caltex arising from any act or offense committed before the date of the Stipulation that was undertaken in furtherance of an attempted or completed antitrust conspiracy involving PC&S and/or AAFES fuel supply contracts with the U.S military in South Korea during the period 2005 through 2016. E. The United States contends that it has certain civil claims against GS Caltex arising from a conspiracy with other South Korean entities to rig bids on DoD contracts to supply fuel to U.S military bases throughout South Korea executed between 2005 and 2013, including DLA PC&S contracts and AAFES contracts, as well as the conduct described in the Plea Agreement in the Criminal Action. The conduct referenced in this Paragraph, as well as the conduct, actions, and claims alleged by Relator in the Civil FCA Action is referred to below as the Covered Conduct. F. With the exception of any admissions that are made by GS Caltex in connection with the Plea Agreement in the Criminal Action, this Settlement Agreement is neither an admission of liability by GS Caltex nor a concession by the United States or Relator that their claims are not well founded. G. Relator claims entitlement under 31 U.S.C Sec. 3730(d) to a share of the proceeds of this Settlement Agreement and to Relator's reasonable expenses, attorneys' fees and costs. To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as follows: TERMS AND CONDITIONS 1.a GS Caltex shall pay to the United States $42,621,000 (FCA Settlement Amount), of which $28,414,474 is restitution. Relator's right pursuant to 31 U.S.C Sec. 3730(d) to reasonable expenses, attorneys' fees and costs will be addressed separately by Relator, Relator's counsel and GS Caltex. 1.b Interest at an annual rate of three (3) percent shall accrue on the FCA Settlement Amount beginning on the Effective Date of this Agreement and continuing until the date that both of the following events have occurred: (i) the Plea Agreement is accepted by the Court in the Criminal Action; and (ii) the proposed Final Judgment is entered by the Court in the Civil Antitrust Action (Accrued Interest). 1.c The total FCA ***payment*** due from GS Caltex shall be the FCA Settlement Amount plus any Accrued Interest (Total FCA Settlement Amount). GS Caltex shall pay the Total FCA Settlement Amount by electronic funds ***transfer*** no later than seven (7) business days after both events identified above in Paragraph 1.b have occurred (***Payment*** Due Date). The Civil Division of the United States Department of Justice shall provide to counsel for GS Caltex written ***payment*** instructions and confirmation of the Total FCA Settlement Amount no later than five (5) business days before the ***Payment*** Due Date. If GS Caltex does not pay the Total FCA Settlement Amount on or before the ***Payment*** Due Date, interest at an annual rate of nine (9) percent shall accrue on the Total FCA Settlement Amount beginning on the first ***calendar*** day after the ***Payment*** Due Date and shall continue to accrue until paid. 1.d If GS Caltex's Plea Agreement in the Criminal Action is not accepted by the Court or the Court does not enter the Final Judgment in the Civil Antitrust Action, this Agreement shall be null and void at the option of either the United States or GS Caltex. If either the United States or GS Caltex exercises this option, which option shall be exercised by notifying all Parties, through counsel, in writing within five (5) business days of the Court's decision, the Parties will not object and this Agreement will be rescinded. If this Agreement is rescinded, GS Caltex will not plead, argue or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel or similar theories, to any civil or administrative claims, actions or proceedings arising from the Covered Conduct that are brought by the United States within ninety (90) ***calendar*** days of rescission, except to the extent such defenses were available on the day on which Relator's qui tam complaint in the Civil FCA Action was filed. 2. Subject to the exceptions in Paragraph 3 (concerning excluded claims) below, and conditioned upon GS Caltex's full ***payment*** of the Total FCA Settlement Amount, the United States releases GS Caltex together with its current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; current or former corporate owners; and the corporate successors and assigns of any of them from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C Sec. Sec. 3729-3733; the ***Program*** Fraud Civil Remedies Act, 31 U.S.C Sec. Sec. 3801-3812; Contract Disputes Act, 41 U.S.C Sec. Sec. 7101-7109; or the common law theories of breach of contract, ***payment*** by mistake, unjust enrichment, and fraud, or under any statute creating causes of action for civil damages or civil penalties which the Civil Division of the United States Department of Justice has authority to assert and compromise pursuant to 28 C.F.R Part O, Subpart I, Sec. 0.45(d). 3. Notwithstanding the release given in paragraph 2 of this Agreement, or any other term of this Agreement, the following claims of the United States are specifically reserved and are not released: a. Any liability arising under Title 26, U.S Code (Internal Revenue Code); b. Any criminal liability, except to the extent detailed in the Plea Agreement; c. Except as explicitly stated in this Agreement, any administrative liability, including the suspension and debarment rights of any federal agency; d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct; e. Any liability based upon obligations created by this Agreement; f. Any liability of individuals; g. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services; h. Any liability for failure to deliver goods or services due; and i. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct. 4. Relator and his heirs, successors, attorneys, agents, and assigns shall not object to this Agreement but agree and confirm that this Agreement is fair, adequate, and reasonable under all the circumstances, pursuant to 31 U.S.C Sec. 3730(c)(2)(B). The determination of Relator's share, if any, of the FCA Settlement Amount pursuant to 31 U.S.C Sec. 3730(d) is a matter that shall be handled separately by and between the Relator and the United States, without any direct involvement or input from GS Caltex. In connection with this Agreement and this Civil FCA Action, Relator, on behalf of himself and his heirs, successors, attorneys, agents, and assigns agrees that neither this Agreement, nor any intervention by the United States in the Civil FCA Action in order to dismiss the Civil FCA Action, nor any dismissal of the Civil FCA Action, shall waive or otherwise affect the ability of the United States to contend that provisions in the False Claims Act, including 31 U.S.C Sec. 3730(d)(3), bar Relator from sharing in the proceeds of this Agreement, except that the United States will not contend that Relator is barred from sharing in the proceeds of this Agreement pursuant to [[Page 60312]] 31 U.S.C Sec. 3730(e)(4). Moreover, the United States and Relator, on behalf of himself and his heirs, successors, attorneys, agents, and assigns agree that they each retain all of their rights pursuant to the False Claims Act on the issue of the share percentage, if any, that Relator should receive of any proceeds of the settlement of his claims, and that no agreements concerning Relator share have been reached to date. 5. Relator, for himself, and for his heirs, successors, attorneys, agents, and assigns, releases GS Caltex, together with its predecessors, successors, assigns, shareholders, subsidiaries, businesses, affiliates, divisions, sister companies, owners, directors, officers, agents, employees, and counsel, from any action, in law or in equity, suits, debts, liens, contracts, agreements, covenants, promises, liability, obligations, claims, demands, rights of subrogation, contribution and indemnity, damages, loss, cost or expenses, direct or indirect, of any kind or nature whatsoever (including without limitation any civil monetary claim Relator has on behalf of the United States for the Covered Conduct under the False Claims Act. 31 U.S.C Sec. Sec. 3729-3733), known or unknown, fixed or contingent, foreign (including Korean), state or federal, under common law, statute or regulation, liquidated or unliquidated, claimed or concealed, and without regard to the date of occurrence, which Relator ever had, now has, may assert, or may in the future claim to have, against GS Caltex by reason of any act, cause, matter, or thing whatsoever from the beginning of time to the date hereof. Relator represents and warrants that he and his counsel are the exclusive owner of the rights, claims, and causes of action herein released and none of them have previously assigned, reassigned, or ***transferred*** or purported to assign, reassign or ***transfer***, through bankruptcy or by any other means, any or any portion of any claim, demand, action, cause of action, or other right released or discharged under this Agreement except between themselves and their counsel. Notwithstanding the foregoing, or any other terms of this Agreement, this Agreement does not resolve or release Relator's right pursuant to 31 U.S.C Sec. 3730(d) to reasonable expenses necessarily incurred, plus reasonable attorneys' fees and costs relating to the Covered Conduct, the amount of which will be addressed separately by Relator, Relator's counsel, and GS Caltex. 6. GS Caltex waives and shall not assert any defenses GS Caltex may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action. 7. GS Caltex fully and finally releases the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that GS Caltex has asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct and the United States' investigation and prosecution thereof. 8. GS Caltex, for itself and on behalf of its predecessors, successors, assigns, shareholders, subsidiaries, businesses, affiliates, divisions, sister companies, owners, directors, officers, agents, employees, and counsel, releases Relator, together with his heirs, successors, attorneys, agents, and assigns from any action, in law or in equity, suits, debts, liens, contracts, agreements, covenants, promises, liability, obligations, claims, demands, rights of subrogation, contribution and indemnity, damages, loss, cost or expenses, direct or indirect, of any kind or nature whatsoever, known or unknown, fixed or contingent, foreign (including Korean), state or federal, under common law, statute or regulation, liquidated or unliquidated, claimed or concealed, and without regard to the date of occurrence, which GS Caltex ever had, now has, may assert, or may in the future claim to have, against Relator by reason of any act, cause, matter, or thing whatsoever from the beginning of time to the date hereof. GS Caltex represents and warrants that it and its counsel are the exclusive owner of the rights, claims, and causes of action herein released and none of them have previously assigned, reassigned, or ***transferred*** or purported to assign, reassign or ***transfer***, through bankruptcy or by any other means, any or any portion of any claim, demand, action, cause of action, or other right released or discharged under this Agreement except between themselves and their counsel. Notwithstanding the foregoing, or any other terms of this Agreement, this Agreement does not resolve or release GS Caltex's right pursuant to 31 U.S.C Sec. 3730(d) to assert defenses to Relator's claimed attorneys' fees, expenses, and costs relating to the Covered Conduct, the amount of which will be addressed separately by Relator, Relator's counsel, and GS Caltex. 9. a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R Sec. 31.205-47) incurred by or on behalf of GS Caltex, and its present or former officers, directors, employees, shareholders, and agents in connection with: (1) the matters covered by this Agreement, any related plea agreement, and any related civil antitrust agreement; (2) the United States' audit(s) and civil and any criminal investigation(s) of the matters covered by this Agreement; (3) GS Caltex's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil and any criminal investigation(s) in connection with the matters covered by this Agreement (including attorney's fees); (4) the negotiation and performance of this Agreement, any related plea agreement, and any related civil antitrust agreement; (5) the ***payment*** GS Caltex makes to the United States pursuant to this Agreement and any ***payments*** that GS Caltex may make to Relator, including costs and attorneys' fees, are unallowable costs for government contracting purposes (hereinafter referred to as Unallowable Costs). b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by GS Caltex, and GS Caltex shall not charge such Unallowable Costs directly or indirectly to any contract with the United States. c. Treatment of Unallowable Costs Previously Submitted for ***Payment***: Within 90 days of the Effective Date of this Agreement, GS Caltex shall identify and repay by adjustment to future claims for ***payment*** or otherwise any Unallowable Costs included in ***payments*** previously sought by GS Caltex or any of its subsidiaries or affiliates from the United States. GS Caltex agrees that the United States, at a minimum, shall be entitled to recoup from GS Caltex any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for ***payment***. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine GS Caltex's books and records and to disagree with any calculations submitted by GS Caltex or any of its subsidiaries or affiliates regarding any Unallowable Costs included in ***payments*** previously sought [[Page 60313]] by GS Caltex, or the effect of any such Unallowable Costs on the amount of such ***payments***. 10. GS Caltex agrees to cooperate fully and truthfully with the United States in connection with the Civil FCA Action. The Civil Division of the United States Department of Justice will use reasonable best efforts, where appropriate, to coordinate any requests for cooperation in connection with the Civil FCA Action with requests for cooperation in connection with the Plea Agreement in the Criminal Action and the Civil Antitrust Action, so as to avoid unnecessary duplication and expense. GS Caltex's ongoing, full, and truthful cooperation shall include, but not be limited to: a. upon request by the United States with reasonable notice, producing at the offices of counsel for the United States in Washington, D.C and not at the expense of the United States, complete and un-redacted copies of all non-privileged documents related to the Covered Conduct wherever located in GS Caltex's possession, custody, or control; b. upon request by the United States with reasonable notice, making current GS Caltex directors, officers, and employees available for interviews, consistent with the rights and privileges of such individuals, by counsel for the United States and/or their investigative agents, not at the expense of the United States, in the United States or Hong Kong unless another place is mutually agreed upon; c. upon request by the United States with reasonable notice, (i) using best efforts to assist in locating former GS Caltex directors, officers, and employees identified by attorneys and/or investigative agents of the United States, and (ii) using best efforts to make any such former GS Caltex directors, officers, and employees available for interviews, consistent with the rights and privileges of such individuals, by counsel for the United States and/or their investigative agents, not at the expense of the United States, in the United States or Hong Kong unless another place is mutually agreed upon; and d. upon request by the United States with reasonable notice, making current GS Caltex directors, officers, and employees available, and using best efforts to make former GS Caltex directors, officers, employees available, to testify, consistent with the rights and privileges of such individuals, fully, truthfully, and under oath, without falsely implicating any person or withholding any information, (i) at depositions in the United States, Hong Kong, or any other mutually agreed upon place, (ii) at trial in the United States, and (iii) at any other judicial proceedings wherever located related to the Civil FCA Action. 11. This Agreement is intended to be for the benefit of the Parties only. 12. Upon receipt of the ***payment*** of the Total FCA Settlement Amount described in Paragraph 1.a-c., above, or receipt of the Total FCA Settlement Amount and any additional interest that accrues if GS Caltex does not pay on or before the ***Payment*** Due Date, the United States and Relator shall promptly sign and file a Joint Stipulation of Dismissal, with prejudice, of the claims filed against GS Caltex in the Civil FCA Action, pursuant to Rule 41(a)(1), which dismissal shall be conditioned on the Court retaining jurisdiction over Relator's claims to a relator's share and recovery of attorneys' fees and costs pursuant to 31 U.S.C Sec. 3730(d). 13. Except as provided herein, each Party shall bear its own legal and other costs incurred in connection with this matter. The Parties agree that Relator and GS Caltex will not seek to recover from the United States any costs or fees related to the preparation and performance of this Agreement. 14. Each party and signatory to this Agreement represents that it freely and voluntarily enters into this Agreement without any degree of duress or compulsion. 15. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the Southern District of Ohio. GS Caltex agrees that the United States District Court for the Southern District of Ohio has jurisdiction over it for purposes of the Civil FCA Action. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute. 16. This Agreement constitutes the complete agreement between the Parties on the subject matters addressed herein. This Agreement may not be amended except by written consent of the Parties. 17. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below. 18. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement. 19. This Agreement is binding on GS Caltex's successors, transferees, heirs, and assigns. 20. This Agreement is binding on Relator's successors, transferees, heirs, and assigns. 21. All parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public, as permitted by order of the Court. This Agreement shall not be released in un-redacted form until the Court unseals the entire Civil FCA Action. 22. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Electronic copies of signatures shall constitute acceptable, binding signatures for purposes of this Agreement The United States of America Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- Andrew A. Steinberg, Trial Attorney, Commercial Litigation Branch, Civil Division, U.S Department of Justice Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- Mark T. D'Alessandro, Civil Chief Andrew Malek, Assistant United States Attorney, U.S Attorney's Office for the Southern District of Ohio GS Caltex Corporation--Defendant Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- Authorized Representative of GS Caltex Corporation Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- Marguerite M. Sullivan, Latham & Watkins LLP Scott D. Hammond, Gibson, Dunn & Crutcher LLP, Counsel for GS Caltex Corporation [Redacted]--Relator Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- [redacted] Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- Eric Havian, Constantine Cannon LLP, Counsel for Relator United States District Court for the Southern District of Ohio Eastern Division United States of America, Plaintiff, v. Hanjin Transportation Co., Ltd. Defendant. Case No. 2:18-cv-01456-ALM-CMV [[Page 60314]] PROPOSED FINAL JUDGMENT AS TO DEFENDANT HANJIN TRANSPORTATION CO., LTD. WHEREAS Plaintiff, United States of America, filed its Complaint on November 14, 2018, the United States and Defendant Hanjin Transportation Co., Ltd. (``Hanjin''), by their respective attorneys, have consented to the entry of this Final Judgment without trial or adjudication of any issue of fact or law; WHEREAS, on such date as may be determined by the Court, Hanjin will plead guilty pursuant to Fed. R. Crim. P. 11(c)(1)(C) (the ``Plea Agreement'') to an Information to be filed in United States v. Hanjin Transportation Co., Ltd. [to be assigned] (S.D.Ohio) (the ``Criminal Action'') that will allege a violation of Section 1 of the Sherman Act, 15 U.S C. Sec. 1, relating to the same events giving rise to the allegations described in the Complaint; WHEREAS, this Final Judgment does not constitute any evidence against or admission by any party regarding any issue of fact or law; NOW, THEREFORE, before the taking of any testimony and without trial or final adjudication of any issue of fact or law herein, and upon consent of the parties hereto, it is hereby ORDERED, ADJUDGED, AND DECREED: I. JURISDICTION This Court has jurisdiction of the subject matter of this action and each of the parties consenting hereto. The Complaint states a claim upon which relief may be granted to the United States against Hanjin under Section 1 of the Sherman Act, 15 U.S.C Sec. 1. II. APPLICABILITY This Final Judgment applies to Hanjin, as defined above, and all other persons in active concert or participation with any of them who receive actual notice of this Final Judgment by personal service or otherwise. III. ***PAYMENT*** Hanjin shall pay to the United States within ten (10) business days of the entry of this Final Judgment the amount of six million, one hundred eighty-two thousand ($6,182,000), less the amount paid (excluding any interest) pursuant to the settlement agreement attached hereto as Attachment 1, to satisfy all civil antitrust claims alleged against Hanjin by the United States in the Complaint. ***Payment*** of the amount ordered hereby shall be made by wire ***transfer*** of funds or cashier's check. If the ***payment*** is made by wire ***transfer***, Hanjin shall contact Janie Ingalls of the Antitrust Division's Antitrust Documents Group at (202) 514-2481 for instructions before making the ***transfer***. If the ***payment*** is made by cashier's check, the check shall be made payable to the United States Department of Justice and delivered to: Janie Ingalls, United States Department of Justice Antitrust Division, Antitrust Documents Group, 450 5th Street, NW, Suite 1024, Washington, D.C 20530. In the event of a default in ***payment***, interest at the rate of eighteen (18) percent per annum shall accrue thereon from the date of default to the date of ***payment***. IV. COOPERATION Hanjin shall cooperate fully with the United States regarding any matter about which Hanjin has knowledge or information relating to any ongoing civil investigation, litigation, or other proceeding arising out of any ongoing federal investigation of the subject matter discussed in the Complaint (hereinafter, any such investigation, litigation, or proceeding shall be referred to as a ``Civil Federal Proceeding''). The United States agrees that any cooperation provided in connection with the Plea Agreement and/or pursuant to the settlement agreement attached hereto as Attachment 1 will be considered cooperation for purposes of this Final Judgment, and the United States will use its reasonable best efforts, where appropriate, to coordinate any requests for cooperation in connection with the Civil Federal Proceeding with requests for cooperation in connection with the Plea Agreement and the settlement agreement attached hereto as Attachment 1, so as to avoid unnecessary duplication and expense. Hanjin's cooperation shall include, but not be limited to, the following: (a) Upon request, completely and truthfully disclosing and producing, to the offices of the United States and at no expense to the United States, copies of all non-privileged information, documents, materials, and records in its possession (and for any foreign-language information, documents, materials, or records, copies must be produced with an English translation), regardless of their geographic location, about which the United States may inquire in connection with any Civil Federal Proceeding, including but not limited to all information about activities of Hanjin and present and former officers, directors, employees, and agents of Hanjin; (b) Making available in the United States, at no expense to the United States, its present officers, directors, employees, and agents to provide information and/or testimony as requested by the United States in connection with any Civil Federal Proceeding, including the provision of testimony in trial and other judicial proceedings, as well as interviews with law enforcement authorities, consistent with the rights and privileges of those individuals; (c) Using its best efforts to make available in the United States, at no expense to the United States, its former officers, directors, employees, and agents to provide information and/or testimony as requested by the United States in connection with any Civil Federal Proceeding, including the provision of testimony in trial and other judicial proceedings, as well as interviews with law enforcement authorities, consistent with the rights and privileges of those individuals; (d) Providing testimony or information necessary to identify or establish the original location, authenticity, or other basis for admission into evidence of documents or physical evidence produced by Hanjin in any Civil Federal Proceeding as requested by the United States; and (e) Completely and truthfully responding to all other inquiries of the United States in connection with any Civil Federal Proceeding. However, notwithstanding any provision of this Final Judgment, Hanjin is not required to: (1) request of its current or former officers, directors, employees, or agents that they forgo seeking the advice of an attorney nor that they act contrary to that advice; (2) take any action against its officers, directors, employees, or agents for following their attorney's advice; or (3) waive any claim of privilege or work product protection. The obligations of Hanjin to cooperate fully with the United States as described in this Section shall cease upon the conclusion of all Civil Federal Proceedings (which may include Civil Federal Proceedings related to the conduct of third parties), including exhaustion of all appeals or expiration of time for all appeals of any Court ruling in each such Civil Federal Proceeding, at which point the United States will provide written notice to Hanjin that its obligations under this Section have expired. V. ANTITRUST COMPLIANCE ***PROGRAM*** A. Within thirty (30) days after entry of this Final Judgment, Hanjin shall appoint an Antitrust Compliance Officer and identify to the United States his or her name, business address, telephone number, and email address. Within [[Page 60315]] forty-five (45) days of a vacancy in the Antitrust Compliance Officer position, Hanjin shall appoint a replacement, and shall identify to the United States the Antitrust Compliance Officer's name, business address, telephone number, and email address. Hanjin's initial or replacement appointment of an Antitrust Compliance Officer is subject to the approval of the United States, in its sole discretion. B. The Antitrust Compliance Officer shall institute an antitrust compliance ***program*** for the company's employees and directors with responsibility for bidding for any contract with the United States. The antitrust compliance ***program*** shall provide at least two hours of training annually on the antitrust laws of the United States, such training to be delivered by an attorney with relevant experience in the field of United States antitrust law. C. Each Antitrust Compliance Officer shall obtain, within six months after entry of this Final Judgment, and on an annual basis thereafter, on or before each anniversary of the entry of this Final Judgment, from each person subject to Paragraph V.B of this Final Judgment, and thereafter maintaining, a certification that each such person has received the required two hours of annual antitrust training. D. Each Antitrust Compliance Officer shall communicate annually to all employees that they may disclose to the Antitrust Compliance Officer, without reprisal, information concerning any potential violation of the United States antitrust laws. E. Each Antitrust Compliance Offer shall provide to the United States within six months after entry of this Final Judgment, and on an annual basis thereafter, on or before each anniversary of the entry of this Final Judgment, a written statement as to the fact and manner of Hanjin's compliance with Section V of this Final Judgment. VI. RETENTION OF JURISDICTION This Court retains jurisdiction to enable any of the parties to this Final Judgment to apply to this Court at any time for further orders and directions as may be necessary or appropriate to carry out or construe this Final Judgment, to modify or terminate any of its provisions, to enforce compliance, and to punish violations of its provisions. VII. ENFORCEMENT OF FINAL JUDGMENT A. The United States retains and reserves all rights to enforce the provisions of this Final Judgment, including the right to seek an order of contempt from the Court. Hanjin agrees that in any civil contempt action, any motion to show cause, or any similar action brought by the United States regarding an alleged violation of this Final Judgment, the United States may establish a violation of the decree and the appropriateness of any remedy therefor by a preponderance of the evidence, and Hanjin waives any argument that a different standard of proof should apply. B. The Final Judgment should be interpreted to give full effect to the procompetitive purposes of the antitrust laws and to restore all competition the United States alleged was harmed by the challenged conduct. Hanjin agrees that they may be held in contempt of, and that the Court may enforce, any provision of this Final Judgment that, as interpreted by the Court in light of these procompetitive principles and applying ordinary tools of interpretation, is stated specifically and in reasonable detail, whether or not it is clear and unambiguous on its face. In any such interpretation, the terms of this Final Judgment should not be construed against either party as the drafter. C. In any enforcement proceeding in which the Court finds that Hanjin has violated this Final Judgment, the United States may apply to the Court for a one-time extension of this Final Judgment, together with such other relief as may be appropriate. In connection with any successful effort by the United States to enforce this Final Judgment against Hanjin, whether litigated or resolved prior to litigation, Hanjin agrees to reimburse the United States for the fees and expenses of its attorneys, as well as any other costs including experts' fees, incurred in connection with that enforcement effort, including in the investigation of the potential violation. VIII. EXPIRATION OF FINAL JUDGMENT Unless this Court grants an extension, this Final Judgment shall expire seven (7) ***years*** from the date of its entry, except that after five (5) ***years*** from the date of its entry, this Final Judgment may be terminated upon notice by the United States to the Court and Hanjin that the continuation of the Final Judgment no longer is necessary or in the public interest. IX. PUBLIC INTEREST DETERMINATION Entry of this Final Judgment is in the public interest. The parties have complied with the requirements of the Antitrust Procedures and Penalties Act, 15 U.S.C Sec. 16, including making copies available to the public of this Final Judgment, the Competitive Impact Statement, and any comments thereon and the United States' responses to comments. Based upon the record before the Court, which includes the Competitive Impact Statement and any comments and response to comments filed with the Court, entry of this Final Judgment is in the public interest. Dated:----------------------------------------------------------------- ----------------------------------------------------------------------- United States District Judge ATTACHMENT 1 SETTLEMENT AGREEMENT This Settlement Agreement (Agreement) is entered into among the United States of America, acting through the Civil Division of the United States Department of Justice and the United States Attorney's Office for the Southern District of Ohio, on behalf of the Defense Logistics Agency (DLA) and the Army and Air Force Exchange Service (AAFES) (collectively the ``United States''), Hanjin Transportation Co., Ltd. (Hanjin), and Relator [REDACTED] (hereafter collectively referred to as ``the Parties''), through their authorized representatives. RECITALS A. Hanjin is a South Korea-based logistics company with South Korean and international customers, including the United States Department of Defense (DoD). B. On February 28, 2018, Relator, a resident and citizen of South Korea, filed a qui tam action in the United States District Court for the Southern District of Ohio captioned United States ex rel. [REDACTED] v. GS Caltex, et al., Civil Action No. [REDACTED], pursuant to the qui tam provisions of the False Claims Act, 31 U.S.C Sec. 3730(b) (the Civil FCA Action). Relator contends that Hanjin conspired with other South Korean entities to rig bids on DoD contracts to supply fuel to U.S military bases throughout South Korea beginning in 2008 and continuing until 2016, including DLA Post, Camps, and Stations contracts executed in 2009 and 2013, and AAFES contracts executed in 2008. C. On such date as may be determined by the Court, Hanjin will plead guilty pursuant to Fed. R. Crim. P. 11(c)(1)(C) (the ``Plea Agreement'') to an Information to be filed in United States v. Hanjin Transportation Co., Ltd., Criminal Action No. [to be assigned] (S.D Ohio) (the ``Criminal Action'') that will allege that Hanjin participated in a combination and conspiracy beginning at least in or around March 2005 and continuing until at least in or around October 2016, to suppress and eliminate [[Page 60316]] competition on certain contracts solicited by the DoD to supply ultra[dash]low sulfur diesel and gasoline to numerous U.S Army, Navy, Marine, and Air Force installations in Korea, including PC&S contracts, in violation of the Sherman Antitrust Act, 15 U.S.C Sec. 1. D. Hanjin will execute a Stipulation with the Antitrust Division of the United States Department of Justice in which Hanjin will consent to the entry of a Final Judgment to be filed in United States v. Hanjin Transportation Co., Ltd., Civil Action No. [to be assigned] (S.D Ohio) (the Civil Antitrust Action) that will settle any and all civil antitrust claims of the United States against Hanjin arising from any act or offense committed before the date of the Stipulation that was undertaken in furtherance of an attempted or completed antitrust conspiracy involving PC&S and/or AAFES fuel supply contracts with the U.S military in South Korea during the period 2005 through 2016. E. The United States contends that it has certain civil claims against Hanjin arising from a conspiracy with other South Korean entities to rig bids on DoD contracts to supply fuel to U.S military bases throughout South Korea beginning in 2008 and continuing to 2016, including DLA Post, Camps, and Stations contracts executed in 2009 and 2013, and AAFES contracts executed in 2008. The conduct described in in this Paragraph, as well as the conduct, actions, and claims alleged by Relator in the Civil FCA Action is referred to below as the Covered Conduct. F. With the exception of any admissions that are made by Hanjin in connection with the Plea Agreement in the Criminal Action, this Settlement Agreement is neither an admission of liability by Hanjin nor a concession by the United States or Relator that their claims are not well founded. G. Relator claims entitlement under 31 U.S.C Sec. 3730(d) to a share of the proceeds of this Settlement Agreement and to Relator's reasonable expenses, attorneys' fees, and costs. To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as follows: TERMS AND CONDITIONS 1. Hanjin agrees to pay to the United States $6,182,000 (FCA Settlement Amount) by electronic funds ***transfer*** no later than thirteen (13) business days after the Effective Date of this Agreement pursuant to written instructions to be provided by the Civil Division of the United States Department of Justice. Relator claims entitlement under 31 U.S.C Sec. 3730(d) to Relator's reasonable expenses, attorneys' fees and costs. The FCA Settlement Amount does not include the Relator's fees and costs, and Hanjin acknowledges (without waiving any applicable arguments or defenses) that Relator retains all rights to seek to recover such expenses, attorneys' fees, and costs from Hanjin pursuant to 31 U.S.C Sec. 3730(d). 2. Subject to the exceptions in Paragraph 4 (concerning excluded claims) below, and conditioned upon Hanjin's full ***payment*** of the FCA Settlement Amount, the United States releases Hanjin together with its current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; current or former corporate owners; and the corporate successors and assigns of any of them from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C Sec. Sec. 3729-3733; the ***Program*** Fraud Civil Remedies Act, 31 U.S.C Sec. Sec. 3801-3812; Contract Disputes Act, 41 U.S.C Sec. Sec. 7101-7109; or the common law theories of breach of contract, ***payment*** by mistake, unjust enrichment, and fraud. 3. Except as set forth in Paragraph 1 (concerning Relator's claims under 31 U.S.C Sec. 3730(d)), and subject to the exceptions in Paragraph 4 below, and conditioned upon Hanjin's full ***payment*** of the FCA Settlement Amount, Relator, on behalf of: (a) his respective heirs, successors, assigns, agents and attorneys; and (b) his companies ([REDACTED], together with their direct and indirect subsidiaries, brother or sister corporations, divisions, current or former corporate owners, and the corporate successors and assigns of any of them); hereby fully and finally releases, waives, and forever discharges Hanjin, together with its direct and indirect subsidiaries, brother or sister corporations, divisions, current or former corporate owners, and the corporate successors and assigns of any of them, from: (i) any civil monetary claim Relator has on behalf of the United States for the Covered Conduct under the False Claims Act, 31 U.S.C Sec. Sec. 3729- 3733; (ii) any claims or allegations Relator has asserted or could have asserted against Hanjin arising from the Covered Conduct; and (iii) all liability, claims, demands, actions or causes of action whatsoever, whether known or unknown, fixed or contingent, in law or in equity, in contract or in tort, under any federal, Korean, or state statute or regulation or otherwise, or in common law, including claims for attorneys' fees, costs, and expenses of every kind and however denominated, that Relator would have standing to bring or which Relator may now have or claim to have against Hanjin and/or its direct and indirect subsidiaries, brother or sister corporations, divisions, current or former corporate owners, and the corporate successors and assigns of any of them. 4. Notwithstanding the releases given in paragraphs 2 and 3 of this Agreement, or any other term of this Agreement, the following claims of the United States are specifically reserved and are not released: a. Any liability arising under Title 26, U.S Code (Internal Revenue Code); b. Any criminal liability, except to the extent detailed in the Plea Agreement; c. Except as explicitly stated in this Agreement, any administrative liability, including the suspension and debarment rights of any federal agency; d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct; e. Any liability based upon obligations created by this Agreement; f. Any liability of individuals; g. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services; h. Any liability for failure to deliver goods or services due; and i. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct. 5. Relator and his heirs, successors, attorneys, agents, and assigns shall not object to this Agreement but agree and confirm that this Agreement is fair, adequate, and reasonable under all the circumstances, pursuant to 31 U.S.C Sec. 3730(c)(2)(B). In connection with this Agreement and this Civil FCA Action, Relator, on behalf of himself and his heirs, successors, attorneys, agents, and assigns, agrees that neither this Agreement, nor any intervention by the United States in the Civil FCA Action in order to dismiss the Civil FCA Action, nor any dismissal of the Civil FCA Action, shall waive or otherwise affect the ability of the United States to contend that provisions in the False Claims Act, including 31 U.S.C Sec. 3730(d)(3), bar Relator from sharing in the proceeds of this Agreement, except that the United States will not contend that Relator is barred from sharing in the proceeds of this Agreement pursuant to 31 U.S.C Sec. 3730(e)(4). Moreover, the United States and Relator, on behalf of [[Page 60317]] himself and his heirs, successors, attorneys, agents, and assigns agree that they each retain all of their rights pursuant to the False Claims Act on the issue of the share percentage, if any, that Relator should receive of any proceeds of the settlement of his claims, and that no agreements concerning Relator share have been reached to date. 6. Hanjin waives and shall not assert any defenses Hanjin may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action. 7. Hanjin fully and finally releases the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that Hanjin has asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct and the United States' investigation and prosecution thereof. 8. Hanjin, together with its direct and indirect subsidiaries, brother or sister corporations, divisions, current or former corporate owners, and the corporate successors and assigns of any of them, hereby fully and finally releases, waives, and forever discharges the Relator, together with his respective heirs, successors, assigns, agents and attorneys, and his companies ([REDACTED]) from any claims or allegations Hanjin has asserted or could have asserted, arising from the Covered Conduct, and from all liability, claims, demands, actions or causes of action whatsoever, whether known or unknown, fixed or contingent, in law or in equity, in contract or in tort, under any federal, Korean, or state statute or regulation or otherwise, or in common law, including claims for attorneys' fees, costs, and expenses of every kind and however denominated, that it would have standing to bring or which Hanjin may now have or claim to have against Relator and his heirs, successors, assigns, agents, and attorneys. Relator hereby represents that neither he nor his companies, [REDACTED], performed business with Hanjin. 9. a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R Sec. 31.205-47) incurred by or on behalf of Hanjin, and its present or former officers, directors, employees, shareholders, and agents in connection with: (1) the matters covered by this Agreement, any related plea agreement, and any related civil antitrust agreement; (2) the United States' audit(s) and civil and any criminal investigation(s) of the matters covered by this Agreement; (3) Hanjin's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil and any criminal investigation(s) in connection with the matters covered by this Agreement (including attorney's fees); (4) the negotiation and performance of this Agreement, any related plea agreement, and any related civil antitrust agreement; (5) the ***payment*** Hanjin makes to the United States pursuant to this Agreement and any ***payments*** that Hanjin may make to Relator, including costs and attorneys' fees, are unallowable costs for government contracting purposes (hereinafter referred to as Unallowable Costs). b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by Hanjin, and Hanjin shall not charge such Unallowable Costs directly or indirectly to any contract with the United States. c. Treatment of Unallowable Costs Previously Submitted for ***Payment***: Within 90 days of the Effective Date of this Agreement, Hanjin shall identify and repay by adjustment to future claims for ***payment*** or otherwise any Unallowable Costs included in ***payments*** previously sought by Hanjin or any of its subsidiaries or affiliates from the United States. Hanjin agrees that the United States, at a minimum, shall be entitled to recoup from Hanjin any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for ***payment***. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine Hanjin's books and records and to disagree with any calculations submitted by Hanjin or any of its subsidiaries or affiliates regarding any Unallowable Costs included in ***payments*** previously sought by Hanjin, or the effect of any such Unallowable Costs on the amount of such ***payments***. 10. Hanjin agrees to cooperate fully and truthfully with the United States in connection with the Civil FCA Action. Hanjin's ongoing, full, and truthful cooperation shall include, but not be limited to: a. upon request by the United States with reasonable notice, producing at the offices of counsel for the United States in Washington, D.C and not at the expense of the United States, complete and un-redacted copies of all non-privileged documents related to the Covered Conduct wherever located in Hanjin's possession, custody, or control, including but not limited to, reports, memoranda of interviews, and records concerning any investigation of the Covered Conduct that Hanjin has undertaken, or that has been performed by another on Hanjin's behalf; b. upon request by the United States with reasonable notice, making current Hanjin directors, officers, and employees available for interviews, consistent with the rights and privileges of such individuals, by counsel for the United States and/or their investigative agents, not at the expense of the United States, in the United States or Hong Kong, unless another place is mutually agreed upon; c. upon request by the United States with reasonable notice, (i) using best efforts to assist in locating former Hanjin directors, officers, and employees identified by attorneys and/or investigative agents of the United States, and (ii) using best efforts to make any such former Hanjin directors, officers, and employees available for interviews, consistent with the rights and privileges of such individuals, by counsel for the United States and/or their investigative agents, not at the expense of the United States, in the United States or Hong Kong, unless another place is mutually agreed upon; and d. upon request by the United States with reasonable notice, making current Hanjin directors, officers, and employees available, and using best efforts to make former Hanjin directors, officers, employees available, to testify, consistent with the rights and privileges of such individuals, fully, truthfully, and under oath, without falsely implicating any person or withholding any information, (i) at depositions in the United States, Hong Kong, or any other mutually agreed upon place, (ii) at trial in the United States, and (iii) at any other judicial proceedings wherever located related to the Civil FCA Action. 11. This Agreement is intended to be for the benefit of the Parties only. 12. Upon receipt of the ***payment*** of the FCA Settlement Amount described in Paragraph 1 above, the United States and Relator shall promptly sign and file a Joint Stipulation of Dismissal, with prejudice, of the claims filed against [[Page 60318]] Hanjin in the Civil FCA Action, pursuant to Rule 41(a)(1) ), which dismissal shall be conditioned on the Court retaining jurisdiction over Relator's claims to a relator's share and recovery of attorneys' fees and costs pursuant to 31 U.S.C Sec. 3730(d). 13. Except with respect to ***payment*** (if any) by Hanjin of Relator's attorneys' fees, expenses, and costs pursuant to 31 U.S.C Sec. 3730(d), each Party shall bear its own legal and other costs incurred in connection with this matter. The Parties agree that Relator and Hanjin will not seek to recover from the United States any costs or fees related to the preparation and performance of this Agreement. 14. Each party and signatory to this Agreement represents that it freely and voluntarily enters in to this Agreement without any degree of duress or compulsion. 15. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the Southern District of Ohio. Hanjin agrees that the United States District Court for the Southern District of Ohio has jurisdiction over it for purposes of the Civil FCA Action. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute. 16. This Agreement constitutes the complete agreement between the Parties on the subject matters addressed herein. This Agreement may not be amended except by written consent of the Parties. 17. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below. 18. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement. 19. This Agreement is binding on Hanjin's successors, transferees, heirs, and assigns. 20. This Agreement is binding on Relator's successors, transferees, heirs, and assigns. 21. All parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public, as permitted by order of the Court. This Agreement shall not be released in un-redacted form until the Court unseals the entire Civil FCA Action. 22. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement. The United States of America Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- Andrew A. Steinberg, Trial Attorney, Commercial Litigation Branch, Civil Division, U.S Department of Justice Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- Mark T. D'Alessandro Civil Chief Andrew Malek Assistant United States Attorney, U.S Attorney's Office for the Southern District of Ohio Hanjin Transportation Co., Ltd.--Defendant Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- Authorized Representative of Hanjin Transportation Co., Ltd. Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- William H. Stallings Counsel for Hanjin Transportation Co., Ltd. Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- Kelly B. Kramer Counsel for Hanjin Transportation Co., Ltd. [Redacted]--Relator Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- [Redacted] Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- Eric Havian Constantine Cannon LLP, Counsel for Relator United States District Court for the Southern District of Ohio Eastern Division United States of America, Plaintiff, v. SK Energy Co., Ltd. Defendant. Case No. 2:18-cv-01456-ALM-CMV PROPOSED FINAL JUDGMENT AS TO DEFENDANT SK ENERGY CO., LTD. WHEREAS Plaintiff, United States of America, filed its Complaint on November 14, 2018, the United States and Defendant SK Energy Co., Ltd. (``SK Energy''), by their respective attorneys, have consented to the entry of this Final Judgment without trial or adjudication of any issue of fact or law; WHEREAS, on such date as may be determined by the Court, SK Energy will plead guilty pursuant to Fed. R. Crim. P. 11(c)(1)(C) (the ``Plea Agreement'') to an Information to be filed in United States v. SK Energy Co., Ltd. [to be assigned] (S.D.Ohio) (the ``Criminal Action'') that will allege a violation of Section 1 of the Sherman Act, 15 U.S C. Sec. 1, relating to the same events giving rise to the allegations described in the Complaint; WHEREAS, this Final Judgment does not constitute any evidence against or admission by any party regarding any issue of fact or law; NOW, THEREFORE, before the taking of any testimony and without trial or final adjudication of any issue of fact or law herein, and upon consent of the parties hereto, it is hereby ORDERED, ADJUDGED, AND DECREED: I. JURISDICTION This Court has jurisdiction of the subject matter of this action and each of the parties consenting hereto. The Complaint states a claim upon which relief may be granted to the United States against SK Energy under Section 1 of the Sherman Act, 15 U.S.C Sec. 1. II. APPLICABILITY This Final Judgment applies to SK Energy, as defined above, and all other persons in active concert or participation with any of them who receive actual notice of this Final Judgment by personal service or otherwise. III. ***PAYMENT*** SK Energy shall pay to the United States within ten (10) business days of the entry of this Final Judgment the amount of ninety million, three hundred eighty-four thousand, eight hundred and seventy-two dollars ($90,384,872), less the amount paid (excluding any interest) pursuant to the settlement agreement attached hereto as Attachment 1, to satisfy all civil antitrust claims alleged against SK Energy by the United States in the Complaint. ***Payment*** of the amount ordered hereby shall be made by wire ***transfer*** of funds or cashier's check. If the ***payment*** is made by wire ***transfer***, SK Energy shall contact Janie Ingalls of the Antitrust Division's Antitrust Documents Group at (202) 514-2481 for instructions before making the ***transfer***. If the ***payment*** is made by cashier's check, the check shall be made payable to the United States Department of Justice and delivered to: Janie Ingalls, United States Department of Justice Antitrust Division, Antitrust Documents Group, 450 5th Street, NW, Suite 1024, Washington, D.C 20530. In the event of a default in ***payment***, interest at the rate of eighteen (18) percent per annum shall accrue thereon from the date of default to the date of ***payment***. [[Page 60319]] IV. COOPERATION SK Energy shall cooperate fully with the United States regarding any matter about which SK Energy has knowledge or information relating to any ongoing civil investigation, litigation, or other proceeding arising out of any ongoing federal investigation of the subject matter discussed in the Complaint (hereinafter, any such investigation, litigation, or proceeding shall be referred to as a ``Civil Federal Proceeding''). The United States agrees that any cooperation provided in connection with the Plea Agreement and/or pursuant to the settlement agreement attached hereto as Attachment 1 will be considered cooperation for purposes of this Final Judgment, and the United States will use its reasonable best efforts, where appropriate, to coordinate any requests for cooperation in connection with the Civil Federal Proceeding with requests for cooperation in connection with the Plea Agreement and the settlement agreement attached hereto as Attachment 1, so as to avoid unnecessary duplication and expense. SK Energy's cooperation shall include, but not be limited to, the following: (a) Upon request, completely and truthfully disclosing and producing, to the offices of the United States and at no expense to the United States, copies of all non-privileged information, documents, materials, and records in its possession (and for any foreign-language information, documents, materials, or records, copies must be produced with an English translation), regardless of their geographic location, about which the United States may inquire in connection with any Civil Federal Proceeding, including but not limited to all information about activities of SK Energy and present and former officers, directors, employees, and agents of SK Energy; (b) Making available in the United States, at no expense to the United States, its present officers, directors, employees, and agents to provide information and/or testimony as requested by the United States in connection with any Civil Federal Proceeding, including the provision of testimony in trial and other judicial proceedings, as well as interviews with law enforcement authorities, consistent with the rights and privileges of those individuals; (c) Using its best efforts to make available in the United States, at no expense to the United States, its former officers, directors, employees, and agents to provide information and/or testimony as requested by the United States in connection with any Civil Federal Proceeding, including the provision of testimony in trial and other judicial proceedings, as well as interviews with law enforcement authorities, consistent with the rights and privileges of those individuals; (d) Providing testimony or information necessary to identify or establish the original location, authenticity, or other basis for admission into evidence of documents or physical evidence produced by SK Energy in any Civil Federal Proceeding as requested by the United States; and (e) Completely and truthfully responding to all other inquiries of the United States in connection with any Civil Federal Proceeding. However, notwithstanding any provision of this Final Judgment, SK Energy is not required to: (1) request of its current or former officers, directors, employees, or agents that they forgo seeking the advice of an attorney nor that they act contrary to that advice; (2) take any action against its officers, directors, employees, or agents for following their attorney's advice; or (3) waive any claim of privilege or work product protection. The obligations of SK Energy to cooperate fully with the United States as described in this Section shall cease upon the conclusion of all Civil Federal Proceedings (which may include Civil Federal Proceedings related to the conduct of third parties), including exhaustion of all appeals or expiration of time for all appeals of any Court ruling in each such Civil Federal Proceeding, at which point the United States will provide written notice to SK Energy that its obligations under this Section have expired. V. ANTITRUST COMPLIANCE ***PROGRAM*** A. Within thirty (30) days after entry of this Final Judgment, SK Energy shall appoint an Antitrust Compliance Officer and identify to the United States his or her name, business address, telephone number, and email address. Within forty-five (45) days of a vacancy in the Antitrust Compliance Officer position, SK Energy shall appoint a replacement, and shall identify to the United States the Antitrust Compliance Officer's name, business address, telephone number, and email address. SK Energy's initial or replacement appointment of an Antitrust Compliance Officer is subject to the approval of the United States, in its sole discretion. B. The Antitrust Compliance Officer shall institute an antitrust compliance ***program*** for the company's employees and directors with responsibility for bidding for any contract with the United States. The antitrust compliance ***program*** shall provide at least two hours of training annually on the antitrust laws of the United States, such training to be delivered by an attorney with relevant experience in the field of United States antitrust law. C. Each Antitrust Compliance Officer shall obtain, within six months after entry of this Final Judgment, and on an annual basis thereafter, on or before each anniversary of the entry of this Final Judgment, from each person subject to Paragraph V.B of this Final Judgment, and thereafter maintaining, a certification that each such person has received the required two hours of annual antitrust training. D. Each Antitrust Compliance Officer shall communicate annually to all employees that they may disclose to the Antitrust Compliance Officer, without reprisal, information concerning any potential violation of the United States antitrust laws. E. Each Antitrust Compliance Offer shall provide to the United States within six months after entry of this Final Judgment, and on an annual basis thereafter, on or before each anniversary of the entry of this Final Judgment, a written statement as to the fact and manner of SK Energy's compliance with Section V of this Final Judgment. VI. RETENTION OF JURISDICTION This Court retains jurisdiction to enable any of the parties to this Final Judgment to apply to this Court at any time for further orders and directions as may be necessary or appropriate to carry out or construe this Final Judgment, to modify or terminate any of its provisions, to enforce compliance, and to punish violations of its provisions. VII. ENFORCEMENT OF FINAL JUDGMENT A. The United States retains and reserves all rights to enforce the provisions of this Final Judgment, including the right to seek an order of contempt from the Court. SK Energy agrees that in any civil contempt action, any motion to show cause, or any similar action brought by the United States regarding an alleged violation of this Final Judgment, the United States may establish a violation of the decree and the appropriateness of any remedy therefor by a preponderance of the evidence, and SK Energy waives any argument that a different standard of proof should apply. B. The Final Judgment should be interpreted to give full effect to the [[Page 60320]] procompetitive purposes of the antitrust laws and to restore all competition the United States alleged was harmed by the challenged conduct. SK Energy agrees that they may be held in contempt of, and that the Court may enforce, any provision of this Final Judgment that, as interpreted by the Court in light of these procompetitive principles and applying ordinary tools of interpretation, is stated specifically and in reasonable detail, whether or not it is clear and unambiguous on its face. In any such interpretation, the terms of this Final Judgment should not be construed against either party as the drafter. C. In any enforcement proceeding in which the Court finds that SK Energy has violated this Final Judgment, the United States may apply to the Court for a one-time extension of this Final Judgment, together with such other relief as may be appropriate. In connection with any successful effort by the United States to enforce this Final Judgment against SK Energy, whether litigated or resolved prior to litigation, SK Energy agrees to reimburse the United States for the fees and expenses of its attorneys, as well as any other costs including experts' fees, incurred in connection with that enforcement effort, including in the investigation of the potential violation. VIII. EXPIRATION OF FINAL JUDGMENT Unless this Court grants an extension, this Final Judgment shall expire seven (7) ***years*** from the date of its entry, except that after five (5) ***years*** from the date of its entry, this Final Judgment may be terminated upon notice by the United States to the Court and SK Energy that the continuation of the Final Judgment no longer is necessary or in the public interest. IX. PUBLIC INTEREST DETERMINATION Entry of this Final Judgment is in the public interest. The parties have complied with the requirements of the Antitrust Procedures and Penalties Act, 15 U.S.C Sec. 16, including making copies available to the public of this Final Judgment, the Competitive Impact Statement, and any comments thereon and the United States' responses to comments. Based upon the record before the Court, which includes the Competitive Impact Statement and any comments and response to comments filed with the Court, entry of this Final Judgment is in the public interest. Dated:----------------------------------------------------------------- ----------------------------------------------------------------------- United States District Judge ATTACHMENT 1 SETTLEMENT AGREEMENT This Settlement Agreement (Agreement) is entered into among the United States of America, acting through the Civil Division of the United States Department of Justice and the United States Attorney's Office for the Southern District of Ohio, on behalf of the Defense Logistics Agency (DLA) and the Army and Air Force Exchange Service (AAFES) (collectively the ``United States''), SK Energy Co., Ltd. (SK Energy), and Relator [REDACTED] (hereafter collectively referred to as ``the Parties''), through their authorized representatives. RECITALS A. SK Energy is a South Korea-based energy company that produces various petroleum products that it sells to South Korean and international customers, including the United States Department of Defense (DoD). B. On February 28, 2018, Relator, a resident and citizen of South Korea, filed a qui tam action in the United States District Court for the Southern District of Ohio captioned United States ex rel. [REDACTED] v. GS Caltex, et al., Civil Action No. [REDACTED], pursuant to the qui tam provisions of the False Claims Act, 31 U.S.C Sec. 3730(b) (the Civil FCA Action). Relator contends that SK Energy conspired with other South Korean entities to rig bids on DoD contracts to supply fuel to U.S military bases throughout South Korea beginning in 2005 and continuing until 2016, including DLA Post, Camps, and Stations (PC&S) contracts executed in 2006, 2009, and 2013, and AAFES contracts executed in 2008. C. On such date as may be determined by the Court, SK Energy will plead guilty pursuant to Fed. R. Crim. P. 11(c)(1)(C) (the ``Plea Agreement'') to an Information to be filed in United States v. SK Energy Co., Ltd., Criminal Action No. [to be assigned] (S.D Ohio) (the ``Criminal Action'') that will allege that SK Energy participated in a combination and conspiracy beginning at least in or around March 2005 and continuing until at least in or around October 2016, to suppress and eliminate competition on certain contracts solicited by the DoD to supply fuel to numerous U.S Army, Navy, Marine, and Air Force installations in Korea, including PC&S contracts and the 2008 AAFES contract, in violation of the Sherman Antitrust Act, 15 U.S.C Sec. 1. D. SK Energy will execute a Stipulation with the Antitrust Division of the United States Department of Justice in which SK Energy will consent to the entry of a Final Judgment to be filed in United States v. SK Energy Co., Ltd., Civil Action No. [to be assigned] (S.D Ohio) (the Civil Antitrust Action) that will settle any and all civil antitrust claims of the United States against SK Energy arising from any act or offense committed before the date of the Stipulation that was undertaken in furtherance of an attempted or completed antitrust conspiracy involving PC&S and/or AAFES fuel supply contracts with the U.S military in South Korea during the period 2005 through 2016. E. The United States contends that it has certain civil claims against SK Energy arising from the conduct described in the Plea Agreement in the Criminal Action and in the Stipulation in the Civil Antitrust Action, as well as the conduct, actions, and claims alleged by Relator in the Civil FCA Action. The conduct referenced in this Paragraph is referred to below as the Covered Conduct. F. With the exception of any admissions that are made by SK Energy in connection with the Plea Agreement in the Criminal Action, this Settlement Agreement is neither an admission of liability by SK Energy nor a concession by the United States that its claims are not well founded. G. Relator claims entitlement under 31 U.S.C Sec. 3730(d) to a share of the proceeds of this Settlement Agreement and to Relator's reasonable expenses, attorneys' fees and costs. To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as follows: TERMS AND CONDITIONS 1.a SK Energy agrees to pay to the United States $71,866,000 (FCA Settlement Amount), of which $47,910,887 is restitution, by electronic funds ***transfer*** no later than thirteen (13) business days after the Effective Date of this Agreement pursuant to written instructions to be provided by the Civil Division of the Department of Justice. Relator claims entitlement under 31 U.S.C Sec. 3730(d) to Relator's reasonable expenses, attorneys' fees and costs. The FCA Settlement Amount does not include the Relator's fees and costs, and SK Energy acknowledges that Relator retains all rights to recover such expenses, attorneys' fees, and costs from SK Energy pursuant to 31 U.S.C Sec. 3730(d). 1.b If SK Energy's Plea Agreement in the Criminal Action is not accepted by [[Page 60321]] the Court or the Court does not enter a Final Judgment in the Civil Antitrust Action, this Agreement shall be null and void at the option of either the United States or SK Energy. If either the United States or SK Energy exercises this option, which option shall be exercised by notifying all Parties, through counsel, in writing within five (5) business days of the Court's decision, the Parties will not object and this Agreement will be rescinded and the FCA Settlement Amount shall be returned to SK Energy. If this Agreement is rescinded, SK Energy will not plead, argue or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel or similar theories, to any civil or administrative claims, actions or proceedings arising from the Covered Conduct that are brought by the United States within ninety (90) ***calendar*** days of rescission, except to the extent such defenses were available on the day on which Relator's qui tam complaint in the Civil FCA Action was filed. 2. Subject to the exceptions in Paragraph 4 (concerning excluded claims) below, and conditioned upon SK Energy's full ***payment*** of the FCA Settlement Amount, the United States releases SK Energy together with its current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; current or former corporate owners; and the corporate successors and assigns of any of them (the ``SK Energy Released Parties'') from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C Sec. Sec. 3729-3733; the ***Program*** Fraud Civil Remedies Act, 31 U.S.C Sec. Sec. 3801-3812; Contract Disputes Act, 41 U.S.C Sec. Sec. 7101-7109; or the common law theories of breach of contract, ***payment*** by mistake, unjust enrichment, and fraud. 3. Except as set forth in Paragraph 1 (concerning Relator's claims under 31 U.S.C Sec. 3730(d)), and conditioned upon SK Energy's full ***payment*** of the FCA Settlement Amount, Relator, for himself and for his heirs, successors, attorneys, agents, and assigns, releases the SK Energy Released Parties from (a) any civil monetary claim the Relator has or may have for the claims set forth in the Civil FCA Action, the Civil Antitrust Action, the Criminal Action, and the Covered Conduct under the False Claims Act, 31 U.S.C Sec. Sec. 3729-3733, up until the date of this Agreement; and (b) all liability, claims, demands, actions, or causes of action whatsoever, whether known or unknown, fixed or contingent, in law or in equity, in contract or in tort, under any federal, state, or Korean statute, law, regulation or doctrine, that Relator, his heirs, successors, attorneys, agents, and assigns otherwise has brought or would have standing to bring as of the date of this Agreement, including any liability to Relator arising from or relating to the claims Relator asserted or could have asserted in the Civil FCA Action, up until the date of this Agreement. Relator further represents he does not know of any conduct by the SK Energy Released Parties or any current or former owners, officers, directors, trustees, shareholders, employees, executives, agents, or affiliates of the SK Energy Released Parties that would constitute a violation of the False Claims Act other than the claims set forth in the Civil FCA Action and the Covered Conduct, and Relator acknowledges and agrees that his representations are a material inducement to SK Energy's willingness to enter into this Agreement. 4. Notwithstanding the releases given in paragraphs 2 and 3 of this Agreement, or any other term of this Agreement, the following claims of the United States are specifically reserved and are not released: a. Any liability arising under Title 26, U.S Code (Internal Revenue Code); b. Any criminal liability, except to the extent detailed in the Plea Agreement; c. Except as explicitly stated in this Agreement, any administrative liability, including the suspension and debarment rights of any federal agency; d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct; e. Any liability based upon obligations created by this Agreement; f. Any liability of individuals; g. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services; h. Any liability for failure to deliver goods or services due; and i. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct. 5. Relator and his heirs, successors, attorneys, agents, and assigns shall not object to this Agreement but agree and confirm that this Agreement is fair, adequate, and reasonable under all the circumstances, pursuant to 31 U.S.C Sec. 3730(c)(2)(B). The determination of Relator's share, if any, of the FCA Settlement Amount pursuant to 31 U.S.C Sec. 3730(d) is a matter that shall be handled separately by and between the Relator and the United States, without any direct involvement or input from SK Energy. In connection with this Agreement and this Civil FCA Action, Relator, on behalf of himself and his heirs, successors, attorneys, agents, and assigns agrees that neither this Agreement, nor any intervention by the United States in the Civil FCA Action in order to dismiss the Civil FCA Action, nor any dismissal of the Civil FCA Action, shall waive or otherwise affect the ability of the United States to contend that provisions in the False Claims Act, including 31 U.S.C Sec. 3730(d)(3), bar Relator from sharing in the proceeds of this Agreement, except that the United States will not contend that Relator is barred from sharing in the proceeds of this Agreement pursuant to 31 U.S.C Sec. 3730(e)(4). Moreover, the United States and Relator, on behalf of himself and his heirs, successors, attorneys, agents, and assigns agree that they each retain all of their rights pursuant to the False Claims Act on the issue of the share percentage, if any, that Relator should receive of any proceeds of the settlement of his claims, and that no agreements concerning Relator share have been reached to date. 6. SK Energy waives and shall not assert any defenses SK Energy may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action. 7. SK Energy fully and finally releases the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that SK Energy has asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct and the United States' investigation and prosecution thereof. 8. Conditioned upon Relator's agreement herein, the SK Energy Released Parties fully and finally release Relator his heirs, successors, assigns, agents and attorneys (the ``Relator Released Parties''), from (a) any civil monetary claim SK Energy has or may have now or in the future against the Relator Released Parties related to the claims set forth in the Civil FCA Action, the Civil Antitrust Action, the Criminal Action, and the Covered Conduct under the False Claims Act, 31 U.S.C Sec. Sec. 3729-3733, and the Relator's investigation and prosecution thereof, including [[Page 60322]] attorney's fees, costs, and expenses of every kind and however denominated, up until the date of this Agreement; and (b) all liability, claims, demands, actions, or causes of action whatsoever, whether known or unknown, fixed or contingent, in law or in equity, in contract or in tort, under any federal, state, or Korean statute, law, regulation or doctrine, that the SK Energy Released Parties otherwise have brought or would have standing to bring as of the date of this Agreement, including any liability to SK Energy arising from or relating to claims the SK Energy Released Parties asserted or could have asserted related to the Civil FCA Action, up until the date of this Agreement. The SK Energy Released Parties further acknowledge and agree that these representations are a material inducement to Relator's willingness to enter into this Agreement. 9.a Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R Sec. 31.205-47) incurred by or on behalf of SK Energy, and its present or former officers, directors, employees, shareholders, and agents in connection with: (1) the matters covered by this Agreement, any related plea agreement, and any related civil antitrust agreement; (2) the United States' audit(s) and civil and any criminal investigation(s) of the matters covered by this Agreement; (3) SK Energy's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil and any criminal investigation(s) in connection with the matters covered by this Agreement (including attorney's fees); (4) the negotiation and performance of this Agreement, any related plea agreement, and any related civil antitrust agreement; (5) the ***payment*** SK Energy makes to the United States pursuant to this Agreement and any ***payments*** that SK Energy may make to Relator, including costs and attorneys' fees, are unallowable costs for government contracting purposes (hereinafter referred to as Unallowable Costs). b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by SK Energy, and SK Energy shall not charge such Unallowable Costs directly or indirectly to any contract with the United States. c. Treatment of Unallowable Costs Previously Submitted for ***Payment***: Within 90 days of the Effective Date of this Agreement, SK Energy shall identify and repay by adjustment to future claims for ***payment*** or otherwise any Unallowable Costs included in ***payments*** previously sought by SK Energy or any of its subsidiaries or affiliates from the United States. SK Energy agrees that the United States, at a minimum, shall be entitled to recoup from SK Energy any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for ***payment***. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine SK Energy's books and records and to disagree with any calculations submitted by SK Energy or any of its subsidiaries or affiliates regarding any Unallowable Costs included in ***payments*** previously sought by SK Energy, or the effect of any such Unallowable Costs on the amount of such ***payments***. 10. SK Energy agrees to cooperate fully and truthfully with the United States in connection with the Civil FCA Action. The Civil Division of the United States Department of Justice will use reasonable best efforts, where appropriate, to coordinate any requests for cooperation in connection with the Civil FCA Action with requests for cooperation in connection with the Plea Agreement in the Criminal Action and the Civil Antitrust Action, so as to avoid unnecessary duplication and expense. SK Energy's ongoing, full, and truthful cooperation shall include, but not be limited to: a. upon request by the United States with reasonable notice, producing at the offices of counsel for the United States in Washington, D.C and not at the expense of the United States, complete and un-redacted copies of all non-privileged documents related to the Covered Conduct wherever located in SK Energy's possession, custody, or control, including but not limited to, reports, memoranda of interviews, and records concerning any investigation of the Covered Conduct that SK Energy has undertaken, or that has been performed by another on SK Energy's behalf; b. upon request by the United States with reasonable notice, making current SK Energy directors, officers, and employees available for interviews, consistent with the rights and privileges of such individuals, by counsel for the United States and/or their investigative agents, not at the expense of the United States, in the United States or Hong Kong, unless another place is mutually agreed upon; c. upon request by the United States with reasonable notice, (i) using best efforts to assist in locating former SK Energy directors, officers, and employees identified by attorneys and/or investigative agents of the United States, and (ii) using best efforts to make any such former SK Energy directors, officers, and employees available for interviews, consistent with the rights and privileges of such individuals, by counsel for the United States and/or their investigative agents, not at the expense of the United States, in the United States or Hong Kong, unless another place is mutually agreed upon; and d. upon request by the United States with reasonable notice, making current SK Energy directors, officers, and employees available, and using best efforts to make former SK Energy directors, officers, employees available, to testify, consistent with the rights and privileges of such individuals, fully, truthfully, and under oath, without falsely implicating any person or withholding any information, (i) at depositions in the United States, Hong Kong, or any other mutually agreed upon place, (ii) at trial in the United States, and (iii) at any other judicial proceedings wherever located related to the Civil FCA Action. 11. This Agreement is intended to be for the benefit of the Parties only. 12. Upon receipt of the ***payment*** of the FCA Settlement Amount described in Paragraph 1 above, the Court's acceptance of SK Energy's Plea Agreement in the Criminal Action, and the Court's entry of a Final Judgment in the Civil Antitrust Action, the United States and Relator shall promptly sign and file a Joint Stipulation of Dismissal, with prejudice, of the claims filed against SK Energy in the Civil FCA Action, pursuant to Rule 41(a)(1), which dismissal shall be conditioned on the Court retaining jurisdiction over Relator's claims to a relator's share and recovery of attorneys' fees and costs pursuant to 31 U.S.C Sec. 3730(d). 13. Except with respect to the recovery of Relator's attorneys' fees, expenses, and costs pursuant to 31 U.S.C Sec. 3730(d), each Party shall bear its own legal and other costs incurred in connection with this matter. The Parties agree that Relator and SK Energy will not seek to recover from the United States any costs or fees related to the preparation and performance of this Agreement. 14. Each party and signatory to this Agreement represents that it freely and voluntarily enters in to this Agreement without any degree of duress or compulsion. 15. This Agreement is governed by the laws of the United States. The exclusive [[Page 60323]] jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the Southern District of Ohio. SK Energy agrees that the United States District Court for the Southern District of Ohio has jurisdiction over it for purposes of this case. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute. 16. This Agreement constitutes the complete agreement between the Parties on the subject matter addressed herein. This Agreement may not be amended except by written consent of the Parties. 17. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below. 18. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement. 19. This Agreement is binding on SK Energy's successors, transferees, heirs, and assigns. 20. This Agreement is binding on Relator's successors, transferees, heirs, and assigns. 21. All parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public, as permitted by order of the Court. This Agreement shall not be released in un-redacted form until the Court unseals the entire Civil FCA Action. 22. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement. The United States of America Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- Andrew A. Steinberg, Trial Attorney, Commercial Litigation Branch, Civil Division, U.S Department of Justice Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- Mark T. D'Alessandro, Civil Chief Andrew Malek, Assistant United States Attorney, U.S Attorney's Office for the Southern District of Ohio SK Energy Co., Ltd.--Defendant Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- Myunghun Lee, Authorized Representative of SK Energy, Co., Ltd. Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- Phillip H. Warren, Counsel for SK Energy Co., Ltd. [Redacted]--Relator Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- [Redacted] Dated:----------------------------------------------------------------- By:-------------------------------------------------------------------- Eric Havian, Counsel for Relator UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO EASTERN DIVISION United States of America, Plaintiff, v. GS Caltex Corporation, Hanjin Transportation Co., Ltd., and SK Energy Co., Ltd. Defendants. Case No. 2:18-cv-01456-ALM-CMV COMPETITIVE IMPACT STATEMENT Plaintiff United States of America, pursuant to Section 2(b) of the Antitrust Procedures and Penalties Act (``APPA'' or ``Tunney Act''), 15 U.S.C Sec. 16(b)-(h), files this Competitive Impact Statement relating to the proposed Final Judgments submitted for entry in this civil antitrust proceeding. I. NATURE AND PURPOSE OF THE PROCEEDING On November 14, 2018, the United States filed a civil antitrust complaint against Defendants GS Caltex Corporation (``GS Caltex''), Hanjin Transportation Co., Ltd. (``Hanjin''), and SK Energy Co., Ltd. (``SK Energy'') alleging that Defendants violated Section 1 of the Sherman Act, 15 U.S.C Sec. 1. From at least March 2005 and continuing until at least October 2016 (``the Relevant Period''), Defendants and their co-conspirators conspired to fix prices and rig bids for the supply of fuel to the U.S military for its operations in South Korea. As a result of this illegal conduct, Defendants and their co- conspirators overcharged American taxpayers by well over $100 million. Defendants have agreed to plead guilty to an information charging a criminal violation of Section 1 of the Sherman Act for this unlawful conduct; in this parallel civil action, the United States seeks compensation for the injury it incurred as a result of the conspiracy. At the same time the Complaint was filed, the United States also filed agreed-upon proposed Final Judgments that would remedy the violation by having GS Caltex, Hanjin, and SK Energy pay $57,500,000, $6,182,000, and $90,384,872, respectively, to the United States. These ***payments*** resolve all civil claims of the United States related to the conduct described in the Complaint. The United States and Defendants have stipulated that the proposed Final Judgments may be entered after compliance with the APPA. Entry of the proposed Final Judgments would terminate this action, except that the Court would retain jurisdiction to construe, modify, or enforce the provisions of the proposed Final Judgments and to punish violations thereof. II. DESCRIPTION OF THE EVENTS GIVING RISE TO THE ALLEGED VIOLATION A. Defendants GS Caltex is an oil company headquartered in Seoul, South Korea. GS Caltex is a joint venture between GS Energy, a South Korean corporation, and Chevron Corp., a Delaware corporation, which each own a 50 percent interest in GS Caltex. GS Caltex is engaged in the refining and supply of gasoline, diesel, kerosene, and other petroleum products for sale internationally. During the time of the conspiracy, GS Caltex supplied fuel to U.S military installations in South Korea. Hanjin is a global transportation and logistics company based in Seoul, South Korea. Hanjin is a member of Hanjin Group, a South Korean conglomerate with U.S subsidiaries, including Hanjin International America. Beginning in 2009, Hanjin partnered with oil companies, including a co-conspirator oil company (``Company A''), to supply fuel to U.S military installations in South Korea. SK Energy is an oil company headquartered in Seoul, South Korea. SK Energy is engaged in the refining and supply of gasoline, diesel, kerosene, and other petroleum products for sale internationally. During the time of the conspiracy, SK Energy supplied fuel to U.S military installations in South Korea. Other persons, not named as defendants in this action, participated as co-conspirators in the violation alleged in the Complaint and performed acts and made statements in furtherance thereof. These co- conspirators included, among others, a logistics firm (``Company B'') and an oil company (``Company C'') that jointly supplied fuel to the U.S military. B. PC&S and AAFES Contracts The United States military procures fuel for its installations in South Korea through competitive solicitation processes. Oil companies, either independently or with a transportation company, submitted bids in response to these solicitations. [[Page 60324]] The conduct at issue in this action relates to two types of contracts to supply fuel to the U.S military in South Korea: Post, Camps, and Stations (``PC&S'') contracts and Army and Air Force Exchange Services (``AAFES'') contracts. PC&S contracts are issued and administered by the Defense Logistics Agency (``DLA''), a combat support agency of the U.S Department of Defense. The fuel procured under PC&S contracts is used to power military vehicles and heat U.S military buildings. During the Relevant Period, DLA issued PC&S solicitations listing the fuel requirements for installations across South Korea, with each delivery location identified by a separate line item. Bidders submitted initial bids, offering a price for each line item on which they chose to bid. After DLA reviewed the initial bids, bidders were allowed to submit revised final bids. DLA reviewed the bids and awarded contracts to the bidders offering the lowest price for each line item. ***Payments*** under the PC&S contracts were wired to the awardees by a finance and accounting agency of the U.S Department of Defense from its office in Columbus, Ohio. AAFES is an agency of the Department of Defense headquartered in Dallas, Texas. AAFES operates official retail stores (known as ``exchanges'') on U.S Army and Air Force installations worldwide, which U.S military personnel and their families use to purchase everyday goods and services, including gasoline for use in their personal vehicles. AAFES procures fuel for these stores via contracts awarded through a competitive solicitation process. In 2008, AAFES issued a solicitation that listed the fuel requirements for installations in South Korea. Bidders submitted bids offering a price for each line item in the solicitation. Unlike DLA, AAFES awarded the entire 2008 contract to the bidder offering the lowest price across all the listed locations. C. The Alleged Violation The Complaint alleges that Defendants and their co-conspirators engaged in a series of meetings, telephone conversations, e-mails, and other communications to rig bids and fix prices for the supply of fuel to U.S military installations in South Korea under several PC&S and AAFES contracts. First, the Complaint alleges that GS Caltex, SK Energy, and Companies B and C conspired to rig bids and fix prices on the contracts issued in response to DLA solicitations SP0600-05-R-0063 and SP0600-05- R-0063-0001 (``2006 PC&S contracts''). The term of the 2006 PC&S contracts covered the supply of fuel from February 2006 through July 2009. The Complaint alleges that between early 2005 and mid-2006, GS Caltex, SK Energy, and other conspirators met multiple times and exchanged phone calls and e-mails to allocate the line items in the solicitations for the 2006 PC&S contracts. Through such communications, these conspirators agreed to inflate their bids to produce larger profit margins. For each line item allocated to a different co- conspirator, the other conspirators agreed not to bid or to bid high enough to ensure that they would not win that item. DLA awarded the 2006 PC&S line items according to the allocations made by the conspiracy. Second, the Complaint alleges that, as part of their discussions related to the 2006 PC&S contracts, GS Caltex and other conspirators agreed not to compete with SK Energy in bidding for the June 2008 AAFES solicitation (``2008 AAFES contract''). The initial term of the 2008 AAFES contract ran from July 2008 to July 2010; the contract was later extended through July 2013. Third, the Complaint alleges that Defendants and other co- conspirators conspired to rig bids and fix prices for the contracts issued in response to DLA solicitation SP0600-08-R-0233 (``2009 PC&S contracts''). Hanjin and Company A joined the conspiracy for the purpose of bidding on SP0600-08-R-0233. The term of the 2009 PC&S contracts covered the supply of fuel from October 2009 through August 2013. The Complaint explains that between late 2008 and mid-2009, Defendants and other co-conspirators met multiple times and exchanged phone calls and e-mails to allocate the line items in the solicitation for the 2009 PC&S contracts. As in 2006, these conspirators agreed to bid high so as to not win line items allocated to other co- conspirators. The original conspirators agreed to allocate to Hanjin and Company A certain line items that had previously been allocated to the original conspirators. Finally, the Complaint alleges that Defendants and other co- conspirators once again conspired to rig bids and fix prices for the contracts issued in response to DLA solicitation SP0600-12-R-0332 (``2013 PC&S contracts''). The term of the 2013 PC&S contracts covered the supply of fuel from August 2013 through July 2016. The Complaint explains that Defendants and other co-conspirators communicated via phone calls and e-mails to allocate and set the price for each line item in the solicitation for the 2013 PC&S contracts. Defendants and other co-conspirators believed that they had an agreement as to their bidding strategy and pricing for the 2013 PC&S contracts. As a result of this agreement, they submitted bids with pricing above what they would have offered absent collusion. Hanjin and Company A submitted bids for the 2013 PC&S contracts below the prices set by the other co-conspirators, however. Although lower than the pricing agreed upon by the conspirators, Hanjin and Company A still submitted bids above a competitive, non-collusive price, knowing that they would likely win the contracts because the other conspirators would bid even higher prices. III. EXPLANATION OF THE PROPOSED FINAL JUDGMENTS For violations of Section 1 of the Sherman Act, the United States may seek damages, 15 U.S.C Sec. 15a, and equitable relief, 15 U.S.C Sec. 4, including equitable monetary remedies. See United States v. KeySpan Corp., 763 F. Supp. 2d 633, 638-641 (S.D.N.Y 2011). This action is also related to a qui tam action currently filed under seal in the United States District Court for the Southern District of Ohio, alleging a violation of the False Claims Act, 31 U.S.C Sec. 3730, based on the same facts alleged in the Complaint. A. ***Payment*** and Cooperation The proposed Final Judgments require GS Caltex, Hanjin, and SK Energy respectively to pay $57,500,000, $6,182,000, and $90,384,872 to the United States within 10 business days of entry of the Final Judgment. These ***payments*** will satisfy all civil claims arising from the events described in Section II supra that the United States has against the Defendants under Section 1 of the Sherman Act and under the False Claims Act. The resolution of the United States' claims under the False Claims Act is set forth in separate agreements reached between the Defendants, the U.S Attorney's Office for the Southern District of Ohio, and the U.S Department of Justice's Civil Division. See Attachment 1 to each of the proposed Final Judgments. As a result of the unlawful agreements in restraint of trade between Defendants and their co-conspirators, the United States paid more for the supply of fuel to U.S military installations in South Korea than it would have if the companies had engaged in fair and honest competition. Defendants' ***payments*** under the proposed Final [[Page 60325]] Judgments fully compensate the United States for losses it suffered and deprive Defendants of the illegitimate profits they gained as a result of the collusive bidding. In addition to the ***payment*** of damages, the proposed Final Judgments also require the Defendants to cooperate with the United States regarding any ongoing civil investigation, trial, or other proceeding related to the conduct described in the Complaint. To assist with these proceedings, Defendants are required to provide all non-privileged information in their possession, make available their present employees, and use best efforts to make available their former employees, for interviews or testimony, as requested by the United States. This cooperation will help the United States pursue compensation from co-conspirators not named in this action. Under Section 4A of the Clayton Act, the United States is entitled to treble damages for injuries it has suffered as a result of violations of the Sherman Act. Under the proposed Final Judgments, each Defendant will pay an amount that exceeds the overcharge but that reflects the value of the cooperation commitments the Defendants have made as a condition of settlement and the cost savings realized by avoiding extended litigation. The proposed Final Judgments also require each Defendant to appoint an Antitrust Compliance Officer and to institute an antitrust compliance ***program***. Under the antitrust compliance ***program***, employees and directors of Defendants with responsibility for bidding on contracts with the United States must undergo training and all employees must be informed that there will no reprisal for disclosing to the Antitrust Compliance Officer any potential violations of the United States antitrust laws. The Antitrust Compliance Officer is required annually to certify that Defendant is in compliance with this requirement. B. Enforcement of Final Judgments The proposed Final Judgments contain provisions designed to promote compliance and make the enforcement of Division consent decrees as effective as possible. Paragraph VII(A) provides that the United States retains and reserves all rights to enforce the provisions of the proposed Final Judgments, including its rights to seek an order of contempt from the Court. Defendants have agreed that in any civil contempt action, any motion to show cause, or any similar action brought by the United States regarding an alleged violation of the Final Judgments, the United States may establish the violation and the appropriateness of any remedy by a preponderance of the evidence and that the Defendants have waived any argument that a different standard of proof should apply. This provision aligns the standard for compliance obligations with the standard of proof that applies to the underlying offense that the compliance commitments address. Paragraph VII(B) provides additional clarification regarding the interpretation of the provisions of the proposed Final Judgments. The proposed Final Judgments were drafted to restore all competition the United States alleged was harmed by the Defendants' challenged conduct. The Defendants agree that they will abide by the proposed Final Judgments, and that they may be held in contempt of this Court for failing to comply with any provision of the proposed Final Judgments that is stated specifically and in reasonable detail, as interpreted in light of this procompetitive purpose. Paragraph VII(C) further provides that should the Court find in an enforcement proceeding that a Defendant has violated the Final Judgment, the United States may apply to the Court for a one-time extension of the Final Judgment, together with such other relief as may be appropriate. In addition, in order to compensate American taxpayers for any costs associated with the investigation and enforcement of violations of a proposed Final Judgment, Paragraph VII(C) provides that in any successful effort by the United States to enforce a Final Judgment against a Defendant, whether litigated or resolved before litigation, Defendants agree to reimburse the United States for any attorneys' fees, experts' fees, or costs incurred in connection with any enforcement effort, including the investigation of the potential violation. Finally, Section VIII of the proposed Final Judgments provide that each Final Judgment shall expire seven ***years*** from the date of its entry, except that after five ***years*** from the date of its entry, a Final Judgment may be terminated upon notice by the United States to the Court and the Defendant that the continuation of that Final Judgment is no longer necessary or in the public interest. IV. REMEDIES AVAILABLE TO POTENTIAL PRIVATE LITIGANTS Entry of the proposed Final Judgments will neither impair nor assist the bringing of any private antitrust damages action. Under the provisions of Section 5(a) of the Clayton Act, 15 U.S.C Sec. 16(a), the proposed Final Judgments have no prima facie effect in any subsequent lawsuit that may be brought against Defendants. V. PROCEDURES AVAILABLE FOR MODIFICATION OF THE PROPOSED FINAL JUDGMENTS The United States and Defendants have stipulated that the proposed Final Judgments may be entered by the Court after compliance with the provisions of the APPA, provided that the United States has not withdrawn its consent. The APPA conditions entry upon the Court's determination that the proposed Final Judgments are in the public interest. The APPA provides a period of at least sixty (60) days preceding the effective date of the proposed Final Judgments within which any person may submit to the United States written comments regarding a proposed Final Judgment. Any person who wishes to comment should do so within sixty (60) days of the date of publication of this Competitive Impact Statement in the Federal Register, or the last date of publication in a newspaper of the summary of this Competitive Impact Statement, whichever is later. All comments received during this period will be considered by the United States, which remains free to withdraw its consent to a proposed Final Judgment at any time prior to the Court's entry of judgment. The comments and the response of the United States will be filed with the Court. In addition, comments will be posted on the Antitrust Division's internet website and, in certain circumstances, published in the Federal Register. Written comments should be submitted by mail to: Kathleen S. O'Neill, Chief, Transportation, Energy & ***Agriculture*** Section, Antitrust Division, United States Department of Justice, 450 5th Street NW, Suite 8000, Washington, DC 20530 The proposed Final Judgments provide that the Court retains jurisdiction over this action, and the parties may apply to the Court for any necessary or appropriate modification, interpretation, or enforcement of a Final Judgment. VI. ALTERNATIVES TO THE PROPOSED FINAL JUDGMENTS The United States considered, as an alternative to the proposed Final Judgments, a full trial on the merits against Defendants. The United States is satisfied, however, that the relief in the proposed Final Judgments remedies the violation of the Sherman Act alleged in the Complaint. The proposed Final [[Page 60326]] Judgments represent substantial monetary relief while avoiding the time, expense, and uncertainty of a full trial on the merits. Further, Defendants' agreements to cooperate with the civil investigation and any potential litigation will enhance the ability of the United States to obtain relief from the remaining conspirators. VII. STANDARD OF REVIEW UNDER THE APPA FOR THE PROPOSED FINAL JUDGMENTS The Clayton Act, as amended by the APPA, requires that proposed consent judgments in antitrust cases brought by the United States be subject to a 60-day comment period, after which the court shall determine whether entry of the proposed Final Judgment ``is in the public interest.'' 15 U.S.C Sec. 16(e)(1). In making that determination, the court, in accordance with the statute as amended in 2004, is required to consider: (A) the competitive impact of such judgment, including termination of alleged violations, provisions for enforcement and modification, duration of relief sought, anticipated effects of alternative remedies actually considered, whether its terms are ambiguous, and any other competitive considerations bearing upon the adequacy of such judgment that the court deems necessary to a determination of whether the consent judgment is in the public interest; and (B) the impact of entry of such judgment upon competition in the relevant market or markets, upon the public generally and individuals alleging specific injury from the violations set forth in the complaint including consideration of the public benefit, if any, to be derived from a determination of the issues at trial. 15 U.S.C Sec. 16(e)(1)(A) & (B). In considering these statutory factors, the court's inquiry is necessarily a limited one as the government is entitled to ``broad discretion to settle with the defendant within the reaches of the public interest.'' United States v. Microsoft Corp., 56 F.3d 1448, 1461 (D.C Cir. 1995); see generally United States v. SBC Commc'ns, Inc., 489 F. Supp. 2d 1 (D.D.C 2007) (assessing public interest standard under the Tunney Act); United States v. Hillsdale Cmty. Health Ctr., 2015 U.S Dist. LEXIS 162505, at \*3 (E.D Mich. 2015) (explaining that the ``Court's review is limited'' in Tunney Act settlements); United States v. InBev N.V /S.A , No. 08- 1965 (JR), 2009 U.S Dist. LEXIS 84787, at \*3 (D.D.C Aug. 11, 2009) (noting that the court's review of a consent judgment is limited and only inquires ``into whether the government's determination that the proposed remedies will cure the antitrust violations alleged in the complaint was reasonable, and whether the mechanism to enforce the final judgment are clear and manageable''). Under the APPA a court considers, among other things, the relationship between the remedy secured and the specific allegations in the government's complaint, whether the decree is sufficiently clear, whether its enforcement mechanisms are sufficient, and whether the decree may positively harm third parties. See Microsoft, 56 F.3d at 1458-62; United States v. Medical Mut. of Ohio, 1998 U.S Dist. LEXIS 21508, at \*2-3 (N.D Ohio 1998). With respect to the adequacy of the relief secured by the decree, a court may not ``engage in an unrestricted evaluation of what relief would best serve the public.'' United States v. BNS, Inc., 858 F.2d 456, 462 (9th Cir. 1988) (quoting United States v. Bechtel Corp., 648 F.2d 660, 666 (9th Cir. 1981)); see also Microsoft, 56 F.3d at 1460-62; United States v. Alcoa, Inc., 152 F. Supp. 2d 37, 40 (D.D.C 2001); InBev, 2009 U.S Dist. LEXIS 84787, at \*3. Instead: [t]he balancing of competing social and political interests affected by a proposed antitrust consent decree must be left, in the first instance, to the discretion of the Attorney General. The court's role in protecting the public interest is one of insuring that the government has not breached its duty to the public in consenting to the decree. The court is required to determine not whether a particular decree is the one that will best serve society, but whether the settlement is ``within the reaches of the public interest.'' More elaborate requirements might undermine the effectiveness of antitrust enforcement by consent decree. Bechtel, 648 F.2d at 666 (emphasis added) (citations omitted).\1\ --------------------------------------------------------------------------- \1\ See also BNS, 858 F.2d at 464 (holding that the court's ``ultimate authority under the [APPA] is limited to approving or disapproving the consent decree''); United States v. Gillette Co., 406 F. Supp. 713, 716 (D. Mass. 1975) (noting that, in this way, the court is constrained to ``look at the overall picture not hypercritically, nor with a microscope, but with an artist's reducing glass''). --------------------------------------------------------------------------- In determining whether a proposed settlement is in the public interest, a district court ``must accord deference to the government's predictions about the efficacy of its remedies, and may not require that the remedies perfectly match the alleged violations.'' SBC Commc'ns, 489 F. Supp. 2d at 17; see also United States v. U.S Airways Group, Inc., 38 F. Supp. 3d 69, 74 (D.D.C 2014) (noting that a court should not reject the proposed remedies because it believes others are preferable and that room must be made for the government to grant concessions in the negotiation process for settlements); United States v. Dairy Farmers of Am., Inc., 2007 U.S Dist. LEXIS 33230, at \*3 (E.D Ky. 2007) (citing United States v. Microsoft, 231 F. Supp. 2d 144, 152 (D.D.C 2002)) (noting that a court ``must accord deference to the government's predictions as to the effect of the proposed remedies''); United States v. Archer-Daniels-Midland Co., 272 F. Supp. 2d 1, 6 (D.D.C 2003) (noting that the court should grant ``due respect to the government's prediction as to the effect of proposed remedies, its perception of the market structure, and its views of the nature of the case''). The ultimate question is whether ``the remedies [obtained in the decree are] so inconsonant with the allegations charged as to fall outside of the `reaches of the public interest.' '' Microsoft, 56 F.3d at 1461 (quoting United States v. Western Elec. Co., 900 F.2d 283, 309 (D.C Cir. 1990)). To meet this standard, the United States ``need only provide a factual basis for concluding that the settlements are reasonably adequate remedies for the alleged harms.'' SBC Commc'ns, 489 F. Supp. 2d at 17. Moreover, the court's role under the APPA is limited to reviewing the remedy in relationship to the violations that the United States has alleged in its complaint, and does not authorize the court to ``construct [its] own hypothetical case and then evaluate the decree against that case.'' Microsoft, 56 F.3d at 1459; see also U.S Airways, 38 F. Supp. 3d at 75 (noting that the court must simply determine whether there is a factual foundation for the government's decisions such that its conclusions regarding the proposed settlements are reasonable); InBev, 2009 U.S Dist. LEXIS 84787, at \*20 (``the `public interest' is not to be measured by comparing the violations alleged in the complaint against those the court believes could have, or even should have, been alleged.''). Because the ``court's authority to review the decree depends entirely on the government's exercising its prosecutorial discretion by bringing a case in the first place,'' it follows that ``the court is only authorized to review the decree itself,'' and not to ``effectively redraft the complaint'' to inquire into other matters that the United States did not pursue. Microsoft, 56 F.3d at 1459-60; see also Dairy Farmers, 2007 U.S Dist. LEXIS 33230 at \*3 (citing Microsoft favorably). As the United States District Court for the District of Columbia confirmed in [[Page 60327]] SBC Communications, courts ``cannot look beyond the complaint in making the public interest determination unless the complaint is drafted so narrowly as to make a mockery of judicial power.'' SBC Commc'ns, 489 F. Supp. 2d at 15. In its 2004 amendments,\2\ Congress made clear its intent to preserve the practical benefits of utilizing consent decrees in antitrust enforcement, adding the unambiguous instruction that ``[n]othing in this section shall be construed to require the court to conduct an evidentiary hearing or to require the court to permit anyone to intervene.'' 15 U.S.C Sec. 16(e)(2); see also U.S Airways, 38 F. Supp. 3d at 76 (indicating that a court is not required to hold an evidentiary hearing or to permit intervenors as part of its review under the Tunney Act). This language explicitly wrote into the statute what Congress intended when it first enacted the Tunney Act in 1974. As Senator Tunney explained: ``[t]he court is nowhere compelled to go to trial or to engage in extended proceedings which might have the effect of vitiating the benefits of prompt and less costly settlement through the consent decree process.'' 119 Cong. Rec. 24,598 (1973) (statement of Sen. Tunney). Rather, the procedure for the public interest determination is left to the discretion of the court, with the recognition that the court's ``scope of review remains sharply proscribed by precedent and the nature of Tunney Act proceedings.'' SBC Commc'ns, 489 F. Supp. 2d at 11. A court can make its public interest determination based on the competitive impact statement and response to public comments alone. U.S Airways, 38 F. Supp. 3d at 76. See also United States v. Enova Corp., 107 F. Supp. 2d 10, 17 (D.D.C 2000) (noting that the ``Tunney Act expressly allows the court to make its public interest determination on the basis of the competitive impact statement and response to comments alone''); S. Rep. No. 93-298 93d Cong., 1st Sess., at 6 (1973) (``Where the public interest can be meaningfully evaluated simply on the basis of briefs and oral arguments, that is the approach that should be utilized.''). --------------------------------------------------------------------------- \2\ The 2004 amendments substituted ``shall'' for ``may'' in directing relevant factors for a court to consider and amended the list of factors to focus on competitive considerations and to address potentially ambiguous judgment terms. Compare 15 U.S.C Sec. 16(e) (2004), with 15 U.S.C Sec. 16(e)(1) (2006); see also SBC Commc'ns, 489 F. Supp. 2d at 11 (concluding that the 2004 amendments ``effected minimal changes'' to Tunney Act review). --------------------------------------------------------------------------- VIII. DETERMINATIVE DOCUMENTS There are no determinative materials or documents within the meaning of the APPA that were considered by the United States in formulating the proposed Final Judgment. Dated: November 14, 2018 Respectfully submitted, Benjamin C. Glassman, United States Attorney ----------------------------------------------------------------------- Andrew M. Malek (Ohio Bar #0061442) Assistant United States Attorney, 303 Marconi Boulevard, Suite 200, Columbus, Ohio 43215, Tel: (614) 469-5715, Fax: (614) 469-2769, E- mail: [*Andrew.Malek@usdoj.gov*](mailto:Andrew.Malek@usdoj.gov) ----------------------------------------------------------------------- J. Richard Doidge, Attorney, U.S Department of Justice, Antitrust Division, 450 5th Street NW, Suite 8000, Washington, DC 20530, Tel: (202) 514-8944, Fax: (202) 616-2441, E-mail: [*Dick.Doidge@usdoj.gov*](mailto:Dick.Doidge@usdoj.gov) [FR Doc. 2018-25461 Filed 11-21-18; 8:45 am] BILLING CODE 4410-11-P

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Brussels: Public Register European Parliament has issued the following document:

European Parliament 2014-2019 TEXTS ADOPTED Provisional edition P8\_TA-PROV(2017)0485 EU-Kazakhstan Enhanced Partnership and Cooperation Agreement (Resolution) European Parliament non-legislative resolution of 12 December 2017 on the draft Council decision on the conclusion, on behalf of the Union, of the Enhanced Partnership and Cooperation Agreement between the European Union and its Member States, of the one part, and the Republic of Kazakhstan, of the other part (12409/2016 – C8-0469/2016 – 2016/0166(NLE) – 2017/2035(INI)) The European Parliament, – having regard to the draft Council decision (12409/2016), – having regard to the draft Enhanced Partnership and Cooperation Agreement between the European Union and its Member States, of the one part, and the Republic of Kazakhstan, of the other part (09452/2015), – having regard to the request for consent submitted by the Council in accordance with Articles 31(1) and 37 of the Treaty on European Union and to Articles 91, 100(2), 207 and 209 of the Treaty on the Functioning of the European Union, and in particular Article 218(6)(a) thereof (C8-0469/2016), – having regard to the signing of the Enhanced Partnership and Cooperation Agreement (EPCA) on 21 December 2015 in Astana, in the presence of the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy (VP/HR), Federica Mogherini, – having regard to the provisional application of the parts of the EPCA under the exclusive competence of the EU as of 1 May 2016, – having regard to the continued implementation of the EU-Kazakhstan Partnership and Cooperation Agreement (PCA), signed on 23 January 1995, since its entry into force on 1 July 1999, – having regard to its resolution of 22 November 2012 containing the European Parliament’s recommendations to the Council, the Commission and the European External Action Service on the negotiations for an EU-Kazakhstan enhanced partnership and cooperation agreement1, – having regard to its previous resolutions on Kazakhstan, including those of 10 March 20162, 18 April 20133, 15 March 20124, and 17 September 2009 on the case of Yevgeny Zhovtis in Kazakhstan5, – having regard to its resolutions of 15 December 2011 on the state of implementation of the EU Strategy for Central Asia6, and of 13 April 2016 on implementation and review of the EU-Central Asia Strategy7, – having regard to its legislative resolution of 19 January 2017 on the draft Council decision on the conclusion of the Agreement continuing the International Science and Technology Center8, established in Astana, Kazakhstan, – having regard to its legislative resolution of 12 December 2017 on the draft decision9, – having regard to the Council conclusions of 22 June 2015 and 19 June 2017 on the EU Strategy for Central Asia, – having regard to the fourth progress report by the European External Action Service (EEAS) and the Commission services of 13 January 2015 on the implementation of the EU Strategy for Central Asia adopted in 2007, – having regard to annual EU-Kazakhstan Human Rights Dialogues, – having regard to various EU-Central Asia meetings, – having regard to Rule 99(2) of its Rules of Procedure, – having regard to the report of the Committee on Foreign Affairs and the opinion of the Committee on International Trade (A8-0335/2017), A. whereas the EPCA should lead to a perceptible deepening and strengthening of the political and economic ties between the two parties, while respecting and taking account of existing differences and the specific political, economic and social circumstances of the parties, for the benefit of the people of both Kazakhstan and the EU; B. whereas the EPCA (Article 1) could strengthen the framework for the fulfilment of essential elements, such as respect for democracy, the rule of law, human rights and the principles of a market economy, already provided for in the PCA, as long as the implementation of all of the clauses is subject to a strict and effective monitoring mechanism based on clear benchmarks and deadlines; whereas countering the 1 OJ C 419, 16.12.2015, p. 159. 2 Texts adopted, P8\_TA(2016)0083. 3 OJ C 45, 5.2.2016, p. 85. 4 OJ C 251 E, 31.8.2013, p. 93. 5 OJ C 224 E, 19.8.2010, p. 30. 6 OJ C 168 E, 14.6.2013, p. 91. 7 Texts adopted, P8\_TA(2016)0121. 8 Texts adopted, P8\_TA(2017)0007. 9 Texts adopted, P8\_TA-PROV(2017)0484. proliferation of weapons of mass destruction has been added as a new essential element (Article 11); C. whereas Kazakhstan is the first Central Asian country to have signed an EPCA with the EU; whereas the EPCA, once ratified by all Member States and the European Parliament, will replace the PCA of 1999, and whereas the text of the EPCA was made public on 15 July 2015; D. whereas the EPCA sets out a broad spectrum of new areas of cooperation, which are not only in the political and economic interest of the EU, but are also suited to supporting Kazakhstan in the next stage of modernisation to which it aspires, while at the same time securing cooperation in meeting global challenges, particularly as regards sustainable social and economic development for all citizens, the preservation of cultural diversity, conservation of the environment and management of the consequences of climate change in accordance with the requirements of the Paris Agreement, as well as peacekeeping and regional cooperation; E. whereas since May 2016, two-thirds of the EPCA has been applied provisionally; F. whereas the European Parliament is prepared, within the framework of its competences, to involve itself actively in developing and fleshing out the specific areas of cooperation with Kazakhstan, including parliamentary relations; G. whereas Kazakhstan joined the WTO on 1 January 2016; H. whereas Kazakhstan joined the European Commission for Democracy through Law (Venice Commission) in March 2012; General provisions on EU-Kazakhstan relations and on the EPCA 1. Stresses that the enhancement of political, economic and cultural relations between the EU and Kazakhstan must be based on shared commitments to universal values, in particular, to democracy, the rule of law, good governance and respect for human rights and guided by mutual interests; 2. Notes Kazakhstan’s consistent strategy of rapprochement with the EU; underlines the country’s essential contribution to the implementation of the EU-Central Asia strategy, which will undergo a substantial review in 2019; 3. Welcomes the fact that the EPCA establishes a solid basis for the deepening of relations; notes that Kazakhstan is the first Central Asian partner country with which the EU has negotiated and signed an EPCA; considers this new-generation agreement to be a good model that could in future also be applied to other countries in the region; 4. Welcomes the ambition expressed in the EPCA to enhance cooperation and to significantly boost economic ties between the EU and Kazakhstan in various areas of concern and common interest, such as democracy and the rule of law, human rights and fundamental freedoms, sustainable development, foreign and security policy, trade, justice, freedom and security and in 29 other key sectoral policy areas, such as economic and financial cooperation, energy, transport, environment and climate change, employment and social affairs, culture, education and research; encourages both sides to actively fulfil their commitments; 5. Expects that the EPCA will promote a strengthening of the rule of law and democratic participation by all citizens, a more diverse political landscape, a better functioning, independent and impartial judiciary, increased transparency and accountability of the government, improvements to the labour laws in line with ILO requirements, more business opportunities for small and medium-sized enterprises, sustainable development of the environment, water management, and of other resources, such as an efficient use of energy and the development of renewable energy sources; 6. Underlines the importance and continued validity of Parliament’s recommendations of 22 November 2012 on the negotiations for an EU-Kazakhstan EPCA; 7. Recalls that Parliament emphasised that progress in the negotiation of the EPCA must be linked to progress of political reform and real progress on respect for human rights, the rule of law, good governance and democratisation, where implementation of the Venice Commission recommendations could play a beneficial role; expresses serious concerns that rights to the freedom of expression, of peaceful assembly and association remain restricted; urges the country to implement fully the recommendations made by the UN Special Rapporteur on the rights to freedom of peaceful assembly and of association in the outcome report concerning his mission to Kazakhstan in January 2015; 8. Stresses that further steps need to be based on the application of the ‘more for more’ principle; 9. Welcomes the fact that the EPCA introduced the possibility of negotiating a visa facilitation agreement between the EU and Kazakhstan in parallel with the possible negotiation of an agreement regulating the specific obligations in relation to readmissions; points out the importance of stepping up exchanges, in particular at youth and academic level, and calls, in this respect, for a substantial expansion of the Erasmus + ***programme*** for Kazakhstan; 10. Reiterates its call on the Council, Commission and the VP/HR: – to ensure that both sides abide by the essential elements of the EPCA, because failure to observe them would lead to either a dispute settlement (Article 278) or even suspension in the event of serious violations (Article 279), – develop benchmarks and deadlines for implementation of the EPCA, – provide for a comprehensive monitoring mechanism between Parliament and the EEAS once the EPCA fully enters into force, including the elements as specified in its resolution of 22 November 2012; 11. Recalls that Article 218(10) TFEU and relevant ECJ rulings with regard to immediate and full access by Parliament to all negotiating documents and related information are still only partially upheld by the VP/HR, Council and the Commission; 12. Asks the EU-Kazakhstan Parliamentary Cooperation Committee (PCC) to update its Rules of Procedure in order to provide for democratic scrutiny of the provisional application in those fields that have entered into force already and to use its prerogatives to adopt recommendations, and to prepare for scrutiny of the whole EPCA once it enters into force fully; Political dialogue and cooperation, democracy, the rule of law, good governance and fundamental freedoms 13. Calls on the EU to consistently prioritise in its political dialogue with Kazakhstan, the issues of the rule of law and democracy, fundamental freedoms and human rights; 14. Calls on Kazakhstan, in the light of social protests, some of them violent, to take proactive and concrete steps, when implementing the ‘Kazakhstan 2050’ ***programme***, on political, democratic and social reforms, including a clear separation of powers between the executive and legislative branches, and introducing further checks and balances within the constitutional system, in line with the country’s international commitments under various UN, OSCE and Council of Europe instruments; reiterates its conviction that the transition which Kazakhstan seeks, towards a new type of growth with an intensive scientific focus, would not appear to be possible without high-quality education, access for much of the population to essential modern services, an inclusive social policy and a system of regulated social relationships, particularly in the economy; welcomes the ‘100-step ***programme***’ as an attempt to address the need for urgent reforms in the country; 15. Welcomes some recent positive developments in the field of constitutional and administrative reforms as well as the establishment of a civil society consultative platform; is, however, gravely concerned about the restrictive effects of the Criminal and Administrative Codes that entered into force in 2015 on civil society organisations and their activities; 16. Calls on Kazakhstan to fully implement the recommendations from the OSCE/ODIHR international observation mission to the 20 March 2016 elections according to which the country still has a considerable way to go in meeting its OSCE commitments for democratic elections; urges the Kazakh authorities to avoid restricting the activity of independent candidates; urges, furthermore, that citizens’ electoral rights be respected; 17. Welcomes Kazakhstan’s cooperation with the Venice Commission and calls for full implementation of the relevant recommendations made by it in the area of democratic and judicial reforms in particular; 18. Welcomes the current administrative reforms and recommends further reforms guaranteeing a genuinely independent and impartial judiciary and more efficient efforts in fighting corruption at all levels; appeals, however, for enhanced governance and reform, with a truly independent judiciary free from corruption and guaranteeing the right to a fair trial and defence rights, and for greater, more efficient efforts in fighting corruption, organised crime and drug trafficking; calls for the improvement and modernisation of and investments in core social sectors; stresses that further attention for economic and social development in peripheral regions and outside the main cities will be important for the country’s long-term stability; 19. Notes the existence of civil society dialogue platforms; reiterates its concern about the legislation on NGOs, undermining their independence and ability to operate; recalls the importance of an active and independent civil society for the sustainable future of Kazakhstan; urges the Kazakh authorities to guarantee in all circumstances that all human rights activists and NGOs in Kazakhstan are able to carry out their legitimate human rights activities without fear of reprisals, and free of all restrictions and thus contribute to the sustainable development of society and the strengthening of democracy; takes the view that the EPCA also implies enhanced support for the development of a genuine civil society, and calls on the Kazakh authorities to act accordingly, and on the Commission to step up ***programmes*** aimed at strengthening and consolidating the action of independent NGOs; 20. Asks for an end to be put to the judicial persecution, harassment and imprisonment of independent journalists, civil society activists, trade union leaders, human rights defenders, opposition political figures and other outspoken individuals in retaliation for their exercise of the freedom of expression and other fundamental freedoms, a phenomenon that has intensified over the last couple of ***years***; calls for the full rehabilitation and immediate release of all activists and political prisoners currently in jail, as well as for the lifting of restrictions placed on the movements on others; requests an end to abuse of its Interpol’s extradition procedures and a stop to the harassment of political opposition abroad; 21. Welcomes the release on parole from prison of the prominent Kazakh activist and Alga!

opposition party leader Vladimir Kozlov in August 2016; 22. Expresses its concerns about the curtailment of freedom of the media, freedom of expression, and freedom of association and assembly, and freedom of religion, including by means of restrictive legislation, pressure, censorship and criminal prosecution of activists; points out that freedom of speech for the independent media, bloggers and individual citizens is a universal value that must be upheld; recommends Kazakhstan to apply the standards of the Council of Europe in its legal system; takes note of the efforts of Kazakhstan to improve the country’s international image as shown by the recent opening of EXPO-2017 in Astana; points out, nevertheless, that these efforts are contradicted by the crackdown on dissenting voices and pressure on civil society over the last few months; 23. Is concerned that some of the provisions of the recently reformed Criminal Code and the Criminal Procedural Code restrict the freedom of expression; encourages Kazakhstan to revisit those in particular with regard to the criminalisation of defamation; 24. Underlines that freedom of media and freedom of expression are essential in establishing and consolidating democracy, the rule of law and human rights; regrets that the environment for independent media outlets has become ever more hostile; expresses concern about the draft media legislation aimed at implementing rules for journalists involving them verifying their information with state authorities; urges the Kazakh authorities to withdraw such amendments from their draft legislation and to ensure full independence of investigation and reporting for journalists; calls, furthermore, on the Kazakh authorities to refrain from restricting access to state-critical online and offline media in the country and from abroad; regrets that defamation also remains criminalised in Kazakhstan, and underlines that this has become problematic in the light of freedom of expression in the country; is concerned by the large number of defamation lawsuits, including cases against a few news broadcasters and other websites that report unfavourably on government policies and which are also routinely blocked, initiated by public officials and other public figures who enjoy special protection and demand large amounts in moral compensation as a result of articles containing allegations of corruption, misconduct or other issues that do not please them; 25. Urges the reversal of the negative trends in terms of freedom of the media, freedom of expression, and freedom of association and assembly, and freedom of religion; recommends that Kazakhstan apply the standards of the Council of Europe in its laws; takes note, in this context, that, as of 2016, all Kazakh NGOs have been required by law to register with the authorities and to provide annual information on their activities for inclusion in a government database on NGOs; underlines that this step might be directed towards enhancing transparency in the sector; is concerned, however, that the new requirements add to the already extensive reporting obligations for the non-governmental sector to the state, while the transparency policy is disproportionally applied towards the non-profit, non-governmental sectors, as it does not apply to any other legal entities; is concerned that involvement in unregistered associations is criminalised and that failing to provide information for the new database or providing ‘incorrect’ information may result in penalties for organisations; regrets that the activities of registered public associations may be suspended or terminated by courts for any violation of national law, no matter how minor; 26. Notes with concern that the adoption of recent anti-terrorism laws, including a bill proposing the withdrawal of citizenship for terrorist suspects could lead to the suppression of peaceful and legitimate political opposition; urges the Kazakh authorities to avoid using this legislation due to the possible effects of restricting freedom of speech, freedom of religion or belief, the independence of the judiciary or banning opposition activity; 27. Takes note that, in its concluding observations on Kazakhstan adopted in summer 2016, the UN Human Rights Committee expressed concern about the broadly formulated provisions of the Criminal Code’s Article 174, which bans ‘inciting’ social, national or other discord, and Article 274, which prohibits ‘spreading information that is known to be false’, and the use of these articles to unduly restrict freedom of expression and other rights protected by the International Covenant on Civil and Political Rights (ICCPR); regrets that a number of civil society activists and journalists have been charged and imprisoned on the basis of the above-mentioned articles of the Criminal Code; notes that the list includes Maks Bokayev and Talgat Ayan, who are serving five-***year*** prison terms for their role in peaceful land reform protests, which took place in Kazakhstan in the spring of 2016; urges the Kazakh Government to release them all and to drop the charges against them; 28. Calls on Kazakhstan to revise its Trade Union Law of 2014 and the Labour Code of 2015 to bring them in line with ILO standards; reminds Kazakhstan of its obligations to comply fully with the conclusions adopted by the ILO Committee on the Application of Standards (in 2017, 2016, and 2015); 29. Condemns the closure of the Confederation of Independent Trade Unions of Kazakhstan (CITUK) by a court order in January 2017 for allegedly failing to confirm its status under the country’s restrictive 2014 Law on Trade Unions; reminds the Kazakh authorities of the need to guarantee an independent and impartial judiciary and to enable real social dialogue also by fostering the existence and functioning of independent trade unions, such as CITUK and its affiliates; refers to the Conclusions of the ILO Committee on the Application of Standards on the situation in Kazakhstan in June 2017; regrets that Larisa Kharkova, President of CITUK, was found guilty by a court on 25 July 2017 of charges of embezzlement and fraud related to the use of trade union funds, which are believed to be politically motivated charges; deplores the fact that she has been arbitrarily sentenced to four ***years*** of court-imposed restrictions on her freedom of movement, in addition to 100 hours of community work and a ban on holding leading positions in public associations for five ***years***; calls on Kazakhstan to quash the conviction and drop the charges against her; 30. Regrets that, in April and May 2017, two other trade union leaders, Nurbek Kushakbayev and Amin Yeleusinov, were sentenced to two and half and two ***years*** in prison, respectively, on criminal charges also considered to be politically motivated; notes that the sentences against the three trade union leaders are a blow to independent trade union activity in the country; 31. Notes the multi-ethnic and multi-religious character of Kazakhstan and stresses the need for a protection of minorities and their rights, in particular with regard to the use of languages, freedom of religion or belief, non-discrimination and equal opportunities; welcomes the peaceful co-existence of different communities in Kazakhstan; 32. Calls for a substantial review of the annual EU-Kazakhstan Human Rights Dialogue, in order to make it more effective and result-oriented; calls on the Kazakh authorities to fully engage in it, as well as in all other forums, in order to achieve tangible progress on the human rights situation in the country while paying particular attention to individual cases; recalls that the involvement of civil society in these dialogues and consultations must be guaranteed; 33. Underlines the necessity for continual engagement within the cycle of the Universal Periodic Review mechanism of the UN Human Rights Council (UNHRC), in particular with regard to effective implementation of its recommendations; 34. Insists that Kazakhstan comply with the recommendations of the UN Committee Against Torture and the 2009 recommendations of the UN Special Rapporteur on Torture; 35. Regrets that Kazakhstan has so far refused an independent international investigation into the Zhanaozen events of 2011, despite calls by the UNHRC; 36. Welcomes the country’s application to join several Council of Europe conventions; 37. Regrets that Kazakhstan is neither a party to, nor a signatory state of the Rome Statute of the International Criminal Court and calls on Kazakhstan to sign and accede to it; International relations, regional cooperation, and global challenges 38. Welcomes Kazakhstan’s constructive cooperation in international relations as an important contributor to peace and stability at both regional and global levels, for example, through its facilitation of the talks on the Iranian nuclear deal, the negotiations between the parties in Astana for a comprehensive solution to end the war in Syria, its diplomatic efforts with regard to the conflict in Ukraine and its initiative on the Conference on Interaction and Confidence-Building Measures in Asia; encourages Kazakhstan to continue to engage in and play a constructive role on the international stage; welcomes, in this regard, its call for the gradual eradication of armed conflict through nuclear non-proliferation and disarmament, and its initiation of the Universal Declaration for the Achievement of a Nuclear-Weapon-Free World; welcomes, in particular, the decision of Kazakhstan not to join the Russian ban on EU ***agricultural*** products, and considers this as a concrete and encouraging sign of the willingness of this country to step up its dialogue and cooperation with the EU; 39. Notes Kazakhstan’s geostrategic importance and acknowledges the country’s multi-vector foreign policy, with its aim of fostering friendly and predictable relations, including, as a priority, building and balancing good neighbourly relations with Russia, China, the Central Asian states with which it shares borders, and other partners, including the US and the EU; 40. Recognises Kazakhstan as an important player in foreign and security policy not least due to the consistent role it plays in global nuclear disarmament and security, and its non-permanent membership on the UN Security Council in 2017-2018; 41. Recognises the security challenge posed to Kazakhstan by Daesh and other UN Security Council-designated terrorist organisations; notes the high number of Kazakh citizens among the foreign fighters in the Middle East; recognises the potential for further destabilisation of Kazakhstan resulting from the on-going conflict in Afghanistan, including by means of religious extremism, drug trafficking and terrorism; calls for closer cooperation on countering violent extremism and fighting against terrorism, and points out that the priority should be to address the root causes of radicalisation; notes that Article 13 of the EPCA focuses on counter-terrorism measures and plays a crucial role, especially in the current international environment; 42. Notes that Kazakhstan belongs to all of the main regional organisations; regards the international profile which Kazakhstan has very recently achieved, through chairing international organisations as diverse as the OSCE, the Organisation of Islamic Cooperation (OIC), the Commonwealth of Independent States (CIS), the Shanghai Cooperation Organisation and the Collective Security Treaty Organisation, as a good starting point for joint activities endeavouring to stabilise the security situation in the Central Asia region and to find multilateral solutions to global challenges; welcomes, in this context, Kazakhstan’s clear statements to the effect that its membership of the Eurasian Economic Union (EAEU) will not affect the strengthening of relations with the EU; 43. Recommends that the EU continue its support for regional cooperation in Central Asia, in particular the rule of law, confidence-building measures, water and resource management, border management, stability and security; supports, in this regard, Kazakhstan’s efforts in promoting good neighbourly relations and becoming a guarantor of stability in the region; calls for a sustainable Central Asian settlement on water management, energy and security issues that responds to all interests; 44. Recognises that Kazakhstan is a leading power in the Central Asian region; urges Kazakhstan to use this position as a basis for positive engagement with its regional neighbours and to take steps to move forward in regional cooperation; Sustainable development, energy and environment 45. Welcomes Kazakhstan’s third modernisation strategy, announced in January 2017, with the goal of becoming one the 30 most developed countries in the world; 46. Welcomes the enhanced chapter on raw materials and energy cooperation, which holds great potential for contributing to EU energy security; recalls that Kazakhstan plays an important role as an energy supplier to the EU; calls for the EU to engage in more active energy cooperation and to bolster its dialogue with Kazakhstan and other Central Asian countries to strengthen EU energy security; 47. Welcomes the inclusion in the EPCA of the chapter on cooperation in the area of climate change; calls for the EU to continue to cooperate with the Government of Kazakhstan, assisting it in identifying and developing innovative and sustainable environmental and ecological policies; recalls that Kazakhstan is heavily affected by the consequences of two of the most devastating man-made environmental disasters in the world, namely the drying up of the Aral sea and the Soviet-era nuclear testing at the site of Semey/Semipalatinsk; calls on the Commission to step up its assistance to the Kazakh authorities, both on a technical and a financial level, in order to improve substantially water management and water conservation in the Aral sea basin in the framework of the action ***programme*** of the International Fund for Saving the Aral Sea, and to develop an effective action plan for the cleaning-up of the former nuclear ‘Polygon’ area; welcomes Kazakhstan's participation in the voluntary Partnership ***Programme*** ‘Green Bridge’; believes this will provide a stable and long-term basis for green investment, the ***transfer*** of new technologies and innovations, and moving towards a carbon-energy-free society; 48. Underlines the need to apply the principles of environmentally sustainable development in Kazakhstan with regard to extraction and the processing of its vast natural resources; welcomes, in this context, the fact that the country complies with the standards of the Extractive Industries Transparency Initiative (EITI); Trade and economy 49. Recalls that the EU is the country’s first trade and investment partner and that Kazakhstan is the EU’s main trade partner in Central Asia; hopes that these relations will be further strengthened; notes that 80 % of Kazakhstan’s exports to the EU consist of oil and gas; reiterates the importance of greater diversification of its trade with the EU; highlights that trade and human rights can positively reinforce each other when operating in a rule of law environment; recalls that the business community has an important role to play in offering positive incentives in terms of promoting human rights, democracy, and corporate responsibility; points out that global value chains contribute to enhancing international core labour, environmental, social and human rights standards, including the establishment and enforcement of occupational health and safety measures, educational opportunities, impartial institutions, and the reduction of corruption; 50. Welcomes Kazakhstan’s accession to the WTO on 1 January 2016, which fostered the economic and administrative modernisation of the country; notes that Kazakhstan’s economy is largely based on the exploitation and export of raw materials and hydrocarbons; hopes that the ambitious ***programme*** for diversifying the economy, in which the EU could play an important role, and for reforming the country, which includes, inter alia, the professionalisation of the public administration and the introduction of anti-corruption measures, is fully executed in practice; calls, in particular, on the Commission to assist Kazakhstan so as to make its economy environmentally friendly and sustainable; 51. Takes note of Kazakhstan’s commitment to fully liberalising the movement of capital in the form of direct investment, and regrets that the Trade and Business title of the EPCA does not contain anti-corruption provisions; takes the view that particular attention should be paid to the issues of corporate governance and corruption in monitoring the implementation of the agreement, in order to avoid increasing the risk of money laundering; 52. Welcomes Kazakhstan’s determination, as shown during the first ***year*** of the EPCA’s application, to honour and fulfil its EPCA and WTO commitments; calls on Kaz

akhstan to fulfil its commitments under the EPCA regarding intellectual property rights (IPRs), on the basis of a regional exhaustion regime; 53. Calls on Kazakhstan to fully align its import tariffs with its WTO and EPCA commitments, irrespective of its participation in the Eurasian Economic Union (EEU), in order to avoid costly compensation ***payments*** to WTO trading partners; 54. Calls on Kazakhstan to join the Trade Control and Expert System (TRACES) in order to enable effective sanitary and phytosanitary (SPS) controls, and to use the bilateral EU-Kazakhstan SPS certificates; 55. Takes note of the general five-***year*** transition period for public procurement and the eight-***year*** transition period for construction laid down in the EPCA, and looks forward to increased trade once these periods have drawn to a close; notes that public procurement constitutes a significant public policy instrument for Kazakhstan; ° ° ° 56. Instructs its President to forward this resolution to the Council, the Commission, the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy, the EU Special Representative for Central Asia, the governments and parliaments of the Member States, and the government and the parliament of Kazakhstan.

**Load-Date:** December 29, 2017

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[***Brexit White Paper Offers Slight Respite To Agribusiness Sector***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T4W-43T1-JD33-J3SH-00000-00&context=1516831)

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**Length:** 1465 words

**Highlight:** We have updated our view for the agribusiness sector after Brexit following the UK’s government recent commitment to continuity, not change, in various areas important for ***agriculture***.UK farmers will continue to receive support similar to current EU levels out to 2022, but likely to be phased out thereafter.The government will seek to maintain 'frictionless trade' with the EU, which will minimise disruptions to UK trade flows and keep inflation subdued.Its commitment to not abide by other rules - namely free movement of people – will, however, result in high tariffs on some ***agricultural*** imports and exports, in particular goods that hold high economic value for other EU members.EU regulations pertaining to the environment, food safety and quality and trade will remain largely intact. EU citizens will continue to supply labour to the UK agribusiness sector in the short term. Longer term, however, EU migrant labour will decline increasing costs for producers in various ***agricultural*** subsectors.

**Body**

**Key View** We have updated our view for the agribusiness sector after Brexit following the UK's government recent commitment to continuity, not change, in various areas important for ***agriculture***. UK farmers will continue to receive support similar to current EU levels out to 2022, but likely to be phased out thereafter. The government will seek to maintain 'frictionless trade' with the EU, which will minimise disruptions to UK trade flows and keep inflation subdued. Its commitment to not abide by other rules - namely free movement of people - will, however, result in high tariffs on *some* ***agricultural*** imports and exports, in particular goods that hold high economic value for other EU members. EU regulations pertaining to the environment, food safety and quality and trade will remain largely intact. EU citizens will continue to supply labour to the UK agribusiness sector in the short term. Longer term, however, EU migrant labour will decline increasing costs for producers in various ***agricultural*** subsectors. The European Union (EU) influences and shapes the UK's agribusiness sector in at least four ways.

**First**, the EU's Common ***Agricultural*** Policy (CAP), which provides substantial financial support to UK farmers in the form of direct ***payments*** based on area of farmland owned (Pillar 1) and compensation for environmental services provided (Pillar 2), has resulted in high dependency among UK farmers on the EU for subsidised income. In 2017, farmers received GBP3.4bn in ***transfers*** from the EU budget. **Second**, preferential access to the customs union and close proximity to a number of developed markets with high demand and/or supply of ***agricultural*** goods, as well as high global tariffs on ***agricultural*** products elsewhere, have kept UK trade flows anchored within the EU and largely determines domestic food prices. **Third**, current ***agricultural*** trade regulations, coupled with legislation relating to the environment, animal welfare, and food safety and quality, are defined and implemented by the EU. **Finally**, a number of UK subsectors, in particular fruit and vegetable cultivation, food processing and catering, dairying, and horticulture, are heavily reliant on EU migrant labour.In light of the UK government publishing a white paper in mid-July, outlining its proposed overall relationship with the EU after the UK's departure from the bloc in March 2019, we are updating our core view for the UK agribusiness sector after Brexit *(see ''Cliff Edge' Brexit: Agribusiness' November 2017*). The shift in the government's stance on financial support for farmers, free trade with the EU, the regulatory environment post-Brexit, and immigration, have brought long-awaited assurances that, at least for the next five ***years***, will have important consequences for the agri-industry. The government seems intent on delivering continuity, and we are therefore maintaining our current ***agricultural*** production and consumption forecasts. Out to 2022, the agribusiness sector will continue to grow steadily.It is worth noting, however, that continued slow progress in negotiations, divisions within the Conservative party, and major criticisms of the white paper from pro-Brexit Conservative MPs, have generated a significant amount of uncertainty. Our Country Risk team's core view of a 'soft' Brexit therefore comes with a probability of less than 50% ( *see ''Soft' Brexit Becomes Core View As UK Government Flounder' July 19*).

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| UK Agri-Trade Reliant On EU |
| UK Agribusiness Imports And Exports By Destination In 2017 (% total value) |
|  |
| *Source: Trade Map, Fitch Solutions* |

**Financial support for farmers will be maintained out to 2022, possibly until 2024, following Brexit.** ***Agricultural*** production will therefore continue to grow during this period, and we maintain our current forecasts. Prime Minister Theresa May and Secretary of State for the Department for Environment, Food and Rural Affairs (Defra) Michael Gove have assured UK farmers that subsidies and support will continue at current EU levels for at least three ***years*** after Brexit. Both, however, have criticised the CAP, stating that Pillar 1 direct ***payments*** under the Basic ***Payments*** Scheme (BPS) do not reward efficiency given it is based on area of land at the farmer's disposal. **A new &quot;*agricultural* transition&quot; plan will therefore likely be eased in**. This will probably involve a cap and a tapered phase-out of direct ***payments***. It will also reward innovative and environmentally friendly farm practices, under a more flexible performance-based scheme that is less narrowly prescribed than the current Pillar 2 Country Stewardship ***programme*** or &quot;green conditionality&quot; ***payments***. This will incentivise public goods, like heritage protection, flood risk reduction and carbon storage.

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| CAP Spending A Large Share of EU Budget |
| EU Budget Expenditure (EUR mn) |
|  |
| *f = forecast. Source: European Commission, Fitch Solutions* |

**The UK government will aim to maintain 'frictionless trade' with the EU**, given the integrated nature of the market for manufactured, ***agricultural***, food and fisheries products. This will minimise disruptions to UK trade flows, including the need to erect tariff trade barriers, **food inflation thus remaining relatively subdued.** In 2017 the EU accounted for 66.7% of UK ***agricultural*** imports, and 70.9% of UK ***agricultural*** exports. However, the EU will likely seek the imposition of *some* ***agricultural*** tariffs and non-tariff restrictions, notably to avoid making departure from the EU look attractive to other member countries; and UK may accept these in exchange for low or no barriers in other sectors, such as autos and financial services, as part of a partial customs union or Facilitated Customs Arrangement. We believe that the UK government will thus prioritise access for industries where first, it has strong value exports, and second, where it is heavily reliant on EU imports.Agribusiness only accounted for USD10.2mn of UK exports to the EU, or 4.8%, and USD26.7bn of imports (7.8%). Manufacturing is by far a larger industry accounting for 78.6% of exports, and 80.3% of imports, including autos (12.3% of exports and 19.1% of imports). Agribusiness will consequently not be the country's first priority. Furthermore, ***agricultural*** imports and exports that hold high economic value for other countries like France and the Netherlands, such as meat, cereals, and dairy, will likely push for high UK tariffs. Although, in the short term, a Facilitated Customs Arrangement will maintain current trade flows until the end of 2020, we believe the EU will endeavour to protect its top exports: dairy, meat, and fruit and nuts.

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| EU Will Continue To Protect Top Agri-Exports |
| EU Agribusiness Exports (% total value) |
|  |
| *Source: Trade Map, Fitch Solutions* |

A common rulebook for ***agriculture***, as currently proposed by the UK government, **will ensure EU regulatory conditions and standards for *agricultural* production and trade are maintained**. Instead of attempting to renegotiate the estimated 12,295 EU regulations and millions of contracts and supply routes, the UK government will adhere closely to the current EU framework. To this end, the Prime Minister has stated that the Government will introduce a 'Great Repeal Bill' to remove the European Communities Act from the statute book, and to transcribe the existing body of EU law into British law. Quality of ***agricultural*** production and consumption will therefore remain in line with current EU standards.Though there has been speculation that the UK will import lower quality goods, such as 'chlorinated chicken' from the US, Michael Gove has assured the public that quality and environmental standards will not be sacrificed for a free trade agreement. Furthermore, if food inflation remains low due to a (near) open market with the EU, then the government won't be forced to unilaterally ease import restrictions. **The UK government has guaranteed the continued right of EU citizens to move to, live, and work in the UK until December 2020.** During this period the supply of EU migrant labour to various ***agricultural*** subsectors such as fruit and vegetable cultivation, food processing and catering, dairying, and horticulture will remain largely intact (although shortages caused by increased employment opportunities in countries of origin and unrelated to Brexit may continue to affect some sectors). Beyond 2020, however, the government has emphasised its desire to put an end to the free movement of people. Also taking into consideration the Leave Campaign rhetoric on this issue, we believe that, **in the long term, the UK will tighten restrictions on low-skilled migrant labour, driving up labour costs for agribusiness**, some of which is reliant on seasonal migrant labour for fruit and vegetable harvesting or in the poultry industry, for example.

**Load-Date:** August 31, 2018

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[***Central America media highlights 12 June 2018***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SJK-0J61-DYRV-34XX-00000-00&context=1516831)

BBC Monitoring Latin America - Political

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June 13, 2018 Wednesday

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**Length:** 5003 words

**Body**

By BBC Monitoring

EL SALVADOR

Security minister submits bill to reform law on prisons

Mauricio Ramirez Landaverde, minister of justice and security, submitted a draft bill seeking to reform the Law on Prisons to the Legislative Assembly, La Prensa Grafica reported on 11 June. The reform would include regulations about the maximum-security regime that were currently not a part of the law. This, Ramirez explained, would include and be applied to all inmates who were considered highly dangerous due to their roles as leaders of criminal structures. Under this reform, all types of visits would be prohibited, except for those by lawyers and public defenders. In addition, the minister explained that family visits would be reestablished in those prisons where they were currently being limited due to the special measures. Moreover, other measures included the mandatory participation of inmates in education ***programmes*** and the restriction of telecommunications signals, among others.

Government, referring to former President Funes' case, says fight against corruption is an obligation

The Government of El Salvador issued a press statement to address to the case against former President Mauricio Funes for acts of corruption during his administration, La Prensa Grafica reported on 11 June. Referring to the charges filed by the Office of the Prosecutor General of the Republic (FGR) against Funes, former First Lady Vanda Pignato and more than 20 other people were also involved in these crimes. The communique claimed there would be a full conviction for all acts of corruption "wherever it may come from." The fight against corruption was an obligation not only of the government and the institutions in charge, but of all of society, and it should be denounced, investigated, and processed through the courts in strict compliance with due process and the law, the document added. Funes, who served as the first president from the Farabundo Marti National Liberation Front (FMLN), had been accused of funnelling up to 351m US dollars from state funds allocated to the Presidency into his personal accounts.

GUATEMALA

Attorney General, anti-graft body discuss coordinated actions

On Monday 11 June, Maria Consuelo Porras Argueta, the new head of the Attorney General's Office (MP), held her first meeting with Ivan Velasquez, head of the International Commission Against Impunity in Guatemala (CICIG), Prensa Libre reported on 11 June. During the meeting, the two coordinated the actions to take in investigations, legal reforms, projects, and ***programmes*** in which both institutions would work together. The relationship between the two institutions had put Guatemala on the map of progress in the fight against corruption, with high-profile cases including those launched against several former presidents and other politicians, putting them in prison. Porras and Velasquez also met with representatives from other state institutions to evaluate legislative proposals in the judicial sector. In addition, Porras met with activists to follow up on cooperation projects between the MP and the civil society.

Government gives report on emergency response following volcano disaster

President Jimmy Morales, accompanied by members of his Cabinet, offered a press conference in which he listed the actions the government had carried out in response to the emergency caused by the Fuego Volcano eruption, the Government of the Republic of Guatemala reported on 11 June. "We have worked with total transparency so that aid can reach those who need it the most," Morales said. In addition, he asked the Organisation of American States (OAS) to review the steps taken since the disaster started and to verify there had been transparency in the use of resources. The president explained that the government was currently working on the rehabilitation plan and that the reconstruction plan would come later. He said this reconstruction plan would include road infrastructure, housing, and ***agricultural*** issues, among others. On his part, Sergio Garcia Cabanas, secretary of the National Coordinator for Reduction of Disasters (Conred), reported that services for victims had been improving in shelters and that a new search strategy would be implemented by the population, firefighters, the army, and international rescue workers. Likewise, Health Minister Carlos Soto said that shelters were working in a relatively orderly fashion and "with good sanitary conditions." Finally, Foreign Minister Sandra Jovel announced that at least 11 countries and international organisations had sent aid, including 125,000 US dollars in cash and in kind.

HONDURAS

Honduras looks to carry out "hot pursuits" against vehicles suspected of drug trafficking

Last month, Honduras ratified the Agreement Concerning Cooperation in Suppressing Illicit Maritime and Air Trafficking in Narcotic Drugs and Psychotropic Substances in the Caribbean Area, which would allow for engaging in hot pursuits, El Heraldo reported on 11 June. This meant that if a boat or ship was suspected of transporting drugs and did not heed the orders to stop, authorities would be allowed chase it and each state would agree to provide authorisation to enter its territorial waters, as police and military forces in all Caribbean nations would be in agreement. After chasing it, authorities would proceed to board the vessel and detain the people on board. In the case of evidence of illicit trafficking being found, the country that granted the authorisation would be notified immediately. Commander Efrain Mann, of the Honduran Naval Force (FNH), told El Heraldo that "hot pursuit" operations were already being carried out with the United States. He explained that vessels and air crafts belonging to the Armed Forces (FFAA) were being used for these operations. Among the institutions involved was the General Director of the Merchant Marine (DGMM), which was in charge of monitoring via satellite the movements of vessels from countries neighbouring Honduras, as well as having a register of vessels authorised in the country. For this purpose, the Maritime Information Centre (CIM) was created, in which agents were subjected to tests and supervised by the US Embassy. DGMM records established that 1,519 suspect ships were followed up on in 2017. In addition, according to the Drug Enforcement Agency (DEA), 148 tonnes of drugs went through Honduras in 2017. However, according to the Secretariat of National Defence (SEDENA), it was only able to seize 2,275 kilos, or a minimal portion of this total. Trafficking using aircraft continued to be a problem. In order to carry out these operations, Honduras had purchased equipment for the FFAA. This included a coastal patrol vessel (CPV) to be sent by Israel by late 2019 or early 2020, as well as seven combat F5-E/F airplanes, four Bell-412 helicopters, and five Cessna A-37 Dragonfly aircraft. Moreover, the army was also acquiring new technologies, such as sophisticated communications systems and drones.

Honduras reportedly accepted over 150,000 deportations since 2013

Based on figures reported by the US Department of Homeland Security (DHS), Honduras accepted the deportation of 156,228 Honduran nationals since 2013 to date, El Heraldo reported on 11 June. This information was part of the evaluation made by the US Federal Register to cancel the Temporary Protected Status (TPS) ***program*** for 86,000 Hondurans. According to the report, Honduras regularly accepted the return of 22,381 people in 2017. In addition, it said that by 2 May 2018, the number the DHS had registered reached 13,800, and thus deportations could increase by the end of the fiscal ***year*** when compared to 2017.

Security institution warns of supposed "terrorist cells" in opposition party

The National Inter-institutional Security Force (FUSINA) warned that "terrorist cells or insurrection commandos" backed by the leftist Liberty and Refoundation (LIBRE) party could cause disturbances in various cities throughout the country, El Heraldo reported on 11 June. The institution added that members of these groups were carrying out fieldwork to identify the most vulnerable petrol stations in order to execute their attacks. On his part, Jose Domingo Meza, spokesperson for the Armed Forces, said the threats were being investigated. A few weeks ago, LIBRE leaders announced the creation of 10,000 insurrection commandos nationwide, which would have the capacity to take over roads, bridges, or buildings. Meanwhile, LIBRE leader Manuel Zelaya Rosales claimed the party would "proceed immediately" against the Armed Forces as a result of their attempt to implicate the party in those actions. He admitted that there were terrorist organisations in the country, but that they were created to defend the right to vote.

Opposition leader says elections could be "moved up," criticises Hernandez administration

Salvador Nasralla, the former presidential candidate for the Opposition Alliance Against Dictatorship, said that elections in the country could be "moved up" to be held in August this ***year***, prior to the scheduled date of 2021, Tiempo reported on 11 June. The United Nations (UN) would announce its position about the human rights situation during the November election on 11 June, he said, adding that the government agreed to take to the dialogue commission the commitment made by President Juan Orlando Hernandez. The UN called on the installation of a commission to investigate human rights violations, he continued, and in the event that the government does not agree to it, the UN would declare it as a violator of human rights. Moreover, he said there were "people in several sectors who are getting ready to react in various areas of the national economy" because they were in disagreement with the government's decisions. Furthermore, Nasralla referred to the recent trip to the United States made by President Hernandez, saying the latter is "asking for a truce" and that he travelled because "he is in the list of corrupt officials in the Northern Triangle." He claimed that the United States was withdrawing its aid from the Hernandez administration.

President expresses concern about drug trafficking in coastal areas

President Hernandez expressed his concern about the pressure that drug trafficking was exerting over the La Mosquitia region, Colon department, and the southern areas of the country, the Presidency of the Republic reported on 11 June. He explained that, during his recent trip to the United States, he held an "honest, high-level dialogue" with DEA Acting Administrator Preston Grubbs and other officials. "We talked about our concern for the enormous rise in the production of coca plants in South America," the president said. He also acknowledged the support Honduras received from the United States towards making significant progress in security matters.

Government notes concern about US "zero tolerance" policy concerning migrant families

The government issued a statement in which it said that the Secretariat of Foreign Relations and International Cooperation was concerned about the increased number of families who were split apart at the US border, increasing the vulnerability of those children and adolescents separated from their parents, the Presidency of the Republic reported on 12 June. The "zero tolerance" policy resulted in the separation of more than 45 Honduran families, with the consequence of minors being ***transferred*** to unknown places and to families who were strangers to them. The article highlighted that these children would also face the trauma of their parents being deported. The communique mentioned the death of Honduran national Marco Antonio Munoz, who was separated from his wife and son by Immigration and Customs Enforcement (ICE) agents in Texas last May and taken to prison without having perpetrated any crime. High officials of the Honduran government, the document also stated, had met with their US peers to express Honduras's position regarding this policy in violation of the human rights of its citizens.

President said to be working with US towards regularising former immigration ***programme*** beneficiaries

In a press conference on Monday 11 June, President Hernandez spoke about his recent trip to Washington and Atlanta, saying he had found "goodwill" among members of Congress and senators in the United States in search of an option for Honduran beneficiaries of the Temporary Protected Status (TPS) ***programme*** so they would be able to regularise their status in the country, Presidency of the Republic reported on 11 June. Hernandez said the goal of the "diplomatic offensive" was to have a direct influence over decision-makers in order to help the 44,000 Honduran TPS beneficiaries. He added that a "powerful argument" was the fact that these people had resided legally and paid their taxes. He also said that many had an "impeccable record." In addition, he announced he would once again travel to the United States next week to continue lobbying. Moreover, he explained that an agreement had been renewed with the US Committee for Refugees and Immigrants to provide legal aid in the cases of immigrant minors. The president also visited the headquarters of the International Monetary Fund (IMF) and met with Managing Director Christine Lagarde. "We want to work on matters of transparency and the fight against corruption along with the fund," Hernandez said.

NICARAGUA

Ortega said to have responded to bishops' proposal with "more repression"

Esteli Bishop Abelardo Mata, member of the Nicaraguan Episcopal Conference (CEN), questioned the silence of President Daniel Ortega, who last week asked for two days to "reflect" on the proposal for the country's democratisation set forth by the Catholic authority, La Prensa reported on 12 June. "The answer we have received is more violence, and the crisis is growing more profound," Mata said. He was referring to the fact that, on Monday 11 June, several places throughout the country suffered even more repression. Meanwhile, the deadline requested by Ortega expired last Saturday. The bishops were waiting for an answer in writing, which would affect whether or not the National Dialogue, previously suspended on 31 May, would be resumed. "The decision is for the dialogue assembly to be called so that its members bring it to a close due to the lack of responsibility of the country's rulers," Mata continued. Protests throughout the country had continued for 57 days, leading to at least 146 people dead and more than 1,000 wounded, based on data from human rights organisations. Furthermore, according to Bishop Silvio Baez, the solution to the crisis did not require the presence of international organisations, such as the Organisation of American States (OAS), but rather Nicaraguans themselves should be the ones to find it.

Specialists say President Ortega is bringing the country to point of "catastrophe"

Specialists warned that Ortega's silence regarding the proposal by the CEN last week was worsening the current crisis, bringing it to the point of a "catastrophe," La Prensa reported on 12 June. Law expert Oscar Carrion Orozco said that, while Ortega did not answer the bishops in writing, he did respond with the upsurge in repression against citizen protests. With that, Carrion said, Ortega let his position be known, which was that he would continue with "the violent repression by police and paramilitaries who continue to brutally and hatefully treat the Nicaraguan people." Last Saturday was the deadline Ortega had asked for to answer the letter in which the CEN and the various sectors of society demanded a stop to the repression as a way to overcome the crisis. But Ortega remained silent while paramilitaries continued attacking cities like Masaya, Jinotega, Sebaco, Managua, and others during the weekend, killing an additional five people. For Carrion, instead of Ortega taking advantage of the goodwill still existing in society to discuss the terms of his exit from power, he chose to "sabotage" the National Dialogue through more aggression and deaths. He made it clear that he did not have the will to sit down to a dialogue, Carrion added. On his part, constitutional law expert Gabriel Alvarez said he had hoped that Ortega would finally understand he no longer had the capacity to continue ruling and that democracy was the option to solve the crisis,. However, Alvarez said that the president seemed instead to have chosen "the worst scenario that leads to a human catastrophe." For Alvarez, if Ortega did not agree to move up the elections, then there would be no other way but to continue with demonstrations and protests. He added that if the president did agree to this, then an overhaul of the Supreme Electoral Council (CSE) would be necessary to have transparent elections. Finally, both Alvarez and Carrion said that, although continuing with the repression gave Ortega more time in power, in practise both he and his family were "prisoners," as they cannot move around freely through the country.

Citizens say "power councils" keep tabs on individuals who supported demonstrations, report them

Residents of some Managua neighbourhoods spoke up about how members of the Citizen Power Councils (CPC) were making lists of people who had shown support for university students and their demonstration, later reporting them to the authorities, La Prensa reported on 12 June. Recently, a group of armed hooded men kidnapped Marlon Antonio Perez Zamora from the neighbourhood of Larreynaga. His sister, Ivania Calero, did not dismiss the possibility that the incident was related to those lists against people who cooperated with the self-convened population. She filed a complaint with the Permanent Commission on Human Rights (CPDH), claiming that the armed men were carrying AK-47 rifles. In addition, residents of the neighbourhood of Maria Auxiliadora expressed fear about talking to media outlets, as members of both the CPC and the Sandinista Youth were said to be carrying out intelligence work identifying people who went to demonstrations and would keep tabs on who citizens talked to by taking photographs and recording video.

Student leader says priority is "not to get killed"

Confidencial Digital carried on 11 June an interview with university student leader Harley Morales, a member of the political strategy committee of the University Alliance, one of the five student movements that made up the University and Civil Society Coalition, which was leading the political struggle demanding Ortega's exit from power. Morales explained that the students saw the need to get organised and go from street protests to creating committees and movements, thus turning demonstrations into political actors. However, the government considered them to be a part of a "coup-mongering conspiracy from the right." Last week, a delegation of these students travelled to Washington to attend the OAS general assembly, and later met and took photographs with three Republican senators and members of Congress considered to be on the "extreme right." This caused not only Ortega sympathisers, but also government opponents, to react negatively. "We are very unhappy with that trip, which was paid for by the United States," Morales said, adding that "an agenda was imposed on" the students, which included the controversial visits with the Republican leaders. He claimed at the Alliance that they "are not for sale!" In addition, he complained that there were several sectors wanting to interfere with the agenda of the student movements. When asked what the students would do if Ortega were to resign and a call was made to hold new elections, Morales replied that he and his fellow student leaders were no longer planning on being a student movement, but rather a replacement for the "corrupt political elite that has always watched over its own interests." "We are not only demanding transparent elections, but profound electoral reforms," he said, adding that "the one to blame for all of this" is not only the Sandinista Front, which was currently in crisis, but all of the country's oligarchy and political elite. The concern is that if the student movement were to wait longer to call on the elections, the private sector and business owners would enter into another "tripartite pact" with Ortega and the labour unions. Morales added that the students recently met with OAS representatives, who said that the conditions for calling on the elections would not be ready until January, but by then "we will have already been killed." The counterproposal was for a call to be made in August, "but first there have to be reforms," he said. "Our priority now is not to get killed; afterward, justice and democracy," he concluded.

Peasant leader says opposition demonstrators will continue resisting, maintain roadblocks

According to peasant leader Francisca Ramirez, in less than 48 hours the number of roadblocks and barricades that citizens had put up went from 87 to more than 125, Confidencial Digital reported on 11 June. She claimed that the loss of control over the country's streets had "been a burden" for the Ortega regime. The roadblocks and barricades had practically paralysed dozens of cities, coupled with the calls for civil disobedience. Ramirez also questioned the passiveness of the private sector when faced with the crisis, saying it was "indebted to the people" because it maintained an alliance with the government for 11 ***years***, during which "they have only thought of the money." But now, she said, the private sector would have to enter into an alliance with the people in order to protect its assets. She said that she was convinced that a citizen strike would be an effective measure to exert pressure against the government. Just this Sunday, on 10 June, she led a march around the capital, which served to "take the pulse" of citizens in support for the search for justice and democratisation despite the government repression. Although she said the march was successful, on Sunday night the roadblock in Las Maderas, one of the first, was attacked by paramilitary groups and riot police, resulting in two people dead and at least four wounded, according to preliminary reports. Since the roadblocks started to multiply, several other clashes had been registered, all resulting in deaths. "Ortega and Rosario Murillo are betting on fear, they want people not to protest, but we have been at this for more than a month and we will continue," Ramirez warned.

PANAMA

Transparency International says authorities must ensure Martinelli faces justice

The Panamanian chapter of Transparency International (TI) said authorities would need to ensure that former President Ricardo Martinelli effectively faced justice, La Prensa reported on 11 June. In addition, it said the Supreme Court of Justice (CSJ) must process the criminal cases against Martinelli "in relation to the eight other flagship cases and start on expanding the extradition order to include these cases." This was because, based on the extradition order from the United States, Martinelli could only be tried for the wiretapping case. The TI warned that the Supreme Court must remain on the alert to prevent Martinelli from "opening all roads toward impunity." If justice was not made, the crisis of credibility in institutions would worsen, the organisation said in a press statement. Moreover, it explained that concerns had been raised that Martinelli had the financial means to flee the country and justice. The lawyers of the victims of the alleged wire-tappings asked the CSJ to keep Martinelli in preventive custody, a request that the TI agreed with.

Judge rules Martinelli to remain in prison

Martinelli would remain at El Renacer prison after Justice Jeronimo Mejia, acting as the supervisory judge in the wiretapping case made against Martinelli, made a case for the former president to remain in prison, La Prensa reported on 12 June. Mejia said that the one-***year*** period that allowed for preventive custody would start on 11 June, and thus he did not acknowledge the 364 days Martinelli spent in a Miami prison. After a hearing was held to read him his rights, Martinelli was taken to public Santo Tomas Hospital under recommendation by several specialists. He had asked to be ***transferred*** to a private hospital, but Mejia refused to grant his request. Several of his lawyers complained that they were not being allowed to approach their client and claimed that he was being denied the right to defence. Earlier, Martinelli's wife, Marta Linares, had shown the media a document certifying the ailments from which her husband was allegedly suffering, such as heart disease, chronic high blood pressure, depression, and others. In addition, from his cell window at El Renacer, Martinelli answered several questions asked by reporters. He claimed he had been treated very poorly, "like a dog," and that the extradition order said he should be taken to a hospital. "But look where I am, my blood pressure is 204 over 139, I almost had a heart attack," he said. Meanwhile, outside of the Supreme Court, his followers wore white and carried flags of the Democratic Change (CD) party in celebration of his return to the country. Nonetheless, there were also clashes caused by the internal rift within the party that Martinelli founded 20 ***years*** ago. When current CD President Romulo Roux arrived, he was booed by other party members who claimed he stole the party from Martinelli but "is now saying he is concerned" about him.

Opposition leader says Varela administration is "most vengeful"

Several high-profile scandals such as Odebrecht, Blue Apple, Panama Papers, Lava Jato, and others involving officials from the current administration, including President Juan Carlos Varela himself as well as his brother, became secondary to the cases against former President Martinelli and his close followers, Panama America reported on 12 June. This was an effort by the Varela administration to distract from such issues as the call for a constituent assembly, among others. Also, in some of these high-profile cases, people with close ties to the current administration had been protected, never standing trial. Faced with all of these cases and the lack of action by Attorney General Kenia Porcell, there were some who said this was not surprising, as the government had exhibited a vengeful attitude. According to former presidential candidate Juan Carlos Navarro, "this is the most vengeful government" in the country's history, as it is using the Attorney General's Office, the Electoral Tribunal, and the Security Council to attack its political adversaries.

Foreign Ministry launches process to extradite Martinelli's sons for money laundering

Deputy Foreign Minister Luis Miguel Hincapie announced that the Ministry of Foreign Relations had started the negotiations to request the extradition of Ricardo Alberto Martinelli Linares and Luis Enrique Martinelli Linares, the sons of former President Martinelli, La Estrella de Panama reported on 12 June. Although Hincapie admitted that the whereabouts of the two were unknown, they were believed to be in the United States. Hincapie explained that the Ministry notified the US Embassy in Panama, which in turn notified the US Department of State, to start the process. The brothers were being investigated for alleged money laundering in relation to the bribes paid by Brazilian company Odebrecht. The Attorney General's Office seized a helicopter, a luxurious apartment in Spain, and nearly 22m US dollars in a Swiss account from them. This was after an agreement was reached between the Attorney General's Office and Odebrecht, which included the ***payment*** of a fine of 220m US dollars and the dismissal of the case in Panama against the company.

Presidency set to end consultations regarding constituent assembly by end of the week

Deputy Presidency Minister Salvador Sanchez said he was planning on meeting with various sectors in the provinces of Chiriqui, Los Santos, and Colon, although the dates had not been set yet, La Estrella de Panama reported on 12 June. The Presidency had so far met with 15 organisations from various sectors in order to discuss the proposal to include a fifth ballot in the upcoming elections to choose the members of a constituent assembly. The Presidency was planning on concluding these consultations no later than next week in order to submit a report to President Varela, who was expected to include the matter in his address to the nation speech on 1 July, when the last legislature of his administration was set to be installed. Sanchez explained that the proposal that had been set forth by the government was the installation of a parallel constituent assembly, which would be done when the next administration takes office in 2019.

Editorial says Martinelli case reveals that country's judicial system is in jeopardy

In its editorial column, La Estrella de Panama commented on the extradition of former President Martinelli, saying that, regardless of the merits of the process against him, the reality was that it had exposed problems within the country's institutions, La Estrella de Panama reported on 12 June. The Supreme Court and its nine justices were the ones who should be in charge of administering justice in this case, but it should be noted that the court currently had two members whose terms had already ended, another one who was serving as an acting judge because the incumbent was convicted, and, to top it off, the Court's president resigned and thus the vice-president had to step up. The editorial mentioned that all of this was due to the inability of the executive branch to propose candidates, which would then be approved by the Assembly. "Everything points to our justice system not being able to face the challenge. What is at stake right now is not one person's fate, but the future of the whole country," the editorial concluded.

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Impact News Service

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**Body**

Washington: The Library of Congress, The Government Washington: of USA has issued the following house proceeding:

 EXECUTIVE ***CALENDAR*** The PRESIDING OFFICER. Under the previous order, the Senate will proceed to executive session to consider the following nominations en bloc, which the clerk will report. The legislative clerk read the nominations of J. Paul Compton, Jr., of Alabama, to be General Counsel of the Department of Housing and Urban Development; and Owen West, of Connecticut, to be an Assistant Secretary of Defense. The PRESIDING OFFICER. Under the previous order, the time until 5:30 p.m will be equally divided in the usual form.

The Senator from Texas. Tax Cuts and Jobs Bill Mr. CORNYN. Mr. President, listening to my friend, the Democratic leader, leads me to conclude that he and his party have given up on the American dream. They want to settle for the status quo, which is stagnant growth of our economy and jobs where people haven't seen an increase in their wages for ***years***. They even seem to be rooting for failure. That seems to be the attitude of our missing-in-action congressional Democrats on the Tax Cuts and Jobs Act. We, on the other hand, think American families need more take-home pay, higher wages, more jobs, and a competitive economy, and we believe they shouldn't have to settle for less. I will come back to that in a moment. I do want to talk about tax reform and make the perhaps obvious statement that tax reform is hard. That is the reason it hasn't been done since 1986. It is even harder when we have a political party that is determined to fight against every single proposal we have made in our tax cut and tax reform bill, including ones they themselves have championed in the past. I have heard the ranking member of the Senate Finance Committee, Senator Wyden, talk about corporate giveaways, and the Democratic leader just alluded to the same thing. Yet we are embracing the same sort of approach they took in previous proposals and that President Obama advocated for in his State of the Union Address in 2011, when he asked Republicans and Democrats alike to work together to lower the highest corporate tax rate in the industrialized world because he knew it was chasing jobs overseas, and he knew it was important to bring that investment and those jobs back to the United States. That is exactly what our bill does. My friend Kevin Brady, the chairman of the House Ways and Means Committee, called tax reform a Rubik's Cube. He is right, but now, thankfully, we have figured out how to solve that Rubik's Cube. We confess that this legislation is not perfect, but it is good, and it is much better than the status quo, which our Democratic colleagues seem to have settled for. Last week, the conference committee met between the House and the Senate, and members, including myself, had many difficult conversations about how to reconcile the differences between the two bills. Those discussions were necessary, they were prudent, and they were productive. We now have a consensus about how to get this bill across the finish line and to the President's desk before Christmas. We will vote on this final bill after the House does tomorrow-- hopefully by tomorrow night. Perhaps it will carry over into Wednesday morning, but we will get it on the President's desk for him to sign into law before Christmas, as we pledged. I want to talk for just a few moments about why I am so excited at the prospect--and so are so many other people across the country-- because oftentimes their words get lost in the chatter, some of which is designed to mislead and presents an inaccurate picture of just how consequential this tax reform will be. Their voices--those who believe this good bill will help them--deserve to be heard. Let me first talk about manufacturing. There was a survey released last week that showed historically high optimism among 14,000 small and large employers in the manufacturing sector. How long have we heard that we need to bring manufacturing back to the United States rather than outsourcing it to Mexico or China or other places around the world? Well, we tried to address that, and I think we met with some success because more than 94 percent of manufacturers are now positive about their company's outlook. Nearly 64 percent said that tax reform would encourage their company to increase capital spending. Capital spending is what goes into infrastructure, equipment, and things that allow them to become more productive and to create more jobs. A majority of these manufacturers said that they would indeed expand their businesses and they would hire more workers after this bill is signed into law by the President. In fact, manufacturers predict that the number of jobs could surge to 2 million by the ***year*** 2025. Now there are roughly 350,000 American manufacturing jobs, so a leap to 2 million is almost fantastic--hard to contemplate--but very exciting if true. The second group I want to mention that is very excited about the Tax Cuts and Jobs Act is small businesses. We know small businesses are the economic engine of the country. Indeed, 70 percent of new jobs are created not by Fortune 500 company businesses but by small businesses. As one piece in the Houston Chronicle recently pointed out, the 2.6 million small businesses that call Texas home are enthusiastic because tax reform will provide them much needed relief. Small businesses, of course, all have to pay taxes, which is burdensome enough, but they also have to spend hours and money to comply with our unnecessarily complex tax laws. According to a 2017 survey by the National Small Business Association, 58 percent of small businesses reported that the administrative burden of Federal taxes posed a greater challenge than the cost of the taxes themselves. The burden of compliance was worse than the check they had to write to the [[Page S8055]] Federal Government. The Houston op-ed put the matter succinctly. It said: For large corporations that can afford a small army of lawyers and accountants, the tax laws are a nuisance. For small businesses, they are a nightmare. Now that situation will change. Our bill will simplify the Tax Code by eliminating many special deductions and credits while broadening the base and bringing down rates. To those cynics here inside the beltway who roll their eyes, who think that changes to the business provisions of the code don't matter, I would point out two more important pieces of news. First, the Federal Reserve, an independent government institution, recently said that this tax package is one of the factors that led them to increase their projections for growth next ***year***. That is welcome, to say the least. Tax reform, said Federal Reserve Chair Janet Yellen, last appointed by President Obama, will boost spending and could do the same for productivity. So the Federal Reserve has raised its growth projections for next ***year***, particularly in response to what we are doing. For those who worry about deficits--that we are cutting taxes too much--and who don't believe the economy will grow to compensate for those cuts in taxes, all they need to do is look at the projection of the Federal Reserve. They currently project the economy to grow at 2.1 percent, but she said that next ***year*** it could go to 2.5 percent. So even if you believe that very conservative estimate, that is enough growth to compensate for the cut in taxes and the loss of revenue next ***year***, but we expect that will continue and will grow over the next 10 ***years***. It is another thing to note how the rest of the world is reacting to what we are doing here. To name but one example, China is worried, which should tell us something. According to a Wall Street Journal story printed last week, China sees these tax plans as making the United States a much more attractive place to invest, which means less investment will occur in China. One official in Beijing has called our tax plan a huge and imminent danger that can't be ignored. China is worried that job creators will relocate here in America, which is a well-founded concern and one of the goals of this tax bill. That is exactly what they will do when we lower the corporate rate and go to a territorial system. Rather than taxing these businesses twice and encouraging them to keep the money they earn and the jobs they create overseas, we encourage them to bring them back to America by making our businesses more internationally competitive. So to summarize what we are seeing already, and we haven't even passed the bill yet--the conference report, at least--we have passed the Senate bill, the House bill, and now the conference report, which is the reconciled version between the House and the Senate versions, was released Friday. To summarize what we have seen already, nationally, manufacturers are raving about the tax plan. In places like Texas, small businesses desperately need the relief this bill offers. The Federal Reserve, an independent financial body of the Federal Government, has increased their growth estimates, in part, based upon the tax relief provided in this bill. And our chief competitor in the global economy is startled by what we are doing and afraid of what it might mean in terms of America's competitiveness globally. Put all this together and what do you have? A brief snapshot of the huge economic impact of the tax overhaul that will be signed by the President in the next few days. Signs of that impact are all around us, almost everywhere I look. I know of at least one major airline--Southwest Airlines--that has already announced big plans as to what they plan to do with their tax savings. With the benefits afforded by this tax reform, they said that they will purchase new aircraft. Well, this means more jobs for the people who build those aircraft. It means more jobs for the pilots and the flight attendants who travel on them. It means better customer experiences, and it may even mean lower fares for consumers. Let's talk about what this bill does for Americans who get up and go to work every day and just try to eke out a living, providing for their families. Well, I will tell you, for those worried about how tax reform will affect real people's actual lives, let me give you a couple of concrete examples. Let's take a single teacher making $50,000 a ***year***. She will see a significant reduction in her tax burden--between 17 and 20 percent--less taxes that she will have to pay. This comes from a lower marginal rate and a higher standard deduction. How about a married couple with three children and with median earnings of $75,000 a ***year***? Well, their tax bill will decrease, as well, by as much as $2,000 from a lower rate and a higher child tax credit. As I have said before, maybe some of our Democratic friends don't believe this is a big deal; maybe they don't care about those American families living paycheck to paycheck, who would welcome an additional $2,000 each ***year***. Their actions make me think they are OK with the status quo because they have refused to even participate in the process, and they have been rooting for failure every step along the way. Well, we saw the latest example of this over the weekend when a leftwing website, masquerading as a legitimate news outlet, led by a former staffer of the junior Senator from Vermont, published what it advertised as a breaking news story about the final bill. This story breathlessly claimed, without a shred of evidence, that a provision had been airdropped into the final draft in secret in order to secure the vote of a Member who would supposedly personally benefit from it. This is a salacious tale from beginning to end. It was also completely false and invented. As a member of the Senate Intelligence Committee, I have joined with my colleagues over the last ***year*** to investigate the efforts of Russian intelligence operatives to undermine public confidence in our last elections. Well, the way this phony news story broke and was picked up on social media and in the mainstream media would make a Russian intelligence officer proud. The whole purpose of this exercise--this false and invented story--was to undermine public confidence in this tax reform package that we will pass, perhaps as early as tomorrow, to be signed by the President, perhaps before Christmas. Some of our friends on the other side of the aisle and their allies in the so-called mainstream media ran with it in a dishonest attempt to derail us from passing the bill and undermine the reputation or integrity of one of our fellow Senators--all from a made-up story. Again, the Russian intelligence officials--it is well-documented by now--through a combination of cyber theft, propaganda, creative use of social media, and a gullible mainstream media, undermined American confidence in our most basic obligation, an institution of our government, which is our election system. But what we saw happen this weekend, as I said, would have made a Russian intelligence officer proud. As a letter from Chairman Hatch, who is chairman of the Senate Finance Committee, makes clear today, this website, which, by the way, also posted a false report about an amendment I had introduced several weeks ago and later had to correct it, spread a false story irresponsibly and dishonestly. In his letter, Chairman Hatch writes: It takes a great deal of imagination--and likely no small amount of partisanship--to argue that a provision that has been public for over a month, debated on the floor of the House of Representatives, included in a House-passed bill, and identified by [the Joint Committee on Taxation] as an issue requiring compromise between conferees is somehow a covert and last-minute addition to the conference report. It reminds me of another quote sometimes attributed to Mark Twain, perhaps apocryphally, who supposedly said: A lie can travel halfway around the world while the truth is still putting on its shoes. Well, a lie can travel even faster than that today because of social media. Shame on those who would perpetuate lies in an effort to deny the American people a much needed tax cut and tax relief. Thank goodness that attitude isn't shared by most Americans and by the Texans I represent who want and deserve much better than the same old same old. They don't believe we have to settle for the status quo. We are going to give them something better. We are going to keep our promise, and I can't wait until this bill gets on the President's desk. Let me just close by saying that I am a proud son of a World War II veteran. [[Page S8056]] My dad was in the Army Air Corps, flew B-17s out of Molesworth Air Force Base in England over Nazi Germany during the end of World War II. He was a member of the 8th Air Force, 303rd Bomb Group. On his 26th mission, he was shot down and captured as a prisoner of war. Thank goodness he survived, came home, met my mom, married, raised a family, and became a productive member of civilian society after his military service. But I remember, as if it were yesterday, what my parents said they wanted for me, my brother, and my sister. It is what parents of that entire generation wanted for their children and grandchildren. They wanted to know that their sacrifice, their willingness to fight and win America's wars against terrible tyrants, such as Adolph Hitler--that the consequence of their sacrifice and their service would be a better standard of living, a safer world, and a better quality of life. In short, what they wanted for us and what I want for my children and what I believe every American parent wants for their child or their children is exactly what my parents wanted for me and my sister and my brother. We sometimes call that the American dream. Some of us believe that the American dream is still alive, that we don't have to settle for second place. We don't have to settle for the status quo. We don't have to settle for flat wages and fewer jobs. We can do better. We believe we have done better in this piece of legislation, which will help reawaken the slumbering giant of the American economy. It will put Americans back to work. It will mean more take-home pay. It will mean a better standard of living, but, surprisingly--and disappointingly--our colleagues across the aisle want no part of it. I hope they haven't given up on that American dream. I haven't given up, and I don't believe Americans have given up on that dream. I yield the floor. I suggest the absence of a quorum. The PRESIDING OFFICER (Mrs. Ernst). The clerk will call the roll. The bill clerk proceeded to call the roll. Mr. CORNYN. Madam President, I ask unanimous that the order for the quorum call be rescinded. The PRESIDING OFFICER. Without objection, it is so ordered. Mr. CORNYN. Madam President, I ask unanimous consent that the letter from Chairman Hatch be printed in the Record. There being no objection, the material was ordered to be printed in the Record, as follows: U.S Senate, Committee on Finance, Washington, DC, December 18, 2017. Hon. Bob Corker, Washington, DC. Dear Chairman Corker: Thank you for your letter dated yesterday. I am disgusted by press reports that have distorted one particular aspect of the conference agreement on H.R 1, the Tax Cuts and Jobs Act. The reports have focused on the final version of the 20 percent pass-through deduction, the proposed new Section 199A. As the author of this provision and the vice chairman of the conference committee, I can speak with authority about the process by which the conference committee reached its final position. There are two false assertions contained in these reports, and I would like to correct the record on both. First, some have asserted that a new provision was crafted for real estate developers and was ``airdropped'' into the conference agreement. Second, reports have implied that you had some role in advocating for or negotiating the inclusion of this provision. Both assertions are categorically false. With respect to the second, I am unaware of any attempt by you or your staff to contact anyone on the conference committee regarding this provision or any related policy matter. To the contrary, virtually all the concerns you had raised in the past about the treatment of pass-through businesses in tax reform were to voice skepticism about the generosity of various proposals under consideration. The first claim--that a new pass-through proposal was created out of whole cloth and inserted into the conference report--is an irresponsible and partisan assertion that is belied by the facts. For more than a ***year***, tax-writers in the House and Senate have worked to craft legislation that not only provided relief for ``C'' corporations, but also delivered equitable treatment for pass-through businesses. Though the two chambers came at this issue from different angles, our goal was the same: To provide tax relief to pass- through businesses at a level similar to that provided to regular ``C'' corporations. This policy goal was confirmed in the Unified Framework for Fixing Our Broken Tax Code, which provided in part: ``TAX RATE STRUCTURE FOR SMALL BUSINESSES The framework limits the maximum tax rate applied to the business income of small and family owned businesses conducted as sole proprietorships, partnerships and S corporations to 25%. The framework contemplates that the committees will adopt measures to prevent the re-characterization of personal income into business income to prevent wealthy individuals from avoiding the top personal tax rate.'' The House Ways Means Committee and the Senate Finance Committee achieved this mutual goal by different means. Section 1004 of the House bill provided a special tax rate for pass-through income and included a ``prove-out'' option for capital-intensive businesses. Chairman Brady unveiled this approach on November 2nd, more than six weeks ago. The Senate took a different approach, achieving the intended rate relief through a deduction patterned after current law Section 199. We also included measures to ensure that compensation could not be easily gamed into business income in order to qualify for the deduction. Similar to Section 199, the deduction in the Senate bill excluded compensation and guarantee ***payments*** to owners and was limited to 50 percent of compensation paid to employees, with an exception for small pass-through businesses, including service providers. The Senate bill did not include a prove- out option for capital-intensive businesses like the one contained in the House bill. The Joint Committee on Taxation (``JCT''), the non-partisan congressional scorekeeper for tax legislation, released a side-by-side summary of the two bills for conferees. That summary, dated December 7, 2017 and available on JCT's website (JCX 64-17), described the House position in part: ``In the case of a capital-intensive business, a taxpayer may ``prove out'' a capital percentage by electing the application of an increased percentage for the taxable ***year*** it is made and each of the next four taxable ***years***. The applicable percentage is determined by dividing (1) the specified return on capital for the activity for the taxable ***year***, by (2) the taxpayer's net business income derived from that activity for that taxable ***year***.'' It takes a great deal of imagination--and likely no small amount of partisanship--to argue that a provision that has been public for over a month, debated on the floor of the House of Representatives, included in a House-passed bill, and identified by JCT as an issue requiring a compromise between conferees is somehow a covert and last-minute addition to the conference report. I have sat on a number conference committees, too numerous to remember. In each case, conferees have come into the conference expecting to achieve their chamber's position or negotiate a reasonable compromise. This conference committee was no exception. The House entered the conference with an interest in preserving, in some form, the prove-out alternative as an option for capital-intensive taxpayers. Through several rounds of negotiations, the House secured a version of their proposal that was consistent with the overall structure of the compromise. The prove-out alternative included in the conference report was derived from the House provision and is the product of a negotiation between the House and Senate tax-writing committees. It is that simple. If you have any further questions, please feel free to contact me. Very Truly Yours, Orrin G. Hatch, Chairman, Senate Finance Committee. Mr. CORNYN. Madam President, I yield the floor. I suggest the absence of a quorum. The PRESIDING OFFICER. The clerk will call the roll. The bill clerk proceeded to call the roll. Mr. KING. Madam President, I ask unanimous consent that the order for the quorum call be rescinded. The PRESIDING OFFICER. Without objection, it is so ordered. Deadlines Mr. KING. Madam President, I rise today to talk not about legislation or about the tax bill--well, I may talk about the tax bill a little-- but I do wish to talk about deadlines and how we all do our work, whether it is in the Senate, in our businesses, or in our personal lives. I wish to talk about deadlines missed and deadlines that don't exist. One of the realities of this place that I think is very unfortunate is that we rarely make our deadlines. These are self-imposed deadlines. These are deadlines that we create. We pass a law that says something has to happen by September 30. We set the deadline, and then we don't make it. Most notoriously, it happens with budgets. I don't know the last time we had a budget on time. I think it is about 17 ***years*** ago. I suspect there are probably less than a dozen Senators in this Chamber who were here when we last passed a budget on time. There is [[Page S8057]] no excuse for that. The problem is that when we put it off, we don't know anything more than we did at the time of the deadline. We could have done it, and yet, because we are able to, we put it off. That is human nature, unfortunately. Who among us would not have put off the deadline for a book report if we could have said to the teacher: Gee, I don't think I can make that Monday morning deadline. I will just do my book report on Tuesday. Life doesn't work that way. In the real world, there are deadlines. There are consequences if you don't get your work done on time. Things happen, and if you don't get your work done on time, usually, those things that happen are bad. I don't know where else, other than in this body, where deadlines, which have enormous implications and enormous importance, are simply ignored. I just sat down in the last day or so and put together real deadlines that we have in the law right now. What are they? Well, the Children's Health Insurance ***Program***'s deadline is September 30, 2017. That is gone. That has passed. I can give you 23,000 reasons that we should have met that deadline. That is the number of young people in Maine who are covered by the Children's Health Insurance ***Program***, and there are 9 million nationwide. But we missed the deadline. Why? I can't find any reason. We don't know anything now that we didn't know in the middle of September or in August when we could have passed this ***program***, but we just blew right by it. Maybe it is because none of our kids are in this ***program***. I venture to say that if the children of the Members of the Senate were in the CHIP ***program***, we would have met that deadline, but we didn't. What is another one? Community health centers had another deadline of September 30, which was missed. I will give you 200,000 reasons that we should have met that deadline. That is the number of people in my State of Maine who are served by federally qualified health centers. I was at one just on Friday. They serve people who otherwise wouldn't get care. They fill an enormous gap, particularly in a rural State, to provide healthcare to people who need it, but we didn't make the deadline. There was no particular reason not to make this deadline. We just blew right by it. It was not all that important. I venture to say that if our families were covered under this ***program***, we would have gotten it done. No Senators' families are covered by federally qualified health centers. If they had been, we would have gotten it done. Of course, the granddaddy of all of deadlines mentioned is the budget: October 1, 2017. We missed it--no deadline. We just went right by it. Nothing happened. Well, what we did was to pass a continuing resolution. A continuing resolution really should be called a ``cop-out resolution.'' It is basically saying that we are not going to make the hard decisions in a budget. We are just going to push them forward for a month or two. But the problem is that the month or two comes. In fact, it is coming this Friday, and now we are talking about another continuing resolution to go into January or February. No business would do this. Families can't even do this. Some time ago, I was the Governor of Maine. I remember vividly. I can practically tell you where I was standing in my office. We have a deadline in Maine of July 1 for our budget. We always make it. Members of the legislature of one of the parties came to me. They were having a hard time getting a budget. It was very contentious, as it is every ***year***. He said: Governor, let's just do a continuing resolution like they do in Washington, and we can solve this problem in the next 2 weeks. I said: Not on your life, because if we do, once we open the Pandora's box of continuing resolutions in Maine or in Iowa or in Mississippi or Florida, then we are stuck. We will never get a budget on time again because it is too easy to put off the hard decisions. What do we know now about the budget that we didn't know in August? What will we know in January that we don't know now? By the way, a continuing resolution for the entire budget is bad for the government and disastrous for national security. I serve on the Armed Services Committee. We have hearings both from our civilian leadership and our military leadership, and they have told us repeatedly: Please get us a budget. The continuing resolution doesn't allow us to plan. It locks us into last ***year***'s priorities. It doesn't allow us to look forward and make commitments that will save the taxpayers money if we have the authority. It is a disaster for national security, but a deadline was missed on September 30. It looks like we are going to miss another deadline on December 22, and we will be here talking about funding the government, doing the budget, sometime in January or maybe in February. There is no reason for it. There is no reason for it except that we are simply avoiding making difficult decisions. The next one is DACA, or Deferred Action for Childhood Arrivals. The real deadline started on October 6. That is when people started to lose the ability to re-up their qualifications for DACA. Over 100 people a day are losing their DACA status. In the last week it has been, I think, something like 1,700--in the last week or 10 days. These are people who are going to go into the holidays unsure about whether they are going to be able to continue to live in this country. These are young people, as we all know. This is the only country they know. They were brought here as little kids. They weren't illegal immigrants. They were brought here as children, and they are contributing to our society, and they are working and paying taxes. But we missed the deadline starting in October. Now, even the President said we should fix this ***program***, and he gave us 6 months. He said: I am going to disallow the ***program***, but not until March 5, 2018. I don't know whether it is legal to bet in the District of Columbia, but I would be willing to bet that we are still struggling with this question on March 4, 2018. I deeply hope not because lives are being toyed with here unnecessarily. We could make the decisions now. We could decide to reach a compromise agreement on this ***program***, which Members of both sides of the aisle think needs to be done, including the President. Let's get it done. But it is one more missed deadline. Next is the National Flood Insurance ***Program***, with a deadline of December 22, which is 4 days from now. I don't think we are going to make it. If ever there was a time of importance for the National Flood Insurance ***Program***, it is now. We have had enormous flooding issues with the hurricanes in Texas, Florida, Puerto Rico, and the Virgin Islands. Yet the flood insurance ***program*** expires on December 22. Why don't we get it done? Because it is not our houses. It is not our houses that are at risk to get the flood insurance. I suspect if we had the houses that were part of this problem, it would be solved. Medicare extenders expire on December 31 of this ***year***. Are we going to get those done? I deeply hope so, but I am not so sure. FISA section 702, one of the most important national intelligence provisions that we have, also expires at the end of the ***year***. Are we going to get that done? I deeply hope so, but I am not optimistic. Next, we have the wildfires and FEMA disaster aid for Harvey, Irma, Maria, and the wildfires. These are huge disasters. We have partially funded them, but certainly not to the point that is going to be required. Those deadlines were all this fall. At the bottom of my chart of priorities is tax reform. Boy, are we going to make that deadline. The only problem is that it doesn't exist. There is no deadline for that. There was no deadline. It is not December 22. It is not Christmas. It is not New ***Year***'s. It is a self- imposed deadline that is not in law anywhere. I agree that we need to do tax reform, but we have been doing it on an unprecedented scale and speed that is unnecessary. We have missed and ignored all these real deadlines in exchange for focusing all of our attention on a fake deadline. Sure, it would be nice to get it done, and we could have gotten it done. It could have been done on a bipartisan basis. We could have started last summer, and we would have had a bill just like the bill that emerged from the HELP Committee with regard to healthcare, on a bipartisan basis. But instead it was a closed process, done with unprecedented speed, with virtually no hearings--well, [[Page S8058]] no hearings, no real hearings on the bill, no serious outside experts, no analysis of what is in it. We have been given a 500-page bill that we are going to vote on in

probably a day or so. Yet we are racing to meet a deadline that didn't exist. It is boring to talk about process, but that is what I am really talking about today. I just don't understand an institution that doesn't make its real deadlines and yet races and throws everything aside to try to make a deadline that just came out of the air. It is not in any law, any rule, any expectation--let's do it by Christmas or by the end of the ***year***. It is no way to run a business, and it is certainly no way to run the government on behalf of the American people. I have never been in an institution or in a group of people who are as capable as the people who are here, and I find it genuinely puzzling as to why we perform so poorly and why the public opinion of us is so low. These are good people on both sides of the aisle. Yet something about the way this institution works keeps us from meeting the rules and expectations that the rest of society takes for granted, such as making deadlines, doing your job, doing what you are paid to do. One of the most fundamental responsibilities is to pass a budget. We have members of our Appropriations Committee who have been working for a ***year*** to put the budget together. It is done, and we could do this, but instead we are putting it off and putting it off and putting it off. I wouldn't be surprised if, come January or February--assuming we don't make it by this Friday--there are going to be people who say: Let's just do a continuing resolution for the rest of the ***year***--a cop- out resolution, a nonresolution, a nondecision on behalf of the people of this country. I think we can do better. I think we can begin to regain the trust of the American people by going back and doing things the way we are supposed to according to the old norms, with hearings and considerations and making deadlines and meeting our obligations to our citizens and to our country. I deeply hope that as the ***year*** turns, we also make a turn and that we make a turn to do this place better, to do our work that the American people hired us to do, to do it on a timely basis, and to meet our responsibilities. I believe we can do it. I believe we can do it better, and I deeply hope that we do so. Thank you, Madam President. I yield the floor. The PRESIDING OFFICER. The Senator from Maine. Tax Cuts and Jobs Bill Ms. COLLINS. Madam President, I rise to express my support for the conference agreement on the Tax Cuts and Job Act, the first major overhaul of our Tax Code since 1986. This legislation will provide tax relief to working families, encourage the creation of jobs right here in America, and spur economic growth that will benefit all Americans. Let me start by discussing the effects of this bill on individuals and families. Throughout this debate, I have emphasized that reforms to our outdated Tax Code must help working families. I, therefore, authored three key amendments that were retained in the final package. My amendments allow families to deduct up to $10,000 in State and local taxes, increase the deduction for medical expenses, and protect tax-free contributions for retirement savings. The original Senate bill would have eliminated the deduction known as SALT that allows taxpayers to avoid paying a Federal tax on State and local taxes that they have already paid. This provision has been in the Tax Code since 1913, when the income tax was first established. It is intended to prevent double taxation. My amendment, which was adopted by the Senate, restored the deduction for property taxes up to $10,000. I am pleased that the final bill goes a step further by allowing the deduction of property and income or sales taxes up to this level, which will assist even more Americans. My work to restore this deduction is especially important to families living in high-tax States like Maine, which has one of our Nation's highest tax burdens; yet Maine's per capita income ranks only 31st, which is nearly $5,200 below the U.S average. Maintaining this deduction therefore provides important tax relief for those Mainers who itemize. My second amendment included in the conference agreement is a very important one. It is aimed at helping Americans struggling with high, unreimbursed healthcare costs, including seniors paying for long-term care for a loved one and those with expensive chronic healthcare conditions. My amendment lowers the threshold for claiming this deduction for these unreimbursed expenses from 10 percent to 7.5 percent of income for 2017 and 2018. The House bill would have eliminated this longstanding deduction used by approximately 8.8 million Americans annually, nearly half of whom make less than $50,000 per ***year***. Retaining this important deduction and lowering the threshold will provide relief for those experiencing particularly high healthcare costs. That is why AARP and 44 other consumer groups strongly endorsed my amendments, stating: ``It provides important tax relief which helps offset the costs of acute and chronic medical conditions for older Americans, children, pregnant women, disabled individuals and other adults, as well as the costs associated with long-term care and assisted living.'' At a time when we need to be encouraging Americans to save more for their retirement, I am encouraged that the final agreement preserves the pretax contribution limits for retirement savings plans. We are in the midst of a silent but looming retirement security crisis in this country. According to the nonpartisan Center for Retirement Research, there is a $7.7 trillion gap between the savings that American households need to maintain their standard of living in retirement and what they actually have saved. We should be doing everything we can to encourage more saving, not less. For this reason, I am pleased that the final bill will include my third amendment, which struck the original Senate language eliminating the ability of public employees, such as firefighters, schoolteachers, and police officers, as well as clergy and those employed by charities and nonprofit organizations, to make what are called catch-up contributions to their retirement accounts. These employees are generally paid less than their counterparts employed by for-profit companies and thus are less able to save for their retirement. My provision would allow them to continue making these important extra investments toward a secure retirement. The conference agreement benefits lower and middle-income taxpayers significantly, while simplifying the tasks that no one relishes of completing their tax returns. Significantly, this bill nearly doubles the standard deduction to $12,000 for single filers and $24,000 for those filing jointly. The child tax credit will be doubled from $1,000 to $2,000. Thanks to Senator Rubio's efforts, which I strongly supported, up to $1,400 of that tax credit will be refundable in order to benefit low-income families. Let's be more concrete. What do these reforms mean to families across our country? The 72 percent of Mainers who already use the standard deduction will have their taxes reduced. A family with $24,000 in income will pay no Federal income tax. A single mom earning $35,000 a ***year*** with one child will see her taxes drop by nearly 4,000 percent. Instead of paying money back to Washington, she will be getting back nearly $1,100 to help her make ends meet. A couple with no children earning $60,000 will see their taxes fall by more than $900. A couple with two children earning $60,000 will get a tax cut of about $1,700. That is a reduction of more than 100 percent. The bottom line is that most Maine households will see their taxes go down. I was very concerned about a number of important deductions for individuals that would have been eliminated under the House bill. Having worked at Husson University in Bangor before my election to the Senate, I am well aware of how critical education deductions and credits are to our students and their families; therefore, I had several fruitful discussions with a key conferee, Senator Rob Portman, about preserving those deductions that help students afford higher education. I appreciate his strong advocacy for these provisions that I care so much about as a result of [[Page S8059]] my direct experience working with college students. In fact, one of the very first bills that I introduced in the Senate as a new Senator in 1997 was to provide a deduction for interest paid on student loans. The conference agreement maintains that deductibility of interest on student loans, as well as the tax exemption for employer-provided tuition assistance and for graduate student tuition waivers. All of those important deductions are maintained in this bill and will help Americans improve their earnings because of the increased education they will have. The bill also maintains a $250 deduction--a provision I authored some 15 ***years*** ago--that allows teachers to deduct the costs of classroom supplies they purchase with their own money. Having visited more than 200 schools in the State of Maine, I know firsthand how dedicated teachers dig deep into their own pockets to buy supplies to enhance the education of their students. In addition, this bill would modernize the ABLE accounts, which are tax-preferred savings accounts essential for providing long-term support for individuals with disabilities and their families. The bill also continues the tax credit to encourage adoptions. The final agreement also preserves a number of deductions and credits that are so important to our communities. I worked hard to preserve the historic tax credit so businesses rehabilitating older buildings in communities like Lewiston, ME, will continue to do so. I am also pleased that private activity bonds, which are vital to many hospitals and institutions of higher education, are continued, as are the affordable housing and new markets tax credits. We have found proven ways to encourage public-private partnerships, and we ought to continue to incentivize these important partnerships. How this legislation treats employers has also been the subject of much debate, but the reality is the United States cannot continue to have the highest corporate tax rate in the developed world at 35 percent. We are losing jobs as businesses make the calculation to invest overseas. I have talked to the executives of General Dynamics, which owns Bath Iron Works in Maine and employs more than 5,000 Mainers; to United Technology, which employs more than 1,900 people in North Berwick at its Pratt & Whitney plant; to General Electric, which has a major plant in Bangor; to Proctor & Gamble, which employs 400 workers in Auburn; and to Idexx, which is such an important high-tech employer in Westbrook, about the positive difference this legislation will make in their ability to create jobs in America. New Balance, which has about 900 workers in Maine manufacturing footwear, describes the tax reforms as follows: ``New Balance will be more competitive and manufacture more footwear in Maine that we can export across the globe.'' This significant Maine employer went on to say: ``Companies like New Balance, which already has a strong domestic manufacturing presence, will be able to increase investments in their facilities and be more globally competitive while remaining a U.S company hiring U.S workers.'' These words are echoed by the manager of the Pratt & Whitney plant who wrote to me: ``The reforms . . . will allow companies like ours to bring home earnings from abroad to invest in research and development, advanced manufacturing, energy efficiency, and workforce initiatives. . . . Pratt & Whitney plans to hire thousands of people over the next several ***years*** across our U.S operations, and this tax reform will further support our efforts.'' Isn't that what we seek? Isn't that what tax reform should bring about--more jobs, right here in America? The bill also includes changes important for our small businesses which employ nearly half of all workers and generate two out of three net new jobs in our country. They are the true engine of our economy, especially in the great State of Maine. The bill would provide tax relief that enables them to create more jobs, increase paychecks, and grow our economy. As the president of the Retail Association of Maine recently commented about this tax reform bill, ``For Maine and its nearly 9,000 retail establishments and the more than 80,000 retail jobs, this is welcome relief for small businesses.'' According to the National Federation of Independent Business, Maine ranks fifth in the Nation for the share of workers employed by passthrough businesses, as most small employers are structured. The NFIB, our Nation's small business advocacy group, has strongly endorsed this final bill. Small businesses make an outsized contribution to our Nation's economy; yet they face a tax burden that can reach nearly 40 percent at the Federal level and can be significantly higher than the corporate tax rates paid by larger firms. Small businesses are forced to devote more resources to tax ***payments*** and fewer resources to creating good jobs and investing in their communities. This bill provides important tax relief to small businesses that are the backbone of our economy. Let's listen to the words of some of the small businesses from Maine that have written or talked to me. The owner of Windham Millwork, an architectural woodworking company, described the relief for small businesses and how it will help manufacturing workers and families this way: ``Most importantly, it means Windham Millwork will have more money to spend on what matters--our workers and community. With the money we'll save, we can create new jobs or offer better pay to our workforce . . . which helps everyone in our community and contributes to a growing Maine economy.'' The innkeeper of the Nonantum Resort in Kennebunkport noted: ``This tax reform bill helps level the playing field for small businesses not only in the hotel industry, but across the economy. With a lower tax burden, small businesses in all industries can continue to grow, creating more jobs.'' Moreover, a family-owned business in southern Maine described for me how the bill would benefit Maine companies and the people who work for them: ``When [companies] become more profitable, they reinvest faster, grow faster, and increase profit-sharing. Employees benefit when companies grow. There are more jobs, more opportunities, more security, more mobility, more innovation.'' Tax reform should spur this kind of economic growth. The weak growth and stagnant wages we have seen in recent ***years*** cannot be accepted as the new normal for our country. It is clear where the current path would lead if we do not act. CBO projects the current slow growth of just 1.9 percent per ***year*** will continue throughout the next decade--far below the historic average of 3 percent. This would result in our public debt exceeding 90 percent of GDP by 2027, just as our obligations to the baby boom generation begin to crest. Surely, we can do better. Tax relief and reform will lift our economy, leading to higher wages for workers and more revenue for government. Extrapolating from a CBO estimate, an increase of just four-tenths of 1 percent in economic growth could produce revenues that are in excess of $1 trillion over the next 10 ***years***. If we remain on our present trajectory, however, growth will remain stagnant. Continued slow growth will crowd out many funding priorities, harm our national security, place significant strain on Federal ***programs***, and impose a burden on our children and our grandchildren. We must act now to reignite the engine of growth, to provide for the next generation the same promise of a brighter future we received from those who came before us. Finally, let me discuss the critical issue of healthcare. It has been deeply disturbing to see seniors frightened about the possibility that this tax bill could trigger an automatic 4-percent cut in the vital Medicare ***Program***. Although I knew that the law that could cause this reduction has been waived 16 times, I felt it was essential that our leaders publicly commit that Medicare reductions would not be triggered by this legislation. I don't know of any Senator on either side of the aisle who is seeking to have an automatic 4-percent cut in Medicare go into effect. I ask unanimous consent that my exchange of correspondence with the Senate majority leader be printed in the Record at the conclusion of my statement. [[Page S8060]] This pledge is ironclad and, I hope, reassuring to our seniors. I am also concerned about the inclusion of the repeal of the individual mandate of the Affordable Care Act as part of this tax bill. I don't think the two issues should have been combined, but let me be very clear: I have never supported the individual mandate. There is a big difference between fining people who choose to go without health insurance versus the bills considered last summer and fall that would have taken away insurance coverage from people who have it and want it. Those bills also would have made sweeping cuts in the Medicaid ***Program***. The financial penalty under the individual mandate for failing to comply with it falls disproportionately on lower-income Americans. Eighty percent of those who pay the fine make under $50,000 a ***year***. For many of these individuals, the cost of insurance under the ACA is simply unaffordable. Individuals making 250 percent of the Federal poverty level--that is just over $30,000--are not eligible for the subsidies to reduce deductibles and other out-of-pocket costs that are known as the cost-sharing reductions. So, essentially, the insurance they are being fined for, if they don't buy, is virtually useless to them because the deductibles and the copays are so high, and if they make over 250 percent of the poverty level--over $30,000 a ***year***--they cannot afford it. I want to make an important point that has been overlooked in this debate. Any Senator, Democratic or Republican, could have offered an amendment on the Senate floor to strike the repeal of the individual mandate. None--not one--chose to do so. That is telling, indeed, and reflects both how unpopular the mandate is and how burdensome its impact is. Nevertheless, repealing the individual mandate without other healthcare reforms will almost certainly lead to further increases in the costs of health insurance premiums that are already too expensive under the ACA. For these reasons, I have made it a priority to secure passage of two bipartisan bills that will help make health insurance more affordable. Shouldn't that be a goal that all of us can embrace? Both of these bills have the support of the President, the Vice President, and the Senate Republican leaders. In fact, Majority Leader McConnell and I engaged in a colloquy affirming that commitment. The first bill, the Bipartisan Healthcare Stabilization Act, sponsored by Senators Alexander and Murray, will provide vital funding to help low-income families pay their out-of-pocket costs, including deductibles and copays associated with certain ACA health insurance. I am proud to be one of the 22 cosponsors of the bipartisan Alexander- Murray bill. The second is a bipartisan bill that I introduced with my friend and colleague Senator Bill Nelson. It would protect people with preexisting conditions while lowering the cost of health insurance through the use of high-risk pools. This plan will provide $5 billion annually for 2 ***years*** in seed money for States to establish invisible high-risk pools or traditional reinsurance ***programs***. We don't have to guess about the impact. I am going to quote some actuarial studies shortly. The fact is that we know from experience in States like Maine and Alaska that high-risk pools can help to lower premiums substantially, by an average of 20 percent. Analyses show that enactment of these two bills together will reduce the cost of health insurance, thus making it more affordable. According to analysis by experts at Oliver Wyman, the passage of these bills will more than offset the premium increases caused by the repeal of the individual mandate. In fact, Oliver Wyman suggests in its estimate that the $5 billion in funding would be sufficient to allow States to leverage more than $15 billion in reinsurance coverage, and it would result in premiums that were more than 20 percent lower than if the individual mandate were repealed and the package of provisions were not implemented. Furthermore, analysis by experts at Avalere project that ``in combination, CSR funding and $5B in annual reinsurance could lower 2019 premiums by 18% and increase enrollment by 1.3M people.'' The National Association of Insurance Commissioners wrote that these two bills would significantly reduce health insurance premiums and help promote more stability in insurance markets. The NAIC said: ``Providing reliable federal funding to reimburse health insurance carriers for the Cost-Sharing Reduction (CSR) ***program*** assistance they give to low-income consumers and grants for states to establish invisible high risk pools or reinsurance ***programs*** would reduce premium increases as much as 20 percent and could encourage some carriers to stay in the market.'' In evaluating this bill, the question we should ask is not, Does this tax cut make Washington better off? The right question to ask is, Does this tax cut make the American people better off? The answer to that question is yes. The bill puts money back into the pockets of American taxpayers with tax cuts beginning January 1. As soon as the IRS updates withholding tables this winter, taxpayers will see the benefit of this bill in their paychecks. Over time, Americans will also see more benefit from this legislation in the form of higher wages. Businesses, small and large, will make the investments that will create more jobs. The PRESIDING OFFICER. The Senator's time has expired. Ms. COLLINS. Madam President, I will cast my vote in support of the conference agreement on the Tax Cuts and Jobs Act. While it is by no means perfect, on balance, this reform bill will provide much needed tax relief. It will benefit lower and middle-income families, while spurring the creation of good jobs and greater economic growth. There being no objection, the material was ordered to be printed in the Record, as follows: U.S Senate, Washington, DC, November 28, 2017. Hon. Mitch McConnell, Majority Leader, U.S Senate, Washington, DC. Dear Majority Leader McConnell: I write to express my deep concerns with the Congressional Budget Office's determination that an automatic four percent cut to Medicare, estimated to be roughly $25 billion for fiscal ***year*** 2018, could be triggered by the passage of tax reform legislation as a result of the Pay-As-You-Go Act of 2010 (PAYGO) even though there is no intention for such a reduction to occur. Since I do not believe it is anyone's intention to allow automatic cuts to Medicare to occur, I urge swift action to waive the PAYGO requirements. Medicare provides essential benefits to our nation's seniors, and we must remove immediately the threat that an automatic reduction in the ***program***'s funding could occur. Since PAYGO was enacted, sixteen laws that would have otherwise triggered PAYGO's automatic spending cuts have included provisions to exclude all or part of the law's budgetary impact, including the American Taxpayer Relief Act of 2012 that was enacted under the previous Administration. I look forward to working with you to ensure that no Medicare cuts are triggered under PAYGO, a goal I believe is supported by members on both sides of the aisle. Thank you for your attention to this critical issue. Sincerely, Susan M. Collins, United States Senator. \_\_\_\_ U.S Senate, Majority Leader, Washington, DC, December 1, 2017. Hon. Susan Collins, Washington, DC. Dear Senator Collins: Thank you for your letter expressing concern about the across-the-board spending cuts. You will be pleased to know that Speaker Paul Ryan and I issued the following joint statement earlier today: ``Critics of tax reform are claiming the legislation would lead to massive, across-the-board spending cuts in vital ***programs***--including a 4-percent reduction in Medicare--due to the Pay-Go law enacted in 2010. This will not happen. Congress has readily available methods to waive this law, which has never been enforced since its enactment. There is no reason to believe that Congress would not act again to prevent a sequester, and we will work to ensure these spending cuts are prevented.'' Again, thank you. Sincerely, Mitch McConnell, Majority Leader. The PRESIDING OFFICER. The Senator from Florida. Mr. NELSON. Madam President, does the Senator from Maine need some more time? Ms. COLLINS. Madam President, I thank Senator Nelson. I say, through the Chair, that is very gracious of the Senator. I have completed my statement. Thank you. [[Page S8061]] The PRESIDING OFFICER. The Senator from Florida. Mr. NELSON. Madam President, while the Senator from Maine is still here, let me just say what a great Senator she is and what a pleasure it is to do business in a bipartisan way, as the two of us have now done for several ***years*** here in the Senate, including the legislation the Senator from Maine just talked about. I just want to say to the Senator from Maine that it is my hope, regarding the statements that have been made to the Senator, that these two pieces of legislation she referenced will be passed. I do believe the majority leader, Senator McConnell, will honor that with regard to the Senate. It is this Senator's concern that at the other end of the hall, in the House of Representatives, they may not honor that. I certainly hope the Senator feels like she has the statements of commitment by the leadership in the House of Representatives that they will do as Senator McConnell has indicated. Madam President, I wish to talk about the tax bill. Needless to say, you are going to hear a different version from me than my good friend and the very distinguished Senator from Maine, because last Friday night we got the conference agreement on the tax bill. You can wonder why it was held until late Friday night, when nobody was paying attention to the details of the bill. What is becoming increasingly clear is that this tax bill is not for ordinary folks. It is going to give a few nuggets to the middle class, but that is to mask the true intent. The real purpose of the bill is to give huge tax cuts to multinational corporations and to make it easier for them to shift jobs overseas. That is the bottom line. Right now, under current law, corporations that send jobs overseas have to pay taxes on the money they bring back into the United States, but now, what this new GOP tax bill says is that corporations that send jobs overseas can bring that money back to United States tax-free. Once this bill passes, companies will come under increasing pressure to take advantage of the tax savings in the bill by sending their jobs overseas to low-wage countries--particularly those jobs that can't already be automated. This is the exact opposite of what we should be doing. Instead of passing this version of the tax bill that will inevitably send American jobs overseas, we should be working on a bill that cuts taxes permanently for hard-working middle-class families. Supporters of the bill will argue that a lower corporate rate will encourage companies to keep jobs here. They will argue that, rather than going to a country with a higher corporate rate, America's corporate rate will be lower. But that is ignoring the attraction that companies have to send jobs overseas, because of cheaper wages and lower environmental standards. Take China. China has a corporate rate of 25 percent, except that they make exceptions for certain companies at 15 percent. So the 21 percent in this tax bill for corporations on income earned in the United States may still be higher than in China, and the pressure on corporations is to take it to a country that has lower environmental standards and lower wages. I think our friends on the other side of the aisle know this is a head fake. We are not fooled by this. We know what you are trying to do with this bill. The more people learn about it, the worse it looks. That is why they waited until Friday night to let the spotlight shine on it--so that over the weekend people weren't paying a lot of attention. There is a reason why my friends on the other side of the aisle are in such a rush to get this passed. It is because they want to get it enacted before all of the new loopholes and sweetheart deals for the special interests and the bottom line of encouraging jobs to go overseas are discovered. And, starting right now, it is going to be discovered. It would be nice if our colleagues showed as much urgency for some of the other things we should be doing in the Senate, such as providing millions of kids with health insurance through the CHIP ***program*** or helping folks recover from the massive hurricanes this ***year***, including the millions of people in Puerto Rico who are still without reliable electricity or drinking water. What about the hundreds of thousands of Dreamers in the United States who are here in a deportable status? That is what we ought to be worrying about. It has been over 3 months, going on 4 months, since Hurricanes Irma and Maria devastated the Puerto Rican island. It has been months since Harvey and Irma devastated farmers in Texas, Florida, and Puerto Rico. While the Congress has passed two disaster supplemental funding packages, neither of them has included any relief for Florida's ***agricultural*** community. They are hanging on by a thread. They can hardly make payroll. They are having to lay off people. They desperately need our help, which I hope we are going to address in this next disaster aid funding package. Instead of spending all of our energy on cutting corporate taxes and making it easier to send American jobs overseas, we should be focused on reauthorizing the Children's Health Insurance ***Program***, CHIP, so that 9 million children across the country, including nearly 400,000 in Florida, can continue to have access to the health coverage they desperately need. Or we should be negotiating permanent protections for the Dreamers before they are kicked out of the only country they have ever known. Unfortunately, the only thing this Republican-led Senate seems to care about is helping out large multinational corporations. The truth is, these multinational corporations are doing just fine. We shouldn't be moving Heaven and Earth--adding $1.5 trillion to the national debt or upending our Nation's healthcare system--just to make it easier for them to send American jobs overseas. That is not right. That is not fair. The American people deserve better. I yield the floor. The PRESIDING OFFICER (Mr. Moran). The Senator from Maryland. Mr. CARDIN. Mr. President, first, I want to thank my friend Senator Nelson for his comments from the floor in regard to the tax bill that we will be voting on later this week. The experience I had this morning underscores the issues that Senator Nelson has brought to the floor. I had a meeting with the Greater Baltimore Committee. We had business leaders, labor leaders; we had advocates from different segments of our community; and we had graduate students there. They all expressed concern about our voting this week on a tax bill that we first saw on Friday evening--the latest version. It is still fundamentally flawed, as Senator Nelson has pointed out. I say that it is fundamentally flawed because it gives significant, big tax cuts to corporations and high-income taxpayers and leaves middle- income taxpayers footing the bill. The conference report makes it worse because they lower the highest tax rate from 39.6 percent to 37 percent--another advantage for high- income taxpayers. In addition, the estate tax is doubled, which affects 0.2 percent of the wealthiest people in this country. Corporations not only get the lower tax rates cut from 35 percent to 21 percent, but they also get relief from the alternative minimum tax. To make matters even worse, the tax relief for middle-income families is temporary, whereas the tax relief for businesses is made permanent. It is definitely a tax bill that is going to hurt middle-income taxpayers. In my own State, independent analysis shows that 800,000 Marylanders will end up paying more in taxes. Guess who is going to foot the bill, who is going to pay for the big deficit. If you look at the corporate tax cut alone, that is somewhere close to the $1.15 trillion we have been talking about, which is baked into the bill to increase the national debt by $1.5 trillion. I think that is unconscionable; I think it is unconscionable to say that we can afford tax cuts when we already have these large deficits that are going to make us borrow more money and make our economy more dependent. The truth is, even the Republicans are telling us, even with dynamic scoring, we are going to have a $1 trillion tax gap in the deficit. In reality, the $1.5 trillion is conservative. When you look at the individual tax relief, it is temporary; it expires. Some expire in 2 ***years***. Most of my Republican friends have said: Just extend it. If you extend it, [[Page S8062]] there will be even a deeper hole in the deficit--closer to $2 trillion. Who is going to pay for that? Middle-income families are going to pay for it. They are not just being left out as far as tax relief is concerned; they are being asked to foot the bill for the tax cuts for corporations and high-income taxpayers. In addition, it will affect other elements that middle-income taxpayers depend upon. This is a direct attack on Medicaid and Medicare. We see that. We saw that in the budget instructions, where we had to cut Medicare and Medicaid. We see that in the pay-go rules. We see that the next chapter of this tax reform bill will be, well, now we have these deficits, and we have to pay for it. Who is going to be held responsible for paying for it? We know that it is going to affect our own budgets. I am now hearing that we are going to take it out on our own Federal workforce, deny them a pay raise for next ***year*** or have fewer Federal workers to carry out their mission or make them pay more for benefits. We know that is going to come. The argument is going to be that we have these large deficits now, and we have to do this. How are we going to respond to the issues Senator Nelson talked about on disaster relief when we have these large deficits? We know that we are going to be asking middle-income families not only to make a sacrifice on the tax cut, not only to pay for the deficit created directly by this but, also, in the future, to pay with cuts in government spending. In addition to that, we have 13 million Americans who will lose their health coverage under this bill because of the elimination of the individual mandate--13 million. That is going to affect 13 million families. It is going to affect more than that. Guess what these families do. They use emergency rooms rather than going to their family doctors. They enter the healthcare system in a more expensive way. They don't have the money to pay for the visits, and it becomes part of uncompensated care. All of us pay higher premiums, and our healthcare system becomes more expensive. That has been one of the bright spots of the Affordable Care Act-- reducing the number of uninsured. Now we are going to be moving in the opposite direction. The Affordable Care Act has worked. The Republicans tried to dismantle it, and they couldn't succeed. The worst part is, you are counting the loss of insurance of 13 million as a revenue gain for the Treasury and then spending that money. That is unconscionable. In Maryland, we have particular problems with this bill. Not only will we see a problem for the Federal workforce--a large number who live in Maryland--but also the State and local tax deductions. Maryland has the largest number of taxpayers who take advantage of State and local tax deductions on their Federal tax returns. In other words, you don't have to pay a tax on a tax. That makes sense. It has been in our Tax Code since its beginning because we recognize federalism, and it is morally wrong to pay tax on tax. Maryland has the most taxpayers who take advantage of State and local tax deductions, close to 50 percent. The average for Maryland--this is the average--is $12,900 that they deduct for State and local taxes. Under the conference report, that is going to be limited to $10,000. That means the average Maryland taxpayer will have to pay taxes on $2,900 more, but think about all those who have a lot more in State and local taxes who are going to be denied that help. I was talking to some of our local government officials over the weekend. They are going to be disadvantaged by it. It was an interesting analysis. We don't think about what this bill is going to do and all the consequences, but if you are in a State that has its own itemized deductions, like Maryland--we have itemized deductions on our State income tax return, and our standard deduction will be significantly lower than the standard deduction under this conference report. You are going to have Marylanders who are not going to be able to take their State deductions because you can't take State deductions unless you use the Federal itemized deductions. It is estimated that nationwide only 5 percent of the taxpayers will be using itemized deductions. Guess what. If you don't use the itemized deduction at the Federal level, you can't take the State itemized deductions. This is going to have a direct impact on our State and local governments. Yet that hasn't been considered. Quite frankly, the consequences of this bill haven't been debated. We haven't gone through public hearings because of the process that was used--the partisan process, called reconciliation. We haven't seen daylight. We haven't had a chance to know what the impact will be. What impact will it have on property values? We now limit property tax deductions, and we have a further limit on interest deductions on mortgages. What impact does it have on property values? What impact does the reduction of property values have on our economy, have on the individual values for people who have loans on their homes? Are we going to be creating a problem? We don't know because we haven't had any hearings on it. On Friday, I was with a group of nonprofits that do very valuable work. They are worried about what impact this tax bill will have on charitable giving. When only 5 percent of the taxpayers in this country use itemized deductions, it means a great number of people who were able to take advantage of charitable deductions on their tax returns no longer will have that ability. Does that change their charitable giving? If it changes their charitable giving pattern, what does it do for nonprofits? If our nonprofits can't do that, there is additional pressure on governmental services. Have we thought that out? I doubt we know the consequences. Yet we are not prepared to have hearings on this. One of the major issues that has had very little discussion is the passthrough. You have heard a lot about it. The reason for this is that 95 percent of American businesses don't use corporate tax returns. They use passthroughs, S corporations, individual proprietorships, partnerships, et cetera. This bill provides a lower tax rate for their passthrough business income at 20 percent. Here is the problem. In an effort to make sure that this isn't a way of getting around paying taxes on salaries, there are certain guardrails that have been put into this bill based upon a person's income, based upon the type of business they are in, based upon the assets of the business, based upon the amount of salaries that are paid in the business. And you are trying to tell me that can't be manipulated in order to shelter income? We are creating a whole new industry in sheltering income under this bill. I have heard so many of my colleagues talk about the fact that we don't want to outsource jobs. None of us want to outsource jobs. Having competitive rates helps us in that regard, but moving toward a territorial tax structure rewards companies for doing their business offshore. Even if tax rates might be the same, they can use labor costs, or some other costs, to outsource jobs. Have we thought about that under a territorial tax? No. Do we know what impact it will have? No. There are a lot of issues we don't fully understand. We do know there are individual provisions put in here--for example, drilling in the Arctic. That, to me, should not be part of this bill. I worry about that being expanded to the Atlantic coast and other areas. I think we all should be concerned about it. The bottom line is this. When you do tax reform, you would hope you would simplify the Tax Code and make it predictable. That is what I hear the most: Let's simplify the Tax Code, and let's make it predictable. Neither will be accomplished with this conference report. With all these temporary tax provisions, you know that we are going to have to deal with extenders. You are not going to be able to plan as to whether this Tax Code will stand the test of time. If you think this is simplification, try to figure out whether you are eligible for the passthrough 20 percent on your business taxes. It is anything but simple. This bill fails in its principle test of helping middle-income families, which it does not do. It is for corporations, big corporations, and high-income people. It is fiscally irresponsible to add to the debt. It makes our Tax Code more [[Page S8063]] complicated and doesn't give us the predictability we need in the Tax Code, and it should be rejected. I yield the floor. The PRESIDING OFFICER. The Senator from Ohio. Compton Nomination Mr. BROWN. Mr. President, I rise to oppose the nomination of Paul Compton, which came out of the Banking, Housing, and Urban Affairs Committee. I might add that he is President Trump's nominee to serve as general counsel of the Department of Housing and Urban Development. Mr. Compton is a longtime affordable housing and financial services attorney in the State of Alabama. Mr. Compton, if confirmed, would bring a deep familiarity with affordable housing to the Office of General Counsel. That part I like. With 11 million families paying over half their income for rent and with homelessness on the rise for the first time in ***years***, a nominee who appreciates the importance of affordable housing could be a positive addition at HUD. Think about that. There are 11 million families who pay more than half their income on rent. In a book written by Matthew Desmond called ``Evicted: Poverty and Profit in the American City,'' the author said of the people at that income level: When your paycheck comes, the rent eats first. Everything depends on being able to stay in your home and not being foreclosed on. When 11 million people pay over half their income on rent, homelessness is going to be on the rise. I appreciate Mr. Compton's commitment to me during our Banking, Housing, and Urban Affairs Committee hearing that he would look out for the interests of renters and homeowners if confirmed, but I am voting against him because I am concerned about the administration's approach to fair housing protections and the role that he will likely play in helping to carry that out. I was troubled to learn that Secretary Carson had said that he plans to ``reinterpret'' HUD's affirmatively furthering fair housing--or AFFH--rule. Since 1968, the Fair Housing Act has required HUD and its grantees to affirmatively further fair housing. Unfortunately, in the 50 ***years*** since our country passed the Fair Housing Act, HUD has not provided enough direction to help communities meet this goal. A 2010 General Accountability Office report recommended that HUD improve its processes for meeting its obligations to affirmatively further fair housing. In response, HUD developed a revised rule to finally help local governments across the country support and foster fair housing policies throughout their communities. The rule gives clearer guidance to communities to help them think in new ways about how to create housing opportunities for all of their residents regardless of race or religion or disability or the size of their family. The rule helps them to assess their own fair housing needs, and it provides them publicly available data with which to inform their decisions while they set their own goals and timelines. Since its adoption 2-plus ***years*** ago, HUD has been working with communities to implement the new guidelines. That is the good news. The bad news is that the Secretary has said that he wants to reinterpret, but he is not elaborating on what he meant by his plan to reinterpret the rule. If the Secretary intends to reinterpret the rule in a way that undermines HUD's efforts to help communities fulfill their longstanding obligations under this 50-***year***-old law, Mr. Compton will be called upon to carry out this vision. I voted against his nomination in committee because of my concern that he could help guide administration efforts to reverse progress on this fair housing rule. More recent activities by administration officials have only heightened the concerns that many of us have about their approaches to fair housing. In 2013, HUD issued its discriminatory effects rule. This rule formalized HUD's longstanding prohibition against practices with discriminatory effects under the Fair Housing Act and provided uniform guidance for applying standards across the country. Because homeowners' insurance is central to the ability to obtain housing, HUD and the courts have held for decades that the Fair Housing Act applies to discriminatory practices in insurance--a very easy-to- understand, logical step. Nevertheless, insurance industry representatives sued to block HUD's application of the discriminatory effects rule--also known as disparate impact--to their industry. HUD and the Department of Justice have been fighting this suit ever since. As general counsel, Mr. Compton would guide HUD's enforcement and litigation strategy. In response to a written question, Mr. Compton declined to provide his views on the discriminatory effects rule and whether it should apply to the insurance industry. He noted that ``it would be inappropriate'' for him to comment on the matter given the pending litigation. The administration, it seems, does not share his reluctance to comment on pending litigation. A month and a half ago, the Treasury Department issued a report entitled ``A Financial System that Creates Economic Opportunities--Asset Management and Insurance.'' In this report, Treasury recommends that HUD reconsider the use of the disparate impact rule. It is not that this administration decides to support the side of big insurance companies every time--maybe it doesn't every time--but it seems like it almost always does. It did it in this case. Yet Mr. Compton thinks that he shouldn't comment when other already confirmed Trump appointees have. The Treasury's report sides with arguments that have been made by the insurance industry despite the fact that litigation is pending, and HUD and the Department of Justice, at least until now, have been defending the rule. The next court date for the suit is scheduled for later this week. If the administration continues its drive to reconsider fair housing protections that are opposed to by industry, Mr. Compton will likely be called upon to help the administration in its efforts. Because he declined to answer my question, we don't know what his thinking will be. While I might be inclined to give Mr. Compton the benefit of the doubt, we have seen too many officials in this administration who are working against the missions of the agencies to which they have been appointed. Financial regulators so often come from Wall Street. Environmental regulators so often come from the chemical industry and the oil industry. We have seen it time and again. This is happening at a time when we see the administration taking steps to remove protections for average Americans and consumers in order to carry out the bidding of its supporters on Wall Street. These include sending in Mick Mulvaney, who once called the Consumer Financial Protection Bureau a ``sick, sad joke.'' He is now serving as its Director. It is his moonlighting job, as he is also the Director of the Office of Management and Budget. His first act as Director of the CFPB was to block the ***payments*** of funds that were owed to consumers-- consumers who were cheated or wronged by Wells Fargo and other big banks or big financial institutions. The consumers, in many cases, were servicemembers who had been cheated by these financial institutions. On Mulvaney's first day on the job, he said: No, we are not going to move forward in collecting those penalties and in paying those consumers and those servicemembers and those seniors and those families. I am concerned about this emerging effort to roll back protections for consumers. I hope that Mr. Compton proves me wrong. I hope that he is a strong advocate within the agency and the administration for fair housing, for consumer protection, and for affordable housing. When given the chance to demonstrate his commitment to fair housing, he took a pass. These matters are too important to far too many Americans for us to leave their futures to chance. I urge my colleagues to join me in opposing Mr. Compton's nomination. I yield the floor. The PRESIDING OFFICER. The Senator from Idaho. Mr. CRAPO. Mr. President, I ask unanimous consent to speak on behalf of Mr. Compton and to conclude my remarks before the vote. The PRESIDING OFFICER. Without objection, it is so ordered. Mr. CRAPO. Mr. President, I rise in support of Paul Compton to serve as HUD's next general counsel. [[Page S8064]] Mr. Compton has dedicated his entire legal career to affordable housing and community development and for many ***years*** has headed the affordable housing practice of a prominent Alabama law firm. Over his distinguished career, Mr. Compton has played a direct role in over 70 transactions that have led to the creation of more than 5,000 units of affordable housing throughout the Southeastern United States. Among peers, he has come to be recognized as an industry-leading expert on the low-income housing tax credit, the new markets tax credit, public- private partnerships, and the regulatory environment surrounding housing production. Mr. Compton's extensive track record, his experience, and his intimate familiarity with HUD ***programs*** make him an ideal fit to join the leadership team at HUD. As general counsel, Mr. Compton will not only serve as the principal legal adviser to Secretary Carson, but he will have a hand in nearly every departmental initiative. Once confirmed, I look forward to working with Mr. Compton to find solutions to our Nation's housing challenges, to eliminate barriers to safe and affordable housing, and to reform our housing finance system. This confirmation vote is long overdue and is sorely needed. Following the storms that ravaged through Houston, Florida, Puerto Rico, the Virgin Islands, and elsewhere, HUD has been deployed on the frontlines, alongside FEMA and other agencies, and has worked to provide emergency and transitional housing to the thousands of families who have been displaced. This work is far from over, and I urge this body to confirm Mr. Compton today, as well as to confirm the various other HUD nominees who are awaiting votes so that they can get to work for the American people. Thank you. The PRESIDING OFFICER. All time has expired. The question is, Will the Senate advise and consent to the Compton nomination? Mr. WICKER. I ask for the yeas and nays. The PRESIDING OFFICER. Is there a sufficient second? There appears to be a sufficient second. The clerk will call the roll. The assistant bill clerk called the roll. Mr. CORNYN. The following Senators are necessarily absent: the Senator from West Virginia (Mrs. Capito) and the Senator from Arizona (Mr. McCain). Further, if present and voting the Senator from West Virginia (Mrs. Capito) would have voted ``yea.'' Mr. DURBIN. I announce that the Senator from Wisconsin (Ms. Baldwin) and the Senator from Illinois (Ms. Duckworth) are necessarily absent. The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote? The result was announced--yeas 62, nays 34, as follows: [Rollcall Vote No. 318 Ex.] YEAS--62 Alexander Barrasso Bennet Blunt Boozman Burr Carper Cassidy Cochran Collins Coons Corker Cornyn Cotton Crapo Cruz Daines Donnelly Enzi Ernst Fischer Flake Gardner Graham Grassley Hatch Heitkamp Heller Hoeven Inhofe Isakson Johnson Kennedy King Lankford Lee Manchin McCaskill McConnell Moran Murkowski Murphy Nelson Paul Perdue Portman Risch Roberts Rounds Rubio Sasse Scott Shaheen Shelby Strange Sullivan Tester Thune Tillis Toomey Wicker Young NAYS--34 Blumenthal Booker Brown Cantwell Cardin Casey Cortez Masto Durbin Feinstein Franken Gillibrand Harris Hassan Heinrich Hirono Kaine Klobuchar Leahy Markey Menendez Merkley Murray Peters Reed Sanders Schatz Schumer Stabenow Udall Van Hollen Warner Warren Whitehouse Wyden NOT VOTING--4 Baldwin Capito Duckworth McCain The nomination was confirmed. Vote on West Nomination The PRESIDING OFFICER. The question is, Will the Senate advise and consent to the West nomination? Mr. BLUNT. Mr. President, I ask for the yeas and nays. The PRESIDING OFFICER. Is there a sufficient second? There appears to be a sufficient second. The clerk will call the roll. The bill clerk called the roll. Mr. CORNYN. The following Senator is necessarily absent: the Senator from Arizona (Mr. McCain). Mr. DURBIN. I announce that the Senator from Wisconsin (Ms. Baldwin) and the Senator from Illinois (Ms. Duckworth) are necessarily absent. The PRESIDING OFFICER (Mr. Lankford). Are there any other Senators in the Chamber desiring to vote? The result was announced--yeas 74, nays 23, as follows: The result was announced--- yeas 74, nays 23, as follows: [Rollcall Vote No. 319 Ex.] YEAS--74 Alexander Barrasso Bennet Blumenthal Blunt Boozman Burr Cantwell Capito Cardin Carper Cassidy Cochran Collins Coons Corker Cornyn Cotton Crapo Cruz Daines Donnelly Enzi Ernst Feinstein Fischer Flake Gardner Graham Grassley Hassan Hatch Heinrich Heitkamp Heller Hoeven Inhofe Isakson Johnson Kaine Kennedy King Lankford Lee Manchin McCaskill McConnell Moran Murkowski Murphy Nelson Paul Perdue Portman Reed Risch Roberts Rounds Rubio Sasse Scott Shaheen Shelby Strange Sullivan Tester Thune Tillis Toomey Udall Warner Whitehouse Wicker Young NAYS--23 Booker Brown Casey Cortez Masto Durbin Franken Gillibrand Harris Hirono Klobuchar Leahy Markey Menendez Merkley Murray Peters Sanders Schatz Schumer Stabenow Van Hollen Warren Wyden NOT VOTING--3 Baldwin Duckworth McCain The nomination was confirmed. The PRESIDING OFFICER. Under the previous order, the motions to reconsider are considered made and laid upon the table and the President will be immediately notified of the Senate's action. The Senator from West Virginia.

**Load-Date:** December 20, 2017

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[***China-Kazakhstan border woes dent Silk Road ambitions***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R77-WTF1-F039-639H-00000-00&context=1516831)

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**Length:** 1330 words

**Byline:** Emily Feng in Khorgos and Henry Foy in Moscow

**Body**

Soaring mountains and golden plains surround the nascent city of Khorgos, one of the most important land transport hubs planned for China’s new Silk Road.

But despite hundreds of millions of dollars of investment, the majority of traders here on China’s border with Kazakhstan, among the planet’s furthest points from the ocean, still rely on maritime routes to receive imported goods.

“I would rather my goods take 10 times as long to get to Khorgos but be sure they arrive on time,” says Jia Xiubing, who imports European snacks through the Chinese ports of Qingdao and Tianjin, which lie about 4,000km east by road or rail. Traders say Khorgos’s showpiece free trade zone is blighted by chronic delays, high costs and limits on what can be imported.

With investments ranging from ports in Pakistan and Sri Lanka to high-speed railways in east Africa to gas pipelines crossing central Asia, China’s $900bn Belt and Road Initiative is arguably the largest overseas investment drive ever launched by a single country.

But the problems, along with other logistical difficulties of transporting goods through central Asia to Europe, illustrate the shaky ground beneath China’s ambitious plans to boost its global influence and bolster slowing economic growth at home.

Khorgos is a crucial hub in the transport network linking China and Europe. By 2020 it will house the world’s largest “dry port”, where 4m tonnes of goods a ***year*** can be stored and ***transferred*** between Chinese and Kazakh trains, which run on a different gauge.

However, it is one of China’s slowest outbound border crossings. Goods take an average of 10.6 hours to cross into  [*Kazakhstan*](https://www.ft.com/topics/places/Kazakhstan?mhq5j=e6) — almost twice as long as those moving in the opposite direction, according to the Central Asia Regional Economic Co-operation (Carec) ***programme***, a trade organisation.

“Customs processes are actually very fast on the China side. It is getting goods through the Kazakh side that can be very unpredictable and costs twice as much in customs fees,” says Alim, a Chinese Uighur confectionery trader.

Most goods have to be unloaded and stored in bonded warehouses, sometimes for days, as they await clearance from the customs regimes either side of the border. The cost of unloading train cargo remains the highest among trade corridors Carec monitors, putting Khorgos among central Asia’s most expensive border crossings.

And the problems are not limited to Khorgos, which lies in the Chinese frontier region of Xinjiang that borders three central Asian nations.

A free-trade zone set to open this ***year*** in the regional capital of Urumqi has been delayed “because the local government has not been able to decide on logistics operations and a customs regime with partners”, according to a zone employee who declined to be named because of a lack of authorisation to discuss the matter.

Jonathan Hillman, a fellow at the Center for Strategic and International Studies in Washington, says: “More efficient border procedures will be key — even more important than building new roads.”

Kazakh officials deny that shipments from China pass into Kazakhstan more slowly than into other countries and the government in Astana remains bullish on bilateral ties. Cross-border trade between the two countries increased a hundredfold in the five ***years*** to 2016 and is on track to double this ***year*** to 200,000 containers a ***year***, according to Kazakhstan’s foreign ministry. Kazakh officials say their country accounts for 70 per cent of China-Europe transit traffic.

“The government of Kazakhstan wants to ensure that it continues to develop as a key transportation hub in Eurasia that plays a crucial role in connecting and enabling trade between east and west,” says Roman Vassilenko, deputy foreign minister.

But the positive sentiments are not universally shared across the border in China, where critics believe Kazakhstan has been freeriding on China’s goodwill.

Chinese development in Khorgos dwarfs that on the Kazakh side, where only 25 of 63 projects have investors, according to Ravil Budukov, the zone’s former press secretary. “China has provided all the money” for Kazakhstan’s roads and high-speed rail links, says a Chinese trade official in Xinjiang. “And we do not expect anything back.”

While Kazakhstan’s leaders have welcomed Chinese investment, analysts say the country remains deeply suspicious of Beijing’s motives.

“The larger the Chinese presence in central Asia, the stronger the anti-China sentiments,” says Daniyar Kosnazarov, of Narxoz University in Almaty, Kazakhstan’s biggest city. “Nationalist sentiments and enthusiasm for Chinese investment are living an uneasy coexistence but the ice is getting thinner and thinner.”

In April last ***year***, thousands took to the streets over concerns about legal changes that would allow Chinese investors would buy up valuable real estate. “There is a lot of fear among Kazakhs about the country being overrun by Chinese,” says Dmitriy Frolovskiy, a Moscow-based central Asia analyst. “It has to face the world’s second economy and one of the strongest armies, which could conquer it within days.”

Kazakhstan has traditionally gravitated towards Russia, itself wary of China’s growing clout in central Asia, for political and economic patronage. A deeply Russified cultural legacy remains in the former Soviet republic, with most ethnic Kazakhs on the border using Russian, rather than Mandarin, as the lingua franca of trade.

“People are always going to look after their own interests,” says Su Gang of the Xinjiang Uighur Logistics Association, which monitors trade in the region. “That’s what we call trade protectionism.”

That extends to the Khorgos free-trade zone.

Kazakhstan, as a member of the Russia-led Eurasian Economic Union, limits imports to 50kg or €1,500 worth of undeclared goods per person per month. China, worried that cheap Kazakh imports could hurt domestic producers, bans most ***agricultural*** products from entering through the tax-free zone.

That limits all but small-scale trade from surviving in Khorgos, where buyers and sellers haggle over socks, bedding and packaged food in dimly lit malls.

This falls far short of what many traders had in mind when they set up shop, says Xiang Wu, a textile trader: “No matter how hard you work, there is a glass ceiling on how much money you can make here.”

Bribe culture threatens Silk Road dreams

Once a sleepy mountain village ringed by the tents of nomadic herders, Tashkurgan has grown rapidly in the past decade as a trade waypoint between China and Pakistan.

The Chinese town’s location has also given rise to a new side-business: skimming off customs fees on goods that pass through, highlighting the corruption that hinders China’s plan to set up trade corridors branching into central Asia and Europe.

“One needs to know someone here to get the special customs prices. The customs office is all staffed by locals from Tashkurgan and Kashgar,” a nearby city, says Abdullah, a Tajik businessman native to Tashkurgan.

Carec, a regional trade body, warns that unofficial ***payments*** remain a significant challenge to the smooth operation of all central Asian trade corridors.

“There is no set list of customs fees. One day, it will cost about 5 per cent [of the value of goods in a container], another day 20,” says Wassim Abbas, echoing sentiments of dozens of Pakistani traders who run import-export businesses throughout the region.

Traders at Khorgos, another important transit point along China’s New Silk Road stretching across Asia, also complain of being forced to pay bribes.

“Kazakhstan is like China in the 1980s. There is no rule of law, only rule by law over there,” says one Chinese trader at Khorgos. “Money is the only thing that has any influence there.”

Kazakhstan’s customs authorities said in a statement that “isolated cases [of bribes] have been identified that are not systemic in nature”.

*This article has been amended since original publication to correct the map.*

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[***Federal Register: Department Regulatory and Deregulatory Agenda; Semiannual Summary Pages 58051 - 58070 [FR DOC # 2018-24091]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TRV-7SG1-F0YC-N37T-00000-00&context=1516831)

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**Body**

Washington: Office of the Federal Register has issued the following notice:

Department of Transportation ----------------------------------------------------------------------- Semiannual Regulatory Agenda Federal Register / Vol. 83 , No. 222 / Friday, November 16, 2018 / Unified Agenda [[Page 58052]] ----------------------------------------------------------------------- DEPARTMENT OF TRANSPORTATION Office of the Secretary 14 CFR Chs. I-III 23 CFR Chs. I-III 33 CFR Chs. I and IV 46 CFR Chs. I-III 48 CFR Ch.

12 49 CFR Subtitle A, Chs. I-VI, and Chs. X-XII [DOT-OST-1999-5129] Department Regulatory and Deregulatory Agenda; Semiannual Summary AGENCY: Office of the Secretary, DOT. ACTION: Unified Agenda of Federal Regulatory and Deregulatory Actions (Regulatory Agenda). ----------------------------------------------------------------------- SUMMARY: The Regulatory and Deregulatory Agenda is a semiannual summary of all current and projected rulemakings, reviews of existing regulations, and completed actions of the Department. The intent of the Agenda is to provide the public with information about the Department of Transportation's regulatory activity planned for the next 12 months. It is expected that this information will enable the public to more effectively participate in the Department's regulatory process. The public is also invited to submit comments on any aspect of this Agenda. FOR FURTHER INFORMATION CONTACT: General You should direct all comments and inquiries on the Agenda in general to Jonathan Moss, Assistant General Counsel for Regulation, Office of General Counsel, Department of Transportation, 1200 New Jersey Avenue SE, Washington, DC 20590; (202) 366-4723. Specific You should direct all comments and inquiries on particular items in the Agenda to the individual listed for the regulation or the general rulemaking contact person for the operating administration in appendix B. Table of Contents Supplementary Information Background Significant/Priority Rulemakings Explanation of Information on the Agenda Request for Comments Purpose Appendix A--Instructions for Obtaining Copies of Regulatory Documents Appendix B--General Rulemaking Contact Persons Appendix C--Public Rulemaking Dockets Appendix D--Review Plans for Section 610 and Other Requirements SUPPLEMENTARY INFORMATION: Background A primary goal of the Department of Transportation (Department or DOT) is to allow the public to understand how we make decisions, which necessarily includes being transparent in the way we measure the risks, costs, and benefits of engaging in--or deciding not to engage in--a particular regulatory action. As such, it is our policy to provide an opportunity for public comment on such actions to all interested stakeholders. Above all, transparency and meaningful engagement mandate that regulations should be straightforward, clear, and accessible to any interested stakeholder. The Department also embraces the notion that there should be no more regulations than necessary. We emphasize consideration of non-regulatory solutions and have rigorous processes in place for continual reassessment of existing regulations. These processes provide that regulations and other agency actions are periodically reviewed and, if appropriate, are revised to ensure that they continue to meet the needs for which they were originally designed, and that they remain cost-effective and cost-justified. To help the Department achieve its goals and in accordance with Executive Order (E.O ) 12866, ``Regulatory Planning and Review,'' (58 FR 51735; Oct. 4, 1993) and the Department's Regulatory Policies and Procedures (44 FR 11034; Feb. 26, 1979), the Department prepares a semiannual regulatory and deregulatory agenda. It summarizes all current and projected rulemakings, reviews of existing regulations, and completed actions of the Department. These are matters on which action has begun or is projected during the next 12 months or for which action has been completed since the last Agenda. In addition, this Agenda was prepared in accordance with three Executive Orders issued by President Trump, which directed agencies to further scrutinize their regulations and other agency actions. On January 30, 2017, President Trump signed Executive Order 13771, Reducing Regulation and Controlling Regulatory Costs. Under section 2(a) of the Executive order, unless prohibited by law, whenever an executive department or agency publicly proposes for notice and comment or otherwise promulgates a new regulation, it must identify at least two existing regulations to be repealed. On February 24, 2017, President Trump signed Executive Order 13777, Enforcing the Regulatory Reform Agenda. Under this Executive order, each agency must establish a Regulatory Reform Task Force (RRTF) to evaluate existing regulations, and make recommendations for their repeal, replacement, or modification. On March 28, 2017, President Trump signed Executive Order 13783, Promoting Energy Independence and Economic Growth, requiring agencies to review all existing regulations, orders, guidance documents, policies, and other similar agency actions that potentially burden the development or use of domestically produced energy resources, with particular attention to oil, natural gas, coal, and nuclear energy resources. In response to the mandate in Executive Order 13777, the Department formed an RRTF consisting of senior career and non-career leaders, which has already conducted extensive reviews of existing regulations, and identified a number of rules to be repealed, replaced, or modified. As a result of the RRTF's work, since January 2017, the Department has issued deregulatory actions that reduce regulatory costs on the public by at least $882 million (in net present value cost savings). Even when the costs of significant regulatory actions are factored in, the Department's deregulatory actions in FY 2018 will still result in over $500 million in net cost savings (in net present value). With the RRTF's assistance, the Department has achieved these cost savings in a manner that is fully consistent with enhancing safety. For example, in March 2018, the FAA promulgated a rule titled Rotorcraft Pilot Compartment View, which will reduce the number of tests for nighttime operations, after the Agency carefully considered the safety data and determined the tests were unnecessary. The Department has also significantly increased the number of deregulatory actions it is pursuing. Today, DOT is pursuing over 120 deregulatory rulemakings, up from just 16 in the fall of 2016. While each regulatory and deregulatory action is evaluated on its own merits, the RRTF augments the Department's consideration of prospective rulemakings by conducting monthly reviews across all OAs to identify appropriate deregulatory [[Page 58053]] actions. The RRTF also works to ensure that any new regulatory action is rigorously vetted and non-regulatory alternatives are considered. Further information on the RRTF can be found online at: [*https://www.transportation.gov/regulations/regulatory-reform-task-force-report*](https://www.transportation.gov/regulations/regulatory-reform-task-force-report). The Department's ongoing regulatory effort is guided by four fundamental principles--safety, innovation, enabling investment in infrastructure, and reducing unnecessary regulatory burdens. These priorities are grounded in our national interest in maintaining U.S global leadership in safety, innovation, and economic growth. To accomplish our regulatory goals, we must create a regulatory environment that fosters growth in new and innovative industries without burdening them with unnecessary restrictions. At the same time, safety remains our highest priority; we must remain focused on managing safety risks and being sure that we do not regress from the successes already achieved. Our planned regulatory actions reflect a careful balance that emphasizes the Department's priority in fostering innovation while at the same time meeting the challenges of maintaining a safe, reliable, and sustainable transportation system. For example, the National Highway Traffic Safety Administration (NHTSA) is working on reducing regulatory barriers to technology innovation, including the integration of automated vehicles. Automated vehicles are expected to increase safety significantly by reducing the likelihood of human error when driving, which today accounts for the overwhelming majority of accidents on our nation's roadways. NHTSA plans to issue regulatory actions that: (1) Design a pilot ***program*** for vehicles that may not meet FMVSS; (2) allow for permanent updates to current FMVSS reflecting new technology; and (3) allow for updates to NHTSA's regulations outlining the administrative processes for petitioning the agency for exemptions, rulemakings, and reconsiderations. Similarly, the Federal Aviation Administration (FAA) is working to enable, safely and efficiently, the integration of unmanned aircraft systems (UAS) into the National Airspace System. UAS are expected to continue to drive innovation and increase safety as operators and manufacturers find new and inventive uses for UAS. For instance, UAS are poised to assist human operators with a number of different mission sets such as inspection of critical infrastructure and search and rescue, enabling beneficial and lifesaving activities that would otherwise be difficult or even impossible for a human to accomplish unassisted. The Department has regulatory efforts underway to further integrate UAS safely and efficiently. The Department is working on several rulemakings to facilitate a major transformation of our national space ***program*** from one in which the federal government has a primary role to one in which private industry drives growth in innovation and launches. The Department is also currently working on a rulemaking to facilitate a major transformation of our national space ***program*** that will enable private industry to drive growth in innovation and launches. The FAA is proposing a rule that will fundamentally change how FAA licenses launches and reentries of commercial space vehicles moving from prescriptive requirements to a performance based approach. Explanation of Information in the Agenda An Office of Management and Budget memorandum, dated June 18, 2018, establishes the format for this Agenda. First, the Agenda is divided by initiating offices. Then the Agenda is divided into five categories: (1) Prerule stage; (2) proposed rule stage; (3) final rule stage; (4) long-term actions; and (5) completed actions. For each entry, the Agenda provides the following information: (1) Its ``significance''; (2) a short, descriptive title; (3) its legal basis; (4) the related regulatory citation in the Code of Federal Regulations; (5) any legal deadline and, if so, for what action (e.g , NPRM, final rule); (6) an abstract; (7) a timetable, including the earliest expected date for when a rulemaking document may publish; (8) whether the rulemaking will affect small entities and/or levels of Government and, if so, which categories; (9) whether a Regulatory Flexibility Act (RFA) analysis is required (for rules that would have a significant economic impact on a substantial number of small entities); (10) a listing of any analyses an office will prepare or has prepared for the action (with minor exceptions, DOT requires an economic analysis for all its rulemakings); (11) an agency contact office or official who can provide further information; (12) a Regulation Identifier Number (RIN) assigned to identify an individual rulemaking in the Agenda and facilitate tracing further action on the issue; (13) whether the action is subject to the Unfunded Mandates Reform Act; (14) whether the action is subject to the Energy Act; (15) the action's designation under Executive Order 13771 explaining whether the action will have a regulatory or deregulatory effect; and (16) whether the action is major under the congressional review provisions of the Small Business Regulatory Enforcement Fairness Act. For nonsignificant regulations issued routinely and frequently as a part of an established body of technical requirements (such as the Federal Aviation Administration's Airspace Rules), to keep those requirements operationally current, we only include the general category of the regulations, the identity of a contact office or official, and an indication of the expected number of regulations; we do not list individual regulations. In the ``Timetable'' column, we use abbreviations to indicate the particular documents being considered. ANPRM stands for Advance Notice of Proposed Rulemaking, SNPRM for Supplemental Notice of Proposed Rulemaking, and NPRM for Notice of Proposed Rulemaking. Listing a future date in this column does not mean we have made a decision to issue a document; it is the earliest date on which a rulemaking document may publish. In addition, these dates are based on current schedules. Information received after the issuance of this Agenda could result in a decision not to take regulatory action or in changes to proposed publication dates. For example, the need for further evaluation could result in a later publication date; evidence of a greater need for the regulation could result in an earlier publication date. Finally, a dot () preceding an entry indicates that the entry appears in the Agenda for the first time.     The internet is the basic means for disseminating the Unified Agenda. The complete Unified Agenda is available online at   [*www.reginfo.gov*](http://www.reginfo.gov) in a format that offers users a greatly enhanced ability to obtain information from the Agenda database. A portion of the Agenda is published in the Federal Register, however, because the Regulatory Flexibility Act (5 U.S.C 602) mandates publication for the regulatory flexibility agenda. Accordingly, DOT's printed Agenda entries include only:     1. The agency's Agenda preamble;     2. Rules that are in the agency's regulatory flexibility agenda, in accordance with the Regulatory Flexibility Act, because they are likely to have a significant economic impact on a substantial number of small entities; and     3. Any rules that the agency has identified for periodic review under section 610 of the Regulatory Flexibility Act.     Printing of these entries is limited to fields that contain information required by the Regulatory Flexibility Act's

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Agenda requirements. These elements are: Sequence Number; Title; Section 610 Review, if applicable; Legal Authority; Abstract; Timetable; Regulatory Flexibility Analysis Required; Agency Contact; and Regulation Identifier Number (RIN). Additional information (for detailed list, see section heading ``Explanation of Information on the Agenda'') on these entries is available in the Unified Agenda published on the internet.

Request for Comments

General

    Our Agenda is intended primarily for the use of the public. Since its inception, we have made modifications and refinements that we believe provide the public with more helpful information, as well as making the Agenda easier to use. We would like you, the public, to make suggestions or comments on how the Agenda could be further improved.

Reviews

    We also seek your suggestions on which of our existing regulations you believe need to be reviewed to determine whether they should be revised or revoked. We particularly draw your attention to the Department's review plan in appendix D.

Regulatory Flexibility Act

    The Department is especially interested in obtaining information on requirements that have a ``significant economic impact on a substantial number of small entities'' and, therefore, must be reviewed under the Regulatory Flexibility Act. If you have any suggested regulations, please submit them to us, along with your explanation of why they should be reviewed.     In accordance with the Regulatory Flexibility Act, comments are specifically invited on regulations that we have targeted for review under section 610 of the Act. The phrase (sec. 610 Review) appears at the end of the title for these reviews. Please see appendix D for the Department's section 610 review plans.

Consultation With State, Local, and Tribal Governments

    Executive Orders 13132 and 13175 require us to develop an account process to ensure ``meaningful and timely input'' by State, local, and tribal officials in the development of regulatory policies that have federalism or tribal implications. These policies are defined in the Executive orders to include regulations that have ``substantial direct effects'' on States or Indian tribes, on the relationship between the Federal Government and them, or on the distribution of power and responsibilities between the Federal Government and various levels of Government or Indian tribes. Therefore, we encourage State and local Governments or Indian tribes to provide us with information about how the Department's rulemakings impact them.

Purpose

    The Department is publishing this regulatory Agenda in the Federal Register to share with interested members of the public the Department's preliminary expectations regarding its future regulatory actions. This should enable the public to be more aware of the Department's regulatory activity and should result in more effective public participation. This publication in the Federal Register does not impose any binding obligation on the Department or any of the offices within the Department with regard to any specific item on the Agenda. Regulatory action, in addition to the items listed, is not precluded.

    Dated: July 27, 2018. Elaine L. Chao, Secretary of Transportation.

Appendix A--Instructions for Obtaining Copies of Regulatory Documents

    To obtain a copy of a specific regulatory document in the Agenda, you should communicate directly with the contact person listed with the regulation at the address below. We note that most, if not all, such documents, including the Semiannual Regulatory Agenda, are available through the internet at [*http://www.regulations.gov*](http://www.regulations.gov) See appendix C for more information.

Appendix B--General Rulemaking Contact Persons

    The following is a list of persons who can be contacted within the Department for general information concerning the rulemaking process within the various operating administrations.     FAA--Lirio Liu, Director, Office of Rulemaking, 800 Independence Avenue SW, Washington, DC 20591; telephone (202) 267-7833.     FHWA--Jennifer Outhouse, Office of Chief Counsel, 1200 New Jersey Avenue SE, Washington, DC 20590; telephone (202) 366-0761.     FMCSA--Steven J. LaFreniere, Regulatory Ombudsman, 1200 New Jersey Avenue SE, Washington, DC 20590; telephone (202) 366-0596.     NHTSA--Steve Wood, Office of Chief Counsel, 1200 New Jersey Avenue SE, Washington, DC 20590; telephone (202) 366-2992.     FRA--Kathryn Gresham, Office of Chief Counsel, 1200 New Jersey Avenue SE, Washington, DC 20590; telephone (202) 493-6063.     FTA--Chaya Koffman, Office of Chief Counsel, 1200 New Jersey Avenue SE, Washington, DC 20590; telephone (202) 366-3101.     SLSDC--Carrie Mann Lavigne, Chief Counsel, 180 Andrews Street, Massena, NY 13662; telephone (315) 764-3200.     PHMSA--Stephen Gordon, Office of Chief Counsel, 1200 New Jersey Avenue SE, Washington, DC 20590; telephone (202) 366-1101.     MARAD--Gabriel Chavez, Office of Chief Counsel, Maritime Administration, 1200 New Jersey Avenue SE, Washington, DC 20590; telephone (202) 366-2621.     OST--Jonathan Moss, Assistant General Counsel for Regulation, 1200 New Jersey Avenue SE, Washington, DC 20590; telephone (202) 366-4723.

Appendix C--Public Rulemaking Dockets

    All comments via the internet are submitted through the Federal Docket Management System (FDMS) at the following address: [*http://www.regulations.gov*](http://www.regulations.gov) The FDMS allows the public to search, view, download, and comment on all Federal agency rulemaking documents in one central online system. The above referenced internet address also allows the public to sign up to receive notification when certain documents are placed in the dockets.     The public also may review regulatory dockets at or deliver comments on proposed rulemakings to the Dockets Office at 1200 New Jersey Avenue SE, Room W12-140, Washington, DC 20590, 1-800-647-5527. Working Hours: 9:00 a.m to 5:00 p.m

Appendix D--Review Plans for Section 610 and Other Requirements

Part I--The Plan

General

    The Department of Transportation has long recognized the importance of regularly reviewing its existing regulations to determine whether they need to be revised or revoked. Our Regulatory Policies and Procedures require such reviews. We also have responsibilities under Executive Order 12866, ``Regulatory Planning and Review,'' Executive Order 13563, ``Improving Regulation and Regulatory Review,'' 76 FR 3821 (January 18, 2011), Executive Order 13771 ``Reducing Regulation and Controlling Regulatory Costs,'' Executive Order 13777, ``Enforcing the Regulatory Agenda,'' and

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section 610 of the Regulatory Flexibility Act to conduct such reviews. This includes the designation of a Regulatory Reform Officer, the establishment of a Regulatory Reform Task Force, and the use of plain language techniques in new rules and considering its use in existing rules when we have the opportunity and resources to revise them. We are committed to continuing our reviews of existing rules and, if it is needed, will initiate rulemaking actions based on these reviews. The Department will begin a new 10-***year*** review cycle with the Fall 2018 Agenda.

Section 610 Review Plan

    Section 610 requires that we conduct reviews of rules that: (1) Have been published within the last 10 ***years***; and (2) have a ``significant economic impact on a substantial number of small entities'' (SEISNOSE). It also requires that we publish in the Federal Register each ***year*** a list of any such rules that we will review during the next ***year***. The Office of the Secretary and each of the Department's Operating Administrations have a 10-***year*** review plan. These reviews comply with section 610 of the Regulatory Flexibility Act.

Changes to the Review Plan

    Some reviews may be conducted earlier than scheduled. For example, to the extent resources permit, the plain language reviews will be conducted more quickly. Other events, such as accidents, may result in the need to conduct earlier reviews of some rules. Other factors may also result in the need to make changes; for example, we may make changes in response to public comment on this plan or in response to a presidentially mandated review. If there is any change to the review plan, we will note the change in the following Agenda. For any section 610 review, we will provide the required notice prior to the review.

Part II--The Review Process

The Analysis

    Generally, the agencies have divided their rules into 10 different groups and plan to analyze one group each ***year***. For purposes of these reviews, a ***year*** will coincide with the fall-to-fall schedule for publication of the Agenda. Most agencies provide historical information about the reviews that have occurred over the past 10 ***years***. Thus, ***Year*** 1 (2018) begins in the fall of 2018 and ends in the fall of 2019; ***Year*** 2 (2019) begins in the fall of 2019 and ends in the fall of 2020, and so on. The exception to this general rule is the FAA, which provides information about the reviews it completed for this ***year*** and prospective information about the reviews it intends to complete in the next 10 ***years***. Thus, for FAA ***Year*** 1 (2017) begins in the fall of 2017 and ends in the fall of 2018; ***Year*** 2 (2018) begins in the fall of 2018 and ends in the fall of 2019, and so on. We request public comment on the timing of the reviews. For example, is there a reason for scheduling an analysis and review for a particular rule earlier than we have? Any comments concerning the plan or analyses should be submitted to the regulatory contacts listed in appendix B, General Rulemaking Contact Persons.

Section 610 Review

    The agency will analyze each of the rules in a given ***year***'s group to determine whether any rule has a SEISNOSE and, thus, requires review in accordance with section 610 of the Regulatory Flexibility Act. The level of analysis will, of course, depend on the nature of the rule and its applicability. Publication of agencies' section 610 analyses listed each fall in this Agenda provides the public with notice and an opportunity to comment consistent with the requirements of the Regulatory Flexibility Act. We request that public comments be submitted to us early in the analysis ***year*** concerning the small entity impact of the rules to help us in making our determinations.     In each fall Agenda, the agency will publish the results of the analyses it has completed during the previous ***year***. For rules that had a negative finding on SEISNOSE, we will give a short explanation (e.g , ``these rules only establish petition processes that have no cost impact'' or ``these rules do not apply to any small entities''). For parts, subparts, or other discrete sections of rules that do have a SEISNOSE, we will announce that we will be conducting a formal section 610 review during the following 12 months. At this stage, we will add an entry to the Agenda in the pre-rulemaking section describing the review in more detail. We also will seek public comment on how best to lessen the impact of these rules and provide a name or docket to which public comments can be submitted. In some cases, the section 610 review may be part of another unrelated review of the rule. In such a case, we plan to clearly indicate which parts of the review are being conducted under section 610.

Other Reviews

    The agency will also examine the specified rules to determine whether any other reasons exist for revising or revoking the rule or for rewriting the rule in plain language. In each fall Agenda, the agency will also publish information on the results of the examinations completed during the previous ***year***.

Part III--List of Pending Section 610 Reviews

    The Agenda identifies the pending DOT section 610 Reviews by inserting ``(Section 610 Review)'' after the title for the specific entry. For further information on the pending reviews, see the Agenda entries at [*www.reginfo.gov*](http://www.reginfo.gov) For example, to obtain a list of all entries that are in section 610 Reviews under the Regulatory Flexibility Act, a user would select the desired responses on the search screen (by selecting ``advanced search'') and, in effect, generate the desired ``index'' of reviews.

Office of the Secretary

Section 610 and Other Reviews

------------------------------------------------------------------------                          Regulations to          ***Year***              be reviewed     Analysis ***year***    Review ***year*** ------------------------------------------------------------------------ 1.....................  49 CFR parts 91             2018            2019                          through 99.                         14 CFR parts 200                          through 212.                         48 CFR parts                          1201 through                          1224. 2.....................  48 CFR parts                2019            2020                          1227 through                          1253 and new                          parts and                          subparts. 3.....................  14 CFR parts 213            2020            2021                          through 232. 4.....................  14 CFR parts 234            2021            2022                          through 254. 5.....................  14 CFR parts 255            2022            2023                          through 298 and                          49 CFR part 40. 6.....................  14 CFR parts 300            2023            2024                          through 373. 7.....................  14 CFR parts 374            2024            2025                          through 398. 8.....................  14 CFR part 399             2025            2026                          and 49 CFR                          parts 1 through                          15. 9.....................  49 CFR parts 17             2026            2027                          through 28.

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  10....................  49 CFR parts 29             2027            2028                          through 39 and                          parts 41                          through 89. ------------------------------------------------------------------------

***Year*** 10 (2017) List of Rules Analyzed and a Summary of Results 49 CFR part 30--Denial of Public Works Contracts to Suppliers of Goods and Services of Countries That Deny Procurement Market Access to U.S Contractors

     Section 610: OST conducted a Section 610 review of this part and found no SEISNOSE.      General: No changes are needed. These regulations are cost effective and impose the least burden. OST's plain language review of these rules indicates no need for substantial revision.

49 CFR part 31--***Program*** Fraud Civil Remedies

     Section 610: OST conducted a review of this part and found no SEISNOSE.      General: Changes are needed to this part to remove obsolete references; update the Civil Penalties in accordance with the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (Pub. L. 114-74, section 701), including adding reference to the Act in the footnotes to append to the amounts of those penalties; correct and/or remove certain phrases and terms throughout the part; and to clarify the meaning of ``designated by the party's representative'' found in 31.33(f)(2)(ii). OST's plain language review of this part indicates no need for substantial revision.

49 CFR part 32--Governmentwide Requirements for Drug-Free Workplace (Financial Assistance)

     Section 610: OST conducted review of this part and found no SEISNOSE.      General: No changes are needed to this part of the regulation. OST's plain language review of this part indicates no need for substantial revision.

49 CFR part 33--Transportation Priorities and Allocation System

     Section 610: OST conducted review of this part and found no SEISNOSE.      General: Review of this part indicates that Schedule 1 of the appendix needs to be updated to include current approved ***programs***. Additionally, Form OST F 1254--Appendix I needs to be updated with an OMB Control Number. OST's plain language review of this part indicates no need for substantial revision.

49 CFR part 37--Transportation Services for Individuals With Disabilities (ADA)

     Section 610: OST conducted a Section 610 review of this part and found no SEISNOSE.      General: No changes are needed. These regulations are cost effective and impose the least burden. OST's plain language review of these rules indicates no need for substantial revision.

49 CFR part 38--Americans With Disabilities Act (ADA) Accessibility Specifications for Transportation Vehicles

     Section 610: OST conducted a Section 610 review of this part and found no SEISNOSE.      General: No changes are needed. These regulations are cost effective and impose the least burden. OST's plain language review of these rules indicates no need for substantial revision.

49 CFR part 39--Transportation for Individuals With Disabilities: Passenger Vessels

     Section 610: OST conducted a Section 610 review of this part and found no SEISNOSE.      General: No changes are needed. These regulations are cost effective and impose the least burden. OST's plain language review of these rules indicates no need for substantial revision.

49 CFR part 41--Seismic Safety

     Section 610: OST conducted review of this part and found no SEISNOSE.      General: Review of this part indicates that this part needs to be updated for consistency with Executive Order 13717, February 2, 2016, which repealed the underlying Executive Order 12699. OST's plain language review of this part indicates no need for substantial revision.

49 CFR part 71--Standard Time Zone Boundaries

     Section 610: No SEISNOSE. No small entities are affected.      General: No changes are needed. These regulations are cost effective and impose the least burden. OST's plain language review of these rules indicates no need for substantial revision.

49 CFR part 79--Medals of Honor

     Section 610: OST conducted a Section 610 review of this part and found no SEISNOSE.      General: No changes are needed. These regulations are cost effective and impose the least burden. OST's plain language review of these rules indicates no need for substantial revision.

49 CFR part 80--Credit Assistance for Surface Transportation Projects

     Section 610: OST conducted a section 610 review of this part and found no SEISNOSE.      General: No changes are needed. This regulation is cost effective and imposes the least burden. OST's plain language review of this rule indicates no need for substantial revision.

49 CFR part 89--Implementation of Federal Claims Collection Act

     Section 610: OST conducted review of this part and found no SEISNOSE.      General: Review of this part outlined that numerous cross- references to statutes and regulations should be updated to ensure the references are current and that the DOT's regulations are consistent with those references; this includes removing any obsolete references to regulations or statutes that have been rescinded. OST's plain language review of this part indicates no need for substantial revision.

***Year*** 1 (Fall 2018) List of Rules That Will Be Analyzed During the Next ***Year*** 49 CFR part 91--International Air Transportation Fair Competitive Practices 49 CFR part 92--Recovering Debts to the United States by Salary Offset 49 CFR part 93--Aircraft Allocation 49 CFR part 98--Enforcement of Restrictions on Post-Employment Activities 49 CFR part 99--Employee Responsibilities and Conduct 14 CFR part 200--Definitions and Instructions 14 CFR part 201--Air Carrier Authority under Subtitle VII of Title 49 of the United States Code [Amended] 14 CFR part 203--Waiver of Warsaw Convention Liability Limits and Defenses 14 CFR part 204--Data to Support Fitness Determinations 14 CFR part 205--Aircraft Accident Liability Insurance 14 CFR part 206--Certificates of Public Convenience and Necessity: Special Authorizations and Exemptions 14 CFR part 207--Charter Trips by U.S Scheduled Air Carriers 14 CFR part 208--Charter Trips by U.S Charter Air Carriers 14 CFR part 211--Applications for Permits to Foreign Air Carriers 14 CFR part 212--Charter Rules for U.S and Foreign Direct Air Carriers 48 CFR part 1201--Federal Acquisition Regulations System 48 CFR part 1202--Definitions of Words and Terms

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48 CFR part 1203--Improper Business Practices and Personal Conflicts of Interest 48 CFR part 1204--Administrative Matters 48 CFR part 1205--Publicizing Contract Actions 48 CFR part 1206--Competition Requirements 48 CFR part 1207--Acquisition Planning 48 CFR part 1208-1210--[Reserved] 48 CFR part 1211--Describing Agency Needs 48 CFR part 1212--[Reserved] 48 CFR part 1213--Simplified Acquisition Procedures 48 CFR part 1214--Sealed Bidding 48 CFR part 1215--Contracting by Negotiation 48 CFR part 1216--Types of Contracts 48 CFR part 1217--Special Contracting Methods 48 CFR part 1218--[Reserved] 48 CFR part 1219--Small Business ***Programs*** 48 CFR part 1220-1221--[Reserved] 48 CFR part 1222--Application of Labor Laws to Government Acquisitions 48 CFR part 1223--Environment, Energy and Water Efficiency, Renewable Energy Technologies, Occupational Safety, and Drug-Free Workplace 48 CFR part 1224--Protection of Privacy and Freedom of Information

Federal Aviation Administration

Section 610 and Other Reviews     The Federal Aviation Administration (FAA) has elected to use the two-step, two-***year*** process used by most Department of Transportation (DOT) modes in past plans. As such, the FAA has divided its rules into 10 groups as displayed in the table below. During the first ***year*** (the ``analysis ***year***''), all rules published during the previous 10 ***years*** within a 10% block of the regulations will be analyzed to identify those with a significant economic impact on a substantial number of small entities (SEISNOSE). During the second ***year*** (the ``review ***year***''), each rule identified in the analysis ***year*** as having a SEISNOSE will be reviewed in accordance with Section 610(b) to determine if it should be continued without change or changed to minimize impact on small entities. Results of those reviews will be published in the DOT Semiannual Regulatory Agenda.

------------------------------------------------------------------------                          Regulations to          ***Year***              be reviewed     Analysis ***year***    Review ***year*** ------------------------------------------------------------------------ 1.....................  14 CFR parts 119            2018            2019                          through 129 and                          parts 150                          through 156. 2.....................  14 CFR parts 133            2019            2020                          through 139 and                          parts 157                          through 169. 3.....................  14 CFR parts 141            2020            2021                          through 147 and                          parts 170                          through 187. 4.....................  14 CFR parts 189            2021            2022                          through 198 and                          parts 1 through                          16. 5.....................  14 CFR parts 17             2022            2023                          through 33. 6.....................  14 CFR parts 34             2023            2024                          through 39 and                          parts 400                          through 405. 7.....................  14 CFR parts 43             2024            2025                          through 49 and                          parts 406                          through 415. 8.....................  14 CFR parts 60             2025            2026                          through 77. 9.....................  14 CFR parts 91             2026            2027                          through 105. 10....................  14 CFR parts 417            2027            2028                          through 460. ------------------------------------------------------------------------

Background on the Regulatory Flexibility Act     The Regulatory Flexibility Act of 1980 as amended (RFA), (sections 601 through 612 of title 5, United States Code (5 U.S.C )) requires Federal regulatory agencies to analyze all proposed and final rules to determine their economic impact on small entities, which includes small businesses, small organizations, and small governmental jurisdictions. The primary purpose of the RFA is to establish as a principle of regulatory issuance that Federal agencies endeavor, consistent with the objectives of the rule and applicable statutes, to fit regulatory and informational requirements to the scale of entities subject to the regulation. The FAA performed the required RFA analyses of each final rulemaking action and amendment it has initiated since enactment of the RFA in 1980.     Section 610 of 5 U.S.C requires government agencies to periodically review all regulations that will have a SEISNOSE. The FAA must analyze each rule within 10 ***years*** of its publication date. Defining SEISNOSE     The RFA does not define ``significant economic impact.'' Therefore, there is no clear rule or number to determine when a significant economic impact occurs. However, the Small Business Administration (SBA) states that significance should be determined by considering the size of the business, the size of the competitor's business, and the impact the same regulation has on larger competitors.     Likewise, the RFA does not define ``substantial number.'' However, the legislative history of the RFA suggests that a substantial number must be at least one but does not need to be an overwhelming percentage such as more than half. The SBA states that the substantiality of the number of small businesses affected should be determined on an industry-specific basis.     This analysis consisted of the following three steps:     1. Review of the number of small entities affected by the amendments to parts 119 through 129 and parts 150 through 156.     2. Identification and analysis of all amendments to parts 119 through 129 and parts 150 through 156 since 2008 to determine whether any still have or now have a SEISNOSE.     3. Review of the FAA's regulatory flexibility assessment of each amendment performed as required by the RFA. ***Year*** 2 (2019) List of Rules To Be Analyzed the Next ***Year*** 14 CFR part 133--Rotorcraft External-Load Operations 14 CFR part 135--Operating Requirements: Commuter and On Demand Operations and Rules Governing Persons on Board Such Aircraft 14 CFR part 136--Commercial Air Tours and National Parks Air Tour Management 14 CFR part 137--***Agricultural*** Aircraft Operations 14 CFR part 139--Certification of Airports 14 CFR part 157--Notice of Construction, Alteration, Activation, and Deactivation of Airports 14 CFR part 158--Passenger Facility Charges 14 CFR part 161--Notice and Approval of Airport Noise and Access Restrictions 14 CFR part 169--Expenditure of Federal Funds for Nonmilitary Airports or Air Navigation Facilities Thereon

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***Year*** 1 (2018) List of Rules Analyzed and Summary of Results 14 CFR part 119--Certification: Air Carriers and Commercial Operators

     Section 610: The agency conducted a Section 610 review of this part and found no SEISNOSE.      General: No changes are needed. These regulations are cost effective and impose the least burden.

14 CFR part 120--Drug and Alcohol Testing ***Programs***

     Section 610: The agency conducted a Section 610 review of this part and found Docket No. FAA-2008-0937, 74 FR 22653, May 14, 2009, as amended by Amendment 120-2, 79 FR 9973, Feb. 21, 2014 of section 120.105, Employees Who Must Be Tested, and Docket No. FAA-2008- 0937, 74 FR 22653, May 14, 2009, as amended by Amendment 120-2, 79 FR 9973, Feb. 21, 2014 of section 120.215, Covered Employees in CFR 120, trigger SEISNOSE within the meaning of the RFA.      General: No revisions are needed. The FAA has considered a number of alternatives and has taken steps to minimize the impact on small entities in attempts to lower compliance costs for small entities, but could not go forward without compromising the safety for the industry.

14 CFR part 121--Operating Requirements: Domestic, Flag, and Supplemental Operations

     Section 610: The agency conducted a Section 610 review of this part and found Docket No. FAA-2008-0677, 78 FR 67836, Nov. 12, 2013; Docket No. 9509, 35 FR 90, Jan. 3, 1970, as amended by Amendment 121-366, 78 FR 67836, Nov. 12, 2013; Docket No. FAA-2008-0677, 78 FR 67837, Nov. 12, 2013; Amendment 121-366, 78 FR 67837, Nov. 12, 2013; 62 FR 3739, Jan. 24, 1997, as amended by Amendment 121-366, 78 FR 67838, Nov. 12, 2013; Docket No. FAA-2010-0100, 78 FR 42377, July 15, 2013, as amended by Amendment 121-366, 78 FR 67839, Nov. 12, 2013; Amendment 121-357, 77 FR 402, Jan. 4, 2012; Docket No. FAA-2009-1093, 77 FR 402, Jan. 4, 2012; Docket No. FAA-2002-12461, 71 FR 63640, Oct. 30, 2006, as amended by Amendment 121-365, 78 FR 42379, July 15, 2013 in CFR 121 trigger SEISNOSE within the meaning of the RFA.      General: No revisions are needed. The FAA has considered a number of alternatives and has taken steps to minimize the impact on small entities in attempts to lower compliance costs for small entities, but could not go forward without compromising the safety for the industry.

14 CFR part 125--Certification and Operations: Airplanes Having a Seating Capacity of 20 or More Passengers or a Maximum Payload Capacity of 6,000 Pounds or More, and Rules Governing Persons on Board Such Aircraft

     Section 610:      General:

14 CFR part 129--Operations: Foreign Air Carriers and Foreign Operators of U.S -Registered Aircraft Engaged in Common Carriage

     Section 610:      General:

14 CFR part 150--Airport Noise Compatibility Planning

     Section 610: The agency conducted a Section 610 review of this part and found no SEISNOSE.      General: No changes are needed. These regulations are cost effective and impose the least burden.

14 CFR part 151--Federal Aid to Airports

     Section 610: The agency conducted a Section 610 review of this part and found no SEISNOSE.      General: No changes are needed. These regulations are cost effective and impose the least burden.

14 FR part 152--Airport Aid ***Program***

     Section 610: The agency conducted a Section 610 review of this part and found no SEISNOSE.      General: No changes are needed. These regulations are cost effective and impose the least burden.

14 CFR part 153--Airport Operations

     Section 610: The agency conducted a Section 610 review of this part and found no SEISNOSE.      General: No changes are needed. These regulations are cost effective and impose the least burden.

14 CFR part 155--Release of Airport Property from Surplus Property Disposal Restrictions

     Section 610: The agency conducted a Section 610 review of this part and found no SEISNOSE.      General: No changes are needed. These regulations are cost effective and impose the least burden.

14 CFR part 156--State Block Grant Pilot ***Program***

     Section 610: The agency conducted a Section 610 review of this part and found no SEISNOSE.      General: No changes are needed. These regulations are cost effective and impose the least burden.

Federal Highway Administration

Section 610 and Other Reviews

------------------------------------------------------------------------                          Regulations to          ***Year***              be reviewed     Analysis ***year***    Review ***year*** ------------------------------------------------------------------------ 1.....................  None............            2018            2019 2.....................  23 CFR parts 1              2019            2020                          to 260. 3.....................  23 CFR parts 420            2020            2021                          to 470. 4.....................  23 CFR part 500.            2021            2022 5.....................  23 CFR parts 620            2022            2023                          to 637. 6.....................  23 CFR parts 645            2023            2024                          to 669. 7.....................  23 CFR parts 710            2024            2025                          to 924. 8.....................  23 CFR parts 940            2025            2026                          to 973. 9.....................  23 CFR parts                2026            2027                          1200 to 1252. 10....................  New parts and               2027            2028                          subparts. ------------------------------------------------------------------------

Federal-Aid Highway ***Program***     The Federal Highway Administration (FHWA) has adopted regulations in title 23 of the CFR, chapter I, related to the Federal-Aid Highway ***Program***. These regulations implement and carry out the provisions of Federal law relating to the administration of Federal aid for highways. The primary law authorizing Federal aid for highways is chapter I of title 23 of the U.S.C 145, which expressly provides for a federally assisted State ***program***. For this reason, the regulations adopted by the FHWA in title 23 of the CFR primarily relate to the requirements that States must meet to receive Federal funds for construction and other work related to highways. Because the regulations in title 23 primarily relate to States, which are not defined as small entities under the Regulatory Flexibility Act, the FHWA believes that its regulations in title 23 do not have a significant economic

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impact on a substantial number of small entities. The FHWA solicits public comment on this preliminary conclusion. ***Year*** 10 (Fall 2017) List of Rules Analyzed and a Summary of Results 23 CFR part 490--National Performance Management Measures

     Section 610: No SEISNOSE. No small entities are affected.      General: No changes are needed. These regulations are cost effective and impose the least burden. FHWA's plain language review of these rules indicates no need for substantial revision. The FHWA recently repealed one of the original performance measures on May 31, 2018, at 83 FR 24920.

23 CFR part 505--Projects of National and Regional Significance Evaluation and Rating

     Section 610: No SEISNOSE. No small entities are affected.      General: No changes are needed. These regulations are cost effective and impose the least burden. FHWA's plain language review of these rules indicates no need for substantial revision.

23 FR part 511--Real-Time System Management Information ***Program***

     Section 610: No SEISNOSE. No small entities are affected.      General: No changes are needed. These regulations are cost effective and impose the least burden. FHWA's plain language review of these rules indicates no need for substantial revision.

23 CFR part 515--Asset Management Plans

     Section 610: No SEISNOSE. No small entities are affected.      General: No changes are needed. These regulations are cost effective and impose the least burden. FHWA's plain language review of these rules indicates no need for substantial revision.

23 CFR part 635--Subpart E--Construction Manager/General Contractor (CM/GC) Contracting

     Section 610: No SEISNOSE. No small entities are affected.      General: No changes are needed. These regulations are cost effective and impose the least burden. FHWA's plain language review of these rules indicates no need for substantial revision.

23 CFR part 650--Subpart E--National Tunnel Inspection Standards

     Section 610: No SEISNOSE. No small entities are affected.      General: No changes are needed. These regulations are cost effective and impose the least burden. FHWA's plain language review of these rules indicates no need for substantial revision.

23 CFR part 667--Periodic Evaluation of Facilities Repeatedly Requiring Repair and Reconstruction Due to Emergency Events

     Section 610: No SEISNOSE. No small entities are affected.      General: No changes are needed. These regulations are cost effective and impose the least burden. FHWA's plain language review of these rules indicates no need for substantial revision.

23 CFR part 950--Electronic Toll Collection

     Section 610: No SEISNOSE. No small entities are affected.      General: No changes are needed. These regulations are cost effective and impose the least burden. FHWA's plain language review of these rules indicates no need for substantial revision. ***Year*** 1 (Fall 2018) List of Rules That Will Be Analyzed During the Next ***Year*** None.

Federal Motor Carrier Safety Administration

Section 610 and Other Reviews

------------------------------------------------------------------------                          Regulations to          ***Year***              be reviewed     Analysis ***year***    Review ***year*** ------------------------------------------------------------------------ 1.....................  49 CFR parts 386            2018            2019                          and 395. 2.....................  49 CFR part 385.            2019            2020 3.....................  49 CFR part 382.            2020            2021 4.....................  49 CFR parts 380            2021            2022                          and 383. 5.....................  49 CFR part 387.            2022            2023 6.....................  49 CFR part 398.            2023            2024 7.....................  49 CFR part 392.            2024            2025 8.....................  49 CFR part 375.            2025            2026 9.....................  49 CFR part 367.            2026            2027 10....................  49 CFR part 395.            2027            2028 ------------------------------------------------------------------------

***Year*** 1 (Fall 2018) List of Rules That Will Be Analyzed During the Next ***Year*** 49 CFR part 395--Hours of Service (HOS) of Drivers

    (Note: The analysis of this regulation is continued from ***year*** 10 (fall 2017) to ***year*** 1 (fall 2018) of the new review schedule.      Section 610: There is a SEIOSNOSE. The Federal HOS regulations promote safe driving of commercial motor vehicles by limiting on-duty driving time, thereby improving the likelihood that drivers have adequate time for restorative rest. Although this rule drives a SEISNOSE, it also drives significant benefits to small business. Tangible benefits include streamlined operations, reduced operational cost, maximized productivity, lower insurance, improved vehicle diagnostics, reduced administrative burden, and increased profits.      General: The regulatory value of restricting fatigue- related operations will save lives and reduce injuries. These regulations are written consistent with plain language guidelines, and uses clear and unambiguous language. The Agency is currently considering changes to the hours of service regulations that would improve operational flexibilities for motor carriers without a deleterious effect on safety.

49 CFR part 386--Rules of practice for motor carrier, intermodal equipment provider, broker, freight forwarder, and hazardous materials proceedings

National Highway Traffic Safety Administration

Section 610 and Other Reviews

------------------------------------------------------------------------                          Regulations to          ***Year***              be reviewed     Analysis ***year***    Review ***year*** ------------------------------------------------------------------------ 1.....................  49 CFR parts                2018            2019                          571.214 through                          571.219, except                          571.217                         49 FR parts 591                          through 595 and                          new parts and                          subparts. 2.....................  23 CFR parts                2019            2020                          1200 and 1300.                         49 CFR parts                          571.223 through                          571.500, 575                          and 579.23

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  3.....................  49 CFR parts 501            2020            2021                          through 526 and                          571.213 4.....................  49 CFR parts                2021            2022                          571.131,                          571.217,                          571.220,                          571.221, and                          571.222 5.....................  49 CFR parts                2022            2023                          571.101 through                          571.110, and                          571.135,                          571.136,                          571.138 and                          571.139 6.....................  49 CFR parts                2023            2024                          571.141, 529                          through 578,                          except parts                          571 and 575. 7.....................  49 CFR parts                2024            2025                          571.111 through                          571.129 and 580                          through 588. 8.....................  49 parts CFR                2025            2026                          571.201 through                          571.212 9.....................  49 parts CFR                2026            2027                          571.214 through                          571.219, except                          571.217 10....................  49 CFR parts 591            2027            2028                          through 595 and                          new parts and                          subparts. ------------------------------------------------------------------------

***Year*** 1 (Fall 2018) List of Rules That Will Be Analyzed During the Next ***Year*** 49 CFR part 571.214--Side Impact Protection 49 CFR part 571.215--[Reserved] 49 CFR part 571.216--Roof Crush Resistance; Applicable Unless a Vehicle Is Certified to 571.216a 49 CFR part 571.216a--Roof Crush Resistance; Upgraded Standard 49 CFR part 571.218--Motorcycle Helmets 49 CFR part 571.219--Windshield Zone Intrusion 49 CFR part 591--Importation of Vehicles and Equipment Subject to Federal Safety, Bumper and Theft Prevention Standards 49 CFR part 592--Registered Importers of Vehicles Not Originally Manufactured to Conform to the Federal Motor Vehicle Safety Standards 49 CFR part 593--Determinations That a Vehicle Not Originally Manufactured to Conform to the Federal Motor Vehicle Safety Standards is Eligible for Importation 49 CFR part 594--Schedule of Fees Authorized by 49 U.S.C 30141 49 CFR part 595--Make Inoperative Exemptions

Federal Railroad Administration

Section 610 and Other Reviews

------------------------------------------------------------------------                          Regulations to          ***Year***              be reviewed     Analysis ***year***    Review ***year*** ------------------------------------------------------------------------ 1.....................  49 CFR parts                2018            2019                          200, 207, 209,                          and 210. 2.....................  49 CFR parts                2019            2020                          211, 212, 213,                          214, and 215. 3.....................  49 CFR parts                2020            2021                          216, 217, 218,                          219, and 220. 4.....................  49 CFR parts                2021            2022                          221, 222, 223,                          224, and 225. 5.....................  49 CFR parts                2022            2023                          227, 228, 229,                          230, and 231. 6.....................  49 CFR parts                2023            2024                          232, 233, 234,                          235, and 236. 7.....................  49 CFR parts                2024            2025                          237, 238, 249,                          240, and 241. 8.....................  49 CFR parts                2025            2026                          242, 243, 244,                          250, and 256. 9.....................  49 CFR parts                2026            2027                          261, 262, 264,                          266, and 268. 10....................  49 CFR parts                2027            2028                          269, 270, and                          272. ------------------------------------------------------------------------

***Year*** 10 (Fall 2017) List of Rules Analyzed and a Summary of Results 49 FR part 213--Track Safety Standards

     Section 610: This rule appears to have a significant economic impact on a substantial number of small entities (SEISNOSE). These small entities are approximately 735 short line railroads. However, the FRA will conduct a formal review to identify whether opportunities may exist to reduce the burden on small railroads without compromising safety standards.      General: The rule prescribes minimum safety requirements for railroad track that is part of the general railroad system of transportation. The objective of the rule is to enhance the safety of rail transportation, protecting both those traveling and working on the system and those off the system who might be adversely affected by a rail incident. FRA's plain language review of this rule indicates no need for substantial revision.

49 CFR part 220--Railroad Communications

     Section 610: This rule has significant economic impact on a substantial number of small entities. However, the actual burden on most of these railroads varies because of their different operating characteristics. Entities that are not subject to this rule include railroads that do not operate on the general railroad system of transportation. The communication requirements of this rule have been designed to minimize the impact on small railroads. For instance, while large railroads are required to have a working radio and wireless communication redundancy in every train, small railroads are only required to comply with this standard for trains used to transport passengers. However, the FRA will conduct a formal review to identify whether opportunities may exist to reduce the burden on small railroads without compromising safety standards.      General: The rule prescribes minimum requirements governing the use of wireless communications in connection with railroad operations. Uniform standard communications procedures and requirements throughout the railroad industry are necessary to ensure the protection and safety of railroad employees and the general public, and to minimize the number of casualties. FRA's plain language review of this rule indicates no need for substantial revision.

49 CFR part 230--Steam Locomotive Inspection and Maintenance Records

     Section 610: There is no SEISNOSE.      General: The rule prescribes minimum Federal safety standards of inspection and maintenance for all steam locomotive operated on railroads. These requirements are necessary to ensure the protection and safety of railroad employees and the general public and to minimize the number of casualties. FRA's plain language review of this rule indicates no need for substantial revision.

49 CFR part 232--Brake System Safety Standards for Freight and Other Non-Passenger Trains and Equipment; End of Train Devices

     Section 610: This rule has significant economic impact on a substantial number of small entities. About 700 small railroads are subject to this rule. However, the actual burden on most of these small entities varies depending on their operating

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characteristics. FRA is currently evaluating this rule to determine if changes need to be made because of technological developments in the systems affected by this rule.      General: The rule prescribes minimum Federal safety standards for freight and other non-passenger train brake systems, as well as requirements for all trains that use end-of-train devices. This rule governs critical safety systems of the train and therefore continues to be needed. To FRA's knowledge, it does not overlap or conflict with other rules. Furthermore, FRA's plain language review of this rule indicates no need for substantial revision.

49 CFR part 239--Passenger Train Emergency Preparedness

     Section 610: There is no SEISNOSE.      General: The rule prescribes minimum Federal safety standards for the preparation, adoption and implementation of emergency preparedness plans by railroads. These requirements are necessary to ensure the protection and safety of railroad passengers and employees, as well as the general public, and to minimize the number of casualties. FRA's plain language review of this rule indicates no need for substantial revision.

49 CFR part 240--Qualification and Certification of Locomotive Engineers

     Section 610: There is no SEISNOSE.      General: The purpose of this rule is to prescribes minimum Federal safety standards for the eligibility, training, testing, certification and monitoring of locomotive engineers. FRA's plain language review of this rule indicates no need of substantial revision. ***Year*** 1 (Fall 2018) List of Rule(s) That Will Be Analyzed During Next ***Year*** 49 CFR part 200--Informal Rules of Practice for Passenger Service 49 CFR part 207--Railroad Police Officers 49 CFR part 209--Railroad Safety Enforcement Procedures 49 CFR part 210--Railroad Noise Emission Compliance

Federal Transit Administration

Section 610 and Other Reviews     The Regulatory Flexibility Act of 1980 (RFA), as amended (sections 601 through 612 of title 5, United States Code), requires Federal regulatory agencies to analyze all proposed and final rules to determine their economic impact on small entities, which include small businesses, organizations, and governmental jurisdictions. Section 610 requires government agencies to periodically review all regulations that will have a significant economic impact on a substantial number of small entities (SEISNOSE).     In complying with this section, the Federal Transit Administration (FTA) has elected to use the two-step, two-***year*** process used by most Department of Transportation (DOT) modes. As such, FTA has divided its rules into 10 groups as displayed in the table below. During the analysis ***year***, the listed rules will be analyzed to identify those with a SEISNOSE. During the review ***year***, each rule identified in the analysis ***year*** as having a SEISNOSE will be reviewed in accordance with Section 610(b) to determine if it should be continued without change or changed to minimize the impact on small entities.

------------------------------------------------------------------------                          Regulations to          ***Year***              be reviewed     Analysis ***year***    Review ***year*** ------------------------------------------------------------------------ 1.....................  49 CFR parts                2018            2019                          604, 605, and                          624. 2.....................  49 CFR parts 609            2019            2020                          and 640. 3.....................  49 CFR part 633.            2020            2021 4.....................  49 CFR part 611.            2021            2022 5.....................  49 CFR part 655.            2022            2023 6.....................  49 CFR parts 602            2023            2024                          and 614. 7.....................  49 CFR parts 661            2024            2025                          and 663. 8.....................  49 CFR parts                2025            2026                          625, 630, and                          665. 9.....................  49 CFR parts                2026            2027                          613, 622, 670                          and 674. 10....................  49 CFR parts                2027            2028                          650, 672 and                          673. ------------------------------------------------------------------------

***Year*** 10 (2018) List of Rules Analyzed and Summary of Results 49 CFR part 665--Bus Testing

     Section 610: Pursuant to Section 20014 of the Moving Ahead for Progress in the 21st Century Act (MAP-21), FTA issued a new pass/ fail standard and new aggregated scoring system for buses and modified vans that are subject to FTA's bus testing ***program***. FTA conducted a Section 610 review of part 665, as amended (81 FR 50637, August 1, 2016), and determined that it would not result in a SEISNOSE within the meaning of the RFA. In evaluating the likely effects of the rule, FTA acknowledged the compliance costs to bus manufacturers, some of whom may meet the definition of ``small entity,'' but noted that Congress authorized FTA to pay 80% of a bus manufacturer's testing fee, defraying the direct financial impact on these small entities.      General: No changes are needed. The regulation implements the requirements of 49 U.S.C 5318. FTA estimated the costs and projected benefits of the rule and believes it is cost-effective and imposes the least burden for statutory compliance. FTA's plain language review of this rule indicates no need for substantial revision. ***Year*** 1 (2019) List of Rules To Be Analyzed the Next ***Year*** 49 CFR part 604--Charter Service 49 CFR part 605--School Bus Operations 49 CFR part 624--Clean Fuels Grant ***Program***

Maritime Administration

Section 610 and Other Reviews

------------------------------------------------------------------------                          Regulations to          ***Year***              be reviewed     Analysis ***year***    Review ***year*** ------------------------------------------------------------------------ 1.....................  46 CFR parts 201            2018            2019                          through 205, 46                          CFR parts 315                          through 340, 46                          CFR part 345                          through 347,                          and 46 CFR                          parts 381 and                          382. 2.....................  46 CFR parts 221            2019            2020                          through 232. 3.....................  46 CFR parts 249            2020            2021                          through 296. 4.....................  46 CFR parts                2021            2022                          221, 298, 308,                          and 309. 5.....................  46 CFR parts 307            2022            2023                          through 309. 6.....................  46 CFR part 310.            2023            2024

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  7.....................  46 CFR parts 315            2024            2025                          through 340. 8.....................  46 CFR parts 345            2025            2026                          through 381. 9.....................  46 CFR parts 382            2026            2027                          through 389. 10....................  46 CFR parts 390            2027            2028                          through 393. ------------------------------------------------------------------------

***Year*** 10 (2017) List of Rules Analyzed and a Summary of Results 46 CFR part 390--Capital Construction Fund Implementing Regulations

     Section 610: There is no SEIOSNOSE.      General: The purpose of this rule is to govern the capital construction fund ***program*** authorized by 46 U.S.C 53501. The Agency has determined that the rule is cost-effective and imposes the least possible burden on small entities. MARAD's plain language review of this rule indicates no need of substantial revision. 46 CFR part 391--Federal Income Tax Aspects of the Capital Construction Fund.      Section 610: There is no SEIOSNOSE.      General: The purpose of this rule is to govern tax aspects of the capital construction fund ***program***. The Agency has determined that the rule is cost-effective and imposes the least possible burden on small entities. MARAD's plain language review of this rule indicates no need of substantial revision.

46 CFR part 392--Reserved 46 CFR part 393--America's Marine Highway ***Program***

     Section 610 review: There is no SEIOSNOSE.      General: The Agency published a final rule to implement statutory updates and clarify applicant procedures. MARAD's plain language review of this rule indicated that a substantial revision to the part was needed. ***Year*** 1 (2018) List of Rules That Will Be Analyzed During the Next ***Year*** 46 CFR part 201--Rules of Practice And Procedure 46 CFR part 202--Procedures relating to review by Secretary of Transportation of actions by Maritime Subsidy Board 46 CFR part 203--Procedures relating to conduct of certain hearings under the Merchant Marine Act, 1936, as amended 46 CFR part 204--Claims against the Maritime Administration under the Federal Tort Claims Act 46 CFR part 205--Audit Appeals; Policy and Procedure 46 CFR part 315--Agency Agreements and Appointment of Agents 46 CFR part 317--Bonding of Ship's Personnel 46 CFR part 324--Procedural Rules for Financial Transactions Under Agency Agreements 46 CFR part 325--Procedure to Be Followed by General Agents in Preparation of Invoices and ***Payment*** of Compensation Pursuant To Provisions of NSA Order No. 47 46 CFR part 326--Marine Protection and Indemnity Insurance Under Agreements with Agents 46 CFR part 327--Seamen's Claims; Administrative Action and Litigation 46 CFR part 328-- Slop Chests 46 CFR part 329--Voyage Data 46 CFR part 330--Launch Services 46 CFR part 332--Repatriation of Seamen 46 CFR part 335--Authority and Responsibility of General Agents to Undertake Emergency Repairs in Foreign Ports 46 CFR part 336--Authority and Responsibility of General Agents to Undertake in Continental United States Ports Voyage Repairs and Service Equipment of Vessels Operated for the Account of The National Shipping Authority Under General Agency Agreement 46 CFR part 337--General Agent's Responsibility in Connection with Foreign Repair Custom's Entries 46 CFR part 338--Procedure for Accomplishment of Vessel Repairs Under National Shipping Authority Master Lump Sum Repair Contract--NSA- Lumpsumrep 46 CFR part 339--Procedure for Accomplishment of Ship Repairs Under National Shipping Authority Individual Contract for Minor Repairs--NSA- Worksmalrep 46 CFR part 340--Priority Use and Allocation of Shipping Services, Containers and Chassis, and Port Facilities and Services for National Security and National Defense Related Operations 46 CFR part 345--Restrictions Upon the ***Transfer*** or Change in Use or in Terms Governing Utilization of Port Facilities 46 CFR part 346--Federal Port Controllers 46 CFR part 347--Operating Contract 46 CFR part 381--Cargo Preference--U.S -Flag Vessels 46 CFR part 382--Determination of Fair and Reasonable Rates for the Carriage of Bulk and Packaged Preference Cargoes on U.S -Flag Commercial Vessels

Pipeline and Hazardous Materials Safety Administration (PHMSA)

Section 610 and Other Reviews

------------------------------------------------------------------------                          Regulations to          ***Year***              be reviewed     Analysis ***year***    Review ***year*** ------------------------------------------------------------------------ 1.....................  49 CFR part 178.            2018            2019 2.....................  49 CFR parts 178            2019            2020                          through 180. 3.....................  49 CFR parts 172            2020            2021                          and 175. 4.....................  49 CFR part 171,            2021            2022                          sections 171.15                          and 171.16 5.....................  49 CFR parts                2022            2023                          106, 107, 171,                          190, and 195. 6.....................  49 CFR parts                2023            2024                          174, 177, and                          199. 7.....................  49 CFR parts                2024            2025                          176, 191 and                          192. 8.....................  49 CFR parts 172            2025            2026                          and 178. 9.....................  49 CFR parts                2026            2027                          172, 173, 174,                          176, 177, and                          193. 10....................  49 CFR parts 173            2027            2028                          and 194. ------------------------------------------------------------------------

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***Year*** 10 (Fall 2018) List of Rules Analyzed and a Summary of Results 49 CFR part 173--Shippers--General Requirements for Shipments and Packaging

     Section 610: PHMSA conducted a review of this part and found no SEISNOSE.      General: PHMSA has reviewed this part and found that while the part does not have a SEISNOSE, it could be streamlined to reflect new technologies and harmonize with certain international references. Therefore, even though the review indicated that the economic impact on small entities is not significant, PHMSA has initiated multiple new deregulatory rulemakings to reduce the compliance burdens of part 173. Further, PHMSA's plain language review of this part indicates no need for substantial revision. Where confusing or wordy language has been identified, PHMSA plans to propose revisions in the upcoming biennial international harmonization rulemaking or other deregulatory rulemakings.     For example, the 2137-AF32 rulemaking action is part of PHMSA's ongoing biennial process to harmonize the HMR with international regulations and standards. Federal law and policy strongly favor the harmonization of domestic and international standards for hazardous materials transportation. The Federal hazardous materials transportation law (Federal hazmat law; 49 U.S.C 5101 et seq.) directs PHMSA to participate in relevant international standard-setting bodies and promotes consistency of the HMR with international transport standards to the extent practicable. Federal hazmat law permits PHMSA to depart from international standards where appropriate, including to promote safety or other overriding public interests. However, Federal hazmat law otherwise encourages domestic and international harmonization (see 49 U.S.C 5120).     Harmonization facilitates international trade by minimizing the costs and other burdens of complying with multiple or inconsistent safety requirements for transportation of hazardous materials. Safety is enhanced by creating a uniform framework for compliance, and as the volume of hazardous materials transported in international commerce continues to grow, harmonization becomes increasingly important.     The impact that the 2137-AF32 rulemaking will have on small entities is not expected to be significant. The rulemaking will clarify provisions based on PHMSA's initiatives and correspondence with the regulated community and domestic and international stakeholders. The changes are generally intended to provide relief and, as a result, positive economic benefits to shippers, carriers, and packaging manufacturers and testers, including small entities.

49 CFR part 194--Response Plans for Onshore Oil Pipelines

     Section 610: PHMSA conducted a Section 610 review of this part and has initiated a regulatory reform rulemaking that includes provisions that are expected to reduce the compliance burden of part 194. The rulemaking is considered a deregulatory action that is expected to have the net effect of streamlining the ***program*** requirements, established in response to the Oil Pollution Act of 1990, by targeting the highest risk locations. The revisions are expected to clarify that part 194 is focused on hazardous liquid pipelines that could affect navigable waters and to create a new harm category for lower-risk areas.

 General: This part contains requirements for oil spill response plans to reduce the environmental impact of oil discharged from onshore oil pipelines. The regulation under this part is cost effective and imposes the least burden. ***Year*** 1 (Fall 2018) List of Rules That Will Be Analyzed During the Next ***Year*** 49 CFR part 178--Specifications for Packaging

Saint Lawrence Seaway Development Corporation

Section 610 and Other Reviews

------------------------------------------------------------------------                          Regulations to          ***Year***              be reviewed     Analysis ***year***    Review ***year*** ------------------------------------------------------------------------ 1.....................  \* 33 CFR parts              2018            2019                          401 through 403. ------------------------------------------------------------------------ \* The review for these regulations is recurring each ***year*** of the 10-***year***   review cycle (currently 2018 through 2027).

***Year*** 1 (Fall 2018) List of Rules That Will Be Analyzed During the Next ***Year*** 33 CFR part 401--Seaway Regulations and Rules 33 CFR part 402--Tariff of Tolls 33 CFR part 403--Rules of Procedure of the Joint Tolls Review Board

              Office of the Secretary--Proposed Rule Stage ------------------------------------------------------------------------                                                            Regulation        Sequence No.                    Title             Identifier No. ------------------------------------------------------------------------ 327.......................  + Defining Unfair or               2105-AE72                              Deceptive Practices. 328.......................  + Processing Buy America           2105-AE79                              Waivers Based on Non                              availability (Section 610                              Review) (Reg Plan Seq No.                              104). ------------------------------------------------------------------------ + DOT-designated significant regulation. References in boldface appear in The Regulatory Plan in part II of this   issue of the Federal Register.

             Federal Aviation Administration--Prerule Stage ------------------------------------------------------------------------                                                            Regulation        Sequence No.                    Title             Identifier No. ------------------------------------------------------------------------ 329.......................  + Applying the Flight,             2120-AK26                              Duty, and Rest Rules of                              14 CFR Part 135 to Tail-                              End Ferry Operations (FAA                              Reauthorization). ------------------------------------------------------------------------ + DOT-designated significant regulation.

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          Federal Aviation Administration--Proposed Rule Stage ------------------------------------------------------------------------                                                            Regulation        Sequence No.                    Title             Identifier No. ------------------------------------------------------------------------ 330.......................  Drug and Alcohol Testing           2120-AK09                              of Certain Maintenance                              Provider Employees                              Located Outside of the                              United States. 331.......................  + Applying the Flight,             2120-AK22                              Duty, and Rest                              Requirements to Ferry                              Flights That Follow                              Domestic, Flag, or                              Supplemental All-Cargo                              Operations                              (Reauthorization). 332.......................  + Pilot Records Database           2120-AK31                              (HR 5900). 333.......................  + Aircraft Registration            2120-AK37                              and Airmen Certification                              Fees. 334.......................  + Requirements to File             2120-AK77                              Notice of Construction of                              Meteorological Evaluation                              Towers and Other                              Renewable Energy Projects                              (Section 610 Review). 335.......................  + Operations of Small              2120-AK85                              Unmanned Aircraft Over                              People. ------------------------------------------------------------------------ + DOT-designated significant regulation.

            Federal Aviation Administration--Final Rule Stage ------------------------------------------------------------------------                                                            Regulation        Sequence No.                    Title             Identifier No. ------------------------------------------------------------------------ 336.......................  + Airport Safety                   2120-AJ38                              Management System. 337.......................  + Registration and Marking         2120-AK82                              Requirements for Small                              Unmanned Aircraft (Reg                              Plan Seq No. 105). ------------------------------------------------------------------------ + DOT-designated significant regulation. References in boldface appear in The Regulatory Plan in part II of this   issue of the Federal Register.

           Federal Aviation Administration--Long-Term Actions ------------------------------------------------------------------------                                                            Regulation        Sequence No.                    Title             Identifier No. ------------------------------------------------------------------------ 338.......................  + Regulation of Flight             2120-AJ78                              Operations Conducted by                              Alaska Guide Pilots. 339.......................  + Helicopter Air Ambulance         2120-AK57                              Pilot Training and                              Operational Requirements                              (HAA II) (FAA                              Reauthorization). ------------------------------------------------------------------------ + DOT-designated significant regulation.

    Federal Motor Carrier Safety Administration--Proposed Rule Stage ------------------------------------------------------------------------                                                            Regulation        Sequence No.                    Title             Identifier No. ------------------------------------------------------------------------ 340.......................  Incorporation by                   2126-AC01                              Reference; North American                              Standard Out-of-Service                              Criteria; Hazardous                              Materials Safety Permits                              (Section 610 Review). 341.......................  Controlled Substances and          2126-AC11                              Alcohol Testing: State                              Driver's Licensing Agency                              Downgrade of Commercial                              Driver's License (Section                              610 Review). ------------------------------------------------------------------------

      Federal Motor Carrier Safety Administration--Final Rule Stage ------------------------------------------------------------------------                                                            Regulation        Sequence No.                    Title             Identifier No. ------------------------------------------------------------------------ 342.......................  Commercial Learner's               2126-AB98                              Permit Validity (Section                              610 Review). ------------------------------------------------------------------------

     Federal Motor Carrier Safety Administration--Long-Term Actions ------------------------------------------------------------------------                                                            Regulation        Sequence No.                    Title             Identifier No. ------------------------------------------------------------------------ 343.......................  + Safety Monitoring System         2126-AA35                              and Compliance Initiative                              for Mexico-Domiciled                              Motor Carriers Operating                              in the United States. ------------------------------------------------------------------------ + DOT-designated significant regulation.

            Federal Railroad Administration--Final Rule Stage ------------------------------------------------------------------------                                                            Regulation        Sequence No.                    Title             Identifier No. ------------------------------------------------------------------------ 344.......................  + Passenger Equipment              2130-AC46                              Safety Standards                              Amendments (Reg Plan Seq                              No. 108). ------------------------------------------------------------------------ + DOT-designated significant regulation. References in boldface appear in The Regulatory Plan in part II of this   issue of the Federal Register.

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           Federal Railroad Administration--Long-Term Actions ------------------------------------------------------------------------                                                            Regulation        Sequence No.                    Title             Identifier No. ------------------------------------------------------------------------ 345.......................  + Train Crew Staffing and          2130-AC48                              Location. ------------------------------------------------------------------------ + DOT-designated significant regulation.

    Saint Lawrence Seaway Development Corporation--Long-Term Actions ------------------------------------------------------------------------                                                            Regulation        Sequence No.                    Title             Identifier No. ------------------------------------------------------------------------ 346.......................  Seaway Regulations and             2135-AA45                              Rules: Periodic Update,                              Various Categories                              (Rulemaking Resulting                              From a Section 610                              Review). 347.......................  Tariff of Tolls                    2135-AA46                              (Rulemaking Resulting                              From a Section 610                              Review). ------------------------------------------------------------------------

  Pipeline and Hazardous Materials Safety Administration--Proposed Rule                                   Stage ------------------------------------------------------------------------                                                            Regulation        Sequence No.                    Title             Identifier No. ------------------------------------------------------------------------ 348.......................  + Pipeline Safety:                 2137-AF06                              Amendments to Parts 192                              and 195 to Require Valve                              Installation and Minimum                              Rupture Detection                              Standards. ------------------------------------------------------------------------ + DOT-designated significant regulation.

Pipeline and Hazardous Materials Safety Administration--Final Rule Stage ------------------------------------------------------------------------                                                            Regulation        Sequence No.                    Title             Identifier No. ------------------------------------------------------------------------ 349.......................  + Pipeline Safety: Safety          2137-AE66                              of Hazardous Liquid                              Pipelines (Reg Plan Seq                              No. 111). 350.......................  + Pipeline Safety: Issues          2137-AE93                              Related to the Use of                              Plastic Pipe in Gas                              Pipeline Industry. 351.......................  + Hazardous Materials: Oil         2137-AF08                              Spill Response Plans and                              Information Sharing for                              High-Hazard Flammable                              Trains (FAST Act) (Reg                              Plan Seq No. 113). ------------------------------------------------------------------------ + DOT-designated significant regulation. References in boldface appear in The Regulatory Plan in part II of this   issue of the Federal Register.

DEPARTMENT OF TRANSPORTATION (DOT)

Office of the Secretary (OST)

Proposed Rule Stage

327. +Defining Unfair or Deceptive Practices

    E.O 13771 Designation: Deregulatory.     Legal Authority: 49 U.S.C 41712     Abstract: This rulemaking would define the phrase ``unfair or deceptive practice'' found in the Department's aviation consumer protection statute. The Department's statute is modeled after a similar statute granting the Federal Trade Commission (FTC) the authority to regulate unfair or deceptive practices. Using the FTC's policy statements as a guide, the Department has found a practice to be unfair if it causes or is likely to cause substantial harm, the harm cannot reasonably be avoided, and the harm is not outweighed by any countervailing benefits to consumers or to competition. Likewise, the Department has found a practice to be deceptive if it misleads or is likely to mislead a consumer acting reasonably under the circumstances with respect to a material issue (one that is likely to affect the consumer's decision with regard to a product or service). This rulemaking would codify the Department's existing interpretation of ``unfair or deceptive practice'' and seek comment on whether any changes are needed. The rulemaking is not expected to impose monetary costs, and will benefit regulated entities by providing a clearer understanding of the Department's interpretation of the statute.     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ NPRM................................   03/00/19 ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: Yes.     Agency Contact: Blane A. Workie, Assistant General Counsel, Department of Transportation, Office of the Secretary, 1200 New Jersey Avenue SE, Washington, DC 20590, Phone: 202-366-9342, Fax: 202-366- 7153, Email: [*blane.workie@ost.dot.gov*](mailto:blane.workie@ost.dot.gov)     RIN: 2105-AE72

328.  +Processing Buy America Waivers Based on Non Availability (Section 610 Review)

    Regulatory Plan: This entry is Seq. No. 104 in part II of this issue of the Federal Register.     RIN: 2105-AE79

BILLING CODE 4910-9X-P

DEPARTMENT OF TRANSPORTATION (DOT)

Federal Aviation Administration (FAA)

Prerule Stage

329. +Applying the Flight, Duty, and Rest Rules of 14 CFR Part 135 to Tail-End Ferry Operations (FAA Reauthorization)

    E.O 13771 Designation: Regulatory.     Legal Authority: 49 U.S.C 106(g); 49 U.S.C 1153; 49 U.S.C 40101; 49 U.S.C 40102; 49 U.S.C 40103; 49 U.S.C 40113; 49 U.S.C 41706; 49 U.S.C 44105; 49 U.S.C 44106; 49 U.S.C 44111; 49 U.S.C 44701 to 44717; 49 U.S.C 44722; 49 U.S.C 44901; 49 U.S.C 44903; 49 U.S.C 44904; 49 U.S.C

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44906; 49 U.S.C 44912; 49 U.S.C 44914; 49 U.S.C 44936; 49 U.S.C 44938; 49 U.S.C 45101 to 45105; 49 U.S.C 46103     Abstract: This rulemaking would require a flightcrew member who is employed by an air carrier conducting operations under part 135, and who accepts an additional assignment for flying under part 91 from the air carrier or from any other air carrier conducting operations under part 121 or 135, to apply the period of the additional assignment toward any limitation applicable to the flightcrew member relating to duty periods or flight times under part 135.     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ ANPRM...............................   01/00/19 ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: Yes.     Agency Contact: Dale Roberts, Department of Transportation, Federal Aviation Administration, 800 Independence Ave. SW, Washington, DC 20591, Phone: 202-267-5749, Email: [*dale.roberts@faa.gov*](mailto:dale.roberts@faa.gov)     RIN: 2120-AK26

DEPARTMENT OF TRANSPORTATION (DOT)

Federal Aviation Administration (FAA)

Proposed Rule Stage

330. Drug and Alcohol Testing of Certain Maintenance Provider Employees Located Outside of the United States

    E.O 13771 Designation: Fully or Partially Exempt.     Legal Authority: 14 CFR; 49 U.S.C 106(g); 49 U.S.C 40113; 49 U.S.C 44701; 49 U.S.C 44702; 49 U.S.C 44707; 49 U.S.C 44709; 49 U.S.C 44717     Abstract: This rulemaking would require controlled substance testing of some employees working in repair stations located outside the United States. The intended effect is to increase participation by companies outside of the United States in testing of employees who perform safety critical functions and testing standards similar to those used in the repair stations located in the United States. This action is necessary to increase the level of safety of the flying public. This rulemaking is a statutory mandate under section 308(d) of the FAA Modernization and Reform Act of 2012 (Pub. L. 112-95).     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ ANPRM...............................   03/17/14  79 FR 14621 Comment Period Extended.............   05/01/14  79 FR 24631 ANPRM Comment Period End............   05/16/14  ....................... Comment Period End..................   07/17/14  ....................... NPRM................................   12/00/18 ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: Yes.     Agency Contact: Vicky Dunne, Department of Transportation, Federal Aviation Administration, 800 Independence Ave. SW, Washington, DC 20591, Phone: 202-267-8522, Email: [*vicky.dunne@faa.gov*](mailto:vicky.dunne@faa.gov)     RIN: 2120-AK09

331. +Applying the Flight, Duty, and Rest Requirements to Ferry Flights That Follow Domestic, Flag, or Supplemental All-Cargo Operations (Reauthorization)

    E.O 13771 Designation: Regulatory.     Legal Authority: 49 U.S.C 106(g); 49 U.S.C 40113; 49 U.S.C 40119; 49 U.S.C 41706; 49 U.S.C 44101; 49 U.S.C 44701; 49 U.S.C 44702; 49 U.S.C 44705; 49 U.S.C 44709 to 44711; 49 U.S.C 44713; 49 U.S.C 44716; 49 U.S.C 44717     Abstract: This rulemaking would apply the flight, duty, and rest requirements for domestic, flag and supplemental operations to ferry flights that follow domestic, flag or supplemental all-cargo operations. A ferry flight that follows a domestic, flag or supplemental all-cargo operation would be subject to the same flight, duty, and rest rules as the all-cargo operation it follows. This rule is necessary as it would make part 121 flight, duty, and rest limits applicable to tail-end ferry flights that follow an all-cargo flight.     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ NPRM................................   05/00/19 ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: Yes.     Agency Contact: Dale Roberts, Department of Transportation, Federal Aviation Administration, 800 Independence Ave. SW, Washington, DC 20591, Phone: 202-267-5749, Email: [*dale.roberts@faa.gov*](mailto:dale.roberts@faa.gov)     RIN: 2120-AK22

332. +Pilot Records Database (HR 5900)

    E.O 13771 Designation: Regulatory.     Legal Authority: 49 U.S.C 106(g); 49 U.S.C 1155; 49 U.S.C 40103; 49 U.S.C 40113; 49 U.S.C 40119; 49 U.S.C 40120; 49 U.S.C 41706; 49 U.S.C 44101; 49 U.S.C 44111; 49 U.S.C 44701 to 44705; 49 U.S.C 44709 to 44713; 49 U.S.C 44715 to 44717; 49 U.S.C 44722; 49 U.S.C 45101 to 45105; 49 U.S.C 46105; 49 U.S.C 46306; 49 U.S.C 46315; 49 U.S.C 46316; 49 U.S.C 46504; 49 U.S.C 46507; 49 U.S.C 47122; 49 U.S.C 47508; 49 U.S.C 47528 to 47531     Abstract: This rulemaking would implement a Pilot Records Database as required by Public Law 111-216 (Aug. 1, 2010). Section 203 amends the Pilot Records Improvement Act by requiring the FAA to create a pilot records database that contains various types of pilot records. These records would be provided by the FAA, air carriers, and other persons who employ pilots. The FAA must maintain these records until it receives notice that a pilot is deceased. Air carriers would use this database to perform a record check on a pilot prior to making a hiring decision.     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ NPRM................................   05/00/19 ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: Yes.     Agency Contact: Christopher Morris, Department of Transportation, Federal Aviation Administration, 6500 S MacArthur Blvd., Oklahoma City, OK 73169, Phone: 405-954-4646, Email: [*christopher.morris@faa.gov*](mailto:christopher.morris@faa.gov)     RIN: 2120-AK31

333. +Aircraft Registration and Airmen Certification Fees

    E.O 13771 Designation: Other.     Legal Authority: 31 U.S.C 9701; 4 U.S.T 1830; 49 U.S.C 106(f); 49 U.S.C 106(g); 49 U.S.C 106(l)(6); 49 U.S.C 40104; 49 U.S.C 40105; 49 U.S.C 40109; 49 U.S.C 40113; 49 U.S.C 40114; 49 U.S.C 44101 to 44108; 49 U.S.C 44110 to 44113; 49 U.S.C 44701 to 44704; 49 U.S.C 44707; 49 U.S.C 44709 to 44711; 49 U.S.C 44713; 49 U.S.C 45102; 49 U.S.C 45103; 49 U.S.C 45301; 49 U.S.C 45302; 49 U.S.C 45305; 49 U.S.C 46104; 49 U.S.C 46301; Pub. L. 108-297, 118 Stat. 1095     Abstract: This rulemaking would establish fees for airman certificates, medical certificates, and provision of legal opinions pertaining to aircraft registration or recordation. This rulemaking also would revise existing fees for aircraft registration, recording of security interests in aircraft or aircraft parts, and replacement of an airman certificate. This rulemaking addresses provisions of the FAA Modernization and Reform Act of 2012. This rulemaking is intended to recover the

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estimated costs of the various services and activities for which fees would be established or revised.     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ NPRM................................   01/00/19 ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: Yes.     Agency Contact: Isra Raza, Department of Transportation, Federal Aviation Administration, 800 Independence Ave. SW, Washington, DC 20591, Phone: 202-267-8994, Email: [*isra.raza@faa.gov*](mailto:isra.raza@faa.gov)     RIN: 2120-AK37

334. +Requirements To File Notice of Construction of Meteorological Evaluation Towers and Other Renewable Energy Projects (Section 610 Review)

    E.O 13771 Designation: Regulatory.     Legal Authority: 49 U.S.C 40103     Abstract: This rulemaking would add specific requirements for proponents who wish to construct meteorological evaluation towers at a height of 50 feet above ground level (AGL) up to 200 feet AGL to file notice of construction with the FAA. This rule also requires sponsors of wind turbines to provide certain specific data when filing notice of construction with the FAA. This rulemaking is a statutory mandate under section 2110 of the FAA Extension, Safety, and Security Act of 2016 (Pub. L. 114-190).     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ NPRM................................   06/00/19 ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: No.     Agency Contact: Sheri Edgett-Baron, Air Traffic Service, Department of Transportation, Federal Aviation Administration, 800 Independence Avenue SW, Washington, DC 20591, Phone: 202 267-9354.     RIN: 2120-AK77

335. +Operations of Small Unmanned Aircraft Over People

    E.O 13771 Designation: Deregulatory.     Legal Authority: 49 U.S.C 106(f); 49 U.S.C 40101; 49 U.S.C 40103(b); 49 U.S.C 44701(a)(5); Pub. L. 112-95, sec. 333     Abstract: This rulemaking would address the performance-based standards and means-of-compliance for operation of small unmanned aircraft systems (sUAS) over people not directly participating in the operation or not under a covered structure or inside a stationary vehicle that can provide reasonable protection from a falling small unmanned aircraft. This rule would provide relief from certain operational restrictions implemented in the Operation and Certification of Small Unmanned Aircraft Systems final rule (RIN 2120-AJ60).     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ NPRM................................   10/00/18 ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: Yes.     Agency Contact: Guido Hassig, Department of Transportation, Federal Aviation Administration, 1 Airport Way, Rochester, NY 14624, Phone: 585-436-3880, Email: [*guido.hassig@faa.gov*](mailto:guido.hassig@faa.gov)     RIN: 2120-AK85

DEPARTMENT OF TRANSPORTATION (DOT)

Federal Aviation Administration (FAA)

Final Rule Stage

336. +Airport Safety Management System

    E.O 13771 Designation: Regulatory.     Legal Authority: 49 U.S.C 44706; 49 U.S.C 106(g); 49 U.S.C 40113; 49 U.S.C 44701 to 44706; 49 U.S.C 44709; 49 U.S.C 44719     Abstract: This rulemaking would require certain airport certificate holders to develop, implement, maintain, and adhere to a safety management system (SMS) for its aviation related activities. An SMS is a formalized approach to managing safety by developing an organization- wide safety policy, developing formal methods of identifying hazards, analyzing and mitigating risk, developing methods for ensuring continuous safety improvement, and creating organization-wide safety promotion strategies.     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ NPRM................................   10/07/10  75 FR 62008 NPRM Comment Period Extended........   12/10/10  75 FR 76928 NPRM Comment Period End.............   01/05/11 End of Extended Comment Period......   03/07/11 Second Extension of Comment Period..   03/07/11  76 FR 12300 End of Second Extended Comment         07/05/11  Period. Second NPRM.........................   07/14/16  81 FR 45871 Second NPRM Comment Period End......   09/12/16 Final Rule..........................   12/00/18 ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: Yes.     Agency Contact: Keri Lyons, Department of Transportation, Federal Aviation Administration, 800 Independence Ave. SW, Washington, DC 20591, Phone: 202-267-8972, Email: [*keri.lyons@faa.gov*](mailto:keri.lyons@faa.gov)     RIN: 2120-AJ38

337. +Registration and Marking Requirements for Small Unmanned Aircraft

    Regulatory Plan: This entry is Seq. No. 105 in part II of this issue of the Federal Register.     RIN: 2120-AK82

DEPARTMENT OF TRANSPORTATION (DOT)

Federal Aviation Administration (FAA)

Long-Term Actions

338. +Regulation of Flight Operations Conducted by Alaska Guide Pilots

    E.O 13771 Designation: Regulatory.     Legal Authority: 49 U.S.C 106(g) ; 49 U.S.C 1153; 49 U.S.C 1155; 49 U.S.C 40101 to 40103; 49 U.S.C 40113; 49 U.S.C 40120; 49 U.S.C 44101; 49 U.S.C 44105 to 44016; 49 U.S.C 44111; 49 U.S.C 44701 to 44717; 49 U.S.C 44722; 49 U.S.C 44901; 49 U.S.C 44903 to 44904; 49 U.S.C 44906; 49 U.S.C 44912; 49 U.S.C 44914; 49 U.S.C 44936; 49 U.S.C 44938; 49 U.S.C 46103; 49 U.S.C 46105; 49 U.S.C 46306; 49 U.S.C 46315 to 46316; 49 U.S.C 46504; 49 U.S.C 46506 to 46507; 49 U.S.C 47122; 49 U.S.C 47508; 49 U.S.C 47528 to 47531; Articles 12 and 29 of 61 Statue 1180; P.L 106-181, Sec. 732     Abstract: The rulemaking would establish regulations concerning Alaska guide pilot operations. The rulemaking would implement Congressional legislation and establish additional safety requirements for the conduct of these operations. The intended effect of this rulemaking is to enhance the level of safety for persons and property transported in Alaska guide pilot operations. In addition, the rulemaking would add a general provision applicable to pilots operating under the general operating and flight rules concerning falsification, reproduction, and alteration of applications, logbooks,

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reports, or records. This rulemaking is a statutory mandate under section 732 of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century, (Pub. L. 106-181).     Timetable: Next Action Undetermined.     Regulatory Flexibility Analysis Required: Yes.     Agency Contact: Jeff Smith, Department of Transportation, Federal Aviation Administration, 800 Independence Avenue SW, Washington, DC 20785, Phone: 202 385-9615, Email: [*jeffrey.smith@faa.gov*](mailto:jeffrey.smith@faa.gov)     RIN: 2120-AJ78

339. +Helicopter Air Ambulance Pilot Training and Operational Requirements (HAA II) (FAA Reauthorization)

    E.O 13771 Designation: Regulatory.     Legal Authority: 49 U.S.C 106(f); 49 U.S.C 106(g); 49 U.S.C 40113; 49 U.S.C 41706; 49 U.S.C 44701; 49 U.S.C 44702; 49 U.S.C 44705; 49 U.S.C 44709; 49 U.S.C 44711 to 44713; 49 U.S.C 44715 to 44717; 49 U.S.C 44722; 49 U.S.C 44730; 49 U.S.C 45101 to 45105     Abstract: This rulemaking would develop training requirements for crew resource management, flight risk evaluation, and operational control of the pilot in command, as well as standards for the use of flight simulation training devices and line-oriented flight training. Additionally, it would establish requirements for the use of safety equipment for flight crewmembers and flight nurses. These changes will aide in the increase in aviation safety and increase survivability in the event of an accident. Without these changes, the Helicopter Air Ambulance industry may continue to see the unacceptable high rate of aircraft accidents. This rulemaking is a statutory mandate under section 306(e) of the FAA Modernization and Reform Act of 2012 (Pub. L. 112-95).     Timetable: Next Action Undetermined.     Regulatory Flexibility Analysis Required: Yes.     Agency Contact: Chris Holliday, Department of Transportation, Federal Aviation Administration, 801 Pennsylvania Ave. NW, Washington, DC 20024, Phone: 202-267-4552, Email: [*chris.holliday@faa.gov*](mailto:chris.holliday@faa.gov)     RIN: 2120-AK57

BILLING CODE 4910-13-P

DEPARTMENT OF TRANSPORTATION (DOT)

Federal Motor Carrier Safety Administration (FMCSA)

Proposed Rule Stage

340. Incorporation by Reference; North American Standard Out-of-Service Criteria; Hazardous Materials Safety Permits (Section 610 Review)

    E.O 13771 Designation: Fully or Partially Exempt.     Legal Authority: 49 U.S.C 5105; 49 U.S.C 5109     Abstract: This action will update an existing Incorporation by Reference (by the Commercial Vehicle Safety Alliance) of the North American Standard Out-of-Service Criteria and Level VI Inspection Procedures and Out-of-Service for Commercial Highway Vehicles Transporting Transuranics and Highway Route Controlled Quantities of Radioactive Materials as defined in 49 CFR part 173.403     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ NPRM................................   10/00/18  ....................... ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: No.     Agency Contact: Stephanie Dunlap, Department of Transportation, Federal Motor Carrier Safety Administration, 1200 New Jersey Avenue SE, Washington, DC 20590, Phone: 202 366-3536, Email: [*stephanie.dunlap@dot.gov*](mailto:stephanie.dunlap@dot.gov)     RIN: 2126-AC01

341. Controlled Substances and Alcohol Testing: State Driver's Licensing Agency Downgrade of Commercial Driver's License (Section 610 Review)

    E.O 13771 Designation: Fully or Partially Exempt.     Legal Authority: 49 U.S.C 31136(a); 49 U.S.C 31305(a)     Abstract: The Commercial Driver's License Drug and Alcohol Clearinghouse (Clearinghouse) final rule (81 FR 87686 (December 5, 2016) requires State Driver's Licensing Agencies (SDLAs) to check the Clearinghouse before issuing, renewing, ***transferring***, or upgrading a commercial driver's license (CDL) to determine whether the driver is qualified to operate a commercial motor vehicle. FMCSA proposes to require State Driver's Licensing Agencies (SDLAs) to remove the commercial learner's permit (CLP) or commercial driver's license (CDL) privilege from the driver license of individuals who, under current regulations, are prohibited from operating a commercial motor vehicle (CMV) due to controlled substance (drug) and alcohol ***program*** violations. At a minimum, States would be required to downgrade the driver's license by changing the commercial status from ``licensed'' to ``eligible'' on the CDLIS driver record. Under the proposed rule, States could not restore the CLP or CDL privilege to the license until the driver completes the return-to-duty (RTD) requirements that would allow the resumption of safety-sensitive functions, such as operating a CMV. SDLAs would rely on applicable State law and procedures to accomplish the downgrade and any subsequent reinstatement of the CLP or CDL privilege. In addition, under this proposal, SDLAs could not issue, renew, upgrade, or ***transfer*** the CDL, or issue, renew, or upgrade the CLP, of any driver who is prohibited from operating a CMV due to drug and alcohol ***program*** violations. This Notice of Proposed Rulemaking (NPRM) will improve roadway safety by helping to ensure that CLP and CDL holders who engage in prohibited drug or alcohol-related conduct complete the necessary RTD requirements before resuming operation of a CMV on public roads. This NPRM does not propose any other changes to the Clearinghouse final rule, nor does it propose any changes to the drug and alcohol testing requirements in part 382 and part 40.     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ NPRM................................   12/00/18  ....................... ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: No.     Agency Contact: Juan Moya, Department of Transportation, Federal Motor Carrier Safety Administration, 1200 New Jersey Ave. SE, Washington, DC 20590, Phone: 202-366-4844, Email: [*Juan.Moya@dot.gov*](mailto:Juan.Moya@dot.gov)     RIN: 2126-AC11

DEPARTMENT OF TRANSPORTATION (DOT)

Federal Motor Carrier Safety Administration (FMCSA)

Final Rule Stage

342. Commercial Learner's Permit Validity (Section 610 Review)

    E.O 13771 Designation: Deregulatory.     Legal Authority: 49 U.S.C 31305; 49 U.S.C 31308     Abstract: This rulemaking would amend Commercial Driver's License (CDL) regulations to allow a commercial learner's permit to be issued for 1 ***year***,

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without renewal. This rule would not require a State to revise its current CLP issuance practices, unless it chooses to do so. This change would reduce costs to CDL applicants who are unable to complete the required training and testing within the current validity period, with no expected negative safety benefits.     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ NPRM................................   06/12/17  82 FR 26888 NPRM Comment Period End.............   08/11/17  ....................... Final Rule..........................   10/00/18  ....................... ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: No.     Agency Contact: Thomas Yager, Driver and Carrier Operations Division, Department of Transportation, Federal Motor Carrier Safety Administration, 1200 New Jersey Avenue SE, Washington, DC 20590, Phone: 202 366-4325, Email: [*tom.yager@dot.gov*](mailto:tom.yager@dot.gov)     RIN: 2126-AB98

DEPARTMENT OF TRANSPORTATION (DOT)

Federal Motor Carrier Safety Administration (FMCSA)

Long-Term Actions

343. +Safety Monitoring System and Compliance Initiative for Mexico- Domiciled Motor Carriers Operating in the United States

    E.O 13771 Designation: Fully or Partially Exempt.     Legal Authority: Pub. L. 107-87, sec 350; 49 U.S.C 113; 49 U.S.C 31136; 49 U.S.C 31144; 49 U.S.C 31502; 49 U.S.C 504; 49 U.S.C 5113; 49 U.S.C 521(b)(5)(A)     Abstract: This rule would implement a safety monitoring system and compliance initiative designed to evaluate the continuing safety fitness of all Mexico-domiciled carriers within 18 months after receiving a provisional Certificate of Registration or provisional authority to operate in the United States. It also would establish suspension and revocation procedures for provisional Certificates of Registration and operating authority, and incorporate criteria to be used by FMCSA in evaluating whether Mexico-domiciled carriers exercise basic safety management controls. The interim rule included requirements that were not proposed in the NPRM but which are necessary to comply with the FY 2002 DOT Appropriations Act. On January 16, 2003, the Ninth Circuit Court of Appeals remanded this rule, along with two other NAFTA-related rules, to the Agency, requiring a full environmental impact statement and an analysis required by the Clean Air Act. On June 7, 2004, the Supreme Court reversed the Ninth Circuit and remanded the case, holding that FMCSA is not required to prepare the environmental documents. FMCSA originally planned to publish a final rule by November 28, 2003.     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ NPRM................................   05/03/01  66 FR 22415 NPRM Comment Period End.............   07/02/01  ....................... Interim Final Rule..................   03/19/02  67 FR 12758 Interim Final Rule Comment Period      04/18/02  .......................  End. Interim Final Rule Effective........   05/03/02  ....................... Notice of Intent To Prepare an EIS..   08/26/03  68 FR 51322 EIS Public Scoping Meetings.........   10/08/03  68 FR 58162 Next Action Undetermined............             ....................... ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: Yes.     Agency Contact: Dolores Macias, Acting Division Chief, Department of Transportation, Federal Motor Carrier Safety Administration, 1200 New Jersey Ave. SE, Washington, DC 20590, Phone: 202 366-2995, Email: [*dolores.macias@dot.gov*](mailto:dolores.macias@dot.gov)     RIN: 2126-AA35

BILLING CODE 4910-EX-P

DEPARTMENT OF TRANSPORTATION (DOT)

Federal Railroad Administration (FRA)

Final Rule Stage

344. +Passenger Equipment Safety Standards Amendments

    Regulatory Plan: This entry is Seq. No. 108 in part II of this issue of the Federal Register.     RIN: 2130-AC46

DEPARTMENT OF TRANSPORTATION (DOT)

Federal Railroad Administration (FRA)

Long-Term Actions

345. +Train Crew Staffing and Location

    E.O 13771 Designation: Regulatory.     Legal Authority: 28 U.S.C 2461, note; 49 CFR 1.89; 49 U.S.C 20103; 49 U.S.C 20107; 49 U.S.C 21301 and 21302; 49 U.S.C 21304     Abstract: This rule would establish requirements to appropriately address known safety risks posed by train operations that use fewer than two crewmembers. FRA is considering options based on public comments on the proposed rule and other information.     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ NPRM................................   03/15/16  81 FR 13918 NPRM Comment Period End.............   05/16/16  ....................... Next Action Undetermined............             ....................... ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: Yes.     Agency Contact: Kathryn Gresham, Trial Attorney, Department of Transportation, Federal Railroad Administration, 1200 New Jersey Avenue SE, Washington, DC 20590, Phone: 202 493-6063, Email: [*kathryn.gresham@dot.gov*](mailto:kathryn.gresham@dot.gov)     RIN: 2130-AC48

BILLING CODE 4910-06-P

DEPARTMENT OF TRANSPORTATION (DOT)

Saint Lawrence Seaway Development Corporation (SLSDC)

Long-Term Actions

346.  Seaway Regulations and Rules: Periodic Update, Various Categories (Rulemaking Resulting From a Section 610 Review)

    E.O 13771 Designation: Not subject to, not significant.     Legal Authority: 33 U.S.C 981 et seq.     Abstract: The Saint Lawrence Seaway Development Corporation (SLSDC) and the St. Lawrence Seaway Management Corporation (SLSMC) of Canada, under international agreement, jointly publish and presently administer the St. Lawrence Seaway Regulations and Rules (Practices and Procedures in Canada) in their respective jurisdictions. Under agreement with the SLSMC, the SLSDC is amending the joint regulations by updating the Seaway Regulations and Rules in various categories.     Timetable: Next Action Undetermined.     Regulatory Flexibility Analysis Required: No.     Agency Contact: Carrie Lavigne, Department of Transportation, Saint Lawrence Seaway Development Corporation, 1200 New Jersey Ave. SE,

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Washington, DC 20590, Phone: 315-764-3231, Email: [*Carrie.Mann@dot.gov*](mailto:Carrie.Mann@dot.gov)     RIN: 2135-AA45

347.  Tariff of Tolls (Rulemaking Resulting From a Section 610 Review)

    E.O 13771 Designation: Not subject to, not significant.     Legal Authority: 33 U.S.C 981 et seq.     Abstract: The Saint Lawrence Seaway Development Corporation (SLSDC) and the St. Lawrence Seaway Management Corporation (SLSMC) of Canada, under international agreement, jointly publish and presently administer the St. Lawrence Seaway Tariff of Tolls in their respective jurisdictions. The Tariff sets forth the level of tolls assessed on all commodities and vessels transiting the facilities operated by the SLSDC and the SLSMC.     Timetable: Next Action Undetermined.     Regulatory Flexibility Analysis Required: No.     Agency Contact: Carrie Lavigne, Department of Transportation, Saint Lawrence Seaway Development Corporation, 1200 New Jersey Ave. SE, Washington, DC 20590, Phone: 315-764-3231, Email: [*Carrie.Mann@dot.gov*](mailto:Carrie.Mann@dot.gov)     RIN: 2135-AA46

BILLING CODE 4910-61-P

DEPARTMENT OF TRANSPORTATION (DOT)

Pipeline and Hazardous Materials Safety Administration (PHMSA)

Proposed Rule Stage

348. +Pipeline Safety: Amendments to Parts 192 and 195 To Require Valve Installation and Minimum Rupture Detection Standards

    E.O 13771 Designation: Regulatory.     Legal Authority: 49 U.S.C 60101 et seq.     Abstract: PHMSA is proposing to revise the Pipeline Safety Regulations applicable to newly constructed or entirely replaced natural gas transmission and hazardous liquid pipelines to improve rupture mitigation and shorten pipeline segment isolation times in high consequence and select non-high consequence areas. The proposed rule defines certain pipeline events as ``ruptures'' and outlines certain performance standards related to rupture identification and pipeline segment isolation. PHMSA also proposes specific valve maintenance and inspection requirements, and 9-1-1 notification requirements to help operators achieve better rupture response and mitigation. These proposals address Congressional mandates, incorporate recommendations from the National Transportation Safety Board, and are necessary to reduce the serious consequences of large-volume, uncontrolled releases of natural gas and hazardous liquids.     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ NPRM................................   01/00/19  ....................... ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: Yes.     Agency Contact: Robert Jagger, Technical Writer, Department of Transportation, Pipeline and Hazardous Materials Safety Administration, 1200 New Jersey Avenue, Washington, DC 20590, Phone: 202-366-4595, Email: [*robert.jagger@dot.gov*](mailto:robert.jagger@dot.gov)     RIN: 2137-AF06

DEPARTMENT OF TRANSPORTATION (DOT)

Pipeline and Hazardous Materials Safety Administration (PHMSA)

Final Rule Stage

349. +Pipeline Safety: Safety of Hazardous Liquid Pipelines

    Regulatory Plan: This entry is Seq. No. 111 in part II of this issue of the Federal Register.     RIN: 2137-AE66

350. +Pipeline Safety: Issues Related to the Use of Plastic Pipe in Gas Pipeline Industry

    E.O 13771 Designation: Deregulatory.     Legal Authority: 49 U.S.C 60101 et seq.     Abstract: PHMSA is amending the Federal Pipeline Safety Regulations that govern the use of plastic piping systems in the transportation of natural and other gas. These amendments are necessary to enhance pipeline safety, adopt innovative technologies and best practices, and respond to petitions from stakeholders. The amendments include an increased design factor for polyethylene (PE) pipe, stronger mechanical fitting requirements, new and updated riser standards, new accepted uses of Polyamide-11 (PA-11) thermoplastic pipe, authorization to use Polyamide-12 (PA-12) thermoplastic pipe, and new or updated consensus standards for pipe, fittings, and other components.     Timetable:

------------------------------------------------------------------------                Action                    Date            FR Cite ------------------------------------------------------------------------ NPRM................................   05/21/15  80 FR 29263 NPRM Comment Period End.............   07/31/15  ....................... Final Rule..........................   10/00/18  ....................... ------------------------------------------------------------------------

    Regulatory Flexibility Analysis Required: Yes.     Agency Contact: Cameron H. Satterthwaite, Transportation Regulations Specialist, Department of Transportation, Pipeline and Hazardous Materials Safety Administration, 1200 New Jersey Avenue SE, Washington, DC 20590, Phone: 202-366-8553, Email: [*cameron.satterthwaite@dot.gov*](mailto:cameron.satterthwaite@dot.gov)     RIN: 2137-AE93

351. +Hazardous Materials: Oil Spill Response Plans and Information Sharing for High-Hazard Flammable Trains (Fast Act)

    Regulatory Plan: This entry is Seq. No. 113 in part II of this issue of the Federal Register.     RIN: 2137-AF08

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**Load-Date:** November 17, 2018

**End of Document**



[***Irish companies build up a head of steam in Myanmar; Irish entrepreneurs are among the foreign businesses establishing a solid foothold in Yangon***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RWJ-TK51-DYS1-02GV-00000-00&context=1516831)

The Irish Times

March 17, 2018 Saturday

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**Byline:** Stephen Starr

**Body**

When Kieran Rabbitt stepped off a plane and into the heavy Yangon heat four ***years*** ago, little did he think he'd still be in Myanmar today, at the cutting edge of the country's digital revolution. From offices in downtown Yangon, the Athenry native - along with Karim Ainsworth from Belfast - runs Cube Digital. The start-up is developing more than 20 apps and projects in fintech and other digital services, as well as Myanmar's first video-on-demand platform.

Four ***years*** ago, Myanmar was a very different place. "My intention was to see if it was possible to come out here and do digital and web-based work, but it wasn't feasible," says Ainsworth. "The internet connection wasn't good enough, and there was no penetration at that time."

Ainsworth returned to Belfast for several ***years***. But the rapid changes in telecommunications continued apace. Ainsworth's sisters, who live in Myanmar, and Rabbitt, who worked for Digicel at the time, were on the phone regularly to relay news of the advancing infrastructure.

He says: "Everyone was telling me the internet was better but I wouldn't believe them. When I came back in February of last ***year***, I was immediately handed a Sim card. Boom. There's 4G. It's like night and day compared to four ***years*** ago."

Myanmar has been an international pariah for more than 50 ***years***, but the walls that cut it off from the wider world began to crumble when the ruling military introduced a political reform ***programme*** in 2011. Nobel prize laureate Aung San Suu Kyi was released from a decades-long house arrest, while the EU ended a long-standing trade and economic sanction regime in 2013.

A resounding election win for Suu Kyi's pro-democracy National League of Democracy in 2015 has set a platform for political change and openness that's allowed multinationals and foreign businesses to establish a solid foothold in Myanmar.

In 2016, trade between the EU and Myanmar reached EUR 1.55 billion, with garments and ***agriculture*** products making up 69 per cent of imports to Europe.

Dubbed "Asia's last economic frontier", Myanmar is one of the fastest-growing emerging markets in the world. And while highly-skilled Myanmar expatriates are returning in droves to start businesses and to experiment, Irish interests, from start-ups to established corporations, are getting stuck in, too.

**Cash-to-electronic Such was the demand for cash-to-electronic transactions in Myanmar that, within a *year* of launching in 2015, Red Dot Network - founded by Corkman John Nagle and partly backed by Digicel - could be found at 10,000 locations around the country. The company facilitates mobile money *transfers*, bill *payments* and online purchases for people who don't have access to mainstream banking facilities.**

"Cash acceptance networks traditionally take five to seven ***years*** to match the products required to the communities they serve," says Nagle. "After only four ***years***, we are the largest ***payments*** network in Myanmar. We currently have 19,000 retail outlets using Red Dot services and expect to grow this to 30,000 over the coming two ***years***."

The company plans to expand into ***payment*** services for concert, airline and bus tickets, and to collaborate with main-street banks. It builds on the experience of Nagle in Ireland with Payzone and, previously, Alphyra - though he was undone by the financial crash. A subsequent venture, Zapa Technologies, which focused on near-field communications, also failed. And, in 2013, he was declared bankrupt in London.

Though Irish experience and background in Myanmar is skewed towards telecommunications, as a result of Denis O'Brien's ambitious ventures through Digicel from 2009 to 2015, elements from other sectors are also descending on the country.

Last autumn, Mayo-headquartered workwear group Portwest opened a new factory in Bago, a 90-minute drive north of Yangon, at a cost of around EUR 10 million. The facility is expected to employ 1,000 people by the end of the ***year***.

"There were a lot of factors [in choosing Myanmar], wages being one of them," says Peter Clendon, Portwest's supply chain manager. "Duty-free access into Europe and continuity of the supply chain were other important reasons."

Since 2013, multinationals such as Nissan and Suzuki have begun or resumed vehicle production in Myanmar, and Ford has opened a dealership in Yangon. Pepsi and Coca-Cola have returned amid a broader scramble for market share that ranges from the energy to hotel development sectors, to alcoholic beverage production, where Heineken now runs a EUR 50-million brewery outside Yangon.

Though trade between Ireland and Myanmar amounted to just EUR 9 million between January and July 2017, observers say collaboration in energy and electricity generation holds significant opportunities for Irish interests, including for ESB International.

Still, in one of the last greenfield telecommunications markets in Asia, it's the demand for tech and digital infrastructure, sectors in which Irish interests already have a head start, that remains very robust.

"There are some big global brands - Grab and Uber - that have already come in in the last six months, and some smaller Myanmar digital developers are cutting their teeth," Rabbitt, of Cube Digital, says. "But there's no one grabbing the mass market with something that's relevant and localised."

He says the access his company has built up through marketing, as well as its local context, gives Cube Digital "a little bit" of an advantage. "For [local] businesses, e-commerce is very attractive. If you've got a platform to buy, sell and market your product, and apps to support them, that's better than someone playing around on Facebook trying to do transactions through social media," he says. "But that's a massive change for people - Myanmar saw the world for the first time through Facebook."

As to what local businesses, venturing out into the global marketplace for the first time, want from international collaborators, a main focus right now is on picking up skills.

"Companies here want to develop and learn as much as they can," says Terenure native Gary Hartnett, a telecoms consultant at the state-owned Myanmar Posts and Telecommunications (MPT). "They're trying to take ideas from other companies and organisations to see how things are done properly. Experience and trustworthiness are what companies are looking for when dealing with internationals."

While there are clear opportunities to mine for all sides, the path to success is far from smooth. In October, Portwest voiced concerns for its Myanmar operations as a consequence of the state violence carried out against Rohingya Muslims in the western Rakhine state.

And while Myanmar aims to crack the World Bank's Doing Business Top 100 rankings by 2020, it currently sits in 171st place. Troublingly, foreign direct investment fell by 28 per cent to EUR 2.8 billion in the nine months to December 2016.

Experts say currency fluctuations are an issue worth following, with the kyat falling 35 per cent against the dollar since 2013.

Significant infrastructure shortcomings remain. To walk along Yangon's main streets is to dodge huge generators that kick in during inevitable power outages.

A German viticulturalist working in central Myanmar says that while transporting a shipping container of goods from Europe to Myanmar costs him $3,000, getting it the last 600 kilometres from Yangon to site means shelling out another $2,000. Around 80 per cent of the country's roads are unpaved.

"You need to be very careful coming in. There are lots of opportunities here, but you'd need a local partner," says Hartnett, who has more than a decade of experience working in telecoms in emerging markets in southeast Asia and the Pacific. "Things take time here. In 2013, they realised that they didn't have a [telecoms] permit process in place - they had to invent all this."

**Challenges**

Among the major challenges facing the Irish contingent in Myanmar, a country where two-thirds of the population has no reliable access to electricity, is that however fast the recent changes have come about, it remains one of the least-developed countries in the world.

"When I first arrived in 2012, you couldn't get a Sim card," says Hartnett, who has travelled extensively throughout the country mapping out Myanmar's telecoms infrastructure. "And if you could, it cost $500-$600," he says. "Charming times."

Nagle, of Red Dot, wouldn't be drawn on whether his Myanmar ventures constitute his bouncing back in business, but says: "Our goal to build a cash-to-electronic transactions business in a country where cash dominates commercial services has been difficult. It still takes time to build a new concept in a new country."

A lack of Irish community representation and organisation in Myanmar is something that's holding back deeper ties and opportunities.

"Ireland does not have a presence here. We don't have a chamber of commerce, we don't have consular services in Myanmar," says Rabbitt. "We've to go to Malaysia or Thailand. There's a real opportunity to look at establishing a better trade link between Ireland and Myanmar."

**Load-Date:** March 17, 2018

**End of Document**



[***Myanmar addresses challenges to transform agriculture sector into engine of growth***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4X1-DXYV-74VB-00000-00&context=1516831)

Oxford Business Group: Articles

April 2018

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**Length:** 4331 words

**Body**

While it has gradually reaped the rewards of diversification efforts to end over-reliance on rice, Myanmar's ***agriculture*** sector is now at a crucial juncture. Although progress has been made, structural impediments continue to weigh on farming output. However, a new development strategy is expected to enhance sector monitoring, boost production, and improve the industry's regional and global competitiveness. Investment in infrastructure and processing capacity has the potential to transform the nation into an exporter of higher-quality ***agricultural*** products that could open the door to more varied overseas markets.

**Tracking Growth**

Following decades of stagnation under military rule, the sector expanded at an average annual growth rate of 3.2% between FY 2010/11 and FY 2015/16. ***Agriculture*** remains the primary source of income for most households, with approximately two-thirds of Myanmar's workforce directly or indirectly engaged in such activities. While official estimates vary, the national ***Agriculture*** Development Strategy and Investment Plan (ADS) - an action plan that aims to boost production and attain higher global market share - states that the sector contributes approximately 30% to GDP and constitutes 25-30% of all exports.

According to the "Myanmar Economic Monitor" report published by the World Bank in October 2017, the sector saw no growth in FY 2016/17 after four ***years*** of gains. This contributed to a dip in the country's overall GDP growth rate to 5.9% for the ***year***, down from 7% in FY 2015/16. The flat performance was partially due to fluctuating commodity prices and the aftermath of severe weather, such as cyclone Komen, that have hampered the sector in recent ***years***.

According to the Ministry of ***Agriculture***, Livestock and Irrigation (MALI), Myanmar exported 6.49m tonnes of ***agricultural*** products in FY 2016/17, worth a total of $2.9bn. This was down from the ***year*** before, when the ***agriculture***, livestock and fisheries sector generated foreign exchange earnings of more than $3.1bn, driven by exports of pulses, rice, shrimp, livestock and rubber. Statistics from the UN Food and ***Agriculture*** Organisation indicate that Myanmar is the second-largest exporter of beans and pulses globally, behind Canada, and the ninth-largest exporter of rice.

**Moemntum Shifts**

Prior to military rule, Myanmar was known as the rice bowl of Asia, exporting approximately 1.7m tonnes of the commodity each ***year*** between 1961 and 1963, making it the largest rice exporter in the world. Throughout the socialist government era, which spanned 1962-88, farming suffered from a range of inefficient policies, most notably non-constructive land rights and poorly timed public intervention. Through to 1987 the state controlled the marketing of rice, but from September 1988 the military government started moving away from central planning and adopted a more market-based approach to economic activity. This policy shift was evident in the liberalisation of the trade of pulses and maize. While the move was welcomed by the business community, the state still had a tight grip on supply, and it continued to enforce a cropping plan for procured commodities, such as rice, cotton and sugar cane.

The military-run government eased its control in 2003, limiting cropping enforcement to paddy fields that had reasonable access to irrigation facilities, while also abandoning paddy procurement and allowing private firms to export rice. Although the production and export of rice increased in the ***years*** after, crop quality fell, and the price that importers were willing to pay in comparison to other rice producers declined.

The election of the Union Solidarity and Development Party in 2011 marked a transition towards civilian rule, and with it, greater liberalisation of the sector. Shortly after taking power, the government of U Thein Sein allowed any registered trader to apply for a rice export licence, while simultaneously reducing the export tax from 10% to 2% in an effort to boost trade. Further relaxation came in 2013, when the government removed the export permit requirement for ***agricultural*** products; however, rice remained the only exception.

On the back of these pro-business reforms and the easing of trade policies, production and export of rice increased. In FY 2012/13 rice exports recorded a 48-***year*** high of almost 1.3m tonnes, leading the administration to set a 4m-tonne target for rice exports by FY 2019/20. Production was forecast to reach 12.2m tones in FY 2016/17 thanks to the recovery of some of the country's main rice fields, and exports were expected to hit 1.4m tonnes.

**Current Direction**

Under the current government, led by the National League for Democracy (NLD), the ***agriculture*** sector looks set to continue benefitting from growing levels of mechanisation and surging demand from the Chinese and European markets. While the NLD has been criticised in business circles for not doing enough to stimulate economic activity, the government acknowledged the importance of ***agriculture*** in its 12-point plan aimed at creating a market-orientated economy. The development of ***agriculture*** is also an important vehicle for leader Daw Aung San Suu Kyi's administration to generate inclusive growth and ease the strain of urban migration. As outlined in the 12-point strategy, farming is a clear priority of the NLD as it aims to increase production, promote food security and boost exports, while raising the standard of living for households dependent on farming.

In addition to the 12-point plan, the government announced in April 2017 that it was a working on the ADS. With technical assistance from the Asian Development Bank, the UN Food and ***Agriculture*** Organisation, and the Livelihoods and Food Security Trust Fund (LIFT), the strategy aims to build a platform that will enhance cooperation between public and private sector players through the implementation of 42 ***programmes*** and 268 action plans (see analysis). The Yangon regional government is also drafting an ***agriculture*** master plan as part of its revitalisation efforts, with MMK8bn ($6.1m) earmarked for the development of mechanisation techniques in the region.

**Research Project**

One obstacle to the implementation of ***agriculture***-based ***programmes*** in Myanmar has been the lack of reliable sector data. To assist policymakers, the World Bank and LIFT conducted a survey across four regions - Ayeyarwady, Bago, Sagaing and Shan State - during the monsoon and dry season of FY 2013/14, with an emphasis on beans and pulses, oilseeds, maize and rice. A total of 1728 farming households were surveyed. The majority of the research project focused on households residing in main village tracts, which - in comparison to more isolated communities - have greater access to markets, financing options and infrastructure. Although the survey did not include remote villages, it has given policymakers a better understanding of Myanmar's commercial production areas, allowing them to make more accurate international comparisons.

The report, titled "Myanmar: Analysis of Farm Production Economics", was released in February 2016 and included four main findings. First, while the country is still primarily focused on rice, farms are more diversified than previous reports have suggested, with most producing a variety of crops during the dry and cool season, including beans and pulses, oilseeds and maize. Paddy fields still dominate during the monsoon season, with nearly 90% of farmers surveyed dedicating their fields to rice production during the rainy months. Outside of that season, the most commonly planted crops are beans and pulses, especially chickpeas, black gram and green gram. In terms of oilseed production, farmers in Sagaing Region planted a variety of strands, including sesame, groundnuts and sunflower seeds. While most farmers in Shan State planted maize during the dry season, one in 10 opted to grow culinary crops such as chillies, onion, garlic and potatoes.

The second major finding of the report, which came as no surprise to the research team, was that ***agricultural*** productivity in Myanmar was below regional and international standards, thus limiting the sector's contribution to poverty reduction. The country's average paddy yield in FY 2013/14 was 2.7 tonnes per ha in the dry season and 3.5 tonnes in the wet season. A closer analysis of monsoon rice yields indicated that one day of farm work produced 23 kg of paddy in Myanmar - less than half that of Cambodia, at 62 kg, and only a fraction when compared to Vietnam and Thailand, at 429 kg and 547 kg per day, respectively.

As their third finding, the authors suggested that low ***agricultural*** productivity is the result of multiple factors, with an inadequate supply of quality ***agricultural*** public goods cited as one of the main reasons. While the survey was carried out across major commercial production areas, it nonetheless found a lack of public services and rural infrastructure. Aside from limited infrastructure, the sector has been hindered by a drop in labour availability as people migrate from rural areas to urban centres in search of higher wages.

Seed quality was another factor. The survey found that the supply of certified paddy seeds is estimated to meet not more than 1% of potential demand, and locally produced high-quality seeds are unavailable to many farmers residing in the main village tracts. Poor knowledge of fertiliser use among farmers was cited as yet another issue resulting from the undersupply of public goods, as was ***agricultural*** research.

The fourth finding suggests public policy objectives must focus on ensuring higher returns. "Going forward, and given that paddy is less profitable and more costly to produce than other crops in most agro-ecological zones, especially during the cool and dry seasons, it is desirable to redesign public ***programmes*** from exclusive support of paddy production to support for broad-based ***agricultural*** development," the report stated.

**Rice is King**

More than 60 crops are grown across Myanmar's total land area of 67.6m ha, of which 12.8m ha is cultivated. According to the September 2017 draft of the ADS, rice is grown on approximately 7.8m ha and the country has a self-sufficiency rate of around 168%. Myanmar is home to roughly 6m rice farmers, 36% of whom work a maximum of 2 ha of land. The country exported 1.6m tonnes of rice in FY 2015/16, generating revenue of $522m. Pulses and beans are planted on approximately 4.5m ha, and the country has a growing industrial crop segment that includes rubber, sugar cane, cotton, oil palm, coffee and tea.

In similar findings to the World Bank and LIFT report, statistics from MALI and the Ministry of Commerce show that the productivity of Myanmar's paddy fields is well below regional levels. However, yield figures from the national bodies are lower than the survey findings, at 1.5-2.5 tonnes of rice per ha, versus Thailand at 3.5 tonnes and Vietnam at 4.5 tonnes. The lower quality of Myanmar's rice affects prices: the average amount paid per tonne is $170 at the first point of sale - less than half of Thailand's $350 per tonne. As a result, income per ha is also low in regional comparisons, with farmers earning an average of $425 against those in Thailand and Vietnam earning $1225 and $1215, respectively.

Since 2012 Myanmar's rice prices have been volatile. While weather shocks have intermittently affected supply, most paddy fields are harvested at the end of monsoon season in November and December, in part due to the limited availability of quality seeds and a lack of irrigation. The domestic rice market becomes oversupplied and prices fall, hitting lows in January. A shortage of warehouses adds to the problem, leaving farmers unable to store paddy until prices recover. According to MALI and the Ministry of Commerce, 30m tonnes of rice were harvested in FY 2015/16, when a total of 17,000 rice mills were operational.

**Beans & Pulses**

The amount of land dedicated to beans and pulses has grown in recent ***years*** due to their low production cost and higher return in comparison to paddy. According to the US Department of ***Agriculture***, black matpe, green mung and toor whole beans account for 80% of the beans and pulses exported.

In terms of foreign exchange revenue, the crops lead among Myanmar's ***agricultural*** commodities, generating $1.15bn in export earnings in FY 2015/16, with 80% of the total coming from India. However, sales to its large western neighbour faced an unforeseen disruption in 2017. Seeing increased production in its own pulses segment, India issued an import quota on the commodities in August 2017, saying it would accept just 200,000 tonnes of pigeon peas and 300,000 tonnes of mung beans and green grams; India typically imports around 1m tonnes of the crops from Myanmar each ***year***. While India's decision to restrict imports of the commodities has resulted in one of the harshest trade disputes between the two countries, it has showcased the importance of diversification not just in ***agricultural*** production, but also in trade.

In response, the government issued a blueprint to help its bean and pulses segment recover from the resulting drop in prices. The document comprises five strategies to encourage cultivation of different crops and explore new export markets for its commodities.

**Priority Sector**

Foreign investment in Myanmar ***agriculture*** has been hampered by restrictive policy and unclear regulation. In FY 2016/17 foreign direct investment (FDI) inflows equalled $6.8bn, of which less than 1% was channelled to ***agriculture***, according to the Directorate of Investment and Company Administration. However, thanks to the country's preferable climate, fertile soil and abundant water resources, the sector has vast potential for higher levels of investment.

Government policy has sought to encourage this. Since 2015 fully foreign-owned companies have been able to invest in the sector. Investments in previously restricted areas, such as value-added ***agricultural*** products and processed foods, are also now open to FDI. Furthermore, the Myanmar Investment Commission (MIC) has been reducing the list of activities in the sector that require a local partner. In the first quarter of 2016 the MIC allowed full foreign ownership in the production and distribution of hybrid seeds, as well as the production and propagation of high-yield and local seeds. These measures are expected to boost yields, increase incomes and narrow the trade deficit.

The MIC has identified ***agriculture*** for investment prioritisation, meaning that investors targeting the sector or the development of new agri-businesses will benefit from income tax exemptions. The new investment law introduced in April 2017 supports both foreign and domestic companies operating out of special economic zones (SEZs) being established by the state, representing one mechanism for the encouragement of downstream ***agriculture*** activities.

**Private Investors**

Despite some remaining hurdles to investment, private businesses are contributing to the effort to boost competitiveness in the sector. One such example is Myanmar Awba Group, which received a $10m loan from the International Finance Corporation to build a chemical plant in Hmawbi, around 30 km north of Yangon. The Hmawbi ***Agricultural*** Input Complex, which is set to meet up to 50% of the demand for crop protection chemicals in the country, is currently under construction and expected to begin operations in 2018. "The fertiliser industry is attracting a growing number of investors," U Thawda Tun, managing director of ***agricultural*** product wholesaler Marlarmyaing, told OBG. "Demand for fertilisers is on the rise, with annual consumption around 1.2m tonnes per annum, 60% of which is imported from China."

To meet growing demand, Japanese conglomerate Marubeni Corporation announced in 2016 that it was investing $18.5m in a fertiliser facility in the Thilawa SEZ. Two Thai firms were also given approval from the MIC to set up fertiliser manufacturing facilities in Thilawa, worth a combined $23m, which should help to reduce imports from China. Under the umbrella of local conglomerate Eden Group, Myanmar Agribusiness Public Corporation is investing $12m in a 90-ha industrial park in Myaungmya township, around 150 km west of Yangon. The park will support ***agricultural*** development, and aims to attract local and foreign investment in ***agriculture*** and agri-business. Infrastructure development plans include roads, a jetty and electricity supply, and investors from Japan, Thailand, China and Taiwan have already submitted proposals to invest in the estate, which is expected to be operational by November 2018.

In yet another example of private sector activity, PepsiCo commenced its ***agriculture*** ***programme*** in Myanmar in 2014. The scheme is designed to help meet the company's demand for potato supplies in South-east Asia. The company planned to expand potato production in the country from 700 tonnes in 2014 to an estimated 3300 tonnes by the end of 2017.

**Finance & Wages**

Poor access to finance remains one of the sector's top constraints. The state-owned Myanmar ***Agricultural*** Development Bank has historically been the main source of funding for farming landowners. The lender does not require collateral to issue loans, as it spreads risk by lending to groups of farmers who collectively guarantee each other.

Many rural households still rely on informal lenders, however, with interest rates averaging 20% per month, according to local media. As a result, some farmers cannot obtain credit to purchase modern machinery and vital inputs, resulting in poor yields. This constraint was eased somewhat by the arrival of microfinance institutions (MFIs) in the 1990s, offering loans capped at rates of 2.5% per month; however, MFIs are not available nationwide and their financing depth per loan remains shallow (see Financial Services chapter).

One private entity that is helping to get crucial equipment to farmers is New Holland ***Agriculture***, a manufacturer of farming machinery. In April 2017 the company announced an agreement to deliver 600 tractors to local farmers through the Department of ***Agricultural*** Mechanisation of MALI. Working with Yoma Bank, tractors can be bought with a 10% down ***payment***; the remainder is paid off in six instalments over three ***years***. ***Programmes*** such as this, which join access to finance with needed inputs, should help to greatly improve individual productivity and Myanmar's global competitiveness. "Myanmar is not able to fully leverage its ***agriculture*** potential because it lacks adequate machinery and seed quality, and does not channel enough resources into research and development," Sunil Seth, country head of Tata Group Myanmar and president of Overseas Agro Traders Association of Myanmar, told OBG. "The country needs to address these issues or it will lose ground to emerging competitors in Africa, such as Mozambique, Sudan and Tanzania, which can produce the same crops at a lower cost."

In August 2017 U Kyaw Win, minister of planning and finance, told local media that a plan had been drawn up to provide the ***agriculture*** and construction sectors, as well as small and medium-sized enterprises nationwide, with funds to develop their operations. The plan will allow businesses to more easily take out loans for crop cultivation and machinery purchases, and for processing and diversifying into new export markets."The supply side of Myanmar's ***agriculture*** market is fragmented and inefficient," U Thawda Tun told OBG. "Making the supply chain more efficient will be an important step to raise the incomes of local farmers."

In addition to limited access to funding, low wages have historically hindered the progress of smallholder farms in Myanmar. During the 2013 monsoon season farm wages were $1.80-2.50 per day, the lowest in a sample of selected Asian countries. According to the World Bank and LIFT report, in the 2014 dry season, wages grew to $3-3.50 per day.

**Land Rights**

Unfavourable land rights also present an obstacle to sector growth, and instances of unlawful land grabs have been reported, particularly in the mountainous region of Karen State. According to a report published by Human Rights Watch, some farmers in Karen State have been pushed off their land and face arrest if they resist. Tenure security also remains an issue due to a lack of information and - in some cases - conflicting documentation. Without written contracts or other documents certifying land ownership, in many cases land rights are confirmed by village chiefs. As a result, verification and compensation for farmers who have lost their land can be difficult to obtain.

While the right to own land in Karen State is a complicated issue, the amount of land claimed by the state under reasons of national interest has declined since 2012 with the adoption of two new land laws. The Farmland Law (2012) and the Vacant, Virgin and Fallow Lands Management Law (2012) are seen as steps in the right direction and have provided new provisions concerning land ownership, although implementation is ongoing and some disputes over ownership persist. The new laws allow for the ***transfer*** of land and provide farmers with avenues to contest land confiscation in court. In addition, Myanmar adopted a National Land Use Policy in 2016, which included the recognition of customary land management practices and thus further addresses issues related to land classification, tenure systems and dispute resolution.

**Forestry**

Covering more than 42m ha, the forests of Myanmar have long served as an important revenue source for logging companies and the government. Forestry resources include tropical hardwoods, such as teak, iron wood and padauk (cherry wood). However, weak monitoring has fuelled the illegal timber trade in Myanmar. While it remains one of the most forested countries in the region, its intact forests are declining at a rate of 0.94% per annum, according to a May 2017 study by the Smithsonian Conservation Biology Institute and the American Museum of Natural History.

While the implementation of a log export ban in April 2014 managed to slow the rate of deforestation and encourage investment in the downstream segment, it has not substantially reduced illegal logging activity. A report by the London-based Environmental Investigation Agency (EIA) estimated that 72% of logging from 2000 to 2014 was done illegally. To help reduce the rate of deforestation, the Myanmar Timber Enterprise (MTE) implemented a nationwide logging ban for the 2016/17 harvest season, which ended in March 2017. Major forested areas, such as the mountain ranges in Rakhine, Shan and Kachin states, were included in the suspension. According to the MTE, production would be restricted to 15,000 tonnes of teak and 350,000 tonnes of hardwood in the 2017/18 season.

With the EIA and the EU Timber Regulation imposing bans on timber that cannot be traced to its original source, it is hoped that illegal activity will gradually decline. However, much of the illegal trade continues to flow into China and India. In late 2016 the MTE began preparatory work to join the Voluntary Partnership Agreement for Forest Law Enforcement, Governance and Trade. To join the agreement, Myanmar's forestry industry will need to demonstrate greater transparency across the entire supply chain, from the point the wood is first extracted to the moment it is exported.

There is concern that state intervention in the form of a higher timber export tax may hinder progress in the industry, with some bracing for a tax as high as 50%, according to local media reports. This tax varies each ***year*** and is typically between zero and 5%. Another regulation likely to affect timber exports was announced in early 2017 by U Win Zaw, a spokesman for the Ministry of Natural Resources and Environmental Conservation. He said that from May 2017 only logs purchased in US dollars could be processed for export, leading to a possible drop in volume. The purpose of the regulation is twofold: slow the rate of deforestation and earn foreign currency to help tackle the state fiscal deficit.

**Outlook**

For the foreseeable future, policymakers are expected to continue addressing structural shortfalls in the sector, such as unclear land rights, limited access to finance and inadequate infrastructure. "***Agriculture*** remains Myanmar's most important economic sector. However, productivity is very low and farmers struggle to make a living," U Kiwi Aliwarga, CEO of conglomerate UMG Myanmar, told OBG. "To boost productivity and add value to the sector, the government should help stakeholders improve the quality of seeds, invest in irrigation systems and technology, revise the land law, improve the quality of the soil and invest in the education of local farmers."

The introduction of more reliable and affordable financing is especially important for long-term development; at current borrowing rates, small-scale farmers remain vulnerable to dips in global commodity prices. This group of farmers also requires better access to retail and wholesale markets, and a supply chain with less intermediary agents that contribute to rising costs and reduce producer income. Producing cost-competitive, high-quality products would open the door to new and more sophisticated export markets, and rise farmer income at the same time.

Given the expected growth in demand for ***agricultural*** products in the Middle East, the EU, the US and China, Myanmar is indeed looking to diversify its export markets, while also taking steps to mitigate risk of over-dependence on any one crop. In the longer term, export and commodity diversification efforts should increase the focus on improving the country's ***agricultural*** value chain, particularly in terms of logistical and distribution costs. This will require greater investment, continuous policy reform and more constructive collaboration between the government, private entities and not-for-profit organisations, all of which is in focus in the ADS.

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[***The Vicious Circle: How Financing From IMF And Other Financial Institutes Feeds Corruption In #Ukrainian Agricultural Sector***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SJ1-2761-JCMN-Y3N7-00000-00&context=1516831)

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**Body**

Jun 11, 2018( EU Reporter: [*http://www.eureporter.co*](http://www.eureporter.co) Delivered by Newstex) The New York Times recentlystated[1]that Ukraine had intentionally frozen an investigation into four cases related to Paul Manafort - former head of the election campaign of Donald Trump. According to The New York Times, Ukrainian officials are afraid to offend Trump and lose both financial aid from the USA and supply of the US weapon. But it seems that Ukrainian officials do not fully understand what factors define the financial assistance to Ukraine. Rather than inventing complicated diplomatic moves, Ukraine should urgently put in order a number of key sectors of the national economy - writes Robert Lewis ofwisc24.com[2]The Ukrainian ***agricultural*** sector as an example of coalescence of government authorities and businessBeing one of the most perspective Ukrainian markets, the country's ***agricultural*** sector is a typical example of coalescence between governmental authorities and business.

Ukraine ranks among the leading exporters of ***agricultural*** produce. Ukrainian companies have a number of sound competitive advantages, in particular, proximity to consumer markets and large production volumes. Some of these companies had successfully undergone IPOs. However, bright prospects of Ukrainian ***agricultural*** sector are seriously hampered by the fact that today it stays under control of several owners of large ***agricultural*** holdings. They use the whole set of political instruments (even the most corrupt ones) to put obstacles in the way of the land reform (***agricultural*** land in Ukraine can still not be freely sold or purchased), dictate terms to other market participants, and most importantly - to successfully steal funds from the state budget of Ukraine, which is backed by the IMF and other international financial institutions. All these groups form their own political wings, and spend considerable corporate budgets to make them vast and influential. To win parliamentary elections and become a people's deputy it is necessary to spend around USD 5-7 million depending on whether it is a majority district or the list of a political party. Along with this, ***agricultural*** holdings conduct negotiations to receive backing from other MPs, and directly finance political parties of their choice. As a result, they all have at least 3-6 MPs at their disposal, and these MPs primarily represent the agrarian and the tax committees of the Ukrainian parliament. These committees are crucial for their activity - the former is distributing subsidies while the latter is granting the privileges and tax exemptions. A number of Ukrainian ***agricultural*** holdings are public companies, and their shares are traded on the London and Warsaw Stock Exchanges. When you have a closer look at their structure, you will always see offshore companies there, and beneficiaries of these holdings receive their dividends on offshore accounts paying no taxes in Ukraine. This is where a life of luxury is financed from - including luxurious estates, yachts, private airplanes and more commonly - political corruption in Ukraine in general. At the same time, most owners of Ukrainian ***agricultural*** holdings do not live in their country - they are registered and reside in such countries as Switzerland, Germany or Austria. Conflict of interest among Ukrainian MPs representing the agrarian committee of the Ukrainian parliament (according tothe data[3]gathered by the Public movement 'Chesno'): 29 MPsrepresenting the Agrarian Committee 21 MPspossess at least 1 company related to agrarian business 150 Companiesare in possession of MPs representing the agrarian committee 100 of these firmsbelong to agrarian sector 7 MPshave a direct connection with agrarian holdingsA problem of РЕРs and excessive indulgence of international financial institutesShould we help Ukraine? Of course, we should. For several ***years*** the country has been opposing Russian ambitions of regional dominance and declares European democratic values. However, it is a matter of paramount importance to review the mechanism of control over the use of financing provided to Ukraine since its current weakness gives free rein to many agrarian 'nouveau riche' and corrupted officials. Besides, there is a feeling that in Ukraine financial institutions also take a less principled stand when trying to control the fulfillment of requirements that are usually set for recipients of financing. In March 2015, the International Monetary Fund endorsed four-***year*** ***programme*** of lending 17.5 billion dollars to facilitate Ukrainian economy. Within this ***programme*** Ukraine has already obtained four loan tranches totaling 8.7 billion dollars. The fifth tranche for the total of 1.9 billion dollars will come in the third quarter of 2018. Along with this, the IMF is not in a hurry to claim Ukraine for nonfulfillment of its two key requirements necessary to continue cooperation with the IMF. In particular, Ukraine did not establish Anti-corruption court and did not introduce automatic adjustment of gas tariffs to comply with the market level. Another example is the fact that in terms of financing under EBRD Ukraine ranks third in the world after Turkey and Egypt. According to the latest EBRD report, last ***year*** the total amount of financial assistance to Ukraine accounted for 581 million euros. But what do we observe in the news from Ukraine? Due to the absence of a principal law on the management of state-owned banks, the EBRD is still not able to participate in the competition for purchasing 20% of Oschadbank State Bank, though Ukraine has promised to fulfill this condition until mid-2018. Recently, the EBRD has been trying for almost three ***years*** to recover collateral in the form of railcars, which the bankrupt company did not want to return, despite the refusal of fulfilling its credit commitments. And because of the scandal with six unfinished crossing points on the border with the EU, the European Union has stopped funding Ukraine under Customs ***programme*** at all and now it requires reporting on embezzlement of funds. IFC has already invested more than 3,2 billion dollars in 90 Ukrainian projects. Another 1 billion dollars was allocated to Ukraine in the framework of IFC Global Trade Finance ***Program***. But, for example, due to financial problems of Mriya Agro Holding, IFC was compelled to buy and manage three grain elevators that previously belonged to Mriya and were taken to restructure its debt. While due to another decision to give 95 million dollars to Kernel (that belongs to agrarian tycoons Andriy Verevsky and Vitaliy Khomutynnyk), several sector associations addressed an open letter to IFC and the EBRD claiming that their cooperation with Kernel is inappropriate.These examples are aplenty, but the EBRD and other financial institutions remain indulgent when working with Ukrainian companies - in some cases, financial assistance is provided to companies managed by politically exposed persons (PEP). According to its internal rules and procedures, the EBRD has the right to refrain from their financing as well as to refrain from backing the entities that it suspects of corruption or money laundering. The EBRD's Integrity Risk Policy explicitly states: 'In the event that the Bank receives any information on fraud, corruption, conspiracy, coercion, artificial interference, theft or misuse of the Bank's resources in the course of its current operations or its projects, the Bank should be guided by the Principles of International Financial Institutions as part of the Integrated Network for the Prevention and Fighting of Fraud and Corruption'. Therefore when the EBRD is opening financing for companies, which are openly managed by Ukrainian РЕРs, it directly violates its internal standards. In other words, in Ukraine the EBRD and other international financial institutions suffer from problems that were created by themselves.Everyday life of Ukrainian agrarian holdingsSo, it is quite natural for the owners of the largest agrarian groups in Ukraine to combine the work for governmental authorities with participation in the family business. This gives them wide opportunities as to use the state budget to earn money while paying no taxes, receiving budgetary subsidies and withdrawing money abroad. To understand the scale of this problem, we should analyze the results of the most resonant investigations of Ukrainian journalists, and monitor the statements made by profile experts and local control authorities. Representatives of agrarian sector among the richest people of Ukraine in 2016, source: Forbes Ukraine Mriya Agro Holding.In August 2014, Mriya Agro Holding being one of the largest ***agricultural*** producers in Ukraine announced its technical default. Then the company had almost 300,000 ha of farming land, exported its agrarian produce to 20 countries worldwide, possessed four elevators for the total of 380,000 tons and issued Eurobonds for the total of USD 400 million. But later it was revealed that the total amount of its debt accounted for USD 1.3 billion. The CEO of Rothschild ...e Banque in Russia and the CIS, the financial advisor of the Committee of Mriya Eurobonds holders Giovanni Salvetti commented on the reasons for the bankruptcy of the giant company as follows: 'The company borrowed too much money. It had more debts than it could handle. It's one of the reasons. Then, the company could provide inaccurate financial data and overstated its profitability in previous periods. If you report higher profitability, you may attract more loans So, in 2013 Mriya reported about 260 million dollars of EBITDA. While actual figures were lower than the reported ones'. Four ***years*** into the announced default of Mriya Agro Holding its major lenders haven't still recovered their losses. To their surprise, in April 2018, Deutsche Welle published a hard-hittinginvestigation[4]to point at the fact that the family of the former Mriya's owner Ivan Guta bought the most expensive villa in Germany! The price of the estate is almost 13 million euros. Chandeliers in Rococo style crown light-filled halls, marble floors radiate the atmosphere of the Palace of Italian nobility. Pretensions of the owner of this Villa have clearly surpassed even the villa of his richest neighbor in Garmisch-Partenkirchen — Russian billionaire Roman Abramovich, who owns the historic Villa Leitenschlöss, the publication states. In Ukraine Ivan Guta was suspected of withdrawal of more than 200 million dollars from the holding. The previous ***year*** he lost the case against extradition to Ukraine, while the Swiss government refused to give him a shelter. Kernel Holding.In November 2017, Transparency International published the results of the investigation supported by the United States Agency for International Development (USAID), which pointed to the fact that the second largest co-owner of Kernel Holding Vitaliy Khomutynnyk (after the Kernel's founder Andriy Verevskiy) has a conflict of interests. Authors of the investigation claimed that Vitaliy Khomutynnyk combined his work as a Ukrainian MP with lobbying the business interests of Kernel. Here we should admit that the other large owner of Kernel, Andriy Verevskiy, served as a member of Ukrainian parliament four times and today also ranks among the richest Ukrainian businessmen (as well as Vitaliy Khomutynnyk). In Ukraine, Vitaliy Khomutynnyk is considered a 'tax guru'. His specialization in the parliament is tax legislation. Also he has significant influence on parliamentary tax committee - the key committee that distributes privileges and subsidies among agrarian producers and companies from other sectors of Ukrainian economy. Experts insist that it was Khomutynnyk who recently initiated the amendments to the Tax Code abolishing VAT refund to small exporters of oil products. According to them, if the 'Khomutynnyk amendments' remain in force, in 2018 their losses would amount to USD 230 million while Kernel revenues would increase by 16.7%. This fact is easy to comprehend since Kernel is the largest processor of oil crops in Ukraine and it will obtain direct benefits if other producers would be forced to cut the exports of oil crops and supply them as inexpensive raw materials to Kernel plants instead. Small and medium-size producers greatly suffered from 'Khomutynnyk amendments' and in March they even protested against them. Also, Vitaliy Khomutynnyk is often called a VAT refund specialist: in 2017, for instance, Kernel Holding run by Verevskiy and Khomutynnyk became the leading agrarian company in terms of VAT refund. The company received almost 350 million dollars from the state budget. The VAT refund is traditionally considered as one of the mostcorrupt businesses in Ukraine[5]- exporters are forced to unofficially pay up to 25-30% of the amount of reimbursed funds to officials that make decisions related to the VAT reimbursement. Thesize of the land bank[6]belonging to selected Ukrainian agrarian holdings in 2017, hectares (1 hectare = 2.5 acres):News about current activities of the company (602,500 hectares of land, export supplies to 60 countries, the Warsaw Stock Exchange trade its shares since 2007) also impress with a large number of minor and major legislation violations, for which, as we can see, the company owners are not held accountable. Here are some stories from Ukrainian media. In February 2018, the Ukrainian police disclosed a scheme of illegal grain exports to the Baltic states and Uzbekistan. It was found out that ***agricultural*** products were sold for cash without any taxing and accounting paperwork. This scheme disclosed unlawful activities of elevators managed by 'Kernel Trade' and 'Nibulon' belonging to another family of agrarian oligarchs, who will be discussed further - the Vadaturskyi family. In December 2017, the State Fiscal Service of Ukraine revealed a criminal ***transfer*** of money abroad from Kernel Holding. As the investigation figured out, the scheme was deliberately organized to avoid the prohibition of the National Bank of Ukraine to withdraw foreign currency abroad. It looks like Kernel is going to go on providing new information hooks for Ukrainian media on a regular basis. Meanwhile, the well-known Ukrainian journalist Christina Berdinskih calculated that according to official accounting data, in 2011-2014 Khomutynnyk increased his revenues 30 times to become the richest member of Ukrainian parliament in 2015. The people's deputy owns a private Gulfstream G280 plane worth around USD 20 million and a 40-meter Apostrophe yacht, whose construction under individual request lasted for 5 ***years***. 'In autumn 2014, Moran Yacht ...ip offered the Apostrophe for USD 24 million. Sources of Ukrainian magazine 'Novoe vremya' insist that it was purchased by Khomutynnyk. However, you will not see this yacht in his official tax declaration since it was registered in the Cayman Islands offshore' - Berdinsky wrote. Nibulon Company.According to Ukrainian journalists, nowadays this company is the closest to share sad destiny of Mriya' and only new loans from international financial institutions save it from bankruptcy, as well as tax ***payment*** evasion and, as in the Kernel's case, the lobbying activities of MP Andriy Vadaturskyi, who together with his father Oleksiy owns 'Nibulon' and its subsidiaries (82,500 hectares of land, almost 50 vessels, 25 elevator complexes ad terminals on Ukraine's largest rivers, export supplies to 64 countries, and monopoly in the sphere of river freight transportation). Market experts claim that the whole history of Nibulon's economic upswing resulted from the fact that for ***years*** the company employed illegal schemes to minimize tax ***payment*** on the territory of Ukraine and obtain benefits from every Ukrainian government. A typical example: fake exchange of letters and imposing penalty for allegedly delayed supplies between Vadaturskyi Sr. as the owner of mother company in Ukraine, and Vadaturskyi Jr. as a head of its Swiss subsidiary. As a result of correspondence between two businessmen who actually sat in neighboring rooms of the same office only to establish favorable conditions for money withdrawal, that ***year*** Ukrainian Nibulon paid taxes for meager USD 15 million though received the VAT refund for the total of almost 50 million dollars. Generally, the owners of Nibulon have always been able to successfully negotiate with Ukrainian authorities. In 2010-2011, which local business recalls as the period of 'tightening the screws' by the former Ukraine's President Viktor Yanukovych, 'Nibulon', for example, managed to get one of the biggest export quotas for supplying ***agricultural*** produce abroad. At that time, the distribution of export quotas was usually referred to as the first large-scale corrupt project of the ewsly-elected president Yanukovych, and Ukrainian media wrote a lot about it. In 2010, Nibulon became the largest export supplier of corn (20.7%), the third largest supplier of wheat (9%) and the fourth largest supplier of barley (13.5%). To compare, that ***year*** even such international giants as Cargill, Louis Dreyfus, Alfred Toepfer and Soufflet Group enjoyed considerably modest trading opportunities in Ukraine. Under the current government in Ukraine, the relations between Nibulon and Ukrainian high-ranking officials are also quite good. In 2016, Nibulon was the ninth Ukrainian company by the volume of VAT refunding accounting for USD 80 million. In 2017, the company also managed to become one of the ten leading companies with the total VAT refunding of USD 145 million. Ukrainian journalists suspected that Nibulon enjoyed the unhindered VAT refund due to unofficial backing by Vitaliy Khomutynnyk, who used this case to study the activities of Ukrainian agrarian holdings and then decided to purchase a share in Kernel. The previous ***year*** schemes employed by Nibulon were subject to large-scale investigations performed by known Ukrainian journalists. For instance, Ukrainian media have found that Nibulon exported grain to its subsidiaries in Switzerland and the Netherlands at a price of USD 176 per ton, although, to compare with, export price for the state-owned grain equaled USD 213.2 per ton. According to their estimates, the state budget annually lost no less than USD 50 million dollars in taxes due to that price reduction. 'It's a very profitable mode of operation. The company conducts its business through its subsidiaries abroad. When the grain is exported from Ukraine to Switzerland and the Netherlands, its price gets reduced artificially. And when it gets sold by subsidiaries, its price increases accordingly. Often it leads to situation when Ukrainian companies declare the loss, and on the contrary their foreign subsidiaries enjoy good financial performance' - the experts stated. This observation can be proved with information from open Ukrainian registers: Nibulon insists that its export supplies embrace 64 countries worldwide though open registers show that at first its export supplies are directed solely to the countries where its foreign subsidiaries were founded, namely Switzerland and the Netherlands. However, Nibulon's work in Switzerland has almost led to another big scandal though Ukrainian media seem to miss it. In 2016, the head of Nibulon subsidiary in Switzerland David Clark wasunexpectedly fired[7]after he was mentioned as a head of several other offshore companies belonging to Russian grain traders during the international offshore scandal, known as Panamagate. The use of a business scheme that allows for ***transferring*** money abroad and paying fewer taxes in Ukraine had a profound influence on financial performance of Nibulon. In contrast to Kernel, Nibulon refuses to disclose its financial reporting appealing to the fact that the company is not public. However, the State Fiscal Service has provided reporters with information about the financial performance of the company. It shows that despite the fact that for many ***years*** Nibulon's owner Oleksiy Vadaturskiy ranked among the ten richest Ukrainians, his company remained unprofitable and used to run at a loss. For example, in 2017 the company's loss exceeded USD 20 million, and the total amount of loans reached USD 360 million. To compare, in 2016 its loans totaled almost USD 100 million - in other words, Nibulon's indebtedness has been growing. The amount of short-term bank loans in the past ***year*** has reached USD 257 million and the volume of long-term loans totaled around USD 217 million. In the recent ***years***, Nibulon borrowed money from the EBRD, the European Investment Bank, Private Export Funding Corp., BNP Paribas, ING Bank, and a number of Swiss and Dutch banks. In February 2017, StockWorld published the article which stated that Nibulon could be subject to default since it won't be able to return money to the EBRD. 'In 2016, the total amount of Nibulon's liabilities reached USD 474.3 million. And the amount of current liabilities redeemable during the ***year*** reached USD 316.5 million. Another USD 157 million are a long-term debt. While the total proceeds of the company in the first 9 months of 2016 reached meager USD 363 million, that's all. It should also be noted that in 2014 and 2015 Nibulon showed multi-million loss accompanied by very high proceeds In 2014, its losses exceeded USD 240 million and were almost 4 times higher than the operating profit. In 2015, the revenues fell two times to USD 540 million while the company's losses amounted to USD 92 million. Obviously, this financial performance shows that the company is not able to fulfill its short-term loan liabilities and there is a threat of imminent corporate default', - the journalists admitted. Perhaps, poor financial performance of Nibulon, among other things, somehow related to the story told by our source at BNP Paribas Bank. The source claimed that several ***years*** ago Andriy Vadatursky used the experience of 'Mriya' Agro Holding and concealed Nibulon's losses for the total of USD 100 million. This fact caused the extraordinary meeting of several biggest lenders of the company. They insisted that Vadatursky Jr. should no longer work for Nibulon. Perhaps, this was the reason why Oleksiy Vadaturskiy decided to delegate his son to the Ukrainian parliament - to lead the group of several loyal MPs. To substitute Vadaturskiy Jr., the company hired one of the financial advisors from BNP Paribas. 'Ukrlandfarming' Company(as of 2018, the land bank fell to 570,000 hectares, the second largest elevator facilities in Ukraine - 2.66 million tons, possesses the largest egg-producing holding in Eurasia that successfully underwent IPO at the London Stock Exchange). Recently, the National Bank of Ukraine has calculated that the total debt of Ukrlandfarming shareholder Oleg Bakhmatyuk exceeded USD 1.5 billion. In addition to debts, summoned by his ***agricultural*** companies, namely Avangard and Ukrlandfarming, the indebtedness was also accumulated by two affiliated banks - Financial Initiative Bank and VAB Bank that were recognized insolvent. As a result, more than 400,000 depositors lost their money, while the total damage inflicted by Oleg Bahmatyuk on the banking system exceeded USD 500 million. In addition to the scandals with loans, Oleg Bakhmatyuk caused a number of big international scandals. A few ***years*** ago, Bakhmatyuk asked for the loan to construct the poultry factory in Kherson region, but three ***years*** later it turned out that this factory had never been constructed, and the money disappeared. In 2012, Bakhmatyuk took a loan under guarantees of the German government to construct another poultry farms in Kherson and Khmelnytskyi regions. This project was put to a halt after 1300 German farmers filed a petition complaining that construction of these factories did not comply with the EU requirements while Bakhmatyuk took European money to receive non-competitive advantages over the European producers. Earlier, Bakhmatyuk acquired two US companies ('Omtron USA' and Townsend) only to make them bankrupt and receive a complaint filed by 130 suppliers of chicken meat from North Carolina, who pointed at non-fulfillment of contract terms under which they were supposed to grow poultry for Bakhmatyuk's company for three ***years*** but lost money instead. In Ukraine, Oleg Bakhmatyuk employed the same schemes. In 2006-2008, he took a loan for the total of USD 5 million to renew Chornobaivska Poultry Factory and even obtained compensation from the state but failed to erect the facilities mentioned in the project. In 2010, Bakhmatyuk's Avangard holding issued Eurobonds for the total of USD 200 million and traded them on the London Stock Exchange under guarantees of Avangard's shares but did not pay off these Eurobonds ever since. In 2010, Rise Company belonging to Oleg Bakhmatyuk violated the raw materials supply contract and 4 ***years*** later was finally forced to pay USD 22 million to compensate for its indebtedness. In 2011, Ukrlandfarming obtained a five-***year*** syndicated loan for the total of USD 600 million granted by Deutsche Bank and Sberbank of Russia aimed at construction of new poultry farms. These funds were used to buy some other ***agricultural*** enterprises instead, and Bakhmatyuk failed to pay off this debt. Finally, in 2012-2013, Ukrlandfarming issued Eurobonds worth almost USD 500 million but escaped their pay-off transforming this indebtedness into the debt borne by Financial Initiative and VAB Banks, which subsequently were proclaimed bankrupt. OJSC Myronivskiy Hliboproduct(30 enterprises, 28,000 employees, 64% of Ukrainian poultry market and 86% of Ukrainian poultry exports, 35% of the company is freely traded on the London Stock Exchange). In 2014, the company's owner Yuriy Kosyuk was appointed the first Deputy Head of the Administration of the President of Ukraine responsible for military bloc. Today he still has significant influence on the tax committee of Ukrainian parliament - the key committee to ensure smooth performance of his company. Nowadays he is still doing very well. 'Despite the crisis and the war, the company paid USD 50 million of quarterly dividends to its shareholders. And if you hope that a part of this ***payment*** goes to the state budget in the form of taxes, you are completely wrong. Taxes imposed on these funds will be summoned by the state budget of Luxembourg. And taxes imposed on ***payments*** made to pay off the Eurobonds issued by Myronivsky Hliboproduct in 2007 on the London Stock Exchange worth 249 million dollars, would back the UK economy. While in Ukraine the company used to report losses, referring to prohibited supplies of poultry meat to the Customs Union and shutdown of its factory in the occupied Shakhtarsk', the Ukrainian journalists wrote. Luxurious estate near Kyiv belonging of Yuriy Kosiuk is commonly referred to asUkrainian Versaillesby the Ukrainian media. In 2016, Yuriy Kosiuk became the fifth richest citizen of Ukraine according to Forbes, which estimated his wealth at USD 1 billion. Here is a vivid example of how a company can earn using unfair access to budget subsidies. In August, Dariya Kalenyuk, Executive Director and Member of the Board of the Anti-Corruption Action Centre, wrote that Yuriy Kosyuk would be a recipient of a bigger part of USD 130 million, which were additionally allocated to back Ukrainian agrarians after confiscated 'Yanukovich money' returned to the state budget-2017. 'It is common knowledge that the biggest part of this money would be given to Kosyuk in the form of subsidies. The governmental decree contains wording specially written to ensure he gets the money. In 2016, under pressure from the IMF, Ukraine cancelled tax privileges for agrarian producers that for many ***years*** enjoyed special regime of the VAT ***payment***. According to the IMF statistical data, these privileges cut the annual receipts of the state budget by USD 200-300 million (0.3% of the country's GDP). When tax privileges were cancelled officials invented direct budget grants. The state told the agroholdings: 'Unfortunately, you are forced to pay VAT in full due to the requirements of the IMF, but don't worry. We'll give you the budget money in the form of grants, the amount of which will depend on the amount of VAT that you paid', - wrote Kalenyuk. Here are the words of another well-known Ukrainian journalist Sergey Leshchenko: 'If you like poultry meat, you probably were a client of the growing monopoly of Yuriy Kosyuk, who received USD 58 million in the form of grants from the state budget-2017. Add the preferential taxation and note that in his possession there are yachts and planes, as well as the palace that even Viktor Yanukovich would be bursting with envy seeing it'.More to comeToday Ukraine remains one of the largest recipients of financial aid from international financial institutions. Ukraine receives a lot but even the slightest look at the local news is enough to understand why the donors often complain that the quality of local reforms is extremely low. Following Mriya's default and scandals with Kernel, Ukrlandfarming and Nibulon it is quite obvious that their activity stipulates great annual losses of the state budget that may constitute billions of dollars. Also it hampers a number of extremely important reforms. Including the land reform since it is more profitable for big agrarian holdings to rent land almost for free rather than purchase it at market price. Thus, we used such a perspective Ukrainian market as agrarian to show that international financial institutions should urgently consider how they spend their money in Ukraine. The United States and the European governments should enhance control over Ukrainian ability and eagerness to fulfill the requirements of the IMF and organizations that fight corruption. If we stop corruption in Ukraine, both the USA and Ukraine will greatly benefit from it. This article was originally published in wisc24.com [*http://www.wisc24.com/business-finance/the-vicious-circle-how-financing-from-imf-and-other-financial-institutes-feeds-corruption-in-ukrainian-****agricultural****-sector-233007.html*](http://www.wisc24.com/business-finance/the-vicious-circle-how-financing-from-imf-and-other-financial-institutes-feeds-corruption-in-ukrainian-agricultural-sector-233007.html)[8]The post The Vicious Circle: How Financing From IMF And Other Financial Institutes Feeds Corruption In #Ukrainian ***Agricultural*** Sector[9] appeared first on EU Reporter[10]. [ 1]:   [*https://mobile.nytimes.com/2018/05/02/world/europe/ukraine-mueller-manafort-missiles.html#click=https://t.co/mc6z35nnmR*](https://mobile.nytimes.com/2018/05/02/world/europe/ukraine-mueller-manafort-missiles.html#click=https://t.co/mc6z35nnmR) [ 2]:   [*http://www.wisc24.com*](http://www.wisc24.com)/ [ 3]:   [*https://www.epravda.com.ua/cdn/cd1/2017/03/konflikt\_interesiv\_v\_agrarnomu\_komiteti/#rec15230933*](https://www.epravda.com.ua/cdn/cd1/2017/03/konflikt_interesiv_v_agrarnomu_komiteti/#rec15230933) [ 4]:   [*http://www.dw.com/en/bavarias-villa-glory-ukrainian-money-and-a-german-scandal/a-43366241*](http://www.dw.com/en/bavarias-villa-glory-ukrainian-money-and-a-german-scandal/a-43366241) [ 5]:   [*http://tyzhden.ua/News/23865*](http://tyzhden.ua/News/23865) [ 6]:   [*https://latifundist.com/rating/top100*](https://latifundist.com/rating/top100) [ 7]:   [*https://golos.ua/i/477711*](https://golos.ua/i/477711) [ 8]:   [*http://www.wisc24.com/business-finance/the-vicious-circle-how-financing-from-imf-and-other-financial-institutes-feeds-corruption-in-ukrainian-****agricultural****-sector-233007.html*](http://www.wisc24.com/business-finance/the-vicious-circle-how-financing-from-imf-and-other-financial-institutes-feeds-corruption-in-ukrainian-agricultural-sector-233007.html) [ 9]:   [*https://www.eureporter.co/frontpage/2018/06/11/the-vicious-circle-how-financing-from-imf-and-other-financial-institutes-feeds-corruption-in-ukrainian-****agricultural****-sector/*](https://www.eureporter.co/frontpage/2018/06/11/the-vicious-circle-how-financing-from-imf-and-other-financial-institutes-feeds-corruption-in-ukrainian-agricultural-sector/) [ 10]:   [*https://www.eureporter.co*](https://www.eureporter.co)

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[***Leveraging FinTech Innovation Proving to be Critically Valuable for Growing Number of Industries; MarketNewsUpdates.com News Commentary***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RV2-HBB1-DXP3-R0T6-00000-00&context=1516831)

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**Body**

FinTech has asserted itself as an essential technology within the financial services, ***payment*** services, human capital and a growing number of sectors for various reasons. According to areport recently issued by PwC, over 77% of companies globally intend to expand their efforts to innovate their fintech approach within the next three to five ***years***. Prominent areas of various industries that are poised to be disrupted by fintech applications include human capital services, workforce applications, banking & financial, insurance, digital transactions and ***payment*** services. The World Economic Forum has led the creation of an industry consortium focused on improving the cybersecurity of a increasing number of technology companies, as collaboration between fintechs and financial institutions as a heightened need for companies to implement sturdy cybersecurity measures. FinTech Innovation coupled with Blockchain technology has the potential to universally reshape the way business transacts across nearly every industry in the global economy for companies such as: ShiftPixy, Inc. (NASDAQ: PIXY), PayPal Holdings Inc. (NASDAQ: PYPL), Starbucks Corporation (NASDAQ: SBUX), Square Inc. (NYSE: SQ), American Express Company (NYSE: AXP).

ShiftPixy, Inc.(NASDAQ: PIXY)BREAKING NEWS: Shiftpixy, amidst all the talk about the fintech boom, is developing a unique financial and insurance transaction and metering platform.

ShiftPixy's technology platform leverages a "micro-metering" approach to incremental financial and ***payment*** transactions and related insurance coverages based on real-time use and exposures. In his discussion regarding ShiftPixy's underlying technology in the midst of the fintech frenzy, ShiftPixy's CEO Scott Absher stated, "We are preparing to operate at the level at which many fintech companies are endeavoring to attain. In connecting a workforce with business, ShiftPixy will be leveraging two critical technology functionalities. The first is what we call 'micro metering' of essential commercial insurance coverages required by our operator clients-namely workers' compensation and auto coverages on a delivery-by-delivery basis. The second is using ShiftPixy's blockchain ledger to process and record our critical P2P connections." Read this and more news for ShiftPixy at[*http://www.marketnewsupdates.com/news/pixy.html*](http://www.marketnewsupdates.com/news/pixy.html)

Mr. Absher went on to say, "The ShiftPixy mobile ecosystem's success requires technical precision in managing sometimes relatively small yet frequent transactions that are growing in volume. Our 'micro metering' technology has caught the attention of the insurance community with its real time data visibility and its ability to scale at a rapid rate. Our blockchain technology assures that with rapid growth and scale, our essential security is keeping pace with the growth."

ShiftPixy's technology is engineered to allow the Company's business operator clients to liberate and accelerate their business and thrive despite the gig economy changes affecting their businesses. ShiftPixy is allowing traditional retail and restaurant operators to connect and compete with ease in the part-time labor markets without technology investments.

Additionalindustry relateddevelopmentsfrom around the markets:

Village Capital andPayPal Holdings Inc.(NASDAQ: PYPL) have chosen 12 startups to take part in their first fintech accelerator in Sub-Saharan Africa, which will provide three months of training and offer US$50,000 investment in the best two companies. A cohort of 12 early-stage fintech startups has now been chosen from 165 applicants, each of which has developed an innovative technology or business model that has improved financial health for consumers or businesses. The cohort includes four startups from Kenya, namely tech platform for small scale producers Annona, foreign exchange service FPESA, insurtech startup GrassRoots Bima, and ***agriculture*** marketplace Tulaa, which is also active in Ghana.

Starbucks Corporation(NASDAQ: SBUX) recently addressed the company's future intentions to become more involved in the fintech landscape through blockchain. "I think Blockchain technology is probably the rails in which an integrated app at Starbucks will be sitting on top of," he said. For Starbucks to be considering how to incorporate Blockchain into its ***payment*** processes isn't that much of a surprise. That' because the coffee behemoth has a reputation for being willing to step into unchartered waters when it comes to technology. For example, it was one of the first major retailers to employ technology that allows customers to make their purchases with their mobile phones. It rolled out what it called the "nation's largest mobile ***payment*** ***program***" in 2010. A ***year*** later, it boasted that its mobile transactions topped 26 million within the first ***year***.

Square Inc.(NYSE: SQ) is reportedly supporting direct deposits for paychecks, which means it's one step closer to becoming a fully functional bank account, without actually being a bank account. Users just need to give their employer their account and routing number (found in Cash settings), and the app will notify them when a deposit hits their account. The funds are added to their regular Cash balance and can be spent via debit card, sent to a friend, put into another account or even used to buy bitcoin. This is a big step forward for Cash app -- and the financial services sector in general. As long as you don't need to deposit a cheque or wire a ***transfer*** (and who in this day and age does?) it's now entirely possible to rely on the app in lieu of a traditional bank account, which is helpful for younger users entering their first job, those in underserved areas, or anyone reluctant to pay fees at more mainstream institutions. It's not so straightforward for Square itself, though, as it doesn't yet have its own bank charter, so it's had to figure out quite a few workarounds to adhere to legislation. But as more and more fintech companies pioneer these kinds of services and see large-scale take-up, it might not be too long before at least some of the rules are reformed.  Source:engadget

American Express Company(NYSE: AXP) recently joined the financial funding round of Even Financial, a technology platform powering financial services online. "Even Financial helps financial services providers and fintech partners programmatically deliver products and services in real time to the right customers when and where it's most effective," said Harshul Sanghi, Managing Partner of American Express Ventures. "By providing the underlying technology for more efficient customer acquisition, Even's platform is enabling financial institutions to broaden their reach while connecting fintech partners with a greater supply of financial institutions and their products. We're pleased to support Even in its efforts to expand its capabilities and grow its client base."

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This release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E the Securities Exchange Act of 1934, as amended and such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. "Forward-looking statements" describe future expectations, plans, results, or strategies and are generally preceded by words such as "may", "future", "plan" or "planned", "will" or "should", "expected," "anticipates", "draft", "eventually" or "projected". You are cautioned that such statements are subject to a multitude of risks and uncertainties that could cause future circumstances, events, or results to differ materially from those projected in the forward-looking statements, including the risks that actual results may differ materially from those projected in the forward-looking statements as a result of various factors, and other risks identified in a company's annual report on Form 10-K or 10-KSB and other filings made by such company with the Securities and Exchange Commission. You should consider these factors in evaluating the forward-looking statements included herein, and not place undue reliance on such statements. The forward-looking statements in this release are made as of the date hereof and MNU undertakes no obligation to update such statements.

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[***BASF Q3 2018 sales up 8% at EUR15.6bn***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TM5-GWC1-JDNW-40KX-00000-00&context=1516831)

just-auto global news

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**Body**

In the third quarter of 2018, BASF Group sales rose by 8% ***year*** on ***year*** to reach EUR15.6bn (US$17.8bn). This was primarily attributable to higher sales prices in all segments. Volumes growth and the acquisition of the Bayer businesses in August 2018 also contributed to the sales increase. Negative currency effects had an offsetting impact. Income from operations (EBIT) before special items declined by EUR232m to EUR1.5bn, mainly due to the significantly lower contribution from the Chemicals segment. EBIT before special items also decreased considerably in the Functional Materials and Solutions and ***Agricultural*** Solutions segments, but fell only slightly in the Performance Products segment. This was partially offset by improved earnings in Other.

Special items in EBIT totalled minus EUR75m in the third quarter of 2018, compared with EUR122m in the prior-***year*** quarter. In addition to the integration costs incurred in connection with the acquisition of significant businesses and assets from Bayer, expenses for restructuring measures and other charges also contributed here. The prior-***year*** quarter included special income in the Performance Products segment from the ***transfer*** of BASF s leather chemicals business to the Stahl group. Compared to the third quarter of 2017, EBIT therefore declined by EUR429m to EUR1.4bn. Income from operations before depreciation, amortisation and special items (EBITDA before special items) decreased by EUR254m to EUR2.3bn and EBITDA by EUR465m to EUR2.2bn.

At the presentation of BASF Group s quarterly figures, chairman of the Board of Executive Directors Dr Martin Brudermuller and chief financial officer Dr Hans-Ulrich Engel pointed to some of the special factors in the third quarter: We completed the acquisition of significant businesses and assets from Bayer and reached an agreement on the merger of Wintershall and DEA, said Brudermuller. After the transaction agreement between BASF and LetterOne was signed, it was necessary to adjust the financial reporting retroactively as of 1 January 2018. The prior-***year*** figures were also restated accordingly.

The low water level in the Rhine River had an impact on business. Throughout the entire third quarter, we had to struggle with this, which led to production cutbacks and higher transportation costs, said Brudermuller. And the reporting period is being compared to the BASF Group s very strong third quarter of 2017, when the business climate was considerably more favourable in comparison. Brudermuller said: The challenges in the macroeconomic environment are growing. You can see this in our third-quarter 2018 results.

Outlook for the full ***year*** 2018

Growth in industrial production fell short of expectations in the third quarter of 2018, primarily due to developments in the automotive industry in September in particular. The introduction of new emission standards had an impact in Europe. The effects of the trade conflict between the US and China are also showing. This is leading to a slowdown in economic growth in Asia in particular, mainly in China.

BASF therefore adjusted its assessment of the global economic environment in 2018 as follows (forecast from the BASF Half-***Year*** Financial Report 2018 in parentheses):

Growth in gross domestic product: 3.0% (3.0%) Growth in industrial production: 3.1% (3.2%) Growth in chemical production: 3.1% (3.4%) Average euro/dollar exchange rate of $1.20 per euro ($1.20 per euro) Average Brent blend oil price for the ***year*** of $70 per barrel ($70 per barrel)

The signing of the definitive transaction agreement on the merger of Wintershall and DEA reduces the BASF Group s sales and EBIT by the contribution of its oil and gas activities &ndash; retroactively as of 1 January 2018, and with the prior-***year*** figures restated &ndash; due to their presentation as discontinued operations.

As a result of this, the BASF Group s forecast for the full ***year*** 2018 made in the 2017 report was adjusted at the end of September (previous forecast from the BASF Report 2017 in parentheses):

Growth in gross domestic product: 3.0% (3.0%) Growth in industrial production: 3.1% (3.2%) Growth in chemical production: 3.1% (3.4%) Average euro/dollar exchange rate of $1.20 per euro ($1.20 per euro) Average Brent blend oil price for the ***year*** of $70 per barrel ($70 per barrel)

Business development in the segments in the third quarter 2018

Sales in the Chemicals segment rose by 7% compared with the prior-***year*** quarter to EUR4.3bn. This a result of higher prices in all divisions, especially in Petrochemicals. At EUR851m, income from operations (EBIT) before special items was down by EUR251m versus the strong third quarter of 2017. This was primarily due to lower margins for isocyanates in the Monomers division and steam cracker products in the Petrochemicals division. Earnings were also negatively impacted by higher fixed costs due, among other factors, to increased maintenance expenses. Improved earnings in the Intermediates division were unable to compensate for this.

Sales of around EUR4bn in the Performance Products segment were on a level with the prior-***year*** quarter. BASF achieved higher prices in all divisions; however, sales volumes decreased in the Nutrition and Health, Dispersions and Pigments and Care Chemicals divisions. Sales were also weighed down by currency and portfolio effects. Income from operations (EBIT) before special items declined by 6% compared with the third quarter of 2017 to EUR360m as a result of lower volumes, higher fixed costs and negative currency effects. Stronger margins had an offsetting effect. Excluding the negative currency effects, EBIT before special items was ?at ***year*** on ***year***.

In the Functional Materials and Solutions segment, sales rose by 5% compared with the third quarter of 2017 to reach EUR5.2bn. This was primarily attributable to higher prices in all divisions, especially in Catalysts and Performance Materials. Volumes also increased, while sales were weighed down by currency effects. Despite volumes growth, EBIT before special items of EUR347m was considerably below the level of the prior-***year*** quarter, mainly due to higher fixed costs and lower margins in almost all divisions. However, this BASF segment increased earnings from quarter to quarter over the course of 2018 and continuously reduced the gap to the prior-***year*** quarter.

Sales of EUR1.2bn in the ***Agricultural*** Solutions segment were up considerably by 26% compared with the third quarter of 2017. This was attributable to portfolio effects from the transaction with Bayer, a higher price level and slightly stronger volumes. Negative currency effects continued to weigh on sales development. Despite the seasonally strongly negative results of the businesses acquired from Bayer, EBIT before special items was down only EUR26m on the prior-***year*** quarter. Income generated by BASF operations excluding Bayer activities rose considerably compared with the third quarter of 2017. Excluding the negative currency effects, EBIT before special items also increased slightly overall.

Following the signing of the agreement with LetterOne, the sales and EBIT of the oil and gas business are no longer included in the respective figures for the BASF Group &ndash; retroactively as of 1 January 2018, and with the prior-***year*** figures restated, said Engel. These activities are therefore no longer presented as a segment in our reporting. Until closing, the Wintershall Group s income after taxes will be presented in the income before minority interests of the BASF Group as a separate item ( income before minority interests from discontinued operations ). In the third quarter of 2018, income before minority interests from discontinued operations increased by EUR86m to EUR235m. This was mainly attributable to higher prices and volumes as well as an offshore lifting in Libya in the third quarter of 2018; in the previous ***year***, this took place in the second quarter. The price of a barrel of Brent crude oil averaged $75 in the third quarter of 2018 (third quarter of 2017: $52). Gas prices on the European spot markets also saw strong gains compared with the prior-***year*** quarter.

Sales of EUR827m in Other were considerably above the prior-***year*** quarter (up 51%), mainly as a result of higher sales volumes and prices in raw materials trading. EBIT before special items improved considerably, from minus EUR203m to minus EUR83m, primarily as a result of valuation effects from the long-term incentive ***programme***.

Development of BASF Group s earnings and cash flow

Net income declined by EUR136m to EUR1.2bn. Earnings per share amounted to EUR1.31 (third quarter of 2017: EUR1.45). Earnings per share adjusted for special items and amortisation of intangible assets were EUR1.51 (third quarter of 2017: EUR1.40).

In the third quarter of 2018, cash ?ows from operating activities amounted to EUR2.9bn, EUR865m below the figure for the prior-***year*** quarter. This was mainly due to the change in net working capital, in particular the ***year***-on-***year*** increase in cash tied up in inventories and the decline in cash released from receivables. Free cash ?ow amounted to EUR2bn, compared with EUR2.8bn in the prior-***year*** quarter.

The BASF Group s total assets rose by EUR6.8bn to EUR85.6bn. The acquisition of significant businesses and assets from Bayer contributed EUR8bn to this increase. As a result of the purchase price ***payment*** to Bayer, net debt increased by EUR6.5bn as against December 31, 2017, to EUR18bn. The equity ratio of the BASF Group was a solid 43% as of 30 September 2018.

**Load-Date:** October 30, 2018

**End of Document**



[***Washington: PUBLIC BILLS AND RESOLUTIONS***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R8R-X2Y1-JDG9-Y03D-00000-00&context=1516831)

Impact News Service

December 27, 2017 Wednesday

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**Body**

Washington: The Library of Congress, The Government Washington: of USA has issued the following house proceeding:

 Under clause 2 of rule XII, public bills and resolutions of the following titles were introduced and severally referred, as follows: By Mr. COLLINS of Georgia (for himself, Mr. Jeffries, Mr. Crowley, Mrs. Black, Mr. Cohen, Mrs. Blackburn, Mr. Ted Lieu of California, Mr. Sessions, Mr. Fleischmann, Mr. Cramer, Mr. Cooper, and Ms. Bass): H.R 4706. A bill to amend title 17, United States Code, to provide clarity and modernize the licensing system for musical works under section 115 and to ensure fairness in the establishment of certain rates and fees under sections 114 and 115 of such title, and for other purposes; to the Committee on the Judiciary. By Mr. BRENDAN F. BOYLE of Pennsylvania (for himself and Mr. Graves of Georgia): H.R 4707. A bill to authorize a joint assessment of quantity of precision guided munitions for use by Israel, and for other purposes; to the Committee on Foreign Affairs, and in addition to the Committee on Armed Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned. By Mr. McCAUL (for himself, Mr. Thompson of Mississippi, Mr. Katko, and Mr. Higgins of Louisiana): H.R 4708. A bill to amend the Homeland Security Act of 2002 to require the Secretary of Homeland Security to issue Department of Homeland Security-wide guidance and develop training ***programs*** as part of the Department of Homeland Security Blue Campaign, and for other purposes; to the Committee on Homeland Security, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. GRIFFITH: H.R 4709. A bill to amend title XIX of the Social Security Act to amend the Federal medical assistance percentage for the District of Columbia for fiscal ***years*** after 2019, and for other purposes; to the Committee on Energy and Commerce. By Mr. BUCSHON (for himself and Mr. Peters): H.R 4710. A bill to amend the Public Health Service Act to establish a moratorium on the registration of certain new 340B hospitals and associated sites, and for other purposes; to the Committee on Energy and Commerce. By Mr. BARR (for himself, Mr. Himes, and Mr. Polis): H.R 4711. A bill to create protections for depository institutions that provide financial services to industrial hemp legitimate businesses, and for other purposes; to the Committee on Financial Services. By Mrs. BLACKBURN (for herself, Mr. Abraham, Mr. Aderholt, Mr. Arrington, Mr. Babin, Mr. Bacon, Mr. Banks of Indiana, Mr. Barletta, Mr. Bost, Mr. Brady of Texas, Mr. Chabot, Mr. Collins of New York, Mr. Collins of Georgia, Mr. Conaway, Mr. Cramer, Mr. Davidson, Mr. Duncan of South Carolina, Mr. Flores, Ms. Foxx, Mr. Gibbs, Mr. Goodlatte, Mr. Gosar, Mr. Harris, Mr. Jody B. Hice of Georgia, Mr. Hudson, Mr. Huizenga, Mr. Johnson of Ohio, Mr. Jones, Mr. Jordan, Mr. Joyce of Ohio, Mr. Kelly of Pennsylvania, Mr. Lamborn, Mr. Luetkemeyer, Mr. Marshall, Mr. Mitchell, Mr. Mullin, Mrs. Noem, Mr. Norman, Mr. Olson, Mr. Palazzo, Mr. Pittenger, Mr. Roe of Tennessee, Mr. Rokita, Mr. Roskam, Mr. Rothfus, Mr. Smith of New Jersey, Mr. Stewart, Mrs. Wagner, Mr. Walker, Mrs. Walorski, Mr. Weber of Texas, Mr. Webster of Florida, Mr. Wilson of South Carolina, Mr. Wittman, Mr. Yoder, Mr. Moolenaar, and Mr. Emmer): H.R 4712. A bill to amend title 18, United States Code, to prohibit a health care practitioner from failing to exercise the proper degree of care in the case of a child who survives an abortion or attempted abortion; to the Committee on the Judiciary. By Mr. KINZINGER (for himself, Mr. Cooper, Ms. Jenkins of Kansas, Mr. Yoho, Mr. Sanford, Mr. Pittenger, and Ms. Sinema): H.R 4713. A bill to increase the long-term fiscal accountability of direct spending legislation; to the Committee on the Budget, and in addition to the Committee on Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned. By Mr. GOHMERT (for himself, Mr. Brady of Texas, Ms. Eddie Bernice Johnson of Texas, Mr. Smith of Texas, Mr. Barton, Mr. Ratcliffe, Mr. Carter of Texas, Mr. Poe of Texas, Mr. Babin, Mr. Burgess, Mr. Weber of Texas, Mr. Marchant, Mr. Sessions, Mr. Farenthold, Mr. Arrington, Mr. Flores, Mr. Gene Green of Texas, Mr. Al Green of Texas, Mr. McCaul, Ms. Granger, Mr. Williams, Mr. Conaway, Mr. Olson, Mr. Hurd, Mr. Thornberry, Mr. Cuellar, Ms. Jackson Lee, Mr. Sam Johnson of Texas, and Mr. Culberson): H.R 4714. A bill to award a Congressional Gold Medal to Don and Deyon Stephens, Founders of Mercy Ships, in recognition of nearly 40 ***years*** of service as the leaders of a humanitarian relief organization that exemplifies the compassionate character of America; to the Committee on Financial Services. By Mr. CARTWRIGHT (for himself, Mr. Roskam, Mr. Bishop of Georgia, Mr. Delaney, Ms. Kaptur, Mr. Peters, Mr. Tonko, Mr. Engel, Mr. Cummings, Mr. Connolly, and Mr. Sean Patrick Maloney of New York): H.R 4715. A bill to amend the Higher Education Act of 1965 to require certain institutions of higher education to provide notice of tuition levels for students; to the Committee on Education and the Workforce. [[Page H10419]] By Mr. COSTA (for himself, Mr. Cook, Mr. Ruiz, and Mr. Young of Alaska): H.R 4716. A bill to amend title 38, United States Code, to authorize the Secretary of Veterans Affairs to inter in national cemeteries individuals who supported the United States in Laos during the Vietnam War era, and for other purposes; to the Committee on Veterans' Affairs. By Mr. CRAWFORD (for himself, Mr. Nolan, Mr. Westerman, Mr. Womack, and Mr. Hill): H.R 4717. A bill to require the Secretary of ***Agriculture*** to establish a ***program*** to recognize farms that have been in continuous operation for 100 ***years***; to the Committee on ***Agriculture***. By Mr. DeSANTIS (for himself, Mr. King of Iowa, Mr. Duncan of South Carolina, Mrs. Hartzler, Mr. Gohmert, Mr. McClintock, Mr. Farenthold, Mr. Lamborn, Mr. Wenstrup, Mr. Rokita, Mr. Jordan, Mr. Gosar, Mr. Pittenger, Mr. Jody B. Hice of Georgia, Mrs. Walorski, Ms. McSally, Ms. Tenney, Mr. Gaetz, Mr. Smith of Nebraska, Mr. Yoho, Mr. Meadows, Mr. Rothfus, Mr. Messer, Mr. Zeldin, Mr. Harris, Mr. Donovan, Mr. Johnson of Ohio, Mr. Williams, Mr. Ferguson, and Mrs. Blackburn): H.R 4718. A bill to recognize Jerusalem as the capital of Israel and to ***transfer*** to Jerusalem the United States Embassy located in Tel Aviv; to the Committee on Foreign Affairs. By Mr. DUNCAN of Tennessee (for himself and Mr. Cohen): H.R 4719. A bill to amend title 49, United States Code, to address delays in commercial driver's license skills testing and retesting, and for other purposes; to the Committee on Transportation and Infrastructure. By Mr. EMMER (for himself, Mrs. Handel, Ms. Wasserman Schultz, Ms. Jayapal, Ms. Kuster of New Hampshire, and Mr. Walz): H.R 4720. A bill to authorize the Office on Violence Against Women to improve the handling of crimes of domestic violence, dating violence, sexual assault, and stalking by incorporating a trauma-informed approach into the initial response to and investigation of such crimes; to the Committee on the Judiciary. By Mr. ENGEL (for himself, Mr. Vargas, Mrs. Watson Coleman, Mr. Meeks, Ms. Speier, Mr. Grijalva, and Mr. Cohen): H.R 4721. A bill to enact into law a framework for deciding whether certain projectiles are ``primarily intended for sporting purposes'' for purposes of determining whether the projectiles are armor piercing ammunition; to the Committee on the Judiciary. By Mr. FASO (for himself and Ms. Slaughter): H.R 4722. A bill to designate the facility of the United States Postal Service located at 111 Market Street in Saugerties, New York, as the ``Maurice D. Hinchey Post Office Building''; to the Committee on Oversight and Government Reform. By Mr. GOSAR (for himself, Mr. Biggs, Ms. Sinema, Mr. Schweikert, and Mr. O'Halleran): H.R 4723. A bill to approve the settlement of water rights claims of the Hualapai Tribe and certain allottees in the State of Arizona, to authorize construction of a water project relating to those water rights claims, and for other purposes; to the Committee on Natural Resources. By Mr. HOLDING (for himself, Mr. Blumenauer, Mr. Lance, Mr. Butterfield, and Mr. Meehan): H.R 4724. A bill to provide for a demonstration project to further examine the benefits of providing coverage and ***payment*** for items and services necessary to administer intravenous immune globulin (IVIG) in the home, and for other purposes; to the Committee on Energy and Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned. By Mr. HULTGREN (for himself and Mr. Barr): H.R 4725. A bill to amend the Federal Deposit Insurance Act to require short form call reports for certain depository institutions; to the Committee on Financial Services. By Mr. LANGEVIN (for himself and Mr. Cicilline): H.R 4726. A bill to amend the Magnuson-Stevens Fishery Conservation and Management Act to add Rhode Island to the Mid-Atlantic Fishery Management Council; to the Committee on Natural Resources. By Ms. MICHELLE LUJAN GRISHAM of New Mexico: H.R 4727. A bill to amend title 38, United States Code, to direct the Secretary of Veterans Affairs to assign temporary disability ratings to certain veterans for purposes of compensation and health care, and for other purposes; to the Committee on Veterans' Affairs. By Ms. MICHELLE LUJAN GRISHAM of New Mexico: H.R 4728. A bill to amend title 38, United States Code, to establish the office of the Health Monitor of the Department of Veterans Affairs, and for other purposes; to the Committee on Veterans' Affairs. By Mrs. CAROLYN B. MALONEY of New York (for herself, Mr. Khanna, Mr. Cummings, Ms. Norton, Ms. Shea- Porter, Mr. Connolly, Mr. David Scott of Georgia, Mr. Raskin, Mr. Suozzi, Ms. Kuster of New Hampshire, Ms. Moore, Mrs. Dingell, and Mr. Pallone): H.R 4729. A bill to require annual reporting by employers of the number of settlements with employees regarding claims of discrimination on the basis of sex, including verbal and physical sexual harassment, and for other purposes; to the Committee on Education and the Workforce. By Ms. McSALLY (for herself, Mr. Schweikert, Mr. Biggs, Mr. Gosar, and Mr. Issa): H.R 4730. A bill to amend the Clean Air Act with respect to nonattainment plan provisions, and for other purposes; to the Committee on Energy and Commerce. By Ms. PLASKETT: H.R 4731. A bill to extend the retained use estate for the Caneel Bay resort in St. John, United States Virgin Islands, and for other purposes; to the Committee on Natural Resources. By Mr. REICHERT (for himself and Mr. Pascrell): H.R 4732. A bill to require the Secretary of the Treasury to mint a coin in commemoration of the opening of the National Law Enforcement Museum in the District of Columbia, and for other purposes; to the Committee on Financial Services. By Mr. WELCH (for himself and Mr. McKinley): H.R 4733. A bill to establish and fund an Opioids and STOP Pain Initiative to expand, intensify, and coordinate fundamental, translational, and clinical research of the National Institutes of Health with respect to opioid abuse, the understanding of pain, and the discovery and development of safer and more effective treatments and preventive interventions for pain; to the Committee on Energy and Commerce, and in addition to the Committees on the Budget, and Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned. By Mr. LAMBORN (for himself, Mr. Roskam, Mr. DeSantis, Mr. Zeldin, Mr. Duncan of South Carolina, Mr. Cramer, Mr. Norman, Mr. Abraham, Mr. Gohmert, Mr. Jenkins of West Virginia, Mr. Weber of Texas, Mr. Farenthold, Mr. Rokita, Ms. Tenney, Mr. Pittenger, and Mr. Meadows): H. Res. 671. A resolution expressing strong disapproval of the adoption of United Nations General Assembly Resolution A/ ES-10/L.22, which rejects United States recognition of Jerusalem as the capital of Israel; to the Committee on Foreign Affairs. By Ms. JAYAPAL (for herself, Ms. Bass, Ms. Blunt Rochester, Mr. Brown of Maryland, Mr. Cardenas, Ms. Clark of Massachusetts, Ms. Clarke of New York, Ms. DelBene, Mrs. Dingell, Mr. Michael F. Doyle of Pennsylvania, Mr. Espaillat, Mr. Evans, Miss Gonzalez-Colon of Puerto Rico, Mr. Grijalva, Mr. Heck, Mr. Jeffries, Ms. Eddie Bernice Johnson of Texas, Ms. Kelly of Illinois, Mr. Khanna, Mr. Kildee, Mr. King of New York, Mr. Kilmer, Mr. Larsen of Washington, Ms. Lee, Mr. Meeks, Ms. Meng, Mrs. Murphy of Florida, Mr. Raskin, Ms. Sanchez, Mr. Sarbanes, Mr. Smith of Washington, Mr. Soto, Ms. Velazquez, Ms. Wasserman Schultz, and Ms. Maxine Waters of California): H. Res. 672. A resolution honoring Edgar Martinez for excellence in his career as a professional baseball player and for his entrepreneurship, humanitarian work, and philanthropy, and for other purposes; to the Committee on Oversight and Government Reform. By Mr. HILL (for himself, Ms. Ros-Lehtinen, Mr. Trott, Mr. Cicilline, Mr. Sherman, and Mrs. Carolyn B. Maloney of New York): H. Res. 673. A resolution expressing concern over attacks on Coptic Christians in Egypt; to the Committee on Foreign Affairs.

**Load-Date:** December 28, 2017

**End of Document**



[***FEDERAL REGISTER: Regulatory Relief: Aviation Training Devices; Pilot Certification, Training, and Pilot Schools; and Other Provisions Pages 30232 - 30284 [FR DOC # 2018-12800]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SNJ-F391-F0YC-N31J-00000-00&context=1516831)

Impact News Service

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**Body**

Washington: Office of the Federal Register has issued the following notice:

Department of Transportation ----------------------------------------------------------------------- Federal Aviation Administration ----------------------------------------------------------------------- 14 CFR Parts 1, 60, 61, et al. Regulatory Relief: Aviation Training Devices; Pilot Certification, Training, and Pilot Schools; and Other Provisions; Final Rule Federal Register / Vol. 83 , No. 124 / Wednesday, June 27, 2018 / Rules and Regulations [[Page 30232]] ----------------------------------------------------------------------- DEPARTMENT OF TRANSPORTATION Federal Aviation Administration 14 CFR Parts 1, 60, 61, 63, 65, 91, 121, 135, and 141 [Docket No.: FAA-2016-6142; Amdt.

Nos. 1-73, 60-6, 61-142, 63-41, 65- 58, 91-351, 121-381, 135-140, 141-20] RIN 2120-AK28 Regulatory Relief: Aviation Training Devices; Pilot Certification, Training, and Pilot Schools; and Other Provisions AGENCY: Federal Aviation Administration (FAA), DOT. ACTION: Final rule. ----------------------------------------------------------------------- SUMMARY: This rulemaking relieves burdens on pilots seeking to obtain aeronautical experience, training, and certification by increasing the allowed use of aviation training devices. Use of these training devices has proven to be an effective, safe, and affordable means of obtaining pilot experience. This rulemaking also addresses changing technologies by accommodating the use of technically advanced airplanes as an alternative to the use of older complex single engine airplanes for the commercial pilot training and testing requirements. Additionally, this rulemaking broadens the opportunities for military instructor pilots or pilot examiners to obtain civilian ratings based on military experience, expands opportunities for logging pilot time, and removes a burden from sport pilot instructors by permitting them to serve as safety pilots. Finally, this rulemaking includes changes to some of the provisions established in an August 2009 final rule. These actions are necessary to bring the regulations in line with current needs and activities of the general aviation training community and pilots. DATES: This rule is effective July 27, 2018, except for the amendments to Sec. Sec. 61.31(e)(2) and (f)(2), 61.129(a)(3)(ii), (b)(3)(ii) and (j), 61.197, 61.199, 61.412, 61.415, 91.109, and appendix D to part 141, which are effective August 27, 2018; the amendments to Sec. Sec. 61.1 (amendatory instruction 10 revising the definition of ``Pilot time''), 61.39, 61.51(e) and (f), 61.57(c), 61.159(a), (c), (d), (e), and (f), 61.161(c), (d), and (e), 135.99, and 141.5(d) which are effective November 26, 2018; and the amendments to Sec. Sec. 61.3, 63.3, 63.16, 91.313, 91.1015, 121.383, and 135.95, which are effective December 24, 2018. ADDRESSES: For information on where to obtain copies of rulemaking documents and other information related to this final rule, see ``How to Obtain Additional Information'' in the SUPPLEMENTARY INFORMATION section of this document. FOR FURTHER INFORMATION CONTACT: Marcel Bernard, Airmen Certification and Training Branch, Flight Standards Service, Federal Aviation Administration, 55 M Street SE, 8th Floor, Washington, DC 20003-3522; telephone (202) 267-1100; email [*marcel.bernard@faa.gov*](mailto:marcel.bernard@faa.gov) SUPPLEMENTARY INFORMATION: Contents List of Abbreviations Frequently Used in This Document I. Executive Summary II. Authority for This Rulemaking III. Discussion of the Final Rule A. Aviation Training Devices 1. Definition of Aviation Training Device 2. Instructor Requirement When Using a Full Flight Simulator, Flight Training Device, or Aviation Training Device To Complete Instrument Recency Experience 3. Instrument Recency Experience Requirements B. Second in Command Time in Part 135 Operations 1. Airplane Requirements 2. Part 135 Flight Instructors 3. Logging Requirements 4. Miscellaneous Comments on the SIC PDP 5. Effective Date and Implementation C. Instrument Recency Experience for SICs Serving in Part 135 Operations D. Completion of Commercial Pilot Training and Testing in Technically Advanced Airplanes 1. Definition of Technically Advanced Airplane 2. Amendment to Aeronautical Experience Requirement for Commercial Pilots 3. Amendments to Commercial Pilot and Flight Instructor Practical Test Standards E. Flight Instructors With Instrument Ratings Only F. Light-Sport Aircraft Pilots and Flight Instructors 1. Sport Pilot Flight Instructor Training Privilege 2. Credit for Training Obtained as a Sport Pilot G. Pilot School Use of Special Curricula Courses for Renewal of Certificate H. Temporary Validation of Flightcrew Members' Certificates by Part 119 Certificate Holders Conducting Operations Under Part 121 or 135 and by Fractional Ownership ***Program*** Managers Conducting Operations Under Part 91, Subpart K I. Military Competence for Flight Instructors J. Use of Aircraft Certificated in the Restricted Category for Pilot Flight Training and Checking 1. Flights Necessary To Accomplish Work Activity Directly Associated With the Special Purpose 2. LODAs for Training and Testing for Certification 3. Economic Burden 4. Operations for Compensation or Hire 5. Exemptions 6. FAA Interpretation of Sec. 91.313 K. Single Pilot Operations of Former Military Airplanes and Other Airplanes With Special Airworthiness Certificates L. Technical Corrections and Nomenclature Change IV. Discussion of Effective Dates for Rule Provisions V. Advisory Circulars and Other Guidance Materials VI. Section-By-Section Discussion of the Final Rule VII. Regulatory Notices and Analyses A. Regulatory Evaluation B. Regulatory Flexibility Determination C. International Trade Impact Assessment D. Unfunded Mandates Assessment E. Paperwork Reduction Act F. International Compatibility and Cooperation G. Environmental Analysis VIII. Executive Order Determinations A. Executive Order 13132, Federalism B. Executive Order 13211, Regulations That Significantly Affect Energy Supply, Distribution, or Use C. Executive Order 13609, Promoting International Regulatory Cooperation D. Executive Order 13771, Reducing Regulation and Controlling Regulatory Costs IX. Additional Information A. Availability of Rulemaking Documents B. Small Business Regulatory Enforcement Fairness Act List of Abbreviations Frequently Used in This Document AATD--Advanced aviation training device AC--Advisory Circular ATD--Aviation training device ATP--Airline transport pilot BATD--Basic aviation training device CFI--Certificated flight instructor FFS--Full flight simulator FTD--Flight training device FSTD--Flight simulation training device ICAO--International Civil Aviation Organization IFR--Instrument flight rules IPC--Instrument proficiency check LOA--Letter of authorization LODA--Letter of deviation authority MFD--Multi-function display NPRM--Notice of proposed rulemaking PFD--Primary flight display PIC--Pilot in command SIC--Second in command TAA--Technically advanced airplane VFR--Visual flight rules I. Executive Summary On May 12, 2016, the FAA published a notice of proposed rulemaking (NPRM) titled ``Regulatory Relief: Aviation Training Devices; Pilot Certification, Training, and Pilot Schools; and Other Provisions.'' \1\ In the [[Page 30233]] NPRM, the FAA proposed amendments to reduce or relieve existing burdens on the general aviation community. Several of the proposed changes resulted from suggestions from the general aviation community through petitions for rulemaking, industry/agency meetings, and requests for legal interpretation. The proposed changes would have increased the use of aviation training devices (ATDs), flight training devices (FTDs), and full flight simulators (FFSs); expanded opportunities for pilots in part 135 operations to log flight time; allowed an alternative to the complex airplane requirement for commercial pilot training; and permitted pilots to credit some of their sport pilot training toward a higher certificate. --------------------------------------------------------------------------- \1\ 81 FR 29720. --------------------------------------------------------------------------- Table 1 summarizes the provisions proposed in the NPRM, the changes being made to those provisions in this final rule, the Code of Federal Regulations sections affected, and the total cost savings (benefits) for a 5-***year*** analysis period. All of the provisions in this rule are either relieving or voluntary. For those provisions that are relieving, no person affected is anticipated to incur any costs associated with the relieving nature of the provision. The FAA assumes that as these provisions are relieving, all persons affected will use the provisions as they will be beneficial. For those provisions that are voluntary, persons who wish to use the new provisions will do so only if the benefit they would accrue from their use exceeds any cost they might incur to comply with the new provision. Table 1--Summary of Proposed Provisions and Changes From NPRM ---------------------------------------------------------------------------------------------------------------- Significant Provision Summary of NPRM changes from 14 CFR Sec. Sec. Summary of costs/ provision NPRM affected benefits ---------------------------------------------------------------------------------------------------------------- Aviation Training Devices ---------------------------------------------------------------------------------------------------------------- Instructor requirement when Remove the No longer 61.51(g)................... 2016$-$12.5M using an FFS, FTD, or ATD to requirement to describes the PV = Present complete instrument recency. have an training Value. instructor devices as PV-3%--$11.4M present when ``approved''. PV-7%--$10.3M accomplishing flight experience requirements for instrument recency in an FAA-approved FFS, FTD, or ATD. Instrument recency experience Reduce frequency Allows any 61.57(c)................... 2016$-83.1M requirements. of instrument combination of PV-3%--$76.1M recency flight aircraft, FFS, PV-7%--68.2M experience FTD, or ATD to accomplished satisfy the exclusively in instrument ATDs from every recency two months to requirements. every six No longer months. describes the Reduce number of training tasks and devices as remove three- ``approved''. hour flight time requirement when accomplishing instrument recency flight experience in ATDs. ---------------------------------------------------------------------------------------------------------------- Pilot Certification, Training, and Pilot Schools ---------------------------------------------------------------------------------------------------------------- Second in command for part Allow a pilot to Adds the option 61.1; 61.39(a); 61.51(e), Minimal Cost 135 operations. log SIC flight to use a single- (f); 61.159; 61.161(c), Savings--Not time in a engine turbine- (d), (e); 135.99(c), (d). Quantified. multiengine powered airplane in a airplane in an part 135 approved SIC operation that PDP. does not No longer require an SIC. requires the PIC to be a part 135 flight instructor. Adds crew pairing requirements to ensure the PIC is qualified and has completed mentoring training. Allows a pilot to log SIC time obtained in part 91 operations conducted in accordance with the certificate holder's OpSpec. Allows pilots to credit SIC time logged under a SIC PDP toward the specific flight time requirements for ATP certification. Instrument recency experience Remove the Allows any 135.245 ................... Minimal Cost for SICs serving in Part 135 reference to combination of Savings--Not operations. part 61 in Sec. aircraft and Quantified. 135.245(a) FSTD to satisfy and add the the SIC current instrument instrument recent experience experience requirements in requirements. Sec. Includes an 61.57(c)(1) and option for part (2) to new Sec. 135 SICs to 135.245(c). reestablish instrument recency. [[Page 30234]] Completion of commercial Allow TAA to be Includes a 61.1; 61.129(a)(3)(ii), 2016$-$3.1M pilot training and testing used to meet general (j); appendix D to part PV-3%--$2.8M in technically advanced some or all of definition of 141 61.31(e) and (f). PV-7%--$2.6M airplanes (TAA). the currently TAA in Sec. required 10 61.1, and hours of relocates the training that TAA must be requirements completed in a from the complex or proposed turbine-powered definition to airplane for new Sec. the single 61.129(j). engine Revises the commercial proposed pilot requirements certificate. for TAAs to TAA could be accommodate used in existing and combination new technology. with, or Allows a person instead of, a to use any complex or combination of turbine-powered turbine- airplane to powered, meet the complex or aeronautical technically experience advanced requirement and airplanes to could be used satisfy the to complete the training practical test. requirement. Clarifies that the option to use a TAA applies to all commercial pilot applicants for a single-engine class rating (land and sea). Adds an exception to Sec. 61.31(e) and (f) to allow a competency check under part 135 to meet the requirements for training in complex or high performance airplanes facilitating PIC operations. In Notice N 8900.463, Use of a Complex Airplane During a Commercial Pilot or Flight Instructor Practical Test, the FAA implemented a policy change that allows any single engine airplane to be used for the commercial pilot and flight instructor practical tests. Flight instructors with Remove the Requires an 61.195(b), (c)............. Minimal Cost instrument ratings only. requirement instrument only Savings--Not that instrument instructor to Quantified. only possess an instructors airplane have category category and class multiengine ratings on class rating on their flight his or her instructor flight certificates to instructor provide certificate instrument when providing training. instrument training in a multiengine airplane. Sport pilot flight instructor Allow a sport Allows sport 61.412; 61.415(h); Minimal Cost training privilege. pilot only pilot 91.109(c). Savings--Not instructor to instructors to Quantified. provide receive the training on training control and required by maneuvering Sec. 61.412 solely by in an ATD. reference to Allows the flight instrument only instruments instructors to (for sport provide the pilot students training and only). endorsement required by Sec. 61.412 to sport pilot instructors. Credit for training obtained Allow a portion Allows all 61.99; 61.109(l)........... 2016$-$14.0M as a sport pilot. of sport pilot training PV-3%--$13.3M training to be received from a PV-7%--$12.3M credited for sport pilot certain instructor to aeronautical be credited experience towards a requirements higher for a higher certificate or certificate or rating. rating. Allows training received from a sport pilot instructor on the control and maneuvering of an aircraft solely by reference to the instruments to be credited towards a private pilot certificate, provided the sport pilot instructor satisfies Sec. 61.412 Include special curricula Allow part 141 No changes...... 141.5(d)................... Minimal Cost courses in renewal of pilot pilot schools Savings--Not school certificate. to count FAA Quantified. approved ``special curricula'' course completions (graduates of these courses) toward certificate renewal requirements. ---------------------------------------------------------------------------------------------------------------- [[Page 30235]] Other Provisions ---------------------------------------------------------------------------------------------------------------- Temporary validation of Allow a Adds language to 61.3; 63.3; 63.16; Minimal Cost flightcrew members' confirmation also allow part 91.1015(h); 121.383; Savings--Not certificates. document issued 91, subpart K 135.95 Quantified. by a part 119 ***program*** certificate managers to holder issue temporary authorized to verification conduct documents. operations under part 121 or 135 to serve as a temporary verification of the airman certificate and/ or medical certificate during operations within the United States for up to 72 hours. Military competence for Allow the Revises 61.197; 61.199 ............ Minimal Cost Flight Instructors. addition of a reinstatement Savings--Not flight requirements to Quantified. instructor accurately rating based on reflect the military process by competency to which a ``simultaneousl military y qualify'' for instructor the pilot acquires reinstatement an additional of an expired aircraft rating FAA flight qualification. instructor Provides certificate. military instructor pilots two options for reinstatement, consistent with the reinstatement requirements for civilian holders of expired flight instructor certificates. Restricted Category Aircraft Allow an Removes proposed 91.313 .................... Minimal Cost type training and testing operator to requirement Savings--Not allowances. request and that personnel Quantified. obtain a letter receiving of deviation flight authority to crewmember conduct training in training and special purpose testing and operations be other directly employed by the related operator activities for providing the employees to training. obtain a type Specifies that rating in a relocation restricted flights include category delivery and aircraft. repositioning flights. Single Pilot Operations of Allow pilots to Revised to 91.531 .................... Minimal Cost Former Military Airplanes operate certain accommodate the Savings--Not and Other Airplanes with large and new airplane Quantified. Special Airworthiness turbojet- certification Certificates. powered levels adopted airplanes in the part 23 (specifically final rule. former military and some airplanes not type certificated in the standard category) without a pilot who is designated as SIC. ---------------------------------------------------------------------------------------------------------------- II. Authority for This Rulemaking The FAA's authority to issue rules on aviation safety is found in Title 49 of the United States Code (49 U.S.C ). Subtitle I, section 106 describes the authority of the FAA Administrator. Subtitle VII, Aviation ***Programs***, describes in more detail the scope of the agency's authority. This rulemaking is promulgated under the authority described in 49 U.S.C 106(f), which establishes the authority of the Administrator to promulgate regulations and rules; 49 U.S.C 44701(a)(5), which requires the Administrator to promote safe flight of civil aircraft in air commerce by prescribing regulations and setting minimum standards for other practices, methods, and procedures necessary for safety in air commerce and national security; and 49 U.S.C 44703(a), which requires the Administrator to prescribe regulations for the issuance of airman certificates when the Administrator finds, after investigation, that an individual is qualified for, and physically able to perform the duties related to, the position authorized by the certificate. III. Discussion of the Final Rule On May 12, 2016, the FAA published a NPRM proposing a variety of provisions intended to provide relief from regulatory burdens to the general aviation community, commercial pilots, military flight instructors, and those using new technology in aviation. The FAA proposed changes in 12 different subject areas to 14 CFR parts 61, 63, 91, 121, 135, and 141. The FAA received and considered a total of 100 comments to the NPRM. Commenters included 63 individuals, 15 aviation-related companies, and 12 aviation-related organizations. Several commenters provided more than one comment. The majority of commenters supported various proposed provisions, and many recommended changes to the proposed rule language. While there was opposition to some provisions, no commenters opposed the NPRM in its entirety. Because of the specific nature of each provision, the FAA discusses each provision separately. A. Aviation Training Devices This final rule amends the regulations governing the use of aviation training devices (ATDs). As stated in the NPRM,\2\ the FAA approves ATDs for use in pilot certification training under the authority provided in 14 CFR 61.4(c). Title 14 of the Code of Federal Regulations (14 CFR) part 60 governs the qualification of flight simulation training devices (FSTD), which include full flight simulators (FFSs) levels A through D and flight training devices (FTDs) levels 4 through 7. As discussed in the following sections, the FAA is: (1) Adding a definition of ATD in Sec. 61.1; (2) removing the requirement for an [[Page 30236]] instructor to be present when a pilot accomplishes his or her instrument recency in an FFS, FTD, or ATD; and (3) amending the regulations to allow pilots to accomplish instrument recency experience in ATDs at the same interval allowed for FFSs and FTDs. --------------------------------------------------------------------------- \2\ 81 FR at 29723. --------------------------------------------------------------------------- 1. Definition of Aviation Training Device The FAA proposed to define ATD as a training device, other than a FFS or FTD, that has been evaluated, qualified, and approved by the Administrator.\3\ The FAA proposed to add this definition to Sec. 61.1 to differentiate ATDs from FFSs and FTDs qualified under part 60 and to establish that an ATD must be evaluated, qualified, and approved by the Administrator to be used to meet aeronautical experience requirements under part 61. --------------------------------------------------------------------------- \3\ Prior to this final rule, an ATD was defined in FAA guidance but not in the regulations. AC 61-136A defines ATD as a training device, other than a FFS or FTD, that has been evaluated, qualified, and approved by the Administrator. This final rule codifies the definition in Sec. 61.1 --------------------------------------------------------------------------- The FAA received 3 comments on the proposed definition of ``aviation training device.'' The Society of Aviation and Flight Educators (SAFE) concurred with the proposal. The Aircraft Owners and Pilots Association (AOPA), however, recommended removing the words ``evaluated'' and ``qualified'' from the proposed definition because they are redundant with ``approved'' and because the FAA may, at times, only need to ``approve'' a previously approved ATD model. The FAA is retaining the terms ``evaluated'' and ``qualified'' because the evaluation and qualification of an ATD are important parts of the approval process. An ATD is evaluated and qualified before it is approved under Sec. 61.4(c).\4\ Evaluating and qualifying ATDs validates their effectiveness for successful training. In response to AOPA's comment regarding previously approved ATD models, the FAA finds that defining an ATD, in part, as ``evaluated, qualified, and approved'' will not adversely affect the use of ATD models that have been previously approved. Unlike FSTD which must be individually qualified under part 60, the FAA has permitted the use of ATDs that have been produced identical to the model evaluated, qualified, and approved utilizing a standard letter of authorization (LOA) for over 12 ***years***. After the FAA provides initial approval of a specific model, that approval covers production of additional identical models by the manufacturer. However, the FAA reserves the right to re-evaluate any ATD used to meet pilot certification or experience requirements.\5\ Additional conditions and limitations in the LOAs explain that any changes or modifications made to the ATD that have not been approved in writing by the General Aviation and Commercial Division may terminate the LOA. --------------------------------------------------------------------------- \4\ See AC-61-136A, FAA Approval of Aviation Training Devices and Their Use for Training and Experience (November 17, 2014). \5\ See FAA Order 8900.1, Vol. 11, Ch. 10, Sec. 1, Para. 11-10- 1-19 Inspector Oversight (explaining how the jurisdictional FSDO may conduct an inspection or surveillance of any FAA-approved ATD located within its geographical area that an owner or operator uses to satisfy experience or training requirements for pilot certificates or ratings). --------------------------------------------------------------------------- An individual commenter asked the FAA to clarify whether the definition eliminates the basic ATD and advanced ATD categories described in Advisory Circular (AC) 61-136. The individual also asked the FAA to update the related guidance and advisory materials with this clarification. The ATD definition does not eliminate the qualification of an ATD as basic or advanced. The FAA is adding a general definition of ATD to Sec. 61.1 to differentiate ATDs from FFSs and FTDs qualified under part 60 and to establish that an ATD must be evaluated, qualified, and approved by the Administrator. The FAA will continue to provide guidance in AC 61-136, as amended, to qualify an ATD as basic or advanced. Comparatively, the definition in part 1 for a FTD does not delineate qualification levels.\6\ --------------------------------------------------------------------------- \6\ 14 CFR part 1 defines ``flight training device'' as a replica of aircraft instruments, equipment, panels, and controls in an open flight deck area or an enclosed aircraft cockpit replica. It includes the equipment and computer ***programs*** necessary to represent aircraft (or set of aircraft) operations in ground and flight conditions having the full range of capabilities of the systems installed in the device as described in part 60 of the chapter and the qualification performance standard (QPS) for a specific FTD qualification level. --------------------------------------------------------------------------- The FAA notes that current regulations in parts 61 and 141 expressly differentiate instrument training time allowances for ``basic'' verses ``advanced'' ATDs.\7\ FAA Order 8900.1, Volume 11, Chapter 10, Section 1, Aviation Training Device also describes different allowances for basic and advanced ATDs. The FAA provides an LOA for each training device that specifies the level of approval (i.e , basic or advanced) for the ATD and the allowable credits, thereby mitigating any concern about understanding the different allowances. --------------------------------------------------------------------------- \7\ See 14 CFR 61.65(h)(2)(i), 141.41(b), and appendix C to part 141. --------------------------------------------------------------------------- The FAA is adopting the definition of ATD in Sec. 61.1 as proposed. In commenting on the ATD definition, AOPA noted that the definition of flight simulation training device (FSTD) is inconsistent between part 1 and part 60. AOPA recommended revising the part 1 definition to conform with the part 60 definition by adding the word ``full'' before ``flight simulator.'' The FAA is adopting AOPA's recommendation, which is consistent with the FAA's proposal to replace the words ``flight simulator'' with the words ``full flight simulator'' wherever they appear in the sections the FAA determined needed to be revised.\8\ --------------------------------------------------------------------------- \8\ 81 FR at 29745. --------------------------------------------------------------------------- 2. Instructor Requirement When Using a Full Flight Simulator, Flight Training Device, or Aviation Training Device To Complete Instrument Recency Experience In the NPRM, the FAA proposed to amend Sec. 61.51(g) by revising paragraph (g)(4) and adding a new paragraph (g)(5) to allow a pilot to accomplish instrument recency experience when using a FFS, FTD, or ATD without an instructor present, provided a logbook or training record is maintained to specify the approved training device, time, and the content as appropriate.\9\ Under the proposal, a pilot would still have been required to have an instructor present when using time in a FFS, FTD, or ATD to acquire instrument aeronautical experience for a pilot certificate or rating. --------------------------------------------------------------------------- \9\ Prior to this final rule, Sec. 61.51(g)(4) required a pilot accomplishing instrument recency experience in an FFS, FTD, or ATD to have an authorized instructor present to observe the time and sign the pilot's logbook. The FAA notes that a pilot who performs instrument recency in an aircraft, however, is not required to have an instructor present to observe the time. --------------------------------------------------------------------------- The FAA received 27 comments, 9 from organizations and 18 from individuals. The majority of commenters overwhelmingly supported the proposal noting various benefits, including reduced costs for pilots, less time commitment, reduced airspace use and congestion, increased number of instrument current pilots, and increased pilot proficiency and safety. Several commenters noted how the use of FFSs, FTDs, and ATDs enhances training by allowing more opportunities to practice important skills and experience a variety of approaches, conditions, and equipment failures. As stated in the NPRM,\10\ because instrument recency experience is not training, the FAA no longer believes it is necessary to have an instructor present when instrument recency experience is accomplished in an FSTD [[Page 30237]] or ATD. The FAA is therefore removing the requirement for an authorized instructor to be present when a pilot accomplishes his or her instrument recency experience in an FFS, FTD, or ATD, as proposed. The FAA is, however, slightly revising the proposed rule language by removing the word ``approved'' because an FFS or FTD used to satisfy Sec. 61.51(g)(5) is qualified, not approved, by the National Simulator ***Program*** under part 60.\11\ Furthermore, Sec. 61.51(g)(4) retains the requirement for an authorized instructor to be present in an FSTD or ATD when a pilot is logging training time to meet the aeronautical experience requirements for a certificate or rating.\12\ --------------------------------------------------------------------------- \10\ 81 FR at 29724. \11\ FFSs and FTDs are qualified by the National Simulator ***Program*** under part 60. FFSs and FTDs are subsequently approved by a principal operations inspector (POI) or training center ***program*** manager (TCPM) for use in a training ***program***. When an FFS or FTD is used outside of a training ***program***, an FFS or FTD is not approved by the FAA; it is only qualified by the National Simulator ***Program*** under part 60. Therefore, not all FSTDs used to satisfy Sec. 61.51(g)(5) will be approved. ATDs are approved by letter of authorization from AFS-800, The General Aviation and Commercial Division. \12\ 14 CFR 61.51(g)(4), 61.65, 61.129 --------------------------------------------------------------------------- As with instrument recency experience accomplished in an aircraft, Sec. 61.57(c) requires the pilot to log the required tasks in his or her logbook and Sec. 61.51(b) requires certain information to be logged, including the type and identification of the FSTD or ATD.\13\ Additionally, Sec. 61.51(g)(5) requires the pilot to maintain a logbook or training record \14\ that specifies the training device, time, and content. The FAA therefore emphasizes the importance of clearly documenting in one's logbook the type and identification of the FFS, FTD, or ATD used to maintain recency and a detailed record of the specific tasks completed.\15\ For ATDs, the FAA recommends retaining a copy of the FAA Letter of Authorization (LOA) for the ATD used because the LOA contains the type and model of the ATD that must be documented in the pilot's logbook.\16\ --------------------------------------------------------------------------- \13\ 14 CFR 61.51(b)(1)(iv). \14\ Although recent flight experience is not training, the required maneuvers may be accomplished as part of a training ***program***. As such, the experience may be logged in a training record rather than a logbook. \15\ 14 CFR 61.51(b) and (g)(5). For ATDs, the type and identification of the device will be the manufacturer name and model, which is identified on the LOA for the ATD approval. All qualified FFSs and FTDs will have an FAA identification number. \16\ The FAA notes that FFSs and FTDs are not issued LOAs. Rather, an FFS or FTD is issued a Statement of Qualification (SOQ), which will contain the FAA identification number. 14 CFR 60.15(g). The SOQ must be posted in or adjacent to the FSTD. 14 CFR 60.9(b)(2). --------------------------------------------------------------------------- The Aircraft Owners and Pilots Association (AOPA), National Air Transportation Association (NATA), Redbird, Society of Aviation and Flight Educators (SAFE), and four individuals, who identified as either pilots or instructors, generally commented that bringing FFS, FTD, and ATD instrument recency requirements in line with the requirements when using an actual aircraft makes sense. These commenters indicated that if a pilot can be trusted to log instrument recency in an aircraft without an instructor present, then he or she should be trusted to do the same in an FFS, FTD, or ATD. Four commenters expressed concern, however, that there is potential for falsification of logbook entries by pilots if they are not supervised when using an FFS, FTD, or ATD to satisfy instrument recency requirements. To reduce the risk of falsification, one individual recommended that FAA require the simulator to produce a flight track and log all pilot activities and actions during the simulator session. The commenter recommended that the flight school keep this documentation, and the pilot retain a copy of this simulator session to support the logbook entry to satisfy the instrument recency experience requirement. Because instructor supervision is not required when a pilot satisfies the instrument recency experience in an aircraft,\17\ similarly, it should not be required when a pilot satisfies the same instrument recency experience in a FFS, FTD, or ATD. A pilot must perform and log the required tasks regardless of whether the tasks are accomplished in an aircraft, FFS, FTD, or ATD.\18\ As several commenters noted, pilots who satisfy the instrument recency experience in an FFS, FTD, or ATD should be trusted in the same fashion as those pilots who satisfy the requirements in an aircraft. While there is a potential for falsification in both scenarios, the FAA finds that the current penalties for falsifying pilot logbooks and records, which include suspension or revocation of one's airman certificate, are a sufficient deterrent to falsifying the logging requirements.\19\ The FAA notes that falsifying a logbook entry would also be a criminal violation of 18 U.S.C 1001.\20\ Given the deterrence that is currently in place for the falsification of records, the FAA finds it unnecessary to require instructor supervision when a pilot satisfies the instrument recency experience in an FFS, FTD, or ATD. Furthermore, the FAA is not requiring the FFS, FTD, or ATD to produce a flight track and log pilot activities as proof of performing the required tasks for maintaining instrument recency; nor is the FAA imposing more stringent recordkeeping requirements on the flight schools who own such FFS, FTD, or ATDs or on the pilots who use the FFS, FTD, or ATD to maintain instrument recency. These suggestions are outside the scope of this rulemaking. --------------------------------------------------------------------------- \17\ As discussed further in this section, the purpose of the instrument recency experience requirement is to ensure the pilot maintains his or her instrument proficiency by performing and logging the required instrument experience. A pilot who accomplishes instrument recency experience is already instrument-rated. Therefore, the FAA expects pilots accomplishing the instrument recency experience to already be at an acceptable level of proficiency. \18\ 14 CFR 61.57(c)(1). \19\ 14 CFR 61.59 \20\ Sec. 1001 prescribes penalties for falsification offenses. --------------------------------------------------------------------------- American Flyers and several individuals asserted that using an FFS, FTD, or ATD to satisfy instrument recency requirements, particularly without an instructor present, is not comparable to operating an aircraft. The individual commenters noted that with FFSs, FTDs, or ATDs, there is no spatial disorientation, nothing truly unexpected, no other aircraft, no equipment problems, no approach changes, no interaction from air traffic control, no threat to life, and rules can be violated. Two individuals noted that an instructor could introduce some of these variables in an FSTD or ATD. One individual recommended the FAA require a flight instructor to introduce real-world scenarios in an ATD as part of the instrument recency requirements. The FAA finds that satisfying instrument recency experience requirements in an FFS, FTD or ATD is as beneficial as satisfying the requirements in an aircraft regardless of whether an instructor is present. FFSs, FTDs, and ATDs are specifically designed to allow a person to replicate and execute instrument tasks just as they would in an aircraft. The FAA qualifies FFSs and FTDs under 14 CFR part 60, and the FAA evaluates, qualifies and approves ATDs under the authority provided in 14 CFR 61.4(c) using specific standards and criteria described in AC 61-136 (as amended) as one means of compliance. Additionally, the FAA accomplishes on site functional evaluations of ATDs verifying that they successfully emulate instrument tasks accurately.\21\ The FAA further notes that the regulations do not require a pilot to experience the variables mentioned by the commenters [[Page 30238]] as part of the required tasks for maintaining instrument recency.\22\ The variables identified by the commenters consist of conditions and events that are more specific to training, a practical test, or an instrument proficiency check. --------------------------------------------------------------------------- \21\ FAA Order 8900.1, Vol. 11, Ch. 10 Aviation Training Device, Sec. 1 Approval, Oversight, and Authorized Use Under 14 CFR parts 61 and 141. \22\ 14 CFR 61.57 --------------------------------------------------------------------------- Several commenters, including the Lancair Owners and Builders Organization (LOBO), stated that having an instructor present in the FSS, FTD or ATD improves the pilot's proficiency. A few individuals stated that a pilot may need additional training and not realize it without an instructor present. However, one individual asserted that if a pilot has obtained a certificate after completing the minimum hours with an instructor and remains current, there is no requirement for additional training. Section 61.57(c) requires a pilot to perform and log minimum tasks to maintain instrument recency; Sec. 61.57(c) does not impose training or proficiency requirements. An instrument-rated pilot has already demonstrated his or her proficiency during a practical test with an examiner. The purpose of the instrument recency experience requirement is to ensure the pilot maintains his or her instrument proficiency by performing and logging the required instrument experience. Therefore, the FAA expects pilots accomplishing the instrument recency experience to already be at an acceptable level of proficiency. The FAA recommends, however, that a pilot seek additional training if he or she is uncomfortable with his or her performance of the required tasks under Sec. 61.57(c). LOBO recommended requiring pilots to complete an annual instrument proficiency check with an instrument flight instructor. The FAA requires an instrument proficiency check only when a pilot has failed to meet the recent instrument experience requirements for more than six ***calendar*** months.\23\ The recommendation to require an instrument proficiency check every ***year*** is beyond the scope of this rulemaking and unnecessary if the pilot is maintaining his or her instrument recency in accordance with the regulations. --------------------------------------------------------------------------- \23\ 14 CFR 61.57(d). --------------------------------------------------------------------------- Two individuals asserted that there is no cost savings when one takes into account the cost of a crash, including the cost of a human life, property damage, and medical treatment for survivors. For the reasons stated above, the FAA disagrees with the assertion that removing the requirement for an instructor to be present in an FSTD or ATD will result in a decrease in safety. Pilots may accomplish the required tasks under Sec. 61.57(c) in an aircraft in actual instrument conditions without an instructor present. Allowing pilots to accomplish the same tasks in an FSTD or ATD without an instructor present does not reduce the level of safety. LOBO questioned the accuracy of the FAA's estimates of cost savings, noting that the FAA may be overestimating the number of pilots that use an FFS, FTD, or ATD, to maintain instrument recency. LOBO claimed that although the percentage of pilots who possess instrument ratings is quite high, non-scientific polling by AOPA indicates many of them are not instrument current. LOBO noted that the FAA estimated that removing the requirement for a flight instructor to be present would generate a total savings of $10.6 million (present value), or $2.4 million annually, all other factors remaining the same. Given there has been no polling of the U.S pilot population for training, experience, etc. by the FAA since 1990, LOBO questioned the accuracy of these estimates. The Regulatory Evaluation in the NPRM estimated that implementation of this rule provision would result in present value cost savings of $10.6 million over a five-***year*** period at a 7 percent discount rate. Because the FAA does not require pilots to report instrument experience data and capturing such data is difficult if not impossible, the FAA made a conservative estimate of the cost savings. This is a conservative estimate because it reflects that a significant number of pilots do not maintain instrument recency in general. The FAA estimated the number of pilots who might benefit from this rule provision by starting with the total number of instrument rated pilots in the United States as of June 30, 2015. This was 305,976 instrument rated pilots. This number included airline transport pilots (ATPs). However, under Sec. 61.57(e), pilots employed by part 119 certificate holders conducting operations under part 121 or part 135 are excepted from the instrument recency experience requirement in Sec. 61.57(c). As of June 23, 2015, the FAA estimated that 104,424 air carrier pilots were excepted. This left 201,552 instrument rated pilots that could potentially benefit from this rule provision. Of these pilots, the FAA estimated that only approximately 50 percent (100,776) were maintaining their recency. Of this group, the FAA estimated that only 25 percent (25,194) used an FFS, FTD, or ATD for recency and would potentially benefit from this rule provision. At an average instructor rate of $24 per hour for an estimated 4 hours per ***year***, the FAA estimated that it would cost about 2.4 million dollars per ***year*** for 25,194 pilots to complete the recency requirement. These estimates indicate that only 12.5 percent of instrument rated pilots (excluding air carrier pilots) would benefit from this rule provision. The FAA finds this to be a reasonably conservative estimate. Furthermore, FAA notes that LOBO did not provide any alternative estimates, LOBO relied on non-scientific polling from AOPA, and LOBO failed to provide any substantiated statistics. The FAA believes new Sec. 61.51(g)(5) will significantly reduce cost to the public. As described in the NPRM, the FAA believes that new Sec. 61.51(g)(5) will likely increase the public's use of FFSs, FTDs or ATDs and notes that the majority of comments supported this conclusion. Because the FAA is adopting Sec. 61.51(g)(4) and (5) as proposed and no alternative estimates were provided, there will be no change to the NPRM methodology used for this estimate. As a general matter, the FAA notes that ATDs allow ***programming*** and practice of many instrument situations, scenarios, and procedures. The current capabilities of ATDs, FTDs, and FFSs allow an instrument rated pilot to ***program*** and successfully practice simulated low visibility weather conditions, multiple approaches in a shorter period of time, emergency procedures, equipment failures, and other various flight scenarios that cannot necessarily be accomplished in an aircraft safely. Allowing the use of ATDs, FTDs and FFSs without the requirement (and therefore the cost) of having an instructor present can result in more pilots being better prepared. This benefit could include executing flight scenarios they may not normally experience when accomplishing instrument recency in an aircraft, or in locations where they do not normally fly, or when practicing emergency procedures that are likely too dangerous to accomplish in an aircraft. This includes the unique capability of practicing identical instrument approach procedures to an airport the pilot may not have otherwise flown to before. Other than removing the term ``approved'' from the proposed rule language, as explained above, Sec. 61.51(g)(4) and (5) remain unchanged from the proposal. [[Page 30239]] 3. Instrument Recency Experience Requirements In the NPRM, the FAA proposed to amend Sec. 61.57(c) to allow pilots to accomplish instrument experience in ATDs at the same 6-month interval allowed for FFSs and FTDs.\24\ Additionally, for pilots who opt to use ATDs exclusively to accomplish instrument recency experience, the FAA proposed to no longer require an additional 3 hours of instrument experience and additional tasks to remain current.\25\ The FAA also proposed to allow completion of instrument recency experience in any combination of aircraft, FFS, FTD, or ATD. --------------------------------------------------------------------------- \24\ Prior to this final rule, Sec. 61.57(c)(3) required persons using an ATD to establish instrument experience to complete the required tasks within the preceding 2 ***calendar*** months. Persons using an aircraft, FFS, FTD, or a combination, however, were required to establish instrument experience within the preceding 6 ***calendar*** months. 14 CFR 61.57(c)(1) and (2). \25\ Prior to this final rule, for persons using an ATD for maintaining instrument experience, Sec. 61.57(c)(3) required an additional 3 hours of instrument experience and two unusual attitude recoveries while in a descending, Vne airspeed condition and two unusual attitude recoveries while in an ascending, stall speed condition. --------------------------------------------------------------------------- Ten commenters, including Redbird, American Flyers, and Eagle Sport, supported the proposal without change noting the anticipated cost savings that may encourage pilots to stay current, the ability for ATDs to enhance skills and improve proficiency, and the simplified rule language that will facilitate compliance. The Aircraft Owners and Pilots Association (AOPA) and an individual commented that ATDs are much more advanced than they were at the time of the 2009 final rule, and that with these advances, it makes sense to allow the use of ATDs to meet instrument recency requirements in the same manner as with FFSs, FTDs, or aircraft. As discussed in the NPRM, the FAA believes that the current design and technology of ATDs has advanced and provides a greater opportunity for the advancement of instrument skills and improved proficiency, as well as a wider range of experiences and scenarios, which justifies their increased use in Sec. 61.57(c)(2). This is also reflected in the final rule, ``Aviation Training Device Credit for Pilot Certification,'' published on April 12, 2016,\26\ which increased the ATD credit allowances for instrument rating certification requirements. --------------------------------------------------------------------------- \26\ Final Rule, ``Aviation Training Device Credit for Pilot Certification,'' 81 FR 21449 (Apr. 12, 2016). --------------------------------------------------------------------------- AOPA, General Aviation Manufacturers Association (GAMA), Society of Aviation and Flight Educators (SAFE), and one individual asked the FAA to revise the proposed rule language to expressly allow a pilot to meet the requirements for instrument recency experience in any combination of aircraft, FFS, FTD, or ATD. While the FAA stated in the NPRM that a pilot would be permitted to complete instrument recency experience in any combination of aircraft, FFS, FTD, or ATD, the proposed rule would not have expressly allowed this. The FAA is therefore adding language to proposed Sec. 61.57(c)(2) to expressly state that a person may complete the instrument recency experience in any combination of aircraft, FFS, FTD, or ATD. Furthermore, consistent with the changes made in Sec. 61.51(g)(5), the FAA is removing the word ``approved'' from proposed Sec. 61.57(c)(1) because an FFS or FTD used to satisfy Sec. 61.57(c)(1) is qualified, not approved, by the National Simulator ***Program*** under part 60. Two individuals opposed the provision. One individual believed that experience in an ATD cannot replicate that of an actual aircraft because piloting an aircraft involves many unexpected elements and stresses not present in an ATD. The other individual asserted that the instrument recency requirements are bare minimums and do not demonstrate proficiency, and that requiring more flight time would result in fewer accidents. The FAA disagrees with requiring a pilot to accomplish the instrument recency experience in an aircraft. The FAA has allowed the instrument recency tasks to be accomplished in an FFS, FTD, or ATD since 2009.\27\ The FAA did not propose to change the allowance of an ATD to satisfy instrument recency experience. Rather, given the technological advancements that have occurred in ATDs since 2009, the FAA proposed to align ATD use to the 6-month task completion interval and the required tasks consistent with FSTDs and aircraft. As previously explained in section III.A.2 of the preamble, ATDs are specifically designed to allow a person to replicate and execute instrument tasks just as they would in an aircraft. Therefore, the FAA finds that an ATD adequately replicates an aircraft for purposes of maintaining instrument recency. Section 61.57(c) does not require a pilot to experience variables and additional stressors that one may experience in an aircraft to maintain instrument recency. The FAA recognizes the importance of familiarity with these conditions and events; however, they are more attributable to training. An instrument- rated pilot maintaining instrument recency under Sec. 61.57(c) has already accomplished the required instrument training and has already demonstrated his or her proficiency during a practical test with an examiner. --------------------------------------------------------------------------- \27\ Final Rule, ``Pilot, Flight Instructor, and Pilot School Certification,'' 74 FR 42500, 42516-42517 (Aug. 21, 2009) (amending Sec. 61.57(c) to allow the use of aviation training devices, flight simulators, and flight training devices for maintaining instrument recent flight experience). --------------------------------------------------------------------------- Furthermore, the FAA disagrees with the comment that requiring more flight time in an aircraft will result in fewer accidents. The FAA finds that allowing a pilot to accomplish instrument recency requirements in an ATD or FSTD encourages more pilots to remain instrument current and provides the necessary experience to enable safe operation of an aircraft in instrument meteorological conditions (IMC). As the FAA explained in the final rule, ``Aviation Training Device Credit for Pilot Certification,'' \28\ the FAA believes that training in FSTDs and ATDs in combination with training in an aircraft reinforces the necessary pilot skill to rely solely on the flight instruments to successfully operate an aircraft in IMC. This mitigates any reliance on postural senses, sounds, or feelings that can otherwise lead to loss of control. The FAA further described that training devices do not require motion to be approved and that training devices cannot completely train the pilot to ignore certain erroneous sensory perceptions, but pilots develop this skill during the flight portion of their instrument training. Consistent with the final rule, ``Aviation Training Device Credit for Pilot Certification,'' \29\ the FAA believes that instrument experience accomplished in ATDs is an effective procedural review and reinforces the necessary skills to properly interpret the aircraft's flight instruments, allowing successful operation of an aircraft in IMC. --------------------------------------------------------------------------- \28\ 81 FR at 21456 (Apr. 12, 2016). \29\ Id. --------------------------------------------------------------------------- The Lancair Owners and Builders Organization (LOBO) asserted that the FAA did not make a safety case to reduce the recency requirements. LOBO believed that the NPRM did not explain how this proposed provision would improve safety, and that to do so, the FAA needs more information, which was not presented. LOBO claimed the FAA should gather data regarding the following: How many instrument pilots are instrument current; how many pilots use an instrument proficiency check to maintain recency; how many pilots use an FFS, FTD, or ATD to maintain instrument recency; how many of those [[Page 30240]] pilots that use an FFS, FTD, or ATD to maintain instrument recency have been involved in an aircraft accident while flying under instrument flight rules; and how many more instrument rated pilots would maintain proficiency if the proposal were implemented. LOBO pointed out that AOPA polling indicates the average general aviation pilot is flying less than 100 hours per ***year***. LOBO indicated that its own data indicates their average member is flying approximately 50 hours per ***year*** in a Lancair. Given these statistics, LOBO questioned whether instrument proficiency is possible for pilots who fly so few hours annually. LOBO also questioned whether reducing recency requirements for low activity instrument pilots would affect accident rates. Based on all of these comments, LOBO recommended the FAA research general aviation pilot training and experience, including instrument recency training methods, to better understand the impact on general aviation safety--positive or negative--of the NPRM. The FAA is aligning the requirements for accomplishing instrument experience in an ATD with the requirements for accomplishing instrument experience in an FSTD or aircraft. Prior to this final rule, a person accomplishing instrument recency experience in an aircraft, FFS, FTD, or a combination, was required to, within the preceding 6 months, have performed: (1) Six instrument approaches; (2) holding procedures and tasks; and (3) intercepting and tracking courses through the use of navigational electronic systems. Persons accomplishing instrument recency experience exclusively in an ATD, however, were required to have performed, within the preceding 2 months, the same tasks and maneuvers listed above plus ``two unusual attitude recoveries while in a descending Vne airspeed condition and two unusual attitude recoveries while in an ascending, stall speed condition'' and a minimum of three hours of instrument recency experience. This final rule amends Sec. 61.57(c) to allow pilots to accomplish instrument experience in ATDs by performing the same tasks required for FSTDs and aircraft, and at the same 6-month interval allowed for FSTDs and aircraft. While the data sought by LOBO would be useful, it does not currently exist.\30\ However, based on the12 ***years*** of experience the FAA now has evaluating and approving ATDs and the significant advancements in ATD technology, the FAA has no reason to believe the rule change would result in a decrease in safety. As explained in the NPRM, the FAA imposed more stringent instrument experience requirements on pilots satisfying instrument recency in ATDs because, in 2009, ATDs represented new technology. The FAA finds that significant improvements in current ATD technology have made it possible to allow pilots to use ATDs for instrument recency experience at the same frequency and task level as FSTDs. The FAA believes this rule change is further supported by the recent ATD rule published on April 12, 2016, which recognized ATD capabilities and increased the ATD credit allowances for instrument rating certification requirements. Furthermore, in 2014, the FAA revised AC 61-136A, ``FAA Approval of Aviation Training Devices and Their Use for Training and Experience'' to include stricter approval criteria for ATDs. The FAA also revised FAA Order 8900.1 Volume 11, Chapter 10 ``AVIATION TRAINING DEVICE'', Section 1 ``Approval, Oversight, and Authorized Use Under 14 CFR parts 61 and 141,'' to improve FAA surveillance and oversight for the use of ATDs and to otherwise ensure their proper use. The stricter approval criteria and increased FAA oversight for ATDs ensures they are qualified and capable for pilots to successfully accomplish the instrument tasks described in Sec. 61.57(c)(1). --------------------------------------------------------------------------- \30\ The FAA referenced two studies in the final rule titled ``Aviation Training Device Credit for Pilot Certification,'' which was published on April 12, 2016, that supported the use of simulation for flight training. 81 FR 21449. See Kearns, Suzanne ``The Effectiveness of Guided Mental Practice in a Computer-Based Single Pilot Resource Management (SRM) Training,'' Ph.D Dissertation (Capella University 2007); Carretta, Thomas R., and Dunlap, Ronald D., ``***Transfer*** of Training Effectiveness in Flight Simulation: 1986-1997,'' United States Air Force Research Laboratory (1998). --------------------------------------------------------------------------- In response to LOBO's concerns about the proficiency of low activity instrument pilots, as previously stated, instrument-rated pilots have already demonstrated proficiency during their practical test. Instrument proficiency is considered ongoing unless one fails to maintain instrument recency in the previous 12 ***calendar*** months. In that scenario, one would be required to complete an instrument proficiency check (IPC) in accordance with Sec. 61.57(d) to exercise instrument rating privileges. While instrument-rated pilots may have a low number of annual flight hours, so long as they are complying with the instrument experience and instrument proficiency check requirements, they may exercise their instrument rating privileges. The FAA did not propose to change these requirements; any change to these requirements in this final rule would be out of scope. Lastly, the FAA does not find that aligning the instrument experience requirements in an ATD with the instrument experience requirements in an FSTD or aircraft will result in an increased accident rate. Rather, this ATD allowance should lower the accident rate by allowing pilots to regularly practice instrument tasks and maneuvers in a hazard free environment. The FAA believes that new Sec. 61.57(c)(2) will increase the opportunities for pilots to maintain recency, reduce cost, and generally promote maintaining instrument recency. The Regional Air Cargo Carriers Association (RACCA) provided several recommendations concerning FTDs, including expanding the allowable instrument recency experience, training, and limited checking elements from FFS to include Level 3 and 4 FTDs; allowing credit for circling approaches in Level 3 and 4 FTDs with sophisticated, wide- angle visual systems but no motion system; and expanding the allowable credit in FFSs with the motion system turned off. RACCA further recommended reviewing current FAA FTD and simulator approval protocols to make them simpler and less labor-intensive for the FAA, operators, and contract training providers. The FAA is not adopting RACCA's recommendations because they are outside the scope of this rulemaking. As discussed above, the FAA is adding language to the proposed provision to make clear that a person may complete the instrument experience in any combination of an aircraft, FFS, FTD, or ATD. Other than this additional language, Sec. 61.57(c)(2) remains unchanged from the NPRM. B. Second in Command Time in Part 135 Operations In the NPRM, the FAA proposed to amend Sec. 135.99 by adding paragraph (c) to allow a certificate holder to receive approval of a second in command (SIC) professional development ***program*** (SIC PDP) via operations specifications (Ops Specs) to allow the certificate holder's pilots to log SIC time in operations conducted under part 135 in an airplane or operation that does not otherwise require a SIC.\31\ As explained in the NPRM, the FAA believes that a comprehensive SIC PDP will provide [[Page 30241]] opportunities for beneficial flight experience that may not otherwise exist and also provide increased safety in operations for those flights conducted in a multicrew environment. The FAA proposed requirements in Sec. 135.99(c) for certificate holders, airplanes, and flightcrew members during operations conducted under an approved SIC PDP. --------------------------------------------------------------------------- \31\ Prior to this final rule, a person serving as SIC in a part 135 operation could log SIC time only if more than one pilot was required under the type certification of the aircraft or the regulations under which the flight was being conducted. 14 CFR 61.51(f)(2). --------------------------------------------------------------------------- The FAA also proposed changes to certain logging requirements to enable the logging of SIC time obtained under a SIC PDP. The FAA proposed to revise Sec. 61.159(c)(1) to contain the requirements for logging SIC pilot time in an operation conducted under part 135 that does not require an SIC by type certification of the aircraft or the regulations under which the flight is being conducted. The FAA proposed to revise the aeronautical experience requirements of Sec. Sec. 61.159 and 61.161 to allow a pilot to credit SIC time logged under an SIC PDP towards the total time as a pilot requirements. The FAA also proposed to revise the definition of pilot time in Sec. 61.1, the prerequisites for practical test in Sec. 61.39(a)(3), and the logging requirements of Sec. 61.51(f) to reflect the allowance for SICs to log flight time in part 135 operations when not serving as required flightcrew members under the type certificate or the regulations. Airlines for America (A4A) and two individuals supported the proposed SIC PDP without change. They noted the benefits of mentoring, crew resource management training, and the overall experience gained by accumulating more flight time in a complex environment. Several commenters suggested changes to proposed Sec. Sec. 135.99, 61.159 and 61.51, which are discussed below. 1. Airplane Requirements In the NPRM, proposed Sec. 135.99(c)(2) would have required the aircraft operated under an approved SIC PDP to be a multiengine airplane. The Aircraft Owners and Pilots Association (AOPA), Baron Aviation Services, National Air Transportation Association (NATA), Regional Air Cargo Carriers Association (RACCA), Tradewind Aviation, and two individuals commented that single-engine turbine-powered airplanes should be included for use in an SIC PDP. These commenters asserted that single-engine turbine-powered airplanes are equal to or more complex than certain multiengine airplanes. These commenters indicated that high performance single engine turbo-propeller airplanes such as the Pilates PC-12, Socata TBM 700, and Cessna Caravan can provide more beneficial flight experience and training for an SIC than other general aviation operations. RACCA, Tradewind Aviation, and one individual explained that these types of airplanes can provide applicable experience using ``glass cockpit'' and flight management systems in real-world IFR, weather, cross-country, and night flight in an airline- like environment. Further, AOPA, RACCA, and one individual stated the SIC PDP would provide opportunities for pilots to gain flight hours. As proposed, these flight hours could be used toward an airline transport pilot (ATP) certificate. Increasing the types of aircraft permitted to be used for an SIC PDP would provide even more opportunities for this professional growth. In light of these comments, the FAA is revising proposed Sec. 135.99(c)(2) to allow multiengine airplanes or single-engine turbine- powered airplanes to be used in an approved SIC PDP. In Public Law 111- 216, Congress directed the FAA to ensure applicants for an ATP certificate have received flight training, academic training, or operational experience that will prepare the pilot to, among other things, function effectively in a multi-pilot environment, in adverse weather conditions, and during high altitude operations, and to adhere to the highest professional standards. The FAA finds that pilots can obtain the operational experience described in section 217 of Public Law 111-216 using either a multiengine airplane or a single-engine turbine-powered airplane under an approved SIC PDP. The FAA is revising proposed Sec. 135.99(c)(2) accordingly. The FAA is adopting the proposed requirement for the airplane to have an independent set of controls for the second pilot flightcrew member, which may not include a throwover control wheel. The FAA also notes that the equipment and independent instrumentation requirements for the second pilot in Sec. 135.99(c)(2)(i) through (viii) remain unchanged from the proposal.32 33 --------------------------------------------------------------------------- \32\ A cockpit voice recorder (CVR) is not required for operations conducted under an approved SIC PDP. In accordance with Sec. 135.151, no person may operate a multiengine, turbine-powered airplane or rotorcraft having a passenger seating configuration of six or more and for which two pilots are required by certification or operating rules unless it is equipped with an approved CVR that meets certain requirements. However, the FAA notes that an operation under an approved SIC PDP is not considered an operation for which two pilots are required by operating rules. \33\ The FAA notes that the airplane is still required to comply with the equipment requirements of Sec. Sec. 135.89 and 135.157, as applicable. --------------------------------------------------------------------------- 2. Part 135 Flight Instructors In the NPRM, proposed Sec. 135.99(c)(4) would have required the assigned PIC in an operation conducted under an approved SIC PDP to be an authorized part 135 flight instructor for the certificate holder. Bemidji Aviation Services, NATA, and RACCA did not support proposed Sec. 135.99(c)(4), asserting that there is no rationale to support the requirement for the PIC to be a qualified part 135 flight instructor. Bemidji noted that training PICs to be flight instructors would be time consuming and of little value because a new SIC under an SIC PDP will be in need of mentoring and real-world experience, rather than the type of training a part 135 flight instructor provides. Bemidji further contended that this requirement indicates that revenue flights are training flights rather than operations as a crew. However, Bemidji stated it would support certain crew pairing requirements. NATA believed that this requirement could limit operators from implementing a SIC PDP. RACCA stated that requiring the PIC to be a part 135 flight instructor is not necessary; however, initial operating experience (OE) under supervision by a flight instructor, additional line checks, or other intermittent quality assurance verifications are appropriate. RACCA stated that it appeared the FAA's intent was, from SIC initial qualification until the SIC was qualified to serve as PIC in part 135, an SIC logging flight time under an SIC PDP would be required to fly with a PIC who was a part 135 flight instructor. RACCA believed that the ``professional development'' element of the SIC PDP needs to be concentrated in the initial training, checking, and OE phases and that once the SIC has successfully completed that portion, he/she can continue to gain experience having completed that part of the ***program*** except for a possibility of more frequent quality assurance checks or proficiency checks in operators' ***programs*** than otherwise required for SICs in part 135. However, RACCA also stated the SIC flight time in revenue operations under the mentoring and supervision of an experienced part 135 PIC is more directly applicable to further career flying than hours in the following types of operations, which are currently acceptable: VFR flight instruction, pipeline patrol, banner towing, traffic watch flying, and light sport flying. RACCA further asserted that because the SIC PDP is restricted to less risky cargo operations, this requirement only increases complexity and cost without any risk mitigation [[Page 30242]] benefit.\34\ One individual asserted that a low time pilot could benefit under the supervision of a seasoned PIC while receiving real- world experience in a crew environment. --------------------------------------------------------------------------- \34\ RACCA's comments on this issue were submitted as to the regulatory evaluation. However, the FAA has included the comments here because they are related to the proposal and not specifically the cost/benefit analysis. --------------------------------------------------------------------------- Upon review of these comments submitted by Bemidji, NATA, RACCA, and individuals, the FAA has decided to withdraw the proposed requirement for assigned PICs in a SIC PDP to be qualified part 135 flight instructors. Under this proposed requirement, every operation conducted under an approved SIC PDP would have been required to have a qualified part 135 flight instructor assigned as the PIC. This proposed requirement was intended to create the appropriate training and mentoring environment to enable the proposed SIC PDP to support the Congressional directive and provide an effective method to acquire experience for ATP certification. In the NPRM, the FAA explained that the experience gained from working with and learning from a part 135 flight instructor in a crew configuration would have provided valuable experience. However, commenters suggested alternatives to the requirement for the PIC to be a part 135 flight instructor. Upon review of these suggestions, the FAA has determined that a combination of these alternatives will be an equally effective method to support the Congressional directive while ensuring these SICs are gaining valuable experience for ATP certification. The FAA agrees with Bemidji, RACCA, and the individual commenter that a new SIC needs mentoring and real-world experience.\35\ The FAA finds this objective could be accomplished by requiring the assigned PIC to have a certain amount of experience and mentoring training, rather than requiring him or her to meet the full training and qualification requirements for a part 135 flight instructor. --------------------------------------------------------------------------- \35\ Section 135.99(c)(3) contains the requirements for a pilot serving as SIC under an approved SIC PDP. --------------------------------------------------------------------------- In new Sec. 135.99(c)(4)(i) and (ii),\36\ the FAA is including crew pairing requirements for flights conducted under an SIC PDP. Prior to assignment as a PIC in an operation conducted under an SIC PDP, the PIC must complete mentoring training and have minimum experience at that certificate holder. The mentoring training must include techniques for reinforcing the highest standards of technical performance, airmanship, and professionalism. Part 135 regulations require pilots to complete recurrent training to ensure that pilots remain competent in the performance of their assigned duties. The FAA has previously recognized that the necessary frequency for recurrent training is not the same for all subject areas. The FAA expects that PICs serving in an approved SIC PDP will use mentoring skills regularly and consequently these skills are less susceptible to degradation. Therefore, the FAA has determined that recurrent mentoring training must be completed at least every 36 ***calendar*** months. The FAA will include recommended topics for mentoring training in a new Advisory Circular (AC 135-43) on obtaining authorization of an SIC PDP. --------------------------------------------------------------------------- \36\ Section 135.99(c)(4) contains the requirements for a pilot assigned to serve as PIC under an approved SIC PDP. --------------------------------------------------------------------------- As indicated by commenters, mentoring should be provided by an experienced PIC. For mentoring to be effective, the FAA believes that the mentor (i.e , the PIC) must have a minimum level of experience and knowledge of the certificate holder's operations. Therefore, prior to assignment as a PIC in an operation conducted under an SIC PDP, the PIC must have been fully qualified to serve as a PIC for the certificate holder for at least the previous six ***calendar*** months. The FAA believes that in six months, the PIC would have conducted numerous flights with various environmental and operational factors which would have allowed the PIC to effectively consolidate his/her knowledge and skills of operations at that certificate holder. Certificate holders should encourage PICs serving in an operation conducted under an SIC PDP to provide observations and comments to be used in the data collection and analysis process. As proposed in the NPRM, Sec. 135.99(c)(1)(iii) requires the certificate holder with an approved SIC PDP to establish and maintain a data collection and analysis process that will enable the certificate holder and the FAA to determine whether the professional development ***program*** is accomplishing its objectives. Regarding RACCA's recommendations for initial OE, additional line checks, or other intermittent quality assurance verifications, the FAA agrees these types of events could be valuable components of an effective data collection and analysis process. In addition to the recommendations from RACCA, there may be other suitable methods to obtain relevant data for the data collection and analysis process. Therefore, the FAA will include RACCA's recommendations in the new Advisory Circular as possible data collection methods. The FAA notes that the data provided to the FAA by the certificate holder may be de-identified. The FAA further notes that records used for the data collection and analysis process will still be subject to record requirements, such as the Pilot Records Improvement Act of 1996 (PRIA).\37\ --------------------------------------------------------------------------- \37\ 49 U.S.C 44703(h). --------------------------------------------------------------------------- Lastly, contrary to RACCA's statement, the SIC PDP is not restricted to cargo-only operations. Except as provided in Sec. 135.99(d), any part 135 operator meeting the requirements of Sec. 135.99(c) may voluntarily choose to seek approval of an SIC PDP. Section 135.99(d) prohibits certificate holders who are authorized to operate as a basic operator, single PIC operator, or single pilot operator from obtaining approval to conduct an SIC PDP.\38\ Section 135.99(d) remains unchanged from the proposal. --------------------------------------------------------------------------- \38\ As further explained in the NPRM, these certificate holders--either by regulation or deviation--are not required to develop and maintain manuals that describe the procedures and policies to be used by the flight, ground and maintenance personnel. 14 CFR 135.21 Additionally, these certificate holders are not required to establish and maintain an approved pilot training ***program*** under Sec. 135.341 or employ certain management personnel under Sec. 119.69 Because of the limited size and scope of these certificate holders' operations, the FAA does not believe that they would provide the environment necessary to foster an SIC PDP. --------------------------------------------------------------------------- The requirements for certificate holders in Sec. Sec. 135.99(c)(1)(i), (ii), and (iii) also remain unchanged from the proposal. However, because the FAA is withdrawing the proposed requirement for assigned PICs to be qualified part 135 flight instructors, the FAA is also withdrawing proposed Sec. 135.99(c)(1)(iv), which would have required flight instructor standardization meetings. The FAA further notes that the requirements for persons serving as SIC in Sec. 135.99(c)(3)(i) through (iv) remain unchanged from the proposal. 3. Logging Requirements In the NPRM, the FAA proposed to revise Sec. 61.159(c) to set forth the requirements for logging SIC pilot time in a part 135 operation that does not require an SIC by type certification of the aircraft or the regulations under which the flight is being conducted. Proposed Sec. 61.159(c) would have allowed a commercial pilot to log SIC pilot time toward the hours of total time as a pilot required by Sec. Sec. 61.159(a) and 61.160, provided the SIC pilot time was obtained in part 135 operations conducted under a SIC PDP in accordance with Sec. 135.99 and the PIC certified in the SIC's logbook that the [[Page 30243]] SIC pilot time was accomplished under Sec. 61.159(c). The FAA also proposed that the SIC pilot time obtained pursuant to Sec. 61.159(c) may not be logged as PIC time even if the SIC were the sole manipulator of the controls and may not be used to meet the aeronautical experience requirements in Sec. 61.159(a)(1) through (5) (e.g , cross-country flight time, night flight time). RACCA suggested the FAA allow a pilot to use the time logged under a SIC PDP toward the more specific flight time requirements for ATP certification set forth in Sec. 61.159(a)(1) through (5), instead of only the 1,500 hours of total time as a pilot required by Sec. 61.159(a). RACCA asserted that there is little quantifiable difference in the value of experience between aircraft that require a two pilot crew and aircraft authorized to utilize a two pilot crew in specific circumstances. RACCA further asserted that experience obtained by a properly trained and checked SIC is more directly applicable to IFR complex airplane operations and subsequent career flying than hours in the following types of operations, which are currently acceptable: VFR flight instruction, pipeline patrol, banner towing, traffic watch flying, and light sport flying. In response to RACCA's comments, the FAA is revising proposed Sec. 61.159(c) to allow pilots to credit time logged under a SIC PDP not only for total time as a pilot, but also toward the specific flight time requirements for ATP certification set forth in Sec. 61.159(a)(1) through (4) (e.g , cross-country flight time, night flight time, flight time in class of airplane, and instrument flight time). Under the proposal, the time logged under a SIC PDP would have counted toward the flight time requirements to serve as a PIC in part 135, which are located in Sec. 135.243 Section 135.243 categorizes the flight time requirements the same as Sec. 61.159(a). Because the SIC time logged under the SIC PDP may be used toward the total time, cross-country time, instrument time, and night time requirements of Sec. 135.243, the FAA finds that it should also count toward the same categories of flight time under Sec. 61.159(a). However, as explained below, the FAA maintains that the PIC flight time requirements in Sec. 61.159(a)(5), including the PIC cross-country flight time and PIC night flight time, must be met as a required pilot flightcrew member.\39\ --------------------------------------------------------------------------- \39\ As proposed, the FAA is revising Sec. 61.159(a)(5) to clarify that to credit SIC time toward the 250 hours of PIC flight time required by paragraph (a)(5), the SIC must be a ``required'' flightcrew member performing the duties of PIC while under the supervision of a PIC. Under a SIC PDP, the SIC is not a required flightcrew member. --------------------------------------------------------------------------- As proposed, the FAA maintains in the final rule that a SIC logging flight time under Sec. 61.159(c) is not permitted to log this flight time as PIC time even when he or she is the sole manipulator of the controls. If the SIC time were to count toward the requirements of Sec. 61.159(a)(5), a pilot could meet the ATP aeronautical experience requirements and transition to a part 121 SIC position directly from a SIC PDP, without serving as a part 135 PIC--which was not the FAA's intent. As explained in the NPRM, the FAA intended for Sec. 61.159(c) to promote an environment in which a pilot's career follows a progression within part 135 that includes the pilot serving as a PIC in part 135 operations before transitioning to an SIC position in a part 121 operation. The FAA finds that allowing the SIC time to be used only toward the total time as a pilot requirements of Sec. 61.159(a) and the specific flight time requirements of Sec. 61.159(a)(1) through (4) is consistent with the proposal's objective. A pilot may use the time accrued under a SIC PDP to meet the time requirements of Sec. 135.243 to serve as a PIC under part 135; then, as a required flightcrew member in part 135, that pilot may accrue the required PIC airplane time for an ATP certificate before transitioning to a part 121 operation. Consistent with the changes to proposed Sec. 61.159(c), the FAA is also revising proposed Sec. 61.161(c) to allow pilots to credit time logged under a SIC PDP toward both the total time as a pilot required by Sec. 61.161(a) and the specific flight time requirements for ATP certification set forth in Sec. 61.161(a)(1), (2), and (4) (e.g , cross-country flight time, night flight time, and instrument flight time), except for the specific flight time that must be obtained in a helicopter. Upon further review, the FAA has decided to also allow SIC flight time to be logged during part 91 flight operations (e.g , repositioning flights) conducted for the certificate holder when the operation is conducted in accordance with the certificate holder's operations specification for the SIC PDP. The FAA has determined that these part 91 flights share similar characteristics to the part 135 flights, such as multi-pilot environment, adverse weather conditions, and high altitude operations. The FAA has determined that if the certificate holder conducts these part 91 flights in a similar manner to its part 135 flights, these part 91 flights can provide beneficial flight experience for the SIC while also increasing safety in these part 91 flights. Furthermore, to log SIC flight time during a part 91 flight operation conducted for the certificate holder under an approved SIC PDP, the requirements of Sec. 135.99(c) must be satisfied. Therefore, the aircraft is still required to have an independent set of controls for the SIC, which may not include a throwover control wheel, and the minimum necessary equipment and independent instrumentation for the second pilot.\40\ These equipment and instrumentation requirements ensure that the SIC will be actively engaged as a pilot flying and pilot monitoring in both VFR and IFR conditions while conducting an operation under part 91 for the certificate holder. The flight time and duty period limitations and rest requirements in subpart F of part 135 will also still apply. Additionally, the pilot serving as PIC in a part 91 flight operation under an approved SIC PDP must be qualified and trained in accordance with Sec. 135.99(c)(4). The FAA finds that a pilot may obtain the operational experience described in section 217 of Public Law 111-216 during part 91 flights conducted for a certificate holder when the operation is conducted in accordance with Sec. 135.99(c) and the certificate holder's operations specification for the SIC PDP. --------------------------------------------------------------------------- \40\ 14 CFR 135.99(c)(2). --------------------------------------------------------------------------- For the reasons discussed above, the FAA is revising the proposed amendments to Sec. Sec. 61.159(c) and 135.99(c) to allow the logging of SIC flight time in operations conducted under parts 91 and 135,\41\ provided the flight operation is conducted in accordance with the certificate holder's operations specification for the SIC PDP.\42\ The FAA notes that to ensure the part 91 flights under an SIC PDP are conducted in a similar manner to part 135 flights, the operations specification for the SIC PDP will include specific requirements for these part 91 flights such as use of SOP, operational control, and recordkeeping. --------------------------------------------------------------------------- \41\ The FAA is also revising proposed Sec. 61.51(e)(5) and (f)(3) and the definition of ``pilot time'' in Sec. 61.1 to reflect this allowance. \42\ The FAA is adding new Sec. 61.159(c)(2), which requires the flight operation to be conducted in accordance with the certificate holder's operations specification for the second-in- command professional development ***program***. Consequently, proposed paragraph (c)(2) is now paragraph (c)(3), and proposed paragraph (c)(3) is now paragraph (c)(4). --------------------------------------------------------------------------- RACCA and AOPA both recommended additional revisions to proposed Sec. 61.159(c)(1). AOPA asserted that the FAA's proposed change to Sec. 61.159(c)(1) eliminates the ability of a required SIC to use logged SIC flight [[Page 30244]] time toward the total time requirement for an ATP certificate in Sec. 61.159(a). RACCA recommended the FAA revise the former language of Sec. 61.159(c)(1)(iii) to ensure a required SIC can log flight time toward the total time requirements for an ATP certificate in Sec. 61.159(a). Revisions to proposed Sec. 61.159(c)(1) are not needed to allow a required SIC to log flight time toward the requirements for an ATP certificate in Sec. 61.159(a). Section 61.51(a) establishes the requirement for persons to document and record training and aeronautical experience used to meet the requirements for a certificate or rating under part 61. Section 61.51(f)(2) allows a person to log SIC flight time when that person holds the appropriate category, class, and instrument rating and more than one pilot is required under the type certification of the aircraft or the regulations under which the flight is being conducted. Further, Sec. 61.1(b) defines pilot time as including time in which a person serves as a required flightcrew member. Collectively, these regulations allow flight time logged as a required SIC to be used toward the aeronautical experience requirements for an ATP certificate as delineated in Sec. 61.159(a). Therefore, the FAA is not revising proposed Sec. 61.159(c)(1), as recommended by commenters, because the former language in Sec. 61.159(c)(1), which allowed a person to credit SIC flight time toward the total time requirements in Sec. 61.159(a), was redundant and unnecessary. The FAA notes that proposed Sec. 61.159(c) would have contained logging requirements for both SICs and flight engineers, similar to former Sec. 61.159(c). Upon further reflection, the FAA has decided to restructure Sec. 61.159(c), (d) and (e) for clarity. The FAA is relocating the flight engineer logging requirements, which were formerly in Sec. 61.159(c)(2) and (3), to Sec. 61.159(d). Thus, Sec. 61.159(c) will contain only the SIC logging requirements under the SIC PDP. The FAA is redesignating former Sec. 61.159(d) as Sec. 61.159(e) and former Sec. 61.159(e) as new Sec. 61.159(f). In addition to proposed Sec. 61.159(c), the FAA proposed to revise the definition of ``pilot time'' in Sec. 61.1 and the logging requirements in Sec. 61.51(f) to reflect the allowances for SICs to log flight time in part 135 operations when not serving as required flightcrew members under the type certificate or regulations. The FAA also proposed to revise Sec. 61.39(a)(3) to require a pilot who has logged flight time under the SIC PDP to present a copy of the records required by Sec. 135.63(a)(4)(vi) and (x) at the time of application for the practical test. Due to the reorganization of proposed Sec. 61.159(c), the FAA is referencing Sec. 61.159(c), instead of Sec. 61.159(c)(1), in the definition of ``pilot time,'' and in Sec. Sec. 61.51(f)(3) and 61.39(a)(3). Other than updating the cross-reference to Sec. 61.159(c), the definition of ``pilot time'' and the revisions to Sec. Sec. 61.51(f) and 61.39(a)(3) remain unchanged from the proposal. The FAA also proposed to revise the logging requirements of Sec. 61.51(e) to allow the part 135 flight instructor serving as PIC in an operation conducted under an approved SIC PDP to log all of the flight time as PIC flight time even when the PIC is not the sole manipulator of the controls. As previously explained, the FAA is withdrawing the proposed requirement that the assigned PIC be a part 135 flight instructor. The FAA is therefore revising proposed Sec. 61.51(e) to reflect the requirements the FAA adopted in Sec. 135.99(c). Accordingly, Sec. 61.51(e)(5) now allows a commercial pilot or airline transport pilot to log all flight time while acting as an assigned PIC of an operation conducted in accordance with an approved SIC PDP that meets the requirements of Sec. 135.99(c). 4. Miscellaneous Comments on the SIC PDP RACCA noted that the regulatory evaluation accompanying the NPRM stated ``This proposal would provide an additional option for commercial pilots seeking to meet the minimum aeronautical experience requirements for the ATP certificate while also providing a strong foundational experience for a developing professional pilot. For a commercial pilot to utilize this option, an operator would have to meet the additional requirements proposed in the NPRM. Any operators, who chose to do so, would expect their benefits to exceed their costs.'' RACCA believed this statement implies an additional, optional training requirement for the SIC to count flight time under the SIC PDP toward the ATP experience requirements. RACCA noted that there is no requirement for an ATP certificate in part 135 cargo-only operations and therefore additional training for an ATP certificate imposes an economic burden by requiring training not applicable to the operation for which the SIC is being qualified. Neither the NPRM, nor the regulatory evaluation, proposed to require ATP training for an SIC to be able to log flight time under an SIC PDP. The statement in the regulatory evaluation was referencing the proposed new option for commercial pilots to log flight time under an SIC PDP to meet the minimum experience requirements for the ATP certificate. The proposed requirements for the SIC PDP did not include ATP training. A certificate holder is not required to have an SIC PDP. The FAA emphasizes that an SIC PDP is voluntary and would impose no new requirements on certificate holders conducting operations under part 135 if they choose not to seek approval of an SIC PDP. Any certificate holders who choose to have an SIC PDP would expect the benefits of the SIC PDP to exceed their costs of the SIC PDP. One individual opposed the proposed SIC PDP, indicating the proposal was a money-making scheme that does not consider the negative consequences. This individual cited previous negative experience with non-required pilots in the right seat of the aircraft stating these unqualified non-essential pilots caused distractions for the PIC. Additionally, this commenter did not agree that a non-required SIC should be able to log flight time equal to the PIC unless the type certification requires an SIC. Without additional information, the FAA cannot address the specific circumstances presented by the individual commenter. However, the SIC PDP requires pilots assigned as a non-required SIC to meet the same training and qualification requirements as a required SIC. More specifically, Sec. 135.99(c)(3) requires the assigned SIC to meet the SIC qualifications in Sec. 135.245, the flight time and duty period limitations and rest requirements in subpart F of part 135, and the crewmember testing and training requirements for SIC in subparts G and H of part 135.\43\ The FAA notes that these requirements remain unchanged from the proposal. The FAA concludes that any concerns about unqualified pilots have been alleviated. Additionally, the FAA notes that although these non-required SICs will be able to log SIC flight time under an SIC PDP, there are restrictions. As described in the section on logging flight time, even if the SIC is the sole manipulator of the controls, the SIC cannot log PIC time. Additionally, pilots who use time logged under an SIC PDP to meet the aeronautical experience requirements for an ATP certificate will have a limitation on their certificate indicating that the pilot does not meet the PIC aeronautical experience requirements of the International Civil Aviation Organization (ICAO). --------------------------------------------------------------------------- \43\ The assigned SIC is also required to meet the hazardous material training requirements in subpart K, if applicable. --------------------------------------------------------------------------- [[Page 30245]] 5. Effective Date and Implementation In the NPRM, the FAA proposed that the amendments to Sec. Sec. 61.39, 61.51(e) and (f), 61.159(a) and (c), 61.161, and 135.99(c) regarding logging flight time as a second in command in part 135 operations would be made effective 180 days after publication of any final rule associated with the NPRM. In the NPRM, the FAA acknowledged that these provisions affect part 119 certificate holders conducting operations under part 135 and will take more coordination and review by both certificate holders and the FAA. The FAA recognizes, however, that the coordination and review timeframe will vary among certificate holders. Certain certificate holders' manuals and training ***programs*** may already include some of the components of an SIC PDP, such as SOP for conducting operations with a two pilot flightcrew, approved SIC training curriculums, and approved CRM training for operations with a two pilot flightcrew. In these instances, the FAA anticipates the development of the remaining components of an SIC PDP to take less time than for certificate holders who must develop all components of an SIC PDP. Therefore, in the final rule, the amendments to Sec. Sec. 61.39, 61.51(e) and (f), 61.159(a) and (c), 61.161, and 135.99(c) will be effective 150 days after publication of this final rule. This change in effective date will allow certificate holders and pilots to benefit from these provisions sooner than proposed, provided the certificate holder has developed all components of an SIC PDP and the certificate holder's principal operations inspector (POI) has authorized use of the SIC PDP in the certificate holder's operations specifications. The FAA notes that review and acceptance or approval of the various components of an SIC PDP by the certificate holder's POI is still required prior to authorization in the operations specifications. As such, certificate holders should plan accordingly to allow sufficient time for FAA acceptance or approval. As previously discussed, Sec. 135.99 allows a certificate holder to obtain authorization of an SIC PDP, which will be granted via a new operations specification (A062). To be eligible for approval of a SIC PDP, a certificate holder must be authorized to conduct IFR operations with a multiengine airplane or a single-engine turbine-powered airplane, that meets the aircraft, equipment, and instrumentation requirements of Sec. 135.99(c)(2). In accordance with Sec. Sec. 135.323 and 135.325, the certificate holder must submit a revised training ***program*** to the POI for approval. The revised training and qualification ***program*** must include (1) curricula for SICs that will serve in an SIC PDP, (2) curricula for PICs that will serve in an SIC PDP to include mentoring training and CRM training for two pilot flight crew operations, (3) curricula for flight instructors that will conduct the training of PICs and SICs in an SIC PDP, and (4) curricula for check pilots that will conduct the checking of PICs and SICs in an SIC PDP. In accordance with Sec. Sec. 135.21 and 135.23, the certificate holder must also submit a revised manual to the POI for acceptance, which must include (1) standard operating procedures for operations with a two pilot flight crew, (2) duties and responsibilities of an SIC, and procedures to comply with the crew pairing requirements of Sec. 135.99 The certificate holder must also submit procedures for the data collection and analysis process required by Sec. 135.99(c)(1)(iii). The POI will review the documentation submitted by the certificate holder. Once the documentation meets the requirements for approval or acceptance, as applicable, the POI may authorize the SIC PDP via a new operations specification. The FAA will be issuing a new Advisory Circular to provide more detailed guidance to certificate holders on obtaining authorization of an SIC PDP. C. Instrument Recency Experience for SICs Serving in Part 135 Operations Prior to this final rule, Sec. 135.245(a) required a person serving as second-in-command (SIC) in a part 135 operation conducted under IFR to ``meet the recent instrument experience requirements of part 61.'' The FAA proposed to remove the reference to part 61 in Sec. 135.245(a) and move the current instrument experience requirements in Sec. 61.57(c)(1) and (2) to new Sec. 135.245(c). As explained in the NPRM,\44\ it is more appropriate for the express requirement for instrument recency experience to be listed in part 135 rather than by reference to another rule part. --------------------------------------------------------------------------- \44\ NPRM, ``Regulatory Relief: Aviation Training Devices; Pilot Certification, Training, and Pilot Schools; and Other Provisions,'' 81 FR at 29725. --------------------------------------------------------------------------- The FAA received comments from two organizations regarding this provision. The Aircraft Owners and Pilots Association (AOPA) and General Aviation Manufacturers Association (GAMA) recommended the FAA revise proposed Sec. 135.245(c) to allow a pilot serving as SIC in a part 135 operation to use a combination of aircraft and FSTD to meet the proposed instrument recency requirements. The FAA did not intend to foreclose the option of using a combination of aircraft and FSTD to accomplish SIC instrument recent experience requirements. The FAA is adding language to proposed Sec. 135.245(c)(2) to clarify that a combination of aircraft and FSTD may be used. AOPA also recommended that the FAA withdraw proposed Sec. 135.245(c) and retain the current Sec. 135.245(a) language to enable persons serving as SIC in a part 135 operation under IFR to use ATDs for instrument recency. Because Sec. 61.57(c)(3) and (4) allow the use of ATDs to satisfy instrument recency requirements in part 61, AOPA believed the requirements of current Sec. 135.245(a) may be satisfied by the use of ATDs. AOPA also believed that, rather than eliminating the use of ATDs for SICs serving in part 135, the FAA should add a limitation to specific Letters of Authorization (LOA) if the use of a particular ATD is not appropriate. As noted in the NPRM, the FAA does not permit the use of ATDs to satisfy flight training, checking, and recency requirements in part 135. In accordance with Sec. 61.4, the Administrator may approve an ATD for specific purposes. The FAA has never issued a LOA authorizing an ATD to be used to meet the qualification requirement of Sec. 135.245 \45\ The FAA acknowledges the confusion created by referencing part 61 in Sec. 135.245(a).\46\ The reference to ``recent instrument experience requirements of part 61'' in Sec. 135.245 refers to Sec. 61.57(c)(1) and (2) and (d). Therefore, the FAA is clarifying the SIC qualification requirements by including the express requirements of Sec. 61.57(c)(1) and (2) and (d) in Sec. 135.245(c) and (d) and by eliminating the reference to part 61. --------------------------------------------------------------------------- \45\ Advisory Circular AC 61-136A, FAA Approval of Aviation Training Devices and Their Use for Training and Experience, explains that the FAA will issue an LOA which will specify the part 61 or part 141 provision(s) for which the specific ATD is approved for use. Further, the AC states that pilots may use ATDs in accordance with the LOA to meet the aeronautical experience requirements of part 61. \46\ See Legal Interpretation to Mr. Gerald Naekel from Mr. Donald P. Byrne, Assistant Chief Counsel (June 18, 1991). --------------------------------------------------------------------------- AOPA also recommended that the FAA withdraw the proposal in Sec. 135.245(c)(2) for an instructor to be present when a part 135 SIC conducts instrument recency in a FSTD. AOPA noted that, when the FAA modified the instrument recency requirements for part 61 in 2009, the FAA indicated that it did not want to require an instructor to be present when using an approved [[Page 30246]] training device, but the change was not reflected in the regulatory language.\47\ If the FAA's intent had been implemented, AOPA asserted, an instructor would not currently need to be present for a SIC in a part 135 operation to maintain instrument recency in a FSTD. AOPA stated that the FAA has failed to explain why an instructor must be present for SICs in a part 135 operation, but not for all other pilots maintaining compliance with part 61. --------------------------------------------------------------------------- \47\ Legal Interpretation to Mr. Terrence K. Keller, Jr. from Rebecca B. MacPherson, Assistant Chief Counsel for Regulations (Aug. 6, 2010). --------------------------------------------------------------------------- The SIC instrument experience requirements were added to part 135 on October 10, 1978, when the FAA published the ``Regulatory Review ***Program***: Air Taxi Operators and Commercial Operations'' final rule, which substantially revised the requirements for operations under part 135.\48\ In the final rule, the FAA stated that the primary objective was to upgrade the level of safety by providing passengers traveling on a flight conducted under part 135 with a level of safety comparable to part 121, considering the differences between the operations. Further, the FAA stated that the final rule upgraded training, testing, and proficiency requirements to ensure that passengers on aircraft operated under part 135 are flown by well qualified crewmembers. Specifically, the FAA stated that, ``[s]ection 135.245 not only contributes to raising the level of safety in part 135, but also enhances crewmember qualifications.'' \49\ The FAA's position has not changed; operations under part 135 require a higher level of safety than operations under part 91 including a higher level of crewmember qualifications than required under part 61. Consistent with the higher level of safety required for part 135 operations, the FAA is retaining the requirement for an instructor to observe the tasks and iterations conducted in an FSTD. The FAA notes that this requirement has been relocated to Sec. 135.245(c)(2)(iii). However, the FAA is no longer using the term ``authorized instructor'' as proposed in the NPRM. The term ``authorized instructor'' is defined in Sec. 61.1; it is not defined in part 135. Therefore, for consistency with part 135 requirements, the FAA is revising proposed Sec. 135.245(c)(2)(iii) to clarify that the tasks and iterations must be observed by a flight instructor qualified under Sec. 135.338 or a check pilot qualified under Sec. 135.337 --------------------------------------------------------------------------- \48\ Final Rule, ``Regulatory Review ***Program***: Air Taxi Operators and Commercial Operations,'' 43 FR 46742 (Oct. 10, 1978). \49\ 43 FR at 46773. --------------------------------------------------------------------------- Upon further consideration, the FAA has decided to also include the instrument proficiency check (IPC) requirements of Sec. 61.57(d) in Sec. 135.245 Because a person who fails to satisfy the instrument experience requirements of Sec. 61.57(c) for more than six ***calendar*** months may reestablish instrument recency only by completing an IPC in accordance with Sec. 61.57(d), the FAA finds that the reference to ``recent instrument experience requirements of part 61'' in Sec. 135.245 referred to the instrument experience requirements of Sec. 61.57(c)(1) and (2) and the IPC requirements of Sec. 61.57(d). The FAA recognizes that proposed Sec. 135.245 did not include the option to reestablish instrument recency through an IPC. However, the FAA did not intend to eliminate this option for SICs in part 135. The FAA intended only for proposed Sec. 135.245 to list the express requirements for instrument recency rather than reference the requirements of another part. Because the express requirements for instrument recency includes the IPC requirements of Sec. 61.57(d), the FAA is including the IPC requirements in new Sec. 135.245(d). However, to avoid confusion with Sec. 135.297, which contains separate and unique instrument proficiency check requirements for PICs, the FAA is not using the term ``instrument proficiency check'' in Sec. 135.245(d). Instead, the FAA is using the term ``reestablish instrument recency'' for SICs.\50\ --------------------------------------------------------------------------- \50\ Consistent with the technical amendment to Sec. 61.57(d), which is explained in section III.L of this preamble, the FAA is not using the term ``practical test standards'' in the regulatory text of Sec. 135.245(d). Rather, for the reasons explained in section III.L , the FAA is codifying in Sec. 135.245(d) the areas of operation required to reestablish instrument recency. --------------------------------------------------------------------------- The FAA notes that Sec. 135.245(a) and (c)(1) remain unchanged from the proposal. D. Completion of Commercial Pilot Training and Testing in Technically Advanced Airplanes Prior to this final rule, a pilot seeking a commercial pilot certificate with an airplane single-engine class rating was required to complete 10 hours of training in either a complex or turbine-powered airplane.\51\ In the NPRM, the FAA proposed to add a definition of technically advanced airplane (TAA) to Sec. 61.1 and amend the training requirements to allow a pilot seeking a commercial pilot certificate with an airplane single-engine class rating to complete the 10 hours of training in a TAA instead of a complex or turbine-powered airplane. In addition to these regulatory changes, the FAA proposed to revise the practical test standards for commercial pilot applicants and flight instructor applicants seeking an airplane category single engine class rating to allow the use of a TAA on the practical tests. --------------------------------------------------------------------------- \51\ 14 CFR 61.129(a)(3)(ii) and appendix D to part 141. --------------------------------------------------------------------------- The FAA received 35 comments on these proposed changes. Twenty- seven commenters generally supported the proposal. LOBO and 6 individuals did not support the proposal. One individual commenter did not opine, but asked for clarification regarding the definition of TAA. The following sections respond to these comments. 1. Definition of Technically Advanced Airplane The FAA proposed to define ``technically advanced airplane'' in Sec. 61.1 based on the common and essential components of advanced avionics systems equipped in an airplane, including a primary flight display (PFD), a multifunction flight display (MFD) and an integrated two axis autopilot. The FAA proposed that a TAA must include a PFD that is an electronic display integrating all of the following flight instruments together: An airspeed indicator, turn coordinator, attitude indicator, heading indicator, altimeter, and vertical speed indicator. Additionally, the FAA proposed that an independent MFD must be installed that provides a GPS with moving map navigation system and an integrated two axis autopilot.\52\ The proposed definition of TAA would have applied to permanently-installed equipment. --------------------------------------------------------------------------- \52\ The MFD may also include additional capabilities such as depicting weather, traffic, terrain, navigation aids and airport information, but these capabilities would not have been necessary to meet the proposed definition. --------------------------------------------------------------------------- GAMA suggested the FAA work with industry in refining the definition of TAA to ensure that it is appropriately flexible to accommodate future technologies. The FAA recognizes that the proposed definition would have been too prescriptive. As explained throughout this section, the FAA has revised the proposed language in response to industry's concerns to make it more flexible and accommodating of new technologies. Furthermore, the FAA recognizes that the definition of TAA would have inappropriately embedded requirements, which may have inhibited future technologies from falling under the definition of a TAA.\53\ The FAA is [[Page 30247]] therefore revising the definition of TAA in Sec. 61.1 to contain a more general description of a TAA. TAA is now defined as an airplane equipped with an electronically advanced avionics system. The FAA is relocating the requirements regarding what a TAA must contain to Sec. 61.129 by adding new paragraph (j). The FAA is also adding language to Sec. 61.129(j) to allow the FAA to authorize the use of an airplane that may not otherwise meet the requirements of a TAA. This additional language is intended to provide flexibility by allowing the FAA to accommodate future technologies that do not necessarily meet the confines of the regulatory requirements for a TAA in Sec. 61.129(j).\54\ --------------------------------------------------------------------------- \53\ If the FAA were to adopt requirements in the definition of TAA, the FAA would not be able to grant an exemption from those requirements in the future because the FAA's regulations describe an exemption as a request for relief from the requirements of a regulation. 14 CFR 11.15 \54\ The FAA will revise Order 8900.1, Flight Standards Information Management System, Vol. 5, Chapter 1, Sec. 4, Considerations for the Practical Test, 5-85 AIRCRAFT AND EQUIPMENT USED DURING PRACTICAL TESTS to describe the process for obtaining an authorization that designates an aircraft as a TAA in accordance with Sec. 61.129(j). The FAA will also revise AC 61-65 to provide guidance on how to submit a request to the Administrator to gain approval of an airplane as a TAA, if the airplane does not already meet the express requirements of Sec. 61.129(j). --------------------------------------------------------------------------- AOPA stated that the terms ``Primary Flight Display (PFD)'' and ``Multifunction Display (MFD),'' which are not defined anywhere, will cause confusion. AOPA further noted that the same argument applies to removing ``advanced'' from ``electronically advanced avionics system.'' The addition of ``advanced,'' without any clarification, will generate questions over whether a particular system qualifies as advanced or not. AOPA commented that if a particular airplane is equipped with the items in proposed paragraphs (i) and (ii), then the airplane should be considered equipped as a TAA with the appropriate electronic avionics system. The FAA is retaining the terms ``Primary Flight Display,'' ``Multifunction Display,'' and ``advanced'' in the TAA requirements. The FAA disagrees that the terms PFD and MFD will cause confusion. These terms are currently used and described in several FAA publications that are recognized by the aviation industry, including the Airplane Flying Handbook (FAA-H-8083-3B), the Pilot's Handbook of Aeronautical Knowledge (FAA-H-8083-25), the Aviation Instructors Handbook (FAA-H-8083-9A), the Instrument Flying Handbook (FAA-H-8083- 15B), and the FAA/Industry Training Standards (FITS). The Pilot's Handbook of Aeronautical Knowledge defines a PFD and MFD in the glossary. PFD is defined as ``a display that provides increased situational awareness to the pilot by replacing the traditional six instruments used for instrument flight with an easy-to-scan display that provides the horizon, airspeed, altitude, vertical speed, trend, trim, and rate of turn among other key relevant indications.'' MFD is defined as a ``small screen (CRT or LCD) in an aircraft that can be used to display information to the pilot in numerous configurable ways. Often an MFD will be used in concert with a primary flight display.'' The FAA believes the terms PFD and MFD add clarity to the TAA requirements by describing and prioritizing the display features and elements for TAA avionics and their respective functions. For example, the term PFD is specific to the use of the primary flight controls to maintain aircraft attitude and positive control. The PFD is used by the pilot to execute appropriate use of the control stick or yoke for pitch and bank, rudder pedals for yaw, and throttle for engine power. The PFD is designed specific to controlling the aircraft attitude and altitude relative to the horizon and the surface of the earth, especially when outside visibility is poor or unavailable. The MFD has a different priority; its function is secondary to the PFD. The MFD is designed for navigational use and position awareness information, even though it may include some PFD features for redundancy. Furthermore, the FAA is requiring certain minimum display elements for both a PFD and MFD, respectively, thereby clarifying what will be considered a PFD or MFD. As for the term ``advanced,'' the FAA finds it necessary to describe the avionics system of a TAA as ``advanced'' to differentiate current new glass cockpit aircraft designs from older aircraft that used six independent mechanical dial/analog style flight instruments. Twin City suggested the FAA clarify whether the MFD requirement may be satisfied by a split-screen display (e.g , Dynon Skyview) or two independent screens (e.g , Garmin G500) contained within a single physical unit. Twin City also asked whether the moving map display of common GPS/WAAS navigators (e.g , Garmin GTN650/750, Avidyne IFD 440/ 540) would meet the MFD requirement. Section 61.129(j)(2) requires only the minimum elements of a MFD; it does not preclude the use of a split-screen display or two independent screens contained within a single physical unit. Therefore, a manufacturer may use a split-screen display or two independent screens for the PFD and MFD provided the displays contain the minimum elements required for each. Furthermore, in response to Twin City's comment, the FAA is clarifying the MFD requirements by first describing what the display shows (i.e , a moving map) and then describing how the display is facilitated (i.e , using GPS navigation). Accordingly, Sec. 61.129(j)(2) now requires the MFD to include, at a minimum, a moving map using GPS navigation. The FAA believes this revision to the proposed language clarifies that a system with a moving map display common to GPS/WAAS navigators would satisfy the MFD requirement. Additionally, the FAA is requiring the aircraft position to be displayed on the moving map. The FAA finds this additional language adds clarity to the MFD requirement and ensures that existing equipment, such as the systems identified by Twin City, would satisfy the MFD requirement for a TAA. Several commenters noted ambiguity with requiring the MFD to include an ``integrated two axis autopilot.'' Garmin noted that the G500 and G600 have autopilot mode control and annunciations capabilities for select autopilots on the PFD, not the MFD portion of the display. Therefore, the autopilot function itself is provided in a separate piece of equipment and not included in the MFD. Garmin also noted that equipment, such as Garmin's GTN650 and GTN750, could be considered an independent additional MFD that includes GPS with moving map navigation but the autopilot function and related mode control and annunciations are provided in separate pieces of equipment. Twin City suggested the FAA remove ``integrated'' from the description of the autopilot, allowing the use of independent/aftermarket autopilot systems. In response to these comments, the FAA did not intend to exclude systems that provide autopilot functions separate from the MFD. The FAA is therefore separating the ``two-axis autopilot'' requirement from the MFD requirement. Accordingly, under new Sec. 61.129(j)(3), the two axis autopilot is no longer required to be included as part of the MFD. This change from what was proposed allows the use of independent/ aftermarket autopilot systems. Twin City also asked the FAA to specify whether the integrated autopilot must include GPS roll steering (GPSS). Furthermore, Twin City asked whether the proposed two-axis requirement would have been satisfied by autopilots [[Page 30248]] with altitude hold function only, or if vertical navigation (altitude preselect, glideslope tracking, etc.) is required. In response to Twin City's comments, the TAA requirements of Sec. 61.129(j) do not require the autopilot to have GPSS. However, Sec. 61.129(j) specifies only the minimum requirements for a TAA. Therefore, an autopilot may have additional features, including GPSS. The ``two axis'' requirement refers to the lateral and longitudinal axes. The autopilot at a minimum must be able to track a predetermined GPS course or heading selection, and also be able to hold a selected altitude. The autopilot is not, however, required to control vertical navigation other than holding a selected altitude. The FAA is revising the proposed language for clarity and to accommodate future advancements in technology. Rather than requiring the MFD to have an integrated two axis autopilot, the FAA is requiring the TAA to have a two axis autopilot integrated with the navigation and heading guidance system. The FAA believes this revision from what was proposed clarifies the minimum requirements for the two axis autopilot and also allows for flexibility in autopilot design and installation. AOPA, Garmin, and GAMA recommended that the FAA not require the MFD to be an ``independent additional'' piece of equipment because this requirement would preclude a single display that features the required information of both a PFD and a MFD from qualifying as a TAA. The FAA agrees that the proposed definition of TAA would have been unintentionally restrictive and would have excluded some qualifying aircraft unnecessarily with its use of the phrase ``independent additional.'' The proposed requirement for an MFD to be an independent additional piece of equipment was intended to ensure that the minimum display elements are visible at all times. The FAA is not opposed to an aircraft having one display or piece of hardware that meets the overall definition requirements of Sec. 61.129(j). The FAA is therefore removing the phrase ``independent additional'' from the proposed language to allow a single piece of equipment or single display to satisfy the requirement for both a PFD and MFD. However, to ensure that both displays are visible at the same time, the FAA is requiring the display elements for both the PFD and MFD (paragraphs (j)(1) and (2)) to be continuously visible.\55\ --------------------------------------------------------------------------- \55\ 14 CFR 61.129(j)(4) --------------------------------------------------------------------------- Garmin noted that the proposed phrase ``(MFD) that includes, at a minimum, a Global Positioning System (GPS) with moving map navigation and an integrated two axis autopilot'' is problematic. Garmin explained that the MFD portion of the G500 and G600 has a moving map that is driven by GPS but the GPS is a separate piece of equipment and not included in the MFD portion of the display. In reference to the G500 and G600 equipment identified by Garmin, the FAA understands that the PFD and MFD can be driven or supported by other pieces of equipment to provide for its required functionality. Many of the display features for the PFD and MFD can be driven by separate pieces of equipment that are connected to the display. The TAA requirements in no way restrict the use of peripheral or supporting equipment that enables the display functionality described for the PFD and MFD in the TAA requirements. Therefore, the FAA finds that the G500 and G600 equipment identified by Garmin likely satisfies the requirements for an MFD. Garmin also commented that the phrase ``Global Positioning System (GPS) with moving map navigation'' inappropriately mixes ``GPS'', ``moving map'', and ``navigation'' functionality. Garmin noted that FAA has separate TSOs for these functions, including for GPS sensors: TSO- C145 (GPS with SBAS), TSO-C161 (GPS with GBAS), and TSO-C196 (GPS only); for moving map: TSO-C165, and for navigation: TSO-C146 (standalone navigation equipment using GPS/SBAS sensor) and TSO-C115d (required navigation performance (RNP) equipment using multi-sensor inputs). Garmin added that it would be better to list these functions separately to allow for avionics architectures that provide these functions in different equipment that still supports the concept of a TAA. In response to Garmin's concern with the use of the terms GPS, moving map, and navigation, the FAA is only describing the display functionality requirements of the PFD and MFD equipment. The FAA is not adopting any requirements for the underlying architecture or supporting equipment that would provide for the display functions or capabilities.\56\ Therefore, while there may be different TSOs for the various functions of GPS, moving map, and navigation resulting in separate pieces of underlying equipment, this equipment can support the MFD requirements so long as the MFD includes a moving map that uses GPS navigation with the aircraft position displayed. --------------------------------------------------------------------------- \56\ The FAA notes that any installed equipment must meet the appropriate regulatory requirements and standards. --------------------------------------------------------------------------- GAMA commented that the FAA should consider whether it is appropriate to evaluate designating certain rotorcraft as technically advanced for certain training and testing related initiatives in the future, noting several benefits. The FAA appreciates GAMA's comments. However, the FAA finds it unnecessary to designate a rotorcraft as technically advanced at this time because there are no regulatory requirements to obtain training in a technically advanced rotorcraft. 2. Amendment to Aeronautical Experience Requirement for Commercial Pilots The FAA proposed to amend Sec. 61.129(a)(3)(ii) and appendix D to part 141 to allow a pilot seeking a commercial pilot certificate with an airplane category single engine class rating to complete the 10 hours of training in a complex airplane, turbine-powered airplane, or a TAA, or any combination of these three airplanes.\57\ --------------------------------------------------------------------------- \57\ As previously stated, prior to this final rule, a pilot seeking a commercial pilot certificate with an airplane single- engine class rating was required to complete 10 hours of training in either a complex or turbine-powered airplane. 14 CFR 61.129(a)(3)(ii) and appendix D to part 141. --------------------------------------------------------------------------- AOPA, American Flyers, Bemidji, Eagle Flight Centre, UND, NATA, Twin City, and nine individuals, supported the proposal, noting that it would provide training alternatives to aging complex airplanes and reduce costs. Several commenters noted that allowing TAAs in place of complex airplanes would introduce commercial pilot candidates to risk management and increase pilot proficiency in systems management, integration, and use of glass cockpit instrumentation, which would result in a safer, more valuable training experience. Commenters explained the costs and maintenance issues associated with aging complex airplanes, and stated that allowing TAAs to be used as a replacement would address the lack of availability of complex airplanes. Furthermore, several commenters believed the proposal would enhance safety, while others commented that any potential risk to safety would be mitigated by the requirement in Sec. 61.31(e) that a pilot receive training and an endorsement from an instructor prior to acting as PIC in a complex airplane. As commenters noted, there are several benefits associated with allowing TAAs to be used in place of complex airplanes. For these reasons and for the reasons explained in the [[Page 30249]] NPRM, the FAA is amending Sec. 61.129(a)(3)(ii) and appendix D to part 141 to allow a pilot seeking a commercial pilot certificate with an airplane category single engine class rating to complete the 10 hours of training in a complex airplane, turbine-powered airplane, or a TAA.\58\ --------------------------------------------------------------------------- \58\ General Aviation Airplane Shipment Report, End-of-***Year*** 2006 (Washington, DC: General Aviation Manufacturers Association, 2007) indicates that 92 percent of the 2,540 piston airplanes delivered during 2006 were equipped with glass cockpit electronic flight displays. An Aircraft Owners and Pilots Association Air Safety Foundation Special Report titled ``Technically Advanced Aircraft-- Safety and Training'' states ``virtually every newly designed transportation airplane is a TAA, including Lancair, Cirrus, Diamond, and the Adam 500 \* \* \* Many owners are retrofitting their classic aircraft to convert them to TAA with IFR-certified GPS navigators and multifunction displays.'' --------------------------------------------------------------------------- AOPA recommended the FAA revise the proposed rule language of Sec. 61.129(a)(3)(ii) and appendix D of part 141 to clarify that the combined use of complex, turbine-powered, and technically advanced airplanes is permitted. As evident from the NPRM, the FAA intended to allow a pilot seeking a commercial pilot certificate with a single engine class rating to complete the 10 hours of training in any combination of complex, turbine-powered, and technically advanced airplanes. However, the proposed rule language did not reflect this intent. The FAA is therefore adding language to Sec. 61.129(a)(3)(ii) and appendix D to part 141 to clarify that any combination of a complex airplane, turbine-powered airplane, or TAA may be used. For consistency, the FAA is also adding language to Sec. 61.129(b)(3)(ii) and appendix D to part 141 to clarify that a pilot seeking a commercial pilot certificate with a multiengine class rating may complete the 10 hours of training using any combination of multiengine complex airplanes or multiengine turbine-powered airplanes. Furthermore, as explained in the NPRM, the FAA proposed to amend Sec. 61.129(a)(3)(ii) and appendix D to part 141 to allow an applicant for a commercial pilot certificate with a single-engine class rating to complete 10 hours of training in a complex, turbine-powered or technically advanced airplane. The FAA explained how demonstration of proficiency in an airplane that is electronically complex will be comparable to the demonstration of proficiency in an airplane that is mechanically complex. Thus, based on the FAA's proposal, the option to use a TAA was intended to apply to all commercial pilot applicants for a single-engine class rating regardless of whether the applicant was seeking a land or sea rating. The FAA recognizes, however, that proposed Sec. 61.129(a)(3)(ii) did not accurately reflect this intent as it applied to commercial pilot applicants for single-engine sea ratings. Rather, proposed Sec. 61.129(a)(3)(ii) would have allowed a commercial pilot applicant for a single-engine sea rating to use only a complex airplane. Therefore, consistent with its intent, the FAA is revising proposed Sec. 61.129(a)(3)(ii) to allow applicants for a commercial pilot certificate with a single-engine class rating (including both land and sea) to complete the 10 hours of training in a complex, turbine-powered, or technically advanced airplane, or any combination thereof. The FAA is specifying in Sec. 61.129(a)(3)(ii), however, that the airplane must be appropriate to land or sea depending on the rating sought, which is consistent with the requirement in Sec. 61.129(a)(3)(ii) as it existed prior to this final rule. The FAA is also adding language to appendix D to part 141 to clarify that the airplane used to satisfy the 10 hours of training in a complex, turbine-powered, or TAA must be appropriate to land or sea depending on the rating sought.\59\ --------------------------------------------------------------------------- \59\ Under appendix D to part 141, each approved course must include flight training on the approved areas of operation listed in section 4, paragraph (d) that are appropriate to the aircraft category and class rating for which the course applies. For an airplane single-engine course, paragraph (d) requires training on airport and seaplane base operations. Therefore, the FAA finds that the ten hours of training in a complex, TAA, or turbine-powered airplane should be appropriate to land or sea depending on the rating sought. --------------------------------------------------------------------------- Bemidji suggested the FAA add an exception to Sec. 61.31(e), which prescribes additional training for operating complex airplanes, and Sec. 61.31(f), which prescribes additional training for operating high-performance airplanes, to allow a part 135 flight instructor without a current flight instructor certificate/flight instructor instrument certificate to satisfy the training and endorsement requirements of paragraphs (e) and (f). Bemidji recommended an exception similar to Sec. 61.31(g)(3)(iv), which excepts from the training and endorsements requirements of paragraphs (g)(1) and (2) persons who can document satisfactory completion of a PIC proficiency check under part 121, 125, or 135 conducted by the Administrator or by an approved pilot check airman. Bemidji noted that complex airplane training is becoming difficult for new pilots to receive in both part 61 and part 141 flight school environments and that an increasing number of part 135 instructors do not maintain a current flight instructor certificate because it is not required. Bemidji added that the current language in Sec. 61.31(e) may become an issue in the typical flight training environment if the complex airplane is no longer needed for the commercial certificate, and if fixed gear multiengine aircraft become more popular in the flight training environment. The FAA agrees with revising Sec. 61.31(e) and (f) to allow a competency check under part 135 to meet the requirements for training in complex or high performance airplanes. However, the FAA is not providing an exception for part 121 or 125 operators. The change to the commercial pilot training requirements to allow use of a TAA instead of a complex airplane for the airplane single-engine class rating could require a part 135 air carrier or operator to provide this training to newly employed pilots who may not have previous experience in complex airplanes. The FAA understands Bemidji's comment to indicate that this change could also require a part 135 air carrier or operator to provide high-performance airplane training to newly employed pilots. The FAA infers this suggestion from Bemidji's comment because many complex airplanes are also high-performance airplanes. As a result, many pilots complete complex and high-performance training using the same airplane. Therefore, since a complex airplane is no longer required for the commercial certificate with an airplane single-engine class rating, it is more likely that a newly-employed pilot at a part 135 air carrier or operator might not have previous experience in a high-performance airplane. In accordance with Sec. 135.323, a part 135 air carrier or operator is currently required to establish and implement an approved training ***program*** that ensures that each pilot, flight instructor, and check pilot is adequately trained to perform his or her assigned duties. Therefore, a part 135 approved training ***program*** for an airplane that meets the definition of complex or high-performance will include the required ground and flight training necessary to meet the intent of Sec. 61.31(e)(1)(i) and (f)(1)(i), as applicable. All part 135 pilots are required to complete a Sec. 135.293 competency check every 12 ***calendar*** months. Therefore, the FAA agrees with Bemidji that it is appropriate to include an exception in Sec. 61.31(e) and (f) for persons who have successfully completed a Sec. 135.293 competency check in a complex or high performance airplane, or in an FSTD that is representative of a complex or [[Page 30250]] high performance airplane.\60\ The FAA is adding these exceptions to Sec. 61.31(e)(2)(ii) and (f)(2)(ii).\61\ The FAA notes that, in accordance with these exceptions, the competency check must be documented in the pilot's logbook or training record. Because part 125 operators are not required to have approved training ***programs***, persons will not have received the required ground and flight training specific to the operation of complex and high performance airplanes in accordance with an approved training ***program*** prior to completing a part 125 competency check. Therefore, the FAA is not providing an exception for part 125 operators. Furthermore, the FAA finds it unnecessary to include a part 121 proficiency check as an exception to Sec. 61.31(e) and (f). Section 121.159 prohibits certificate holders from operating a single-engine airplane under part 121. To obtain a commercial certificate with an airplane multiengine land class rating, Sec. 61.129 requires a pilot to have received training in a multiengine complex airplane. Furthermore, Sec. 121.436 requires pilots serving in part 121 operations to hold an ATP certificate and an appropriate type rating, and Sec. 61.159(a)(3) requires an applicant for an ATP certificate with a multiengine rating to have 50 hours of flight time in a multiengine airplane (of which 25 hours may be completed in a FFS). As a result, the FAA expects that pilots will receive the training and endorsements required by Sec. 61.31(e) and (f) prior to obtaining employment at a part 121 air carrier. --------------------------------------------------------------------------- \60\ In accordance with Sec. 135.341, part 135 air carriers or operators with only one pilot employee are not required to have an approved training ***program***. While these pilots are still required to have satisfactorily completed a Sec. 135.293 competency check every 12 ***calendar*** months, the FAA finds that they may only be excepted under new Sec. 61.31(e)(2)(ii) and (f)(2)(ii) if they have received ground and flight training under an approved training ***program***. \61\ To add the exceptions to paragraphs (e)(2) and (f)(2), the FAA had to reorganize the paragraphs. Accordingly, the exceptions that were provided in former paragraphs (e)(2) and (f)(2) are now in paragraphs (e)(2)(i) and (f)(2)(i), respectively. The new exception for persons who have satisfactorily completed a competency check under Sec. 135.293 are now in Sec. 61.31(e)(2)(ii) and (f)(2)(ii). --------------------------------------------------------------------------- An individual, who identified himself as a pilot, suggested that to mitigate the risk of gear up landings for students that did not receive training in complex airplane it may be appropriate to amend the requirements of 14 CFR 61.31(e). This individual suggested requiring additional experience and/or training prior to receiving the complex endorsement, rather than keeping the requirement under Sec. 61.129(a)(3)(ii) with respect to commercial pilot certification. Similarly, SAFE and one individual recommended the FAA require a commercial pilot to have at least 10 hours of PIC time in a complex airplane prior to exercising commercial privileges in a complex airplane. The FAA is not adding additional training or experience requirements to Sec. 61.31(e). Adding the option to train in a TAA at the commercial pilot level does not change the FAA's safety assessment that a person who complies with Sec. 61.31(e), which requires training and an endorsement from an authorized instructor certifying that the person is proficient to operate a complex airplane, is sufficient. LOBO and four individuals, including one who identified himself as an instructor, opposed the provision, asserting that the proposed amendments would provide for a commercial pilot certificate without experience operating the controls of a mechanically complex airplane. LOBO stated that as proposed, training will result in a pilot who can operate TAA, but will know nothing about systems and procedures on complex airplanes such as controllable pitch propellers and retractable landing gear systems. LOBO further stated that many of these commercial pilots will go on to get flight instructor certificates and teach in single engine airplanes, again without having to demonstrate complex system operations. The individual, who identified himself as an instructor, stated that it is the degradation in physical pilot skills that has been noticed over time as having become problematic to the FAA and National Transportation Safety Board. This commenter noted the importance of demonstrated skill with learning, understanding and demonstrating a complicated aircraft system in the performance of flight duties. Another individual noted that the proposal would provide the pilot with no experience in the flight dynamics (changing pitch and drag) when operating landing gear, flaps and a controllable propeller. LOBO and three individuals, one of whom identified himself as an instructor, noted that a combination of complex airplane and TAA for use during training and checking would be a better choice. Specifically, LOBO suggested that commercial pilot applicants should have to demonstrate proficiency with both glass cockpit technology and complex system operations, including use of the landing gear. LOBO and three individuals generally noted that current requirements provide valuable experience in cockpit management procedures and complex systems operations, not provided by TAA. Specifically, LOBO noted that the perception that an FAA checkride in a single engine TAA will produce a commercial pilot with the same skills as one who had to learn complex airplane operations is false. One individual noted that training in a complex airplane provides the proper mindset and cockpit management procedures needed in order to be successful long term pilots. Additionally, one individual, identified as an instructor, noted that the original purpose of the regulation was to ensure pilot demonstration and mastery of both the technical aspects of the system operation and incorporating that understanding into the safe and efficient operation of the airplane. This individual further believed that the FAA has lost sight of that purpose in seeking to substitute a TAA in place of complex or turbine powered airplanes. The FAA disagrees with comments suggesting that TAA skills are not as significant or as necessary as complex airplane skills. The FAA does not suggest that this is the same skill set required for operating a complex airplane, but an appropriate experience requirement for a commercial pilot applicant. This final rule allows the combined use of a turbine-powered, complex, or TAA for satisfying the experience requirements. In fact, most, if not all, production aircraft currently produced now have glass cockpits utilizing advanced LCD displays for aircraft control and navigation. These advanced flight information systems are becoming mainstream equipment in both general and commercial aviation aircraft operations, and many older aircraft are being retrofitted with this new instrument glass cockpit technology. The FAA emphasizes that prior to acting as PIC of a complex airplane, a commercial pilot (or any other certificated pilot) must receive and log additional ground and flight training in a complex airplane and receive an endorsement from an authorized instructor certifying that the person is proficient to operate a complex airplane.\62\ This final rule does not remove or amend that requirement in any way. The FAA does not dispute that proficiency in a complex airplane is a necessary skill for a commercial pilot who intends to operate as PIC in such airplanes. Authorized flight instructors who provide these complex airplane endorsements have a responsibility to [[Page 30251]] ensure the pilot is proficient and competent before providing the endorsement. Therefore, pilots will continue to be formally trained and required to demonstrate competency and proficiency in a complex airplane prior to receiving an endorsement authorizing a pilot to operate and act as PIC in a complex airplane.\63\ The FAA further emphasizes that a fixed amount of time or experience in an aircraft does not guarantee pilot proficiency. Training time requirements leading to pilot proficiency can vary from one individual to another. A flight instructor is expected to provide a sufficient amount of training time as necessary to verify proficiency before providing a pilot operating privileges and endorsements.\64\ --------------------------------------------------------------------------- \62\ 14 CFR 61.31(e). \63\ 14 CFR 61.31(f) and (i). \64\ 14 CFR 61.31(e)(1). --------------------------------------------------------------------------- LOBO and two individuals believed that the proposal would increase the risk of gear up landings. LOBO asserted that the number one cause of all Lancair accidents and incidents is failure to follow proper procedures. An individual explained the need for pilots to be trained on operations of retractable landing gear and the associated emergency procedures. This individual emphasized that training in a TAA cannot serve as a substitute. This final rule does not eliminate the requirement for a pilot to receive training in complex airplane operations prior to acting as PIC of a complex airplane. The amendment to Sec. 61.129(a)(3)(ii) allows a pilot to use a TAA as an alternative to a complex airplane to satisfy the aeronautical experience specified in paragraph (a)(3)(ii). However, under Sec. 61.31(e), a pilot is still required to receive training in a complex airplane and an endorsement from the authorized instructor certifying that the pilot is proficient to operate a complex airplane prior to acting as PIC of a complex airplane. An authorized instructor is responsible for providing as much training time as necessary to ensure a person is proficient before providing a complex airplane endorsement. Therefore, the FAA does not expect the final rule to result in an increase in gear up landings. LOBO cited a report by Tom Turner of the American Bonanza Society that noted ``Tracking accident reports through other sources, I've found that nearly 20 percent of all accidents in piston-powered, retractable gear aeroplanes are gear-up landings. The U.S Federal Aviation Administration (FAA) tells us there is an average of three gear-up landings every week in the United States.'' (Turner, 2015). LOBO stated that Turner also stated that landing gear related mishaps cost the insurance industry (and the owners who pay premiums) nearly $1 million per month in claims or $12 million per ***year***, far more than the $1.6 million per ***year*** in savings proposed by the NPRM.\65\ --------------------------------------------------------------------------- \65\ In the NPRM, the FAA proposed that the cost savings benefits allowing the use of TAAs would be about $9.7 million or $8 million in present value at a 7 percent discount rate. While the commenter did not explain where he came up with $1.6 million, the FAA assumes that the commenter divided $8 million by 5 ***years*** because the FAA estimated the net quantifiable present value benefits over a 5 ***year*** analysis period. --------------------------------------------------------------------------- The FAA reviewed the gear up landing statistics referenced by LOBO and has determined, with the assistance of the National Transportation Safety Board, that the gear up landing statistics are significantly less than described, representative of mostly private operators, and the majority of them not engaged in commercial operations. The NTSB reported to the FAA that between January 2013 and June 2016 there were a total of 59 gear-up incidents and accidents reported, and all but one was operating under part 91 operating rules.\66\ Additionally, of the 59 reports, half were private pilots acting as PIC and 93% reported no injuries. This information suggests that the cost of such incidents or accidents is much lower and contradicts the LOBO's position and referenced data. This would also reduce the insurance costs estimates that LOBO references from Turner, and suggests that those costs are also significantly lower. LOBO failed to provide how this third party statistical data is captured, substantiated, or verified. In the NPRM, the FAA determined that the cost savings benefits allowing the use of TAA would be about $9.7 million or $8 million in present value at a 7 percent discount rate. This was based on half of all initial single engine commercial pilot applicants (based on the number of certificates issued in previous ***years***) using a TAA aircraft for training and on the practical test. This also included cost savings associated with those who would train and use a TAA for the flight instructor airplane practical test.\67\ The FAA believes this is a very conservative estimate and it is likely that more than half will take advantage of using a less expensive TAA airplane for the commercial pilot experience requirement. --------------------------------------------------------------------------- \66\ NTSB data available at [*https://app.ntsb.gov/avdata*](https://app.ntsb.gov/avdata)/ or contact the National Transportation Safety Board at 202-314-6000 and ask to be ***transferred*** to the Safety Research and Statistical Analysis Division and request a query of the database. \67\ 81 FR 29719, May 12, 2016 (and the associated regulatory evaluation). --------------------------------------------------------------------------- LOBO disagreed with the FAA's position that there are certain challenges with availability, maintenance and cost of complex airplanes. Specifically, LOBO stated that the FAA's position that airplanes with retractable landing gear are unavailable for purchase, expensive to maintain, and are not equipped with glass cockpits, is false. LOBO noted that it is aware of at least one retractable gear airplane with a Garmin G500 cockpit and that there are single engine retractable gear airplanes suitable for flight training available at affordable prices, but did not provide any specific data. One individual acknowledged the higher maintenance costs for complex airplanes, but also noted the higher acquisition costs for TAAs. This individual explained that there is little cost difference to the student because the equally high maintenance and acquisition costs are passed on to the renter. Another individual believed that the initial acquisition costs for TAAs makes the cost of training in TAA far greater than in complex airplanes. Based on public comment, the GAMA shipment database, and discussion with large general aviation organizations, the current fleet of available complex airplanes is decreasing. Many commenters describe limited or no availability of complex airplanes for rent. New production of these types of complex airplanes used for initial flight training is at an all-time low,\68\ and maintenance costs for many of those older complex airplanes is steadily increasing. As noted previously, other commenters discussed the difficulty of obtaining parts and the associated cost. Additionally, the FAA never stated that complex airplanes do not have glass cockpits. The LOBO statement describing a new complex airplane with a G500 glass cockpit at an affordable cost is contradictory to the current understanding of the high cost for such complex airplanes. Also, the commenter's reference to higher acquisition costs for TAA fails to take into account that the acquisition cost for a retractable gear airplane of the same ***year*** of production as a TAA aircraft, is also equally expensive if not more so [[Page 30252]] than a TAA.\69\ It may be true that there are older less expensive complex airplanes available, but again, the limited availability, difficulty of obtaining parts and the cost associated with maintenance and refurbishing these older aircraft, makes their use cost prohibitive. --------------------------------------------------------------------------- \68\ The General Aviation Manufacturers Association website shows Cessna has not produced a piston engine retractable gear airplane since 1985 and Piper has produced only 28 piston engine airplanes with retractable gear since 2008 (16 being the Piper Arrow model). Production for Beechcraft is also at an all-time low for piston single engine airplanes with retractable gear. \69\ See   [*www.controller.com*](http://www.controller.com) (listing the price of a 2017 C-172 with G1000 equipment (non-complex) at $403,295 on June 15, 2017); SkyTech Piper Dealer (quoting the price of a 2017 Piper Arrow (complex) at $466,880 on June 15, 2017). --------------------------------------------------------------------------- The FAA also received comments on ensuring the flight instructor providing the training in a complex airplane or TAA is qualified to provide the training. Specifically, SAFE recommended the FAA amend Sec. 61.195 to require a flight instructor to have at least 10 hours of PIC time in a complex airplane prior to giving instruction in a complex airplane and at least 10 hours of PIC time in a TAA prior to giving instruction in a TAA. An individual also recommended requiring flight instructors to have 10 hours of PIC time in a complex airplane. The FAA is not requiring a flight instructor to obtain a minimum of 10 hours as PIC in a complex airplane prior to instructing in a complex airplane. As discussed previously, the FAA finds that the current training and endorsement requirement to act as PIC of a complex airplane as set forth in Sec. 61.31, in conjunction with the flight instructor's demonstrated knowledge of the fundamentals of instruction, is sufficient to ensure that this type of training is provided effectively. Furthermore, the ability to provide training in a complex airplane without having been evaluated on a practical test is consistent with other Sec. 61.31 endorsements, including high performance aircraft, tailwheel aircraft, and high altitude operations. Additionally, the FAA is not requiring a flight instructor to obtain 10 hours as PIC in a TAA prior to instructing in a TAA. The proposal was intended only to introduce commercial pilot candidates to TAAs. Flight instructors are currently permitted to provide flight training in airplanes with glass-cockpits without having to receive any specific amount of training in the aircraft. Therefore, allowing a flight instructor to provide flight instruction in a TAA without first receiving extensive training in the TAA will not result in a decreased level of safety. Flight instructors have the responsibility of ensuring their familiarity with an aircraft prior to providing flight instruction in that aircraft. Furthermore, since the NPRM, the FAA has determined that the requirement in Sec. 61.129(b)(3)(ii) that a seaplane have flaps and a controllable pitch propeller has not been updated to reflect the revised definition of ``complex airplane'' in Sec. 61.1 In 2011, the FAA amended the definition of ``complex airplane'' to include airplanes and seaplanes equipped with a full authority digital engine control (FADEC).\70\ The FAA is, therefore, adding language to Sec. 61.129(b)(3)(ii) to accommodate seaplanes equipped with a FADEC consistent with the definition of complex airplane in Sec. 61.1 --------------------------------------------------------------------------- \70\ Final Rule, ``Pilot in Command Proficiency Check and Other Changes to the Pilot and Pilot School Certification Rules, 76 FR 54095, 54101 (Aug. 31, 2011). --------------------------------------------------------------------------- 3. Amendments to Commercial Pilot and Flight Instructor Practical Test Standards In the NPRM, the FAA proposed to revise the commercial pilot single engine airplane practical test standards (PTS) to permit the use of a TAA in place of a complex or turbine-powered airplane during the initial practical test.\71\ The FAA also proposed to revise the flight instructor single engine airplane PTS to permit the flight instructor applicant to use a TAA during the initial practical test. --------------------------------------------------------------------------- \71\ Prior to this final rule, the commercial pilot PTS for airplane required a pilot to use a complex or turbine-powered airplane for takeoff and landing maneuvers and appropriate emergency tasks for the initial practical test for a commercial pilot certificate with an airplane category. Similarly, the flight instructor PTS for airplane required an instructor candidate to use a complex airplane for the performance of takeoff and landing maneuvers as well as appropriate emergency procedures. --------------------------------------------------------------------------- AOPA supported the proposed changes to the commercial pilot and flight instructor PTS because they are necessary to carry out the proposed amendments to Sec. 61.129(c)(3)(ii) and appendix D to part 141. UND recommended the FAA not require an applicant to use a TAA for the flight instructor practical test. UND described that, according to the flight instructor single engine airplane PTS, the TAA would be needed for ``takeoff and landing maneuvers as well as appropriate emergency procedures'' and questioned why a two axis autopilot is needed to demonstrate proficiency for takeoff and landings in a VFR traffic pattern. UND suggested that this PTS requirement should be removed from a PTS that focuses on VFR maneuvers. UND requested the removal of both the complex airplane and the TAA airplane requirement from the flight instructor single engine airplane PTS. Upon further review, the FAA decided not to revise the commercial pilot airman certification standards (ACS) and flight instructor PTS to include the option to use a TAA during the commercial pilot (single- engine airplane) or flight instructor (single-engine airplane) practical tests.\72\ Instead, the FAA removed from the commercial pilot ACS the requirement to provide a complex or turbine powered airplane for the initial practical test.\73\ Additionally, the FAA removed from the flight instructor PTS the requirement to provide a complex airplane for the practical test.\74\ --------------------------------------------------------------------------- \72\ The FAA is in the process of replacing the practical test standards (PTS) with the airman certification standards (ACS). \73\ Notice N 8900.463, Use of a Complex Airplane During a Commercial Pilot or Flight Instructor Practical Test (Apr. 24, 2018) (outlining a change in policy regarding the testing of applicants for a commercial pilot or flight instructor certificate), available at   [*https://www.faa.gov/documentLibrary/media/Notice/N\_8900.463.pdf*](https://www.faa.gov/documentLibrary/media/Notice/N_8900.463.pdf) The FAA no longer requires applicants for a commercial pilot certificate with an airplane single-engine rating to provide a complex or turbine-powered airplane for the associated practical test. Id. \74\ The FAA no longer requires applicants for a flight instructor certificate with an airplane single-engine rating to provide a complex airplane for the practical test. Id. --------------------------------------------------------------------------- As explained in the NPRM, there are far fewer single engine complex airplanes available to meet the ACS requirement, and the single engine complex airplanes that are available are older aircraft that are expensive to maintain. Revising the airmen certification standards to include the option to use a TAA for the commercial pilot and flight instructor practical tests would have alleviated some of the cost, maintenance and production issues associated with single engine complex airplanes. However, the FAA found that removing the ACS requirements to furnish a complex or turbine powered airplane achieves the same objectives. Additionally, the FAA determined that removing these ACS/ PTS requirements, rather than adding the option to use a TAA, more significantly reduces costs for persons pursuing a commercial pilot or flight instructor certificate by allowing applicants to utilize less expensive airplanes on the practical test that are not turbine driven, complex, or technically advanced. Furthermore, the FAA found that no longer requiring a complex airplane to be furnished for the initial commercial pilot or flight instructor practical test will not result in a decreased level of safety. Airplanes provided for the practical test will be less complex, newer, and not as likely to fail due to mechanical and maintenance issues associated with older single engine complex airplanes. Additionally, prior to operating as PIC of a complex airplane, a pilot is still required to receive flight training and an endorsement from an authorized [[Page 30253]] instructor certifying his or her proficiency in a complex airplane.\75\ --------------------------------------------------------------------------- \75\ 14 CFR 61.31(e). --------------------------------------------------------------------------- The FAA concluded that any airplane may be used to accomplish the tasks described in the commercial pilot (single-engine) ACS or flight instructor (single-engine) PTS, provided that aircraft is capable of accomplishing all areas of operation required for the practical test and is the appropriate category and class for the rating sought.\76\ Therefore, the aircraft used for the practical test must still meet the requirements specified in Sec. 61.45 --------------------------------------------------------------------------- \76\ 14 CFR 61.45 --------------------------------------------------------------------------- E. Flight Instructors With Instrument Ratings Only In the NPRM, the FAA proposed to revise Sec. 61.195(b) and (c) to allow a flight instructor who holds only an instrument-airplane or instrument-helicopter rating on his or her flight instructor certificate to conduct instrument training.\77\ As proposed, the flight instructor and the pilot receiving instrument training would both have been required to hold category and class ratings on their pilot certificates that are applicable to the aircraft in which the instrument training is accomplished. Therefore, under this proposal, the flight instructor would no longer have been required to hold the appropriate category and class ratings in addition to the instrument rating on his or her flight instructor certificate. --------------------------------------------------------------------------- \77\ Section 61.195 sets forth the limitations and qualifications for flight instructors. Prior to this final rule, under Sec. 61.195(b), an instructor could not conduct flight training in any aircraft for which the instructor did not hold a pilot certificate and flight instructor certificate with the applicable category and class ratings for the aircraft in which the training was provided. Additionally, under Sec. 61.195(c), a flight instructor who provided instrument training for the issuance of an instrument rating, a type rating not limited to VFR, or the instrument training required for commercial pilot and ATP certificates was required to hold an instrument rating on his or her pilot certificate and flight instructor certificate that was appropriate to the category and class of aircraft used for the training. --------------------------------------------------------------------------- The FAA received four comments on this proposal. Three commenters supported the proposed changes to Sec. 61.195(b) and (c); one individual opposed them. American Flyers stated that if an instrument instructor holds the appropriate category and class on his or her commercial pilot certificate, he or she has already demonstrated proficiency on the tasks required for the commercial practical test. Eagle Sport stated that instrument procedures are standard across the board and instrument instructors should be qualified to teach them. One individual believed that removing the requirement of category and class for instrument instructors makes absolute sense and instrument flying and the regulations are the same no matter what aircraft is being flown. The FAA recognizes that instrument procedures are fundamentally consistent within a particular category of aircraft and that the same instrument flight rules apply in the NAS regardless of what aircraft is being flown. However, upon further review, the FAA has determined that a flight instructor who does not possess an airplane category multiengine class rating on his or her flight instructor certificate has not been trained and tested on giving instruction in a multiengine airplane, specifically instruction on one-engine inoperative tasks. The Flight Instructor Instrument Practical Test Standards (PTS) are not the same for single-engine and multiengine airplanes because the PTS contains two tasks that are specific to multiengine airplanes.\78\ If an applicant is completing the flight instructor instrument practical test in a multiengine airplane, the standards direct the examiner to have the applicant perform at least one of the following tasks: (1) An engine failure during straight-and-level flight and turns (Task IX. C); or (2) an instrument approach with one engine inoperative (Task IX. D).\79\ Similarly, the Flight Instructor Airplane PTS contains additional tasks for persons completing the practical test in a multiengine airplane, including tasks related to operating a multiengine airplane with one engine inoperative. Therefore, a flight instructor who holds an instrument rating and an airplane category multiengine class rating on his or her flight instructor certificate has been trained and tested on conducting training in a multiengine airplane to include one-engine inoperative maneuvers and/or approaches. The FAA emphasizes that an initial flight instructor candidate who completes a flight instructor instrument-airplane rating practical test in a single engine airplane has not been trained and tested on providing instruction in a multiengine airplane to include these one- engine inoperative tasks. --------------------------------------------------------------------------- \78\ FLIGHT INSTRUCTOR INSTRUMENT Practical Test Standards for AIRPLANE and HELICOPTER, FAA-S-8081-9D with Changes 1 & 2, U.S Department of Transportation, Federal Aviation Administration (July 2010). In ``IX. Area of Operation: Emergency Operations,'' the FAA notes that ``[t]he examiner shall omit TASKS C and D unless the applicant furnishes a multiengine airplane for the practical test, then TASK C or D is mandatory.'' \79\ The Flight Instructor Instrument PTS does not contain separate tasks for applicants completing the practical test in a multiengine helicopter. --------------------------------------------------------------------------- In the interest of safety, the FAA has determined that, in order to provide instrument instruction in a multiengine airplane competently and safely, the flight instructor must have been trained and tested on giving instruction in a multiengine airplane including instruction on one-engine inoperative tasks. Any task required for the multiengine airplane rating has the potential for becoming a single engine operation. Verification of flight instructor proficiency in teaching emergency scenarios such as a loss of an engine during multiengine operations ensures that flight instructors can successfully mitigate such risk and safely provide instrument training in multiengine airplanes. Therefore, the FAA is revising proposed Sec. 61.195(c) by adding new paragraph (c)(2), which requires a flight instructor who possesses an instrument rating on his or her flight instructor certificate to also possess an airplane category multiengine class rating on his or her flight instructor certificate when conducting instrument training in a multiengine airplane.\80\ Section 61.195(c)(1) contains the proposed requirement, which has been revised to apply only to flight instructors giving instrument instruction in aircraft other than multiengine airplanes. Thus, Sec. 61.195(c)(1) allows an instrument- only flight instructor to conduct instrument training in an aircraft (other than multiengine airplanes) provided the instructor and the pilot receiving instrument training hold category and class ratings on their pilot certificates that are applicable to the aircraft in which the instrument training is accomplished.\81\ --------------------------------------------------------------------------- \80\ Section 61.195(c)(2) requires a flight instructor conducting instrument training in a multiengine airplane to meet the requirements of Sec. 61.195(b), which requires the flight instructor to hold the applicable category and class rating on his or her flight instructor certificate. \81\ As the FAA noted in the NPRM, the powered-lift category does not contain any corresponding class ratings, on either a pilot certificate or flight instructor certificate. --------------------------------------------------------------------------- The FAA is also revising Sec. 61.195(e) to clarify that a flight instructor may not give instrument training in an aircraft that requires the PIC to hold a type rating unless the flight instructor holds a type rating for that aircraft on his or her pilot certificate. While this revision was not proposed in the NPRM, flight instruction includes instrument training; \82\ therefore, former Sec. 61.195(e) [[Page 30254]] would have applied to flight instructors conducting instrument training under paragraph (c). The FAA is revising paragraph (e) only for clarity. --------------------------------------------------------------------------- \82\ Under Sec. 61.1, ``Instrument training'' means that time in which instrument training is received from an authorized instructor under actual or simulated conditions. --------------------------------------------------------------------------- One individual, who is identified as a flight instructor, believed that an instrument-only flight instructor may not possess the skills necessary to manipulate the aircraft if the pilot flying loses control of the aircraft. The commenter further stated that instrument-only flight instructors do not have to demonstrate stalls or spin proficiency on the practical test, and described observing many pilots on instrument proficiency checks incorrectly recovering from an unusual attitude training event pushing the aircraft closer to a stall/spin scenario. For the reasons explained above, the FAA agrees that an instrument- only flight instructor may not possess the skills needed to conduct instrument training in a multiengine airplane and is revising proposed Sec. 61.195(c) accordingly. However, the FAA believes that a flight instructor with only an instrument-airplane rating or instrument- helicopter rating possesses the skills necessary to conduct instrument training in an aircraft (other than a multiengine airplane). The Flight Instructor Instrument Airplane and Helicopter PTS states that examiners shall place special emphasis upon areas of aircraft operations considered critical to flight safety, including positive aircraft control, stall/spin awareness, and other areas deemed appropriate to any phase of the practical test.\83\ Additionally, because Sec. 61.195(c)(1) requires the flight instructor and the pilot receiving the instrument training to hold on their pilot certificates the appropriate category and class ratings in advance of the instrument training, both the instructor and the applicant will have already been found proficient in stall prevention, recognition, and recovery for the aircraft in which the instrument training will be accomplished. --------------------------------------------------------------------------- \83\ FLIGHT INSTRUCTOR INSTRUMENT Practical Test Standards for AIRPLANE and HELICOPTER, FAA-S-8081-9D with Changes 1 & 2, U.S Department of Transportation, Federal Aviation Administration (July 2010). --------------------------------------------------------------------------- Furthermore, the FAA is revising and restructuring proposed Sec. 61.195(b) for clarity. Proposed Sec. 61.195(b)(2) would have required the flight instructor to hold a pilot certificate with a type rating, if appropriate. The FAA finds that this language could have been interpreted as requiring the flight instructor to hold a type rating, which was not the FAA's intent. Prior to this final rule, Sec. 61.195(b) required a flight instructor to hold a type rating only if appropriate. The FAA did not propose to change this requirement. Therefore, the FAA is revising proposed Sec. 61.195(b) to require the flight instructor to hold a flight instructor certificate appropriate to category and class; to hold a pilot certificate; and to meet the requirements of Sec. 61.195(e), if applicable. Section 61.195(e) requires a flight instructor to hold a type rating on his or her pilot certificate if the aircraft requires the PIC to hold a type rating. The FAA will revise FAA Order 8900.1 to be consistent with the flight instructor privileges and limitations associated with this rule. Additionally, these instructor privileges and limitations described for instrument training in an aircraft will also be applicable to training credits permitted when using an FFS, FTD, or ATD.\84\ --------------------------------------------------------------------------- \84\ 14 CFR 61.65(h) and (i). --------------------------------------------------------------------------- F. Light-Sport Aircraft Pilots and Flight Instructors 1. Sport Pilot Flight Instructor Training Privilege In the NPRM, the FAA proposed to add new Sec. 61.412 to authorize a flight instructor with a sport pilot rating to provide training on control and maneuvering solely by reference to the instruments to sport pilot applicants receiving flight training for the purpose of solo cross-country requirements in an airplane that has a Vh greater than 87 knots CAS.\85\ Because a flight instructor with a sport pilot rating is not evaluated on this instructional knowledge, the FAA proposed to require a flight instructor with a sport pilot rating to receive training and an endorsement from a flight instructor certificated under subpart H that affirms the flight instructor with a sport pilot rating has been found competent and is qualified to provide flight training on tasks and maneuvers performed solely by reference to the flight instruments.\86\ Proposed Sec. 61.412(b) would have required the flight instructor with a sport pilot rating to receive a minimum of 1 hour of ground training and 3 hours of flight training in an airplane with a Vh greater than 87 knots CAS or in a FFS or FTD that replicates an airplane with a Vh greater than 87 knots CAS.\87\ --------------------------------------------------------------------------- \85\ Prior to this final rule, a flight instructor with a sport pilot rating was not allowed to provide training on control and maneuvering solely by reference to the instruments. However, sport pilot applicants are required to receive this training for the purpose of solo cross-country requirements in an airplane that has a Vh greater than 87 knots CAS. 14 CFR 61.93(e)(12). Therefore, prior to this final rule, sport pilot applicants were required to obtain this training from a flight instructor certificated under subpart H of part 61. \86\ A flight instructor with a sport pilot rating is not required to receive this endorsement. The endorsement will only be required if the flight instructor with a sport pilot rating seeks the privilege of providing training to sport pilot applicants on maneuvering solely by reference to the flight instruments. \87\ Private pilot applicants have a similar requirement under Sec. 61.109(a)(3) that requires 3 hours of flight training in a single-engine airplane on the control and maneuvering of an airplane solely by reference to instruments, including straight and level flight, constant airspeed climbs and descents, turns to a heading, recovery from unusual flight altitudes, radio communications, and the use of navigation systems/facilities and radar services appropriate to instrument flight. --------------------------------------------------------------------------- The FAA also proposed to revise Sec. 61.415 by adding a new paragraph (h) to clarify that a flight instructor with a sport pilot rating may not conduct flight training on control and maneuvering an aircraft solely by reference to the instruments in an airplane that has a Vh greater than 87 knots CAS without meeting the requirements in proposed Sec. 61.412 Additionally, the FAA proposed to revise Sec. 91.109(c) to permit a flight instructor with a sport pilot rating who has obtained the endorsement proposed in Sec. 61.412 to serve as a safety pilot only for the purpose of providing flight training on control and maneuvering solely by reference to the instruments to a sport pilot applicant seeking a solo cross country endorsement in an airplane with a Vh greater than 87 knots CAS. The FAA received six comments regarding this proposal. All commenters supported the FAA allowing flight instructors with a sport pilot rating to provide training to sport pilot applicants on control and maneuvering solely by reference to the flight instruments. However, each commenter expressed concern and offered revisions to proposed Sec. 61.412 AOPA, Chesapeake Sport Pilot (2 individuals), and one individual recommended the FAA except flight instructors with a sport pilot rating who also hold at least a private pilot certificate with a single-engine airplane rating from the proposed Sec. 61.412 training requirement. The FAA is not providing an exception to the training and endorsement requirements of Sec. 61.412 for flight instructors with a sport pilot rating who also possess a private pilot certificate or higher. As the FAA explained in the NPRM, Sec. 61.412(b) involves flight training for the purpose of giving instruction on control and maneuvering solely by reference to the instruments. While a person who holds at least a private pilot certificate with a single-engine airplane rating has received three hours of flight training in a single-engine airplane on the control [[Page 30255]] and maneuvering of an airplane solely by reference to the instruments pursuant to Sec. 61.109(a)(3), he or she has not received training specific to ``giving instruction'' on control and maneuvering solely by reference to the instruments. Therefore, the training requirements of Sec. 61.412(b) are not duplicative to Sec. 61.109(a)(3). Eagle Sport LLC commented that requiring a flight instructor with a sport pilot rating to obtain additional instruction and an endorsement in order to provide training on control and maneuvering solely by reference to the flight instruments is needlessly cumbersome. One individual commenter suggested that an endorsement may be sufficient (without the need for a specific training time requirement). The FAA is requiring a flight instructor with a sport pilot rating to receive and log a minimum of one hour of ground training and three hours of flight training, as proposed. As stated in the NPRM,\88\ the basic instrument flight training should involve flight training for the purpose of giving instruction on control and maneuvering solely by reference to the flight instruments, including straight and level flight, turns, descents, climbs, use of radio aids, and air traffic control directives.\89\ Therefore, Sec. 61.412(c) requires a flight instructor with a sport pilot rating to receive training for the purpose of giving instruction on the tasks specified in Sec. 61.93(e)(12), as proposed. The FAA believes that a minimum amount of training time on the tasks specified in Sec. 61.412(c) and an endorsement certifying proficiency in those tasks are necessary to ensure that a flight instructor with only a sport pilot rating has the experience, proficiency, and skills necessary to provide his or her sport pilot students with the training and skills required to safely operate a light-sport aircraft solely by reference to the flight instruments.\90\ --------------------------------------------------------------------------- \88\ 81 FR at 29734. \89\ 14 CFR 61.93(e)(12). \90\ Section 61.315 prescribes the privileges and limitations of a person who holds a sport pilot certificate. Under Sec. 61.315(c), a person who holds a sport pilot certificate may not act as PIC of a light sport aircraft when the flight or surface visibility is less than 3 statute miles, or without visual reference to the surface. The FAA notes that receiving flight instruction on control and maneuvering solely by reference to the flight instruments does not give a sport pilot privileges to operate contrary to the limitations established in Sec. 61.315(c). --------------------------------------------------------------------------- SAFE agreed that a one-time endorsement is appropriate, but asserted that the minimum training requirement is insufficient. SAFE recommended that the flight instructor with a sport pilot rating be required to demonstrate all the tasks described in the Private Pilot ACS Area VIII, Task F. The FAA disagrees with SAFE's assertion. The training and subsequent endorsement that will be provided to the flight instructor with a sport pilot rating is not meant to be a practical test and should not be treated as such. The instructor providing the training can make the determination of competency without referencing the PTS standards. The training and endorsement required under Sec. 61.412 is similar in nature to the other training and endorsements instructors provide, such as for high performance, complex, or tailwheel airplanes. SAFE also stated that it is unclear what ``use of radio aids and ATC directives'' means under proposed Sec. 61.412(c). To more clearly define it, SAFE suggested referencing the ``Private Pilot ACS Area VIII, Task F, Radio Communications, Navigation Systems/Facilities, and Radar Services'' instead. Because Sec. 61.412(c) requires the flight instructor with a sport pilot rating to receive an endorsement certifying that the instructor is proficient in providing the flight training specified in Sec. 61.93(e)(12), the FAA is describing the flight training in Sec. 61.412(c) by using language that mirrors the language of Sec. 61.93(e)(12). Thus, the language ``use of radio aids and ATC directives'' does not introduce a new concept into the regulations. It has been used in 14 CFR 61.93 since 1997.\91\ Flight instructors authorized under subpart H of part 61 have been conducting the flight training required by Sec. 61.93, which includes ``use of radio aids and ATC directives,'' for over 20 ***years***. The FAA believes the phrase ``use of radio aids and ATC directives'' is sufficiently clear. --------------------------------------------------------------------------- \91\ Final Rule, ``Pilot, Flight Instructor, Ground Instructor, and Pilot School Certification Rules,'' 62 FR 16220 (Apr. 4, 1997). --------------------------------------------------------------------------- SAFE also stated that it is unclear what type of instructor would be authorized under subpart H. SAFE questioned if this should be any flight instructor that meets the appropriate category and class requirement, an instrument flight instructor, or an instructor who meets the requirements to provide instruction for an initial flight instructor certificate applicant. SAFE suggested the training be provided by an instructor with substantial experience who also meets the requirements to provide training for the initial flight instructor certificate. The FAA intended for any flight instructor authorized under subpart H to provide the requisite training and endorsement to a flight instructor with a sport pilot rating. However, in its own continued review of the NPRM, the FAA discovered that the express language of Sec. 61.195(c) would have prohibited an instrument-only flight instructor from providing flight training on the control and maneuvering of an airplane solely by reference to the flight instruments. As explained in the NPRM, a subpart H instructor is instrument rated and knowledgeable on the appropriate techniques for safely accomplishing flight by reference to the flight instruments. Because flight training on the control and maneuvering of an airplane solely by reference to the flight instruments is not instrument training, it may be provided by a flight instructor who does not hold an instrument rating on his or her flight instructor certificate.\92\ The FAA, therefore, concludes that a flight instructor who holds an instrument rating on his or her flight instructor certificate that is appropriate to the aircraft in which the training is provided should also be allowed to provide flight training on the control and maneuvering of an airplane solely by reference to the flight instruments. Accordingly, the FAA is adding new paragraph (l) to Sec. 61.195 to expressly allow an instrument-only instructor to provide this training notwithstanding Sec. 61.195(c). --------------------------------------------------------------------------- \92\ Legal Interpretation, Letter to Scott Rohlfing from Lorelei Peter, Acting Assistant Chief Counsel for Regulations (Feb 24, 2016); Legal Interpretation, Letter to Taylor Grayson from Rebecca B. MacPherson, Assistant Chief Counsel for Regulations (Jan. 4, 2010); Legal Interpretation, Letter to Taylor Grayson from Rebecca B. MacPherson, Assistant Chief Counsel for Regulations (July 6, 2010). --------------------------------------------------------------------------- The FAA understands that a flight instructor with a sport pilot rating has already demonstrated proficiency in the fundamentals of instruction and course development. A flight instructor with a sport pilot rating is evaluated and then qualified on the fundamentals of flight instruction before receiving a flight instructor certificate.\93\ That same flight instructor with a sport pilot rating will then receive additional training from a flight instructor authorized under subpart H, specific to giving instruction on control and maneuvering solely by reference to the instruments. The FAA believes this will enable the flight instructor with a sport pilot rating to provide the training under Sec. 61.93(e)(12) effectively and safely. --------------------------------------------------------------------------- \93\ FAA-S-8081-29 SPORT PILOT Practical Test Standards for Flight Instructor Pg. 4-13, I. AREA OF OPERATION: FUNDAMENTALS OF INSTRUCTING. --------------------------------------------------------------------------- AOPA recommended the FAA revise proposed Sec. 61.412(b) to allow flight instructors with a sport pilot rating to receive the required three hours of flight training in an ATD. AOPA explained [[Page 30256]] that a flight instructor with a sport pilot rating who holds an endorsement under Sec. 61.327(b) has already been found proficient in an airplane with a Vh greater than 87 knots CAS. Additionally, because the flight instructor with a sport pilot rating and the sport pilot student will not be rated to fly under IFR, all the training to be conducted under proposed Sec. Sec. 61.412 and 61.93(e)(12) will be performed under simulated instrument meteorological conditions, not actual instrument meteorological conditions. Lastly, AOPA also stated that limitations on the use of certain ATDs being used for this type of flight training can be imposed by the LOA process when the FAA evaluates and approves an ATD. The FAA recognizes that proposed Sec. 61.412(b) would have allowed the three hours of flight training to be conducted in an airplane with a Vh greater than 87 knots CAS, or in a FFS or FTD that replicated an airplane with a Vh greater than 87 knots CAS. The FAA did not intend to preclude the use of ATDs under this provision. Because ATDs are currently permitted to satisfy training requirements for the instrument rating and recency, the FAA finds that they should also be allowed to satisfy the flight training requirements of Sec. 61.412(b). Accordingly, the FAA is revising proposed Sec. 61.412(b) to also allow the use of ATDs, as AOPA recommended. AOPA also recommended clarifying changes to proposed Sec. 61.412 First, AOPA recommended revising the proposed rule language to clarify that the solo cross-country endorsement is not issued pursuant to Sec. 61.93(e)(12). Rather, the required flight training maneuvers and procedures are listed under Sec. 61.93(e)(12). Second, AOPA stated that Sec. 61.327 requires two different endorsements. AOPA recommended referencing Sec. 61.327(b), rather than Sec. 61.327 in its entirety, because paragraph (b) requires the endorsement for sport pilots who want to operate a light-sport aircraft that has a Vh greater than 87 knots CAS. The FAA is revising proposed Sec. 61.412 to clarify that the flight training on control and maneuvering an aircraft solely by reference to the instruments is provided under Sec. 61.93(e)(12), and the solo cross-country endorsement is issued under Sec. 61.93(c)(1). Additionally, the FAA is using the phrase ``student pilot seeking a sport pilot certificate,'' rather than the proposed term ``sport pilot applicant,'' because it more accurately describes the pilots who must obtain the solo-cross country endorsement under Sec. 61.93(c)(1). The phrase ``student pilot seeking a sport pilot certificate'' is also consistent with the terminology that exists in current Sec. 61.93(e)(12). Furthermore, the FAA is referencing Sec. 61.327(b) for the reasons identified by AOPA. Eagle Sport LLC expressed concern with requiring student pilots seeking a sport pilot certificate to receive training on flight solely by reference to the flight instruments as part of training for cross- country flight if operating a light sport airplane that has a Vh greater than 87 knots CAS. This requirement has existed since February 1, 2010.\94\ The NPRM did not propose any changes to this requirement; therefore, Eagle Sport LLC's comments on this provision are outside the scope of this rulemaking. --------------------------------------------------------------------------- \94\ Certification of Aircraft and Airmen for the Operation of Light-Sport Aircraft; Modifications to Rules for Sport Pilot, 75 FR 5204 (Feb. 1, 2010). The FAA removed the training requirement for student pilots seeking a sport pilot certificate to receive training in the control and maneuvering of an airplane solely by reference to flight instruments prior to conducting solo cross-country flight in an aircraft other than airplanes with a VH greater than 87 knots CAS. 75 FR at 5211. --------------------------------------------------------------------------- One commenter recommended the FAA add instrument time to the requirements for flight instructors with a sport pilot rating. The FAA is not adopting this recommendation. The FAA finds it unnecessary to require a flight instructor with a sport pilot rating to obtain instrument training because a sport pilot may not operate when the flight or surface visibility is less than 3 statute miles, or without visual reference to the surface.\95\ --------------------------------------------------------------------------- \95\ 14 CFR 61.315(c). --------------------------------------------------------------------------- The FAA notes that Sec. Sec. 61.415 and 91.109 remain unchanged from the NPRM. The FAA also notes that it will revise AC 61-65F to include the appropriate endorsement language that can be used when authorizing a flight instructor with a sport pilot rating. 2. Credit for Training Obtained as a Sport Pilot In the NPRM, the FAA proposed to revise Sec. 61.99 and add new Sec. 61.109(l) to allow a portion of the flight training received from a sport pilot instructor who does not also hold a flight instructor certificate issued under the requirements in subpart H to be credited toward a portion of the flight training requirements for a recreational or private pilot certificate with airplane, rotorcraft, or lighter- than-air categories.\96\ The FAA proposed that any training received from a sport pilot instructor that would be credited must be completed in an aircraft appropriate to the category and class rating for the recreational or private pilot certificate sought.\97\ --------------------------------------------------------------------------- \96\ Under Sec. 61.51(h), a person may log training time when that person receives training from an authorized instructor in an aircraft, FFS, or FTD. A sport pilot instructor is not authorized to conduct training for a recreational pilot certificate or a private pilot certificate with airplane, rotorcraft, glider, or lighter- than-air category ratings. 14 CFR 61.413 Therefore, prior to this final rule, under Sec. 61.51(h), a pilot could not count flight training received from a flight instructor with only a sport pilot rating (subpart K instructor) towards the training requirements for a recreational pilot certificate or private pilot certificate with category ratings other than powered parachute and weight-shift control aircraft. \97\ For the airplane category single engine class, the FAA proposed to allow 10 hours of sport pilot training to be credited toward the 15 hours of training required for a recreational pilot certificate and toward the 20 hours of training required for the private pilot certificate. For the rotorcraft category gyroplane class, the FAA proposed to allow 10 hours of sport pilot training to be credited toward the 15 hours of training required for the recreational pilot certificate and toward the 20 hours of training required for the private pilot certificate. For the lighter-than-air category airship class, the FAA proposed to allow 12.5 hours of sport pilot training to be credited toward the 25 hours of training required for the private pilot certificate. For the lighter-than-air category balloon class, the FAA proposed to allow 5 hours of sport pilot training, including 3 training flights with an authorized instructor, to be credited toward the 10 hours of flight training, including 6 training flights with an authorized instructor, required for a private pilot certificate. --------------------------------------------------------------------------- As an alternative, the FAA considered allowing all training received from a sport pilot instructor to be credited by an applicant seeking a recreational or private pilot certificate. An applicant would still be required to obtain a minimum of three hours of training in preparation for the practical test (within the preceding 2 ***calendar*** months) from a flight instructor under subpart H,\98\ as well as be endorsed by a flight instructor under subpart H as being prepared for the required practical test. The FAA sought public comment, and any associated data, on this alternative. --------------------------------------------------------------------------- \98\ 14 CFR 61.109(a)(4), (d)(3), and (g)(3). The FAA notes, however, that a person who applies for a private pilot certificate with a lighter-than-air category and balloon class rating is required to obtain a minimum of 2 hours in preparation for the practical test within the preceding 2 ***calendar*** months from the month of the test. 14 CFR 61.109(h)(1) and (2). --------------------------------------------------------------------------- The FAA received 13 comments on this proposal. Twelve commenters supported the proposed rule changes; one commenter opposed them. EAA, AOPA, one individual, and two commenters writing on behalf of Chesapeake Sport Pilot recommended that all the training time received from a flight instructor with a sport pilot rating be allowed for credit for the recreational or private pilot certificate. Both EAA and AOPA indicated that the same fundamental knowledge is required for the sport pilot certificate as other pilot certificates, that many of the flight training requirements and tasks [[Page 30257]] are the same, and that the credit limit does not provide a safety benefit. AOPA stated there are sufficient safeguards in place, including subpart H instructor training and endorsements, to ensure that a sport pilot will be properly qualified for the recreational or private pilot certificate and to ensure there is not a reduction in proficiency or safety. EAA and one individual stated that a flight instructor with a sport pilot rating is equally capable of providing instruction on the areas common to the sport, recreational, and private pilot certificates as a subpart H instructor. Several commenters, including EAA, noted how the proposal would lower the cost and provide a viable path for those pursuing higher certificates. One individual supported the proposal, noting how the current regulations imply that a flight instructor with a sport pilot rating is less qualified than a subpart H instructor. After review of the comments and further analysis, the FAA has decided to allow all training received from a flight instructor with a sport pilot rating to be credited by an applicant seeking a recreational or private pilot certificate. The FAA recognizes that an applicant for a sport pilot certificate must complete flight training on many of the same areas of operation required for a recreational or private pilot certificate.\99\ Additionally, as explained in the NPRM, many of the tasks and maneuvers outlined in the practical test standards for a sport pilot are the same as those outlined in the practical test standards for recreational or private pilot.\100\ In fact, these areas of operation must be performed to identical proficiency standards.\101\ Therefore, the FAA believes that all training received as a sport pilot candidate is relative to the aeronautical experience required for a higher certificate. Accordingly, the FAA is not going to limit the sport pilot training that may be credited toward a higher certificate to a prescriptive number of hours. The FAA notes, however, that sport pilots applying for a higher certificate are still required to complete all the requirements for the specific certificate or rating sought, which includes additional training provided by a subpart H instructor and successful completion of the knowledge test and practical test.\102\ --------------------------------------------------------------------------- \99\ 81 FR at 29735. \100\ Id. \101\ Id. \102\ Sections 61.99 and 61.109 contain the aeronautical experience requirements for recreational and private pilot certificates, respectively. --------------------------------------------------------------------------- Additionally, before receiving solo cross-country privileges, all student pilots pursuing a sport pilot (in airplanes with a Vh greater than 87 knots calibrated airspeed (KCAS)), recreational pilot, or private pilot certificate in a single engine airplane must receive the training specified in Sec. 61.93(e)(12) that includes control and maneuvering solely by reference to flight instruments, including straight and level flight, turns, descents, climbs, use of radio aids, and ATC directives. In recognition that these training tasks are similar to the ones described in Sec. 61.109(a)(3), which requires ``control and maneuvering of an airplane solely by reference to instruments, including straight and level flight, constant airspeed climbs and descents, turns to a heading, recovery from unusual flight attitudes, radio communications, and the use of navigation systems/facilities and radar services'', the FAA will allow training tasks described in Sec. 61.93(e)(12) provided to a sport pilot candidate by a flight instructor with a sport pilot rating, to be credited toward the private pilot training requirements specified in Sec. 61.109(a)(3). This training credit will only be applicable if the training was provided by a flight instructor with a sport pilot rating who has received the training and endorsement required by Sec. 61.412 \103\ However, the FAA has identified that the requirement for training specific to ``recovery from unusual attitudes'' specified in Sec. 61.109(a)(3) must be accomplished by a subpart H instructor. Sport pilot candidates are not required to receive training on recovery from unusual attitudes under Sec. 61.93(e)(12). Therefore, Sec. 61.412, which allows flight instructors with a sport pilot rating to provide the flight training under Sec. 61.93(e)(12) provided the training and endorsement requirements are satisfied, does not require flight instructors with a sport pilot rating to receive training from a subpart H instructor on recovery from unusual attitudes. --------------------------------------------------------------------------- \103\ The FAA is adopting new Sec. 61.412 in this final rule. Section 61.412 allows a flight instructor with a sport pilot rating to provide flight training under Sec. 61.93(e)(12) on control and maneuvering an aircraft solely by reference to the flight instruments for the purpose of issuing a solo cross-country endorsement under Sec. 61.93(c)(1) to a student pilot seeking a sport pilot certificate, provided the flight instructor with a sport pilot rating holds an endorsement required by Sec. 61.327(b), has received and logged the required training specified in Sec. 61.412(b) from an authorized instructor, and has received a one-time endorsement from a flight instructor authorized under subpart H who certifies that the person is proficient in providing training on control and maneuvering solely by reference to the instruments in an airplane with a Vh greater than 87 knots CAS. See Section III.E.1 Sport Pilot Flight Instructor Training Privilege of this final rule. --------------------------------------------------------------------------- A student pilot seeking a sport pilot certificate is not tested on basic instrument maneuvers during the sport pilot practical test.\104\ However, the holder of a sport pilot certificate who seeks a private pilot certificate will be required under Sec. 61.109(a)(4) to receive 3 hours of flight training in a single-engine airplane with a flight instructor authorized under subpart H in preparation for the private pilot practical test. Because a large portion of the Private Pilot ACS requires a demonstration of basic instrument flight maneuvers, a flight instructor under subpart H must observe an applicant's proficiency before endorsing the student pilot for the private pilot practical test.\105\ As such, even though a sport pilot may credit basic instrument flight training received from a flight instructor with a sport pilot rating toward Sec. 61.109(a)(3), an applicant for a private pilot certificate will likely receive as part of the training required by Sec. 61.109(a)(4) a substantial amount of flight training from a subpart H flight instructor on basic instrument flight maneuvers, including straight and level flight, constant airspeed climbs and descents, turns to a heading, recovery from unusual flight attitudes, radio communications, and the use of navigation systems/ facilities and radar services appropriate to instrument flight. Furthermore, a designated pilot examiner (DPE) will observe and test the private pilot candidate on these basic instrument maneuvers according to the proficiency standards in the private pilot ACS. --------------------------------------------------------------------------- \104\ Sport Pilot Practical Test Standards (FAA-S-8081-29 Change 1, 2 and 3). \105\ 14 CFR 61.103(f), and Private Pilot Certification Standards (FAA-S-ACS-6A Change 1). --------------------------------------------------------------------------- The FAA agrees with AOPA that sufficient safeguards are in place to prevent any reduction in safety, including the additional training and recommendations \106\ required and provided by a subpart H instructor and the requirement for the applicant to pass a knowledge test and practical test to the standards specified for that grade of certificate. These safeguards would also include any additional training not provided by a flight instructor with a sport pilot rating that is explicit to the recreational or private pilot certificate.\107\ As previously stated, an applicant is also required to receive at least 3 hours of training in preparation for the practical test (within 2 ***calendar*** [[Page 30258]] months preceding the month of application) from a flight instructor qualified under subpart H.\108\ This includes an endorsement from the flight instructor certifying that the applicant received training on the applicable areas of operation for the certificate sought and is prepared for the practical test. --------------------------------------------------------------------------- \106\ Authorized instructor recommendations include signing the applicant's pilot logbook record and airman application certifying he or she is prepared and qualified for the test. \107\ For example, an applicant for a private pilot certificate will still be required to receive night training and additional cross-country training requirements. 14 CFR 61.109 \108\ 14 CFR 61.109(a)(4), (d)(3), (g)(3). --------------------------------------------------------------------------- For the reasons discussed above, the FAA is revising Sec. 61.99 and adding new paragraph (l) to Sec. 61.109 to allow all flight training received from a flight instructor with a sport pilot rating to be credited toward the aeronautical experience requirements of Sec. Sec. 61.99 and 61.109, provided certain conditions are met. The FAA notes that proposed Sec. 61.109(l) would have allowed only a certain amount of sport pilot training to be credited toward the private pilot certificate based on the specific aircraft category and class rating sought. Because the FAA is now allowing all sport pilot training to be credited, the FAA is revising proposed Sec. 61.109(l) to no longer differentiate credit based on specific aircraft categories and classes and to clarify the conditions under which a sport pilot may credit sport pilot training toward a private pilot certificate. Therefore, new Sec. 61.109(l) allows the holder of a sport pilot certificate to credit flight training received from a flight instructor with a sport pilot rating toward the aeronautical experience requirements of Sec. 61.109 if the conditions specified in paragraphs (l)(1) through (3) are satisfied. Section 61.109(l)(1) requires the flight training to be accomplished in the same category and class of aircraft for which the rating is sought. This requirement is consistent with the NPRM, which stated that any training received from a sport pilot instructor that would be credited under this rule must be completed in an aircraft appropriate to the category and class rating for the recreational or private pilot certificate sought.\109\ Section 61.109(l)(2) requires the flight instructor with a sport pilot rating to be authorized to provide the flight training. This requirement is consistent with the NPRM, which explained that the FAA was not proposing to expand the privileges of a flight instructor who holds only a sport pilot rating,\110\ other than as discussed in section III.E.1 of this preamble.\111\ The FAA emphasizes that flight instructors with a sport pilot rating are still subject to the privileges and limitations of their flight instructor certificate.\112\ Therefore, a flight instructor with a sport pilot certificate is not authorized to provide flight training under subpart H to a recreational or private pilot candidate. Lastly, paragraph (l)(3) requires the flight training to include either: (i) Training on areas of operation that are required for both a sport pilot certificate and a private pilot certificate; or (ii) training on the control and maneuvering of an airplane solely by reference to the flight instruments, provided the training was received from a flight instructor with a sport pilot rating who holds an endorsement required by Sec. 61.412(c). The FAA finds that new paragraph (l)(3)(i) is consistent with the NPRM, which explained that the FAA was proposing to allow sport pilot training to be credited toward the flight training requirements of a recreational or private pilot certificate because of the common areas of operation and proficiency standards in flight training for sport pilots, recreational pilots, and private pilots.\113\ As explained above, the FAA is adding new Sec. 61.109(l)(3)(ii) because new Sec. 61.412 of this final rule will allow sport pilots to receive the training specified in Sec. 61.93(e)(12) from flight instructors with a sport pilot rating if the training and endorsement requirements of Sec. 61.412 are met.\114\ --------------------------------------------------------------------------- \109\ 81 FR at 29735. \110\ 81 FR at 29735. \111\ As explained in section III.E.1 of this preamble, new Sec. 61.412 authorizes flight instructors with sport pilot ratings to provide training on control and maneuvering solely by reference to the instruments to sport pilot applicants receiving flight training for cross-country flight in an airplane that has a Vh greater than 87 knots CAS. \112\ Section 61.413 prescribes the privileges of a flight instructor certificate with a sport pilot rating. Section 61.415 prescribes the limits of a flight instructor certificate with a sport pilot rating. Section 61.315 prescribes the privileges and limits of a sport pilot certificate. More specifically, the FAA notes that Sec. 61.315(c) prohibits a sport pilot from acting as PIC of a light sport aircraft at night, and Sec. 61.415(c) prohibits a flight instructor with a sport pilot rating from providing training to operate a light sport aircraft in Class B, C, and D airspace, at an airport located in Class B, C, or D airspace, and to, from, through, or at an airport having an operational control tower, unless the instructor has the endorsement specified in Sec. 61.325, or is otherwise authorized to conduct operations in this airspace and at these airports. Therefore, a flight instructor with a sport pilot rating is not authorized to provide flight training at night and may not be authorized to provide flight training at an airport with an operating control tower. \113\ 81 FR at 29735. \114\ Under Sec. 61.93(e)(2), when a student pilot seeking a sport pilot certificate receives training for cross-country flight in an airplane that has a Vh greater than 87 knots CAS, that student pilot must receive and log flight training in a single- engine airplane on control and maneuvering solely by reference to flight instruments, including straight and level flight, turns, descents, climbs, use of radio aids, and ATC directives. --------------------------------------------------------------------------- The FAA is revising proposed Sec. 61.99(b) to be consistent with the reorganization of proposed Sec. 61.109(l). SAFE commented that pilot certification under part 61 is based on demonstrated performance. Therefore, if a sport pilot meets the required performance standards, the pilot should not have to accomplish additional training just because the previous training was provided by a subpart K instructor. The FAA notes that pilot certification under part 61 is based on more than flight proficiency. An applicant for a pilot certificate must meet all the applicable aeronautical knowledge, flight proficiency, and aeronautical experience requirements. Sections 61.99 and 61.109, which contain the aeronautical experience requirements for a person who applies for a recreational or private pilot certificate, respectively, prescribes flight training and experience requirements above those that are required for a sport pilot certificate.\115\ Therefore, while this rulemaking allows a sport pilot to credit flight training received from a flight instructor with a sport pilot rating toward the flight training requirements for a recreational or private pilot certificate, that pilot is still required to accomplish additional flight training and experience requirements that exceed those required for a sport pilot certificate. These additional requirements include additional training (e.g night training), verification of proficiency, and a recommendation from a flight instructor (qualified under subpart H) that the applicant is prepared for the practical test for the recreational or private pilot certificate. --------------------------------------------------------------------------- \115\ For example, Sec. Sec. 61.99(a)(2) and 61.109 require a person to receive 3 hours of flight training with an authorized instructor in the aircraft for the rating sought in preparation for the practical test within the preceding 2 ***calendar*** months. Section 61.109 also requires 3 hours of night training, 3 hours of flight by reference to instruments, operations at an airport with an operating control tower, and some additional cross-country time requirements. The FAA notes that night and instrument time are not required for balloon, powered parachute, or weight-shift control aircraft at the private pilot certification level. --------------------------------------------------------------------------- One individual suggested that if a private pilot candidate can credit time in a light sport aircraft, then the FAA should allow a sport pilot candidate to credit his or her sport pilot training toward the private pilot certificate in the future. This final rule allows an applicant for a higher pilot certificate who receives flight training from a flight instructor with a sport pilot rating, to credit that pilot time toward the aeronautical experience requirements for a recreational or private pilot certificate. This can include training accomplished in a Light Sport Aircraft (LSA). [[Page 30259]] Both EAA and Chesapeake Sport Pilot discussed that allowing only partial credit would have placed undue burden on designated pilot examiners when trying to differentiate training provided by a subpart K instructor verses a subpart H instructor since this time is documented as ``dual'' instruction in a person's logbook. Because the FAA is allowing full credit for training received as a sport pilot applicant, this alleviates concerns with differentiating training received from a subpart H instructor versus training received from a flight instructor with a sport pilot rating, when recording flight instruction in a person's logbook. Flight instructors provide additional details in the applicant's logbook other than just describing dual instruction. A subpart H instructor is required to provide a recommendation in the pilot applicant's logbook certifying that he or she has provided the required additional training referencing Sec. Sec. 61.103(f), 61.107(b), and 61.109, for the private pilot certificate.\116\ This same flight instructor will certify flight training entries, in which he or she was the instructor providing the training, in the student's logbook with a signature, flight instructor certificate number, and expiration date. This allows an examiner to verify that the additional flight training provided qualifies for the higher certificate. --------------------------------------------------------------------------- \116\ AC 61-65F Certification: Pilots and Flight and Ground Instructors provides recommended endorsements and rule references. --------------------------------------------------------------------------- The FAA notes that currently examiners are not required to verify the credentials of the recommending instructor unless there are extenuating circumstances such as ensuring the flight instructor meets the requirements of Sec. 61.195(h). Section 61.59 provides safeguards to ensure that the training flight instructors provide is appropriate to the certificate or rating for which a student is applying.\117\ Applicants have a responsibility to understand and be familiar with the qualifications of the person providing them training and recommendations. The FAA expects applicants to provide additional scrutiny to their own pilot records before providing them to an examiner or inspector, who will verify the applicant's experience and qualifications. --------------------------------------------------------------------------- \117\ Section 61.59 governs the falsification, reproduction, or alteration of applications, certificates, logbooks, reports, or records. --------------------------------------------------------------------------- GAMA stated that since the publication of the proposed rule, the FAA replaced the PTS for private and sport pilots with the Airman Certification Standards (ACS), which became effective in June 2016. GAMA recommended referencing the ACS instead of the PTS to help facilitate the proposed changes in this rule. The FAA implemented the ACS for Private Pilot Airplane on June 15, 2016, subsequent to the publication of the NPRM. Because the Private Pilot ACS for Airplane superseded the Private Pilot PTS for Airplane,\118\ this final rule preamble refers to the Private Pilot ACS rather than the PTS. However, the FAA will continue to refer to the Sport Pilot PTS until it is replaced by the applicable ACS.\119\ --------------------------------------------------------------------------- \118\ The Private Pilot PTS for Airplane was cancelled as of June 15, 2016. \119\ In light of GAMA's comment, however, the FAA has decided to update its terminology in 14 CFR to reflect the transition from the PTS to the ACS. For further explanation, see section III.L of this final rule preamble. --------------------------------------------------------------------------- One individual commenter opposed the provision. The commenter stated that a sport pilot instructor only has to have a private pilot certificate and no instrument rating. The commenter suggested that a sport pilot instructor does not have the appropriate experience and background to provide ``airline discipline,'' and claimed that sport pilot ratings are sought due to a non-requirement for a medical certificate. The individual claimed the ``general aviation safety record shows the need for rigorous, standardized training from the student's first flight.'' Additionally, this individual asserted that the private pilot certificate requires 20 hours of instruction from an authorized instructor who has a vastly superior background than a sport pilot instructor. A flight instructor with a sport pilot rating is not required to possess a private pilot certificate. He or she is required to hold at least a sport pilot certificate with the category and class ratings or privileges, appropriate to the flight instructor certificate held.\120\ The commenter's reference to ``airline discipline'' is irrelevant since those who possess a flight instructor certificate are not held to airline standards. Only those pursuing an airline transport pilot (ATP) certificate with an airplane category and multiengine class rating are required by regulation to be trained on air carrier operations as outlined in Sec. 61.156 There is no doubt that a subpart H instructor must meet higher experience requirements than a flight instructor with a sport pilot rating. However, flight instructors with a sport pilot rating are trained and tested on the same fundamentals of instruction as a subpart H instructor. Additionally, flight instructors with a sport pilot rating provide flight training on many of the same tasks and maneuvers as subpart H instructors because many of the training requirements and practical test standards for the recreational and private pilot certificates are identical to those required for the sport pilot certificate. For example, as stated in the NPRM, ten of the twelve areas of operation required in the airplane practical test standards for private pilot are also listed in the airplane practical test standards for sport pilot.\121\ These areas of operation must be performed to identical standards. Furthermore, sport pilots who pursue a recreational or private pilot certificate will still be required to receive additional training and endorsements from a subpart H flight instructor and meet the additional experience and proficiency requirements for that certificate. For example, an applicant for a recreational or private pilot certificate will still be required to receive a minimum of three hours of training within 2 ***calendar*** months of the practical test from a flight instructor certificated under subpart H.\122\ A flight instructor certificated under subpart H is still required to conduct training on all the areas of operation and certify that the applicant is prepared for the practical test.\123\ Thus, only a subpart H flight instructor may recommend an applicant for a recreational or private pilot practical test. --------------------------------------------------------------------------- \120\ 14 CFR 61.403(c) \121\ 81 FR at 29735. \122\ See 14 CFR 61.99(a)(2) and 61.109(a)(4), (b)(4), (c)(3), (d)(3), (g)(3). \123\ 14 CFR 61.96(b)(5) and 61.103(f). --------------------------------------------------------------------------- The fact that a flight instructor with a sport pilot rating does not have an instrument rating on his or her pilot certificate is not relevant because all the training that he or she provides must be accomplished under visual flight rules. This fact is also true for the majority of the flight training that a student receives in pursuit of a recreational or private pilot certificate.\124\ --------------------------------------------------------------------------- \124\ The FAA also notes that, similar to a subpart H instructor providing flight training to a recreational or private pilot applicant, a flight instructor with a sport pilot rating is not required to have an instrument rating on his or her flight instructor certificate. As noted in several legal interpretations, a flight instructor who provides flight training on the ``control and maneuvering of an airplane solely by reference to the instruments'' is not required to hold an instrument rating on his or her flight instructor certificate. Legal Interpretation, Letter to Scott Rohlfing from Lorelei Peter, Acting Assistant Chief Counsel for Regulations (Feb. 24, 2016); Legal Interpretation, Letter to Taylor Grayson from Rebecca B. MacPherson, Assistant Chief Counsel for Regulations (Jan. 4, 2010); Legal Interpretation, Letter to Taylor Grayson from Rebecca B. MacPherson, Assistant Chief Counsel for Regulations (July 6, 2010). Under Sec. 61.65(d)(2), ``the required instrument time other than instrument training does not require the presence of a CFI but only the presence of an individual qualified to act as a safety pilot or as a pilot in command of an operation in actual instrument conditions.'' Id. --------------------------------------------------------------------------- [[Page 30260]] The FAA notes that the commenter's statement about persons seeking sport pilot ratings due to the ability to fly without a medical certificate is not relevant to the FAA's proposal because the proposal was not specific to medical certification requirements. Furthermore, BasicMed now allows certain pilots to operate without a medical certificate, provided certain conditions and limitations are met.\125\ --------------------------------------------------------------------------- \125\ The Federal Aviation Administration (FAA) Extension, Safety, and Security Act of 2016, Public Law 114-190, Section 2307 (2016); 14 CFR 61.3(c)(2)(xiii), 61.23(a)(3), 61.101, 61.113(i). See also Final Rule, ``Alternative Pilot Physical Examination and Education Requirements,'' 82 FR 3149 (Jan. 11, 2017). --------------------------------------------------------------------------- G. Pilot School Use of Special Curricula Courses for Renewal of Certificate In the NPRM, the FAA proposed to amend Sec. 141.5(d) to allow the FAA to issue or renew a pilot school certificate to a part 141 pilot school that holds a training course approval for special curricula courses based on their students' successful completion of end-of-course tests for these FAA approved courses.\126\ --------------------------------------------------------------------------- \126\ Prior to this final rule, under Sec. 141.5, the graduates that completed special curricula courses could not be counted when calculating the 80 percent pass rate required for issuance or renewal of a pilot school certificate. --------------------------------------------------------------------------- AOPA supported this proposal noting that it could benefit the flight training community by encouraging the development of more FAA- approved courses by part 141 schools and by encouraging existing flight schools to pursue part 141 certificates. SAFE believed the proposed language would have significantly changed the effect Sec. 141.5(d) has on pilot schools requesting approval or renewal of their certificates. SAFE asked the FAA to reconsider its use of the words ``all'', ``or'', and ``and,'' and to reword the proposed rule to ensure that the 80 percent or higher pass rate would be computed properly. After reconsidering its use of the words ``all'' and ``and'' in the proposed rule, the FAA finds that proposed Sec. 141.5(d), which would have required an applicant for a pilot school certificate to establish at least an 80 percent pass rate on the first attempt for all tests administered, accurately reflects the FAA's intent. Prior to 2009,\127\ Sec. 141.5(d) required at least 80 percent of all tests administered to be passed on the first attempt. In the 2009 final rule and subsequent technical amendment, the FAA made changes to Sec. 141.5(d); \128\ however, the FAA explained that the changes were intended to clarify, not alter, the existing rule requirements.\129\ In a legal interpretation dated July 1, 2011, the FAA stated that ``the quality of training requirement under Sec. 141.5(d) is calculated based on the percentage of successful first attempts on all knowledge tests, practical tests, and end-of-course tests for appendix K courses.'' \130\ Because the FAA never intended to alter the requirement that ``at least 80 percent of all tests administered be passed on the first attempt,'' the FAA finds that proposed Sec. 141.5(d) was accurately worded. --------------------------------------------------------------------------- \127\ ``Pilot, Flight Instructor, Ground Instructor, and Pilot School Certification Rules; Final Rule,'' 62 FR 16220 (Apr. 4, 1997); 14 CFR 141.5(d) (1998). \128\ After the 2009 final rule and subsequent technical amendment, Sec. 141.5(d) stated: ``Has established a pass rate of 80 percent or higher on the first attempt for all knowledge tests leading to a certificate or rating, practical tests leading to a certificate or rating, or end-of-course tests for an approved training course specified in appendix K of this part.'' ``Pilot, Flight Instructor, and Pilot School Certification'' Technical Amendment, 75 FR 56857 (Sep. 17, 2010); 14 CFR 141.5(d) (2011). \129\ In 2009, the FAA sought to clarify the ``quantity of training'' requirement in Sec. 141.5(d) by revising and relocating it to new paragraph (e). ``Pilot, Flight Instructor, and Pilot School Certification; Final Rule,'' 74 FR 42500 (Aug. 21, 2009). As a result of the 2009 final rule, Sec. 141.5(d) contained the ``quality of training'' requirement and Sec. 141.5(e) contained the ``quantity of training'' requirement. The FAA explained in the preamble that the requirement that ``at least 80 percent of those persons passed their test on the first attempt is not a change from the existing rule. The purpose of this change is clarifying the intent of the rule.'' 74 FR 42500, 42538. The FAA issued a technical amendment in 2010 to clarify Sec. 141.5(d) and to reinsert language that was inadvertently removed as a result of the 2009 final rule. 75 FR 56857. In the technical amendment, the FAA explained that it was revising the language of Sec. 141.5(d) to clarify that in order to meet the quality of training standard for issuance or renewal of a pilot school certificate, a pilot school must achieve a combined 80 percent pass rate on the first attempt for all: (1) Knowledge tests and practical tests leading to a certificate or rating, and (2) end-of-course tests for appendix K courses. 75 FR 56857. The FAA adopted rule language, however, that appeared to be inconsistent with its intent given its use of the term ``or'' instead of ``and'' in Sec. 141.5(d). 14 CFR 141.5(d) (2011). \130\ Legal Interpretation to Jared Testa from the Assistant Chief Counsel, Regulations Division (July 1, 2011). --------------------------------------------------------------------------- Section 141.5(d) remains unchanged from the NPRM. The FAA expects that a pilot school will utilize special curricula course graduations when applying for or renewing a pilot school certificate on or after the effective date of this provision, even if those special curricula course graduations occurred before the effective date of this new rule provision. Therefore, effective July 27, 2018, pilot schools will be able to immediately utilize graduates from special curricula courses to qualify for or renew their pilot school certificates as described in Sec. 141.5(d). H. Temporary Validation of Flightcrew Members' Certificates by Part 119 Certificate Holders Conducting Operations Under Part 121 or 135 and by Fractional Ownership ***Program*** Managers Conducting Operations Under Part 91, Subpart K In the NPRM, the FAA proposed to amend Sec. Sec. 121.383(c) and 135.95 to allow part 119 certificate holders conducting operations under part 121 or 135 to provide their flightcrew members a temporary verification document (valid for 72 hours) without the need of an FAA exemption.\131\ The FAA also proposed to amend Sec. Sec. 61.3(a) and 63.3(a) to permit the documents provided by certificate holders to be carried as an airman certificate or medical certificate, as appropriate.\132\ The FAA proposed that a certificate holder would be required to obtain approval from the Principal Operations Inspector to exercise this privilege. The FAA also proposed to establish a process to facilitate approval of a Certificate Verification Plan via Operations Specifications (A063).\133\ --------------------------------------------------------------------------- \131\ Prior to this final rule, regulations required a person serving as a required flightcrew member of a United States civil aircraft to have his or her airman certificate in his or her physical possession or readily accessible in the aircraft when exercising the privileges of that certificate. 14 CFR 61.3(a) and 63.3(a). The regulations also required a person serving as a required flightcrew member to have an appropriate medical certificate in his or her physical possession or readily accessible in the aircraft. 14 CFR 61.3(c) and 63.3(a). \132\ If the flightcrew member's airman or medical certificate remains unavailable after 72 hours, the flightcrew member would be required to comply with the requirements of Sec. 61.29 or Sec. 63.16, as applicable, and request a 60-day temporary confirmation document from the Airman Certification Branch or the Aeromedical Certification Branch until a replacement certificate is issued and in the possession of that airman. \133\ This would be in lieu of utilizing the FAA Airmen Online Services website that can provide temporary authority in the form of a fax or email. This also would apply to the temporary authority for the medical certificate provided by fax from the Aeromedical Branch. --------------------------------------------------------------------------- The FAA received five comments from organizations and two comments from individuals. Airlines for America (A4A), National Air Transportation Association (NATA), and Regional Air Cargo Carriers Association (RACCA) recommended the FAA clarify what an acceptable form of media is for the temporary validation document. A4A suggested revising proposed Sec. 121.383(c) to clarify that the temporary document may be in either paper or electronic form. A4A noted that this clarification would standardize methods of documentation in the industry and, as more flight decks go paperless, ensure that the airlines have the ability to transmit the required [[Page 30261]] documentation to the pilot in a timely manner, thereby reducing stress and delays without compromising safety. Similarly, NATA believed an electronic document would be suitable. The FAA finds it unnecessary to specify in Sec. Sec. 121.383(c) and 135.95(b) that the temporary verification document may be in either paper or electronic form. Sections 121.383(c) and 135.95(b) are intended to provide flexibility and allow for advancements in technology regarding the method, format or media by which the temporary document must be provided. The operations specification authorizing an approved certificate verification plan will include the specific method or format for each air carrier/operator. Accordingly, the FAA is adopting Sec. Sec. 121.383(c) and 135.95(b) as proposed. The FAA will be issuing a new Advisory Circular (AC 00-70) to provide guidance to air carriers/operators on obtaining approval of a certificate verification plan, including the necessary components for various methods and formats of issuing the temporary document. A4A supported proposed Sec. Sec. 121.383(c) and 135.95(b), which would have allowed the use of temporary validation documents for flights conducted ``entirely within the United States.'' Unlike the current exemptions that limit the relief to ``operations conducted entirely within the District of Columbia and the 48 contiguous States of the United States,'' the proposed rule language would have allowed persons to use the temporary document on flights conducted entirely within Alaska, Hawaii, Puerto Rico and other possessions. The FAA is adopting Sec. Sec. 121.383(c) and 135.95(b) as proposed.\134\ Article 29 of the Convention on International Civil Aviation requires that every aircraft engaged in international navigation shall carry ``the appropriate licenses for each member of the crew.'' Thus, temporary verification documents provided by the certificate holder from its records will not meet the requirements of the Convention. --------------------------------------------------------------------------- \134\ In accordance with Sec. 1.1 ``United States, in a geographical sense, means (1) the States, the District of Columbia, Puerto Rico, and the possessions, including the territorial waters, and (2) the airspace of those areas.'' --------------------------------------------------------------------------- One individual suggested the FAA change ``domestic operations'' to ``operations within the United States'' to avoid confusion with the term ``domestic operations'' contained in 14 CFR part 119, which defines a particular type of part 119 operation. The term ``domestic operations'' was not proposed in regulatory text. It is therefore unnecessary to make any changes to the proposed rule language in response to the individual's comment. The FAA notes, however, that this term was used in Tables 1 and 3 of the NPRM,\135\ which summarized the proposed provisions. To avoid any confusion, the FAA is not using the term ``domestic operations'' in this final rule document. --------------------------------------------------------------------------- \135\ 81 FR at 29722 and 29748. --------------------------------------------------------------------------- AOPA suggested a correction to proposed Sec. 63.3(a)(2), which would have mistakenly referenced Sec. 63.16(d) instead of Sec. 63.16(f). Section 63.3(a)(2) now references new Sec. 63.16(f), as AOPA suggested because the requirements that were previously contained in Sec. 63.16(d) have been relocated to new Sec. 63.16(f) and revised. One individual asked several clarifying questions regarding limitations on the use of temporary validation documents. This individual asked how the ***program*** would keep track of the number of times a flightcrew member loses, destroys, or otherwise fails to have their certificates in their possession. This individual also asked if there was a limit to the number of temporary verification documents issued to an individual, and if so, how those limitations would be enforced. Keeping track of how many times a crewmember loses their pilot or medical certificate, or any limitations regarding the number of times a temporary verification document can be issued to any one individual, can be managed appropriately with FAA air carrier oversight. In addition, conditions and limitations can be specified in an air carrier's certificate verification plan, within its operation specifications. RACCA and Bemidji Aviation Services, Inc. suggested incorporating similar allowances for aircraft registration and airworthiness certificates. These comments are outside the scope of this rulemaking. The proposal was specific to certificates that an airman must have in his or her possession to exercise his or her privileges. Unlike airmen certificates that are carried on a person outside of the aircraft, the airworthiness and registration certificates are typically placed in a permanent location within the aircraft (usually visible to the operator) and are rarely removed from the aircraft.\136\ --------------------------------------------------------------------------- \136\ The FAA also notes that Article 29 of the Convention on International Civil Aviation requires that every aircraft of a contracting State, engaged in international navigation, shall carry in the aircraft several documents, including its certificate of registration, its certificate of airworthiness, and the appropriate licenses for each member of the crew. Because temporary verification documents would not meet the requirements of the Convention, the FAA is only allowing the use of temporary verification documents on flights conducted entirely within the United States. --------------------------------------------------------------------------- AOPA recommended the FAA implement an online method to allow all pilots and airmen to request and obtain a temporary document confirming medical certification. This comment is also outside the scope of this rulemaking. The FAA notes, however, that it is addressing AOPA's comment in a separate action.\137\ --------------------------------------------------------------------------- \137\ Aerospace Medicine Safety Information System (AMSIS) will permit user(s) to print a valid medical certificate. AMSIS is still in development and is anticipated to become available in 2020. --------------------------------------------------------------------------- The FAA is amending Sec. Sec. 121.383(c) and 135.95 as proposed. Furthermore, as a result of the FAA's own continued review of the proposal, the FAA has decided to also allow part 91, subpart K, ***program*** managers to issue temporary verification documents to flightcrew members who do not have their airman or medical certificates in their personal possession for a particular flight. The FAA did not originally consider providing relief to part 91, subpart K, ***program*** managers only because there were no current exemptions granted to these ***program*** managers. However, upon further review, the FAA finds that it is appropriate to include part 91, subpart K, ***program*** managers because of the similarity of part 91, subpart K, operations compared to part 121 and 135 operations. Many similarities exist between part 91, subpart K, ***program*** managers and part 135 operators providing public air transportation, such as: Time, duty, and rest requirements, destination airport analysis ***programs***, minimum equipment lists, recordkeeping, pilot training and checking, proving tests, approved inspection ***programs***, and drug and alcohol misuse and prevention ***programs***. In some instances, a part 91, subpart K, ***program*** manager is also certificated under part 119 to conduct part 135 operations. Specifically, part 91, subpart K, fractional ownership ***programs*** are subject to FAA oversight similar to that provided to air carriers (parts 135 and 121), with the exception of line checks and en-route inspections. FAA aviation safety inspectors conduct scheduled and unscheduled inspections, and surveillance of personnel, aircraft, records, and other documents to ensure compliance with the regulations. Given the similarities between parts 91, subpart K, 121 and 135, the FAA finds it appropriate to also prevent cancelation of flights under part 91, subpart K, in situations where a pilot certificate or medical certificate is valid [[Page 30262]] but not physically available. Therefore, consistent with the amendments to Sec. Sec. 121.383 and 135.95, the FAA is revising Sec. 91.1015 by adding new paragraph (h), which will allow a ***program*** manager to obtain approval to provide a temporary document verifying a flightcrew member's airman certificate and medical certificate privileges under an approved certificate verification plan set forth in the ***program*** manager's management specifications. Consistent with the NPRM, the temporary verification document will remain a short-term solution for a period not to exceed 72 hours. The FAA is also revising Sec. 61.3(a)(1) by adding new paragraph (vi) to permit flightcrew members to carry temporary documents provided by a ***program*** manager only on flights conducted for the ***program*** manager under part 91, subpart K.\138\ This is consistent with the NPRM, which proposed to add new Sec. 61.3(a)(1)(v) to allow flightcrew members to carry documents provided by a certificate holder only on flights conducted for the part 119 certificate holder, including ferry flights to reposition aircraft. The FAA notes that it is adopting Sec. 61.3(a)(1)(v) as proposed. The FAA is also adopting the proposed revisions to current Sec. 61.3(a)(1)(iv). --------------------------------------------------------------------------- \138\ The FAA proposed to redesignate current Sec. 61.3(a)(1)(v) as new Sec. 61.3(a)(1)(vi). Now that the FAA is adding new Sec. 61.3(a)(1)(vi) to extend the relief to part 91, subpart K operators, this final rule redesignates current Sec. 61.3(a)(1)(v) as new Sec. 61.3(a)(1)(vii). --------------------------------------------------------------------------- Furthermore, as a result of the FAA's continued review of the proposal, the FAA is making several clarifying changes to allow for smooth implementation of the final rule. Because the final rule allows a person to use a temporary verification document as an airman certificate or medical certificate, if certain conditions are met, the inspection requirements of Sec. Sec. 61.3(l), 63.3(e), and 121.383(b) would have applied to the temporary document. However, to avoid any confusion, the FAA is revising Sec. Sec. 61.3(l), 63.3(e), and 121.383(b) to expressly include the temporary verification document in the list of documents that must be presented for inspection upon request from the Administrator. Additionally, the FAA is revising Sec. 121.383(a) to clarify that an airman engaged in part 121 operations must have in his or her possession any required appropriate current airman and medical certificates or a temporary verification document issued in accordance with an approved certificate verification plan under new Sec. 121.383(c).\139\ This change from what was proposed is consistent with the FAA's proposal to add new Sec. 61.3(a)(1)(v) to allow a person engaged in flight operations within the United States for a part 119 certificate holder authorized to conduct operations under part 121, to hold a temporary verification document in place of an airman or medical certificate. The FAA will be issuing a new Advisory Circular to provide guidance to certificate holders/***program*** managers on obtaining approval of a certificate verification plan. The FAA will continue to provide relief through exemptions until June 27, 2019 to allow sufficient time for certificate holders to obtain authority under the regulation from their Principal Operations Inspector. --------------------------------------------------------------------------- \139\ In this final rule, the FAA is adding Sec. 121.383(c) to allow a certificate holder to obtain approval to provide a temporary document verifying a flightcrew memberr's airman certificate and medical certificate privileges under an approved certificate verification plan set forth in the certificate holder's operations specifications. --------------------------------------------------------------------------- I. Military Competence for Flight Instructors In the NPRM, the FAA proposed several changes to Sec. Sec. 61.197 and 61.199 to accommodate renewal and reinstatement of flight instructor certificates by military instructors and examiners.\140\ In Sec. 61.197(a)(2)(iv), the FAA proposed to expand the 12-***calendar***- month timeframe to 24 ***calendar*** months. The FAA also proposed to clarify in Sec. 61.197(a)(2)(iv) that a flight instructor would be able to renew his or her certificate by providing a record demonstrating that, within the previous 24 ***calendar*** months, the instructor passed a military instructor pilot proficiency check for a rating that the instructor already holds or for a new rating. --------------------------------------------------------------------------- \140\ Prior to this final rule, a person renewing his or her flight instructor certificate under Sec. 61.197(a)(2)(iv) was required to submit a record showing that, within the preceding 12 ***calendar*** months, the flight instructor passed an official U.S Armed Forces military instructor pilot proficiency check. Section 61.199 required the holder of an expired flight instructor certificate to reinstate that certificate by passing a practical test. --------------------------------------------------------------------------- In Sec. 61.199, the FAA proposed to revise paragraph (a) to permit a military instructor pilot to reinstate his or her expired flight instructor certificate by providing a record showing that, within the previous six ***calendar*** months, the instructor pilot passed a U.S Armed Forces instructor pilot or pilot examiner proficiency check for an additional military rating.\141\ Additionally, the FAA proposed to add a new Sec. 61.199(c) as a temporary provision, which would have allowed military instructor pilots who obtained their initial flight instructor certificate under subpart H to reinstate that instructor certificate based on military competence rather than by completing a practical test. --------------------------------------------------------------------------- \141\ As explained in the NPRM, the FAA has accepted a flight instructor or examiner proficiency check conducted by the military to be equivalent to an FAA practical test for the purposes of issuing initial flight instructor certificates, adding ratings to existing flight instructor certificates, and renewing flight instructor certificates. --------------------------------------------------------------------------- The FAA received six comments on these proposed amendments. Three commenters supported the proposal. Two commenters recommended changes to the proposed rule language. One commenter opposed the proposal. The Society of Aviation and Flight Educators (SAFE) and Aircraft Owners and Pilots Association (AOPA) concurred with the proposed amendments to Sec. 61.199 AOPA also supported the proposed changes to Sec. 61.197 One individual, identifying himself as a retired U.S Air Force instructor, supported having military credentials recognized by the FAA and providing civilian equivalent instructor ratings. One individual, identifying as a military instructor with the National Guard Bureau, agreed with changing the timeframe in Sec. 61.197(a)(2)(iv) from 12 ***calendar*** months to 24 ***calendar*** months. However, the commenter suggested that the FAA revise the proposed rule language to require a record showing that, within the preceding 24 months from the month of application, the flight instructor passed an official U.S Armed Forces military instructor pilot proficiency check equivalent to renewal requirements as stated in the practical test standards (PTS) for the rating sought. The commenter believed that this would validate an equivalent level of flight proficiency. The commenter explained that because some U.S Armed Forces have instructors that only train specific tasks such as formation flying or tactical operations, this type of instruction is not an equivalent level of flight proficiency as required for the renewal of a FAA flight instructor certificate. The commenter also provided attachments described as comparable military instructor pilot proficiency checks accomplished on an annual basis in the U.S Army. The commenter asserted that these annual checks are equivalent to or better than what would be necessary for the renewal of a flight instructor rating. As stated in the NPRM, the FAA proposed to clarify in Sec. 61.197(a)(2)(iv) that a flight instructor may renew his or her certificate by providing a record demonstrating that, within the previous [[Page 30263]] 24 ***calendar*** months, the instructor passed a ``U.S Armed Forces military instructor pilot proficiency check'' for a rating that the instructor already holds or for a new rating. As explained in the NPRM, the FAA has accepted a flight instructor or examiner proficiency check conducted by the military to be equivalent to an FAA practical test for the purposes of issuing initial flight instructor certificates and adding ratings to existing flight instructor certificates.\142\ Upon further reflection, the FAA finds that the renewal requirements of Sec. 61.197(a)(2)(iv) should be consistent with Sec. 61.73(g), which allows a person to apply for and be issued an initial flight instructor certificate based on official U.S military documentation of being a U.S military instructor pilot or U.S military pilot examiner. Therefore, the FAA is revising proposed Sec. 61.197(a)(2)(iv) to allow renewal based on either ``an official U.S Armed Forces military instructor pilot or pilot examiner proficiency check.'' --------------------------------------------------------------------------- \142\ 81 FR at 29740. --------------------------------------------------------------------------- However, the FAA disagrees with referencing the PTS within Sec. 61.197(a)(2)(iv) because it would be too prescriptive. The military typically does not perform all the tasks from the PTS or Airman Certification Standards (ACS), as appropriate, required for civil pilot certification during their military instructor pilot proficiency checks. Rather, the military typically performs tasks or maneuvers that are not outlined in the PTS and/or ACS. The FAA believes that requiring a record showing that, within the preceding 24 months from the month of application, the flight instructor passed an official U.S Armed Forces military instructor pilot proficiency check in an aircraft for which the military instructor already holds a rating or in an aircraft for an additional rating, is sufficient to validate a flight instructor's equivalent level of competency. The FAA has long recognized and accepted military credit without further review. The individual commenter further asserted that if a military proficiency check meets the requirements for flight instructor renewal or reinstatement as described in the PTS and/or ACS, the FAA should modify Sec. 61.73(g)(3)(iv) to read: ``An official U.S Armed Forces record or order that shows the person passed a U.S Armed Forces instructor pilot or pilot examiner proficiency check in an aircraft as a military instructor pilot or pilot examiner that is appropriate to the flight instructor rating sought that meets equivalent requirements of 14 CFR 61.185 '' Section 61.73(g)(3)(i) already requires the applicant to present a knowledge test report that shows the person passed a knowledge test on the aeronautical knowledge areas listed under Sec. 61.185(a). Therefore, the FAA finds it unnecessary to revise Sec. 61.73(g)(3)(iv) to require the U.S Armed Forces proficiency check to meet requirements of Sec. 61.185 This commenter also recommended the FAA revise proposed Sec. 61.199(a)(3), which would have required a military instructor to show, within the preceding 6 ***calendar*** months from the date of application for reinstatement, the person passed a U.S Armed Forces instructor pilot or pilot examiner proficiency check for an additional military instructor rating. The commenter noted that additional military ratings are not acquired through a ``proficiency check.'' The commenter, therefore, recommended the FAA revise paragraph (a)(3) to require a record showing that, within the previous six ***calendar*** months, the instructor passed a U.S Armed Forces instructor pilot or pilot examiner qualification ***program*** for an additional military rating that results in an additional rating to be added to the airman certificate. The individual also recommended the FAA add a new paragraph (a)(4) that would allow for reinstatement of a flight instructor certificate if the instructor can provide a record showing that, within the previous six ***calendar*** months, the instructor passed a U.S Armed Forces instructor pilot or pilot examiner proficiency check equivalent to reinstatement requirements as stated in the PTS and/or ACS for the rating sought. The commenter explained this provision would facilitate reinstatement of an expired flight instructor certificate through a U.S Armed Forces proficiency check that would be equivalent to the flight test described in the PTS. As the commenter pointed out, additional military ratings are not acquired through a proficiency check. Therefore, the FAA is revising proposed Sec. 61.199(a)(3) to more accurately reflect the process by which a military instructor pilot acquires an additional aircraft rating qualification. The FAA is also dividing proposed Sec. 61.199(a)(3) into two subparagraphs to make the reinstatement requirements for a military instructor pilot more consistent with the reinstatement requirements for a civilian holder of an expired flight instructor certificate, which are found in Sec. 61.199(a)(1) and (2). Accordingly, Sec. 61.199(a)(3)(i) now allows reinstatement of an expired flight instructor certificate if the military instructor pilot can provide a record showing that, within the preceding 6 ***calendar*** months from the date of application for reinstatement, the pilot passed a U.S Armed Forces instructor pilot or pilot examiner proficiency check. The FAA finds that a U.S Armed Forces instructor pilot or pilot examiner proficiency check is the military equivalent of a flight instructor certification practical test. Therefore, this requirement is consistent with Sec. 61.199(a)(1), which allows reinstatement of an expired flight instructor certificate if the civilian pilot satisfactorily completes a flight instructor practical test for one of the ratings held on the expired flight instructor certificate. Additionally, Sec. 61.199(a)(3)(ii) now allows reinstatement of an expired flight instructor certificate if the military instructor pilot can provide a record showing that, within the preceding 6 ***calendar*** months from the date of application for reinstatement, the pilot completed a U.S Armed Forces instructor pilot or pilot examiner training course and received an additional aircraft rating qualification as a military instructor pilot or pilot examiner that is appropriate to the flight instructor rating sought. The FAA finds that this requirement accurately reflects the process by which a military instructor pilot acquires an additional aircraft rating. The FAA is not using the terminology ``qualification ***program***,'' as the commenter recommended, because it is subject to interpretation. Instead, the FAA is using language that is consistent with the terminology of Sec. 61.73(g)(3)(iii).\143\ The FAA notes that new Sec. 61.199(a)(3)(ii) is consistent with Sec. 61.199(a)(2), which allows a civilian holder of an expired flight instructor certificate to reinstate that flight instructor certificate by satisfactorily completing a flight instructor certification practical test for an additional rating. --------------------------------------------------------------------------- \143\ To be issued a flight instructor certificate with the appropriate ratings, Sec. 61.73(g) requires, in part, that the person present an official U.S Armed Forces record or order that shows the person completed a U.S Armed Forces' instructor pilot or pilot examiner training course and received an aircraft rating qualification as a military instructor pilot or pilot examiner that is appropriate to the flight instructor rating sought. 14 CFR 61.73(g)(3)(iii). --------------------------------------------------------------------------- One individual asserted that military instructor pilots who allow their FAA flight instructor rating to expire reflect a lack of knowledge concerning 14 CFR part 61 that is pervasive in the military. The FAA disagrees. There are many possible scenarios other than ``a lack of knowledge'' that may lead to someone letting his or her flight instructor [[Page 30264]] certificate expire. In some instances, it may be intentional or an individual may be subject to events beyond his or her control. As such, the commenter's assertion is speculative. The FAA has determined that this provision will provide an equitable method of renewal or reinstatement for a FAA flight instructor certificate similar to the allowances currently described in Sec. 61.199(a)(1) and (2).\144\ --------------------------------------------------------------------------- \144\ (1) A flight instructor certification practical test, as prescribed by Sec. 61.183(h), for one of the ratings held on the expired flight instructor certificate. (2) A flight instructor certification practical test for an additional rating. --------------------------------------------------------------------------- One individual recommended the FAA revise Sec. 61.73 to add military navigators and naval flight officers who hold a FAA flight instructor certificate and who are military flight instructors to the list of persons eligible for an instrument flight instructor certificate. This commenter further asserted that there are numerous other military aeronautical specialties beyond pilots, navigators, and naval flight officers who have a skill set that may be valuable to the civilian aviation community. The commenter recommended that any military member that can produce documentation of service instructing any aviation crew position be exempted from the fundamentals of instruction written examination for a flight instructor certificate in Sec. 61.183(e) or for a ground instructor certificate in Sec. 61.213(b). The FAA is not adopting these recommendations because they are outside the scope of this rulemaking. Furthermore, the FAA disagrees with providing flight instructor equivalency for non-pilot instructor positions. The FAA is adding new Sec. 61.199(c) as proposed. As previously stated, Sec. 61.199(c) will allow military instructor pilots who obtained their initial flight instructor certificate under subpart H to reinstate that flight instructor certificate based on military competence rather than by completing a practical test. The FAA notes that Sec. 61.199(c) is a temporary provision that will expire on August 26, 2019. The FAA will revise FAA Order 8900.1 to provide guidance to designees and inspectors on how to facilitate instructor military competency approvals. J. Use of Aircraft Certificated in the Restricted Category for Pilot Flight Training and Checking Section 91.313(a) prohibits a person from operating a restricted category aircraft for other than the special purpose for which it is certificated or in any operation other than one necessary to accomplish the work activity directly associated with the special purpose. Under Sec. 91.313(b), operating a restricted category civil aircraft to provide flight crewmember training in a special purpose operation for which the aircraft is certificated is an operation for that special purpose. The FAA recently clarified, however, that flight training and testing for certification (e.g , for type ratings) in restricted category aircraft is not a special purpose operation under Sec. 91.313 \145\ As such, these activities cannot be conducted in a restricted category aircraft. --------------------------------------------------------------------------- \145\ Several operators hold exemptions that permit them to conduct pilot training for certification, practical tests (for type rating designations) in aircraft certificated in the restricted category. --------------------------------------------------------------------------- 1. Flights Necessary To Accomplish Work Activity Directly Associated With the Special Purpose In the NPRM, the FAA proposed in Sec. 91.313(b) to list the following operations in restricted category aircraft as flights necessary to accomplish the work activity directly associated with a special purpose operation:  Flights conducted for flight crewmember training in a special purpose operation for which the aircraft is certificated provided the flight crewmember holds the appropriate category, class, and type ratings and is employed by the operator to perform the appropriate special purpose operation;      Flights conducted to satisfy proficiency check and recent flight experience requirements under part 61 of this chapter provided the flight crewmember holds the appropriate category, class, and type ratings and is employed by the operator to perform the appropriate special purpose operation; and      Flights conducted to relocate a restricted category aircraft for maintenance.     A number of commenters, including Queen Bee Air Specialties, Inc., GAMA, Air Tractor, and the National ***Agricultural*** Aviation Association (NAAA), noted that the proposed regulation would prohibit third-party training providers from conducting flight crewmember training in a special purpose operation. The commenters indicated that such a provision would eliminate ***agricultural*** aviation schools and decrease safety. The commenters noted that training by experienced instructors based on an approved curriculum in restricted category aircraft under the oversight of FAA inspectors enhances safety. The NAAA and the Colorado ***Agricultural*** Aviation Association (CAAA) commented that they interpreted the proposal to allow ***agricultural*** aviation operator ``sponsored'' pilots to be able to attend third party training facilities.     GAMA, NAAA, AOPA, and CAAA suggested revisions to proposed Sec.   91.313(b) to ensure that training which is directly associated with the special purpose operation is permitted without an employment relationship existing between the trainee and the special purpose operator.\146\ ---------------------------------------------------------------------------

    \146\ GAMA, Air Tractor, NAAA and Colorado ***Agricultural*** Aviation Association all cited a recent survey conducted by the NAAA which found that operators who conduct ***agricultural*** operations have an average of 2.1 aircraft per operation, and that there was an average of 2.0 pilots per operation. Texas State Technical College, GAMA, NAAA, Farm Air, Curless Flying Service and Colorado ***Agricultural*** Aviation Association all noted that many of these small operators do not have capacity to dedicate an aircraft to training. NAAA, Farm Air, Curless Flying Service, Colorado ***Agricultural*** Aviation Association and Queen Bee Air Specialties specifically discussed the difficulty of maintaining a turbine aircraft and commented that most operators rely on third party training providers to provide instruction in a dual cockpit aircraft. ---------------------------------------------------------------------------

    Upon review of the extensive comments received, including a conference call with Air Force representatives on December 13, 2016, and a face-to-face meeting with representatives from the ***agricultural*** aviation industry during the comment period, the FAA agrees that the proposed rule language would have unnecessarily required all personnel receiving flight crewmember training in a special purpose operation to be employed by the operator providing the training.\147\ ---------------------------------------------------------------------------

    \147\ A record of conversation was placed in the docket for each of these meetings. ---------------------------------------------------------------------------

    Flight crewmember training in a special purpose operation has historically been conducted by flight schools. Appendix K of part 141 for pilot schools contains allowances for special curriculum courses for ***agricultural*** and external load operations. The FAA did not intend to end the longstanding practice of pilot schools conducting flight crewmember training in a special purpose operation. Flight crewmember training in a special purpose operation for which the aircraft is certificated is currently authorized in accordance with Sec.  91.313(b) and was not intended to be affected by this provision. It was the FAA's intent only to require pilot candidates to be an employee of the operator when accomplishing training or practical tests specific to the requisite type rating, a proficiency check, or recent flight experience requirements specified under part 61. The FAA has revised the language proposed in the NPRM to remove the employee requirement for

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flight crewmember training in a special purpose operation.     The FAA is retaining the provision proposed in Sec.  91.313(b) that allows pilots employed by operators performing special purpose operations to accomplish Sec.  61.58 proficiency checks and recent flight experience requirements set forth in Sec.  61.57 in the course of their employment provided the pilots hold the appropriate category, class, and type ratings. When a pilot is employed to perform a special purpose operation, satisfying recent flight experience and proficiency check requirements is necessary to accomplish the work activity directly associated with a special purpose operation. When a pilot is not employed to perform a special purpose operation, these operations are neither a special purpose operation nor an operation directly associated with a special purpose operation and, therefore, are not permitted under Sec.  91.313(a).     The FAA is also retaining the provision from the NPRM that adds relocation flights for maintenance to the list of operations considered necessary to accomplish the work activity directly associated with the special purpose operation.     GAMA, Air Tractor, NAAA, Thrush Aircraft, Inc. and CAAA all noted that the FAA's proposal to add this provision could suggest that other essential types of flights necessary to accomplish work directly associated with the special purpose, such as positioning flights, flights to deliver aircraft, and flights to trade shows, are excluded from expressly listed operations. GAMA stated that these flights are clearly within the scope of flights necessary to accomplish work directly associated with the special purpose, but that the industry could benefit from explicit recognition that Sec.  91.313(b) does not contain an exhaustive list of flights.     The FAA has modified the final rule text to include flights to relocate a restricted category aircraft for delivery, repositioning, or maintenance to be considered as flights necessary to accomplish work activity directly associated with a special purpose operation. This change in the final rule permits many of the operations described by the commenters, such as deliveries from an aircraft manufacturer, change in ownership deliveries, relocation from one special purpose operation to another, or repositioning for the special purpose operation. The FAA notes that other types of flight events not expressly allowed by the regulation may be permitted if they are necessary to accomplish work activity directly associated with the special purpose operation.\148\ Any operation that does not meet this standard would require an exemption from the regulation. ---------------------------------------------------------------------------

    \148\ In the 1965 final rule, the FAA provided examples of operations necessary to accomplish the work activity directly associated with the special purpose operation which included allowing a farmer to conduct a flight for the purpose of showing which fields should be dusted or transportation of an insurance agent, surveyor, or inspector to the site of a special purpose operation. The FAA would also consider a flight conducted to relocate an aircraft to an area of a special purpose operation to be an operation necessary to accomplish the special purpose operation. ---------------------------------------------------------------------------

2. LODAs for Training and Testing for Certification     In the NPRM, the FAA proposed in Sec.  91.313(h) to allow operators of restricted category aircraft to apply for deviation authority for the purpose of conducting the following operations in restricted category aircraft:      Flight training and the practical test for issuance of a type rating provided the pilot being trained and tested holds at least a commercial pilot certificate with the appropriate category and class ratings for the aircraft type and is employed by the operator to perform a special purpose operation; and      Flights to designate an examiner or qualify an FAA inspector in the aircraft type and flights necessary to provide continuing oversight and evaluation of an examiner.     The FAA emphasized that the proposed provision was intended to ensure that operators do not establish training schools for the sole purpose of issuing type ratings using restricted category aircraft. As proposed, operators would only be granted deviation authority under proposed Sec.  91.313(h) to conduct this training and testing for pilots who are employed by the operator and only when a type rating is required to complete the special purpose operation for which the aircraft was certificated and the operator is actively engaged in performing.     A number of commenters opposed the proposed provision in Sec.   91.313(h) that limited the ability to obtain a LODA to an employer providing flight training to its employees who perform a special purpose operation for that employer. Texas State Technical College, GAMA, L-3 Communications, and Queen Bee all suggested that such a limitation would result in a reduction in safety.     More specifically, Thrush Aircraft, Inc. noted that the implication of the phrase ``is employed by the operator'' in proposed Sec.   91.313(h)(1)(i) is that an employer/employee relationship must exist before any training may commence. The interpretation of this phrase could create the effect of ``restricting'' the aircraft from being used in ***agricultural*** aviation flight schools to conduct training of students planning to become ***agricultural*** pilots, by instructors employed by manufacturers and their dealers, or flight schools to perform pilot checkouts and transitional training, such as transitions from piston powered to turbine powered aircraft and by third party training for firefighting or other restricted category operations. The U.S Air Force commented that proposed Sec.  91.313(h) would prohibit commercial vendors from providing the required USAF flight crewmember training; therefore, USAF flightcrew would not be able to receive training in restricted category aircraft. The USAF also indicated that removing the employment requirement would allow training in aircraft where it is not practical to obtain a type rating in an aircraft with a standard airworthiness certificate. Queen Bee stated that the proposal limits ability for dealers to provide training that is crucial to customers for their safety, success and comfort.     As noted previously, the FAA has removed the proposed employment requirement for flight crewmember training in a special purpose operation. Third party training providers may continue to provide training in special purpose operations (e.g firefighting, ***agricultural*** operations, and aerial advertising) absent an employment relationship provided the operation is a special purpose operation for which the aircraft is certificated.\149\ The LODA and employment requirements described in Sec.  91.319(h)(1)(i) is specific to training and testing to obtain a type rating and does not impede the special purpose flight training identified by Thrush, the USAF, and Queen Bee. ---------------------------------------------------------------------------

    \149\ 14 CFR 21.25(b). ---------------------------------------------------------------------------

    GAMA, L-3 Communications, and AOPA all suggested that the FAA revise the proposal to permit individuals or entities (instead of operators) to apply for deviation authority and require that the trainee is employed by ``an'' operator to perform a special purpose operation instead of ``the'' operator applying to conduct the training in proposed Sec.  91.313(h)(1). They noted that this would help to ensure that the type rating training is required for the special purpose operation in which the operator is actively engaged but allow flexibility if the operator is unable to conduct the training itself. GAMA noted, however, that this provision still would hinder training of pilots trying to enter the

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industry and not yet employed by a special purpose operator.     L-3 Communications noted that modifying the proposal so that other entities could obtain a LODA would allow training of initial cadres of pilots by an aircraft manufacturer or by a properly certified training school with an authorization to conduct restricted category training. L-3 Communications noted that such a change would still achieve the FAA's goal of limiting the training in restricted category aircraft for certification to only those pilots who are employed to perform a special purpose operation.     GAMA, Air Tractor, Queen Bee, and one individual generally noted that limiting the training and testing for the purpose of achieving a type rating in a restricted category aircraft to a pilot's employer will deny access to training for pilots that are not currently employed in a special purpose operation. Additionally, Air Tractor noted the possible burden on students, who must stay employed to finish flight training. GAMA also noted that some insurance underwriters may require pilots to obtain training that is only available through third party training providers. Air Tractor, NAAA, CAAA, Queen Bee and one individual all noted that these types of barriers to training will affect the ability to replace an aging pilot community.     As noted in the NPRM, the FAA has historically placed operating limitations on the use of restricted category aircraft because the airworthiness certification standards for these aircraft are not designed to provide the same level of safety that is required for aircraft certificated in the standard category. The operating limitations set forth in Sec.  91.313 are designed to compensate for the different standards and provide the necessary level of safety for special purpose operations. In the final rule, the FAA has retained the employment requirement to prevent flight training and testing for the purpose of obtaining a type rating in restricted category aircraft without an explicit employment connection to special purpose operations. The operation of restricted category aircraft has always been limited to special purpose operations and those operations necessary to accomplish the work activity directly associated with a special purpose operation. Providing flight training and testing for certification to a pilot who does not perform a special purpose operation is not training in a special purpose operation and the hope of eventual employment in a special purpose operation is too attenuated to be necessary to accomplish the work activity associated with a special purpose operation. 3. Economic Burden     L-3 Communications, Air Tractor, NAAA, CAAA, and Queen Bee generally noted that the proposed rule would have a significant adverse effect on businesses conducting operations with restricted category aircraft since nearly all of these businesses are small businesses. Texas State Technical College, L-3 Communications, Air Tractor, NAAA and CAAA all noted that limiting the training and testing of pilots for the purpose of achieving a type rating in a restricted category aircraft to owners/operators will result in a major financial burden to certain entities. GAMA, L-3 Communications, Air Tractor, Inc., and Queen Bee Air Specialties generally noted that many ***agricultural*** aviation operators lack the staff and aircraft to conduct training for their employees. Texas State Technical College and GAMA both noted that many of these small operators do not have in-house training staff. Texas State specifically noted that the cost of providing its own training would be a huge burden. Air Tractor commented that the FAA should not place more burdens on these operators and reduce safety by requiring training in restricted aircraft to be conducted by the operator and requiring the student to be an employee of the operator.     Most of the commenters concerned with the employment requirement have described training operations in which restricted category aircraft are being used for flightcrew member training in a special purpose operation rather than flight training to obtain a type rating. The FAA has removed the proposed employment requirement for special purpose training in the final rule which may continue to be conducted without obtaining a LODA and without an employment relationship. As such, the economic burden associated with this provision would only affect operators who must obtain a LODA to conduct flight training for certification. These are very limited training operations, and they are currently conducted by operators using the exemption process. The FAA has issued several exemptions to facilitate this training.\150\ In all cases, the FAA has required the training to be accomplished by the employer as a condition of the exemption. If anything the provision will be relieving in nature to both operators and the FAA by eliminating the need for the exemption process. As discussed in the NPRM, the provision is not intended to allow operators to establish training schools utilizing restricted category aircraft for the purpose of issuing type ratings. ---------------------------------------------------------------------------

    \150\ Aero Contractors Ltd., Exemption No. 14396; Alaska Air Fuel, Inc., Exemption No. 14205; Sky Aviation Corporation, Exemption No. 12449; Columbia Helicopters, Exemption No. 11506; Airborne Support, Inc., Exemption No. 11470; Withrotor Aviation, Inc., Exemption No. 11427; CHI Aviation, Exemption No. 11383; Aero-Flite, Inc., Exemption No. 11276; Billings Flight Service, Exemption No. 11383. ---------------------------------------------------------------------------

    Queen Bee specifically noted that this provision would limit its ability to vet pilots for operators that do not have two-place, dual control aircraft and/or the expertise in training. Queen Bee indicated it currently provides this training, which would be prohibited under the proposed requirements, for the U.S company ARAMCO which responds to oil spills in the Red Sea with U.S citizens as pilots.     L-3 Communications, Air Tractor, NAAA, Farm Air, Curless Flying Service and CAAA noted the effect on manufacturers developing and selling new restricted category type designs. L-3 Communications, Farm Air and Curless Flying Service asserted that the proposed rule would limit the ability of manufacturers to develop and sell new restricted category type design aircraft. According to the commenters, prospective buyers of new restricted category aircraft would not be able to receive training for their pilot employees. A manufacturer would have no incentive to produce a new design aircraft providing safety benefits and improvements based on new design features and technology insertion because pilot employees of a prospective buyer could not receive training.     Most restricted category aircraft do not require a type rating and would be unaffected by this provision. Additionally, a manufacturer of a new large or turbojet powered aircraft could seek approval as a standard or transport category aircraft and, therefore, avoid any such ``type rating'' training limitations. The FAA notes that the level of safety for restricted category aircraft may be lower than the level of safety for standard category aircraft. However, the restricted category level of certification does not eliminate any type certification procedural requirements, such as the need to comply with continued airworthiness requirements. To maintain an equivalent level of safety for the public the FAA imposes certain operating restrictions for restricted category aircraft. This provision is specific to facilitate training in restricted category aircraft requiring a type rating safely, not the promotion of restricted category aircraft production for public use.

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4. Operations for Compensation or Hire     The FAA also proposed a change to Sec.  91.313(c) to ensure that instructors providing flight training and designees conducting practical tests under a LODA may accept compensation for these operations. Likewise, the FAA proposed to revise Sec.  91.313(d) to permit persons to be carried on restricted category aircraft if necessary to accomplish a flight authorized by LODA under paragraph (h).     AOPA suggested revisions to Sec.  91.313(c) to eliminate confusion by breaking each of the operations identified into three separate subparagraphs and provided specific revised rule language. The FAA is retaining the language in paragraph (c) as it was proposed in the NPRM. The FAA merely proposed to add operations conducted under a LODA to the existing list of operations involving the carriage of persons and material that could be conducted without violating the general rule prohibiting the carriage of persons or property on restricted category aircraft for compensation or hire. 5. Exemptions     GAMA raised concerns about the relationship between Sec.  61.31 and proposed Sec.  91.313(h). GAMA noted that, if applicants requesting exemption from Sec.  61.31 type rating requirements also must request exemption from Sec.  91.313 type rating training through this LODA process, they will be subject to an employment requirement. GAMA suggested that the FAA clarify that aircraft operators who hold exemptions from a type rating requirement do not need to also request exemption from Sec.  91.313(h) per the proposed LODA process or revise the LODA process to permit third party training as discussed previously.     GAMA also noted that while the LODA process seems to provide a path for training in restricted category aircraft in pursuit of a type rating, they believe that this process will be burdensome to obtain and maintain. This process will be a barrier to a small business in that manufacturers that plan on building larger restricted category aircraft, that may not be exempted from the type rating requirement of Sec.  61.31, will have a more difficult time getting training for pilots. Air Tractor added that it and its competitor Thrush Aircraft, Inc. manufacture airplanes that, by definition, are ``large'' (greater than 12,500 lbs. gross weight). These airplanes are operated under exemptions from Sec.  61.31 Air Tractor requested that the FAA consider clarifying that large aircraft that are exempt from Sec.   61.31 are also exempt from the LODA process as proposed in the new Sec.  91.313(h).     Section 91.313 requires an operator to obtain a LODA to conduct training and testing for the purpose of obtaining a type rating in a restricted category aircraft. To the extent that some operators may hold exemptions that enable pilots to operate certain aircraft as PIC without a type rating, then Sec.  91.313 would be inapplicable. We note, however, that the general provision limiting the operation of restricted category aircraft to special purpose operations and flights necessary to accomplish the work activity directly associated with a special purpose operation remains applicable to all operations conducted--even operations conducted under these exemptions. No operator should utilize a restricted category aircraft outside the permitted operations in Sec.  91.313 6. FAA Interpretation of Sec.  91.313     Finally, AOPA commented that, for the last 50 ***years***, operators of restricted category aircraft have been permitted to use such aircraft for type rating training, type rating practical tests, and PIC proficiency checks per Sec. Sec.  61.31 and 61.58 AOPA suggested that the FAA reversed long-standing precedent in 2015 when it concluded that this type rating training was not permissible under Sec.  91.313 AOPA noted that new FAA guidance for conducting pilot training and/or certification events in a restricted category aircraft was then outlined in Notice N 8900.295 which stated that flights necessary for PICs to obtain type rating designations in the restricted category aircraft required under Sec.  61.31(a) are not permitted by the operating limitations in Sec.  91.313 \151\ AOPA stated that none of the FAA's documentation provides sufficient explanation as to the reason for the recent change in interpretation of current Sec.   91.313(b). AOPA commented that the FAA is now proposing to codify this new interpretation and implement a LODA process. AOPA added that conducting type rating training and practical tests in restricted category aircraft under certain circumstances and without a LODA has been an accepted practice for at least several decades. ---------------------------------------------------------------------------

    \151\ N 8900.295 Pilot Training and/or Certification Events Conducted in Restricted Category Aircraft became effective 05/05/ 2015. ---------------------------------------------------------------------------

    AOPA recommended that the FAA incorporate the operations from proposed Sec.  91.313(h)(1) into proposed Sec.  91.313(b). This approach would permit, without having to obtain a LODA, flight operations in restricted category aircraft which are necessary for PICs to obtain type rating designations in that aircraft, as required under Sec.  61.31(a). AOPA did not believe that the LODA approach adds any increased level of safety because the FAA has not articulated any reason for the recent reinterpretation of current Sec.  91.313 AOPA also believed that the FAA has not explained why the past accepted practice should not be codified.     The FAA Office of the Chief Counsel was asked by the Director of the Flight Standards Service to provide a legal interpretation on the scope of Sec.  91.313 and whether the regulation permitted operators to conduct training and testing for certification in restricted category aircraft. The Office of the Chief Counsel concluded that the rule as written does not expressly permit this training and testing. As previously noted, the FAA has historically placed limitations on the use of restricted category aircraft because they do not meet the same standard as a standard category aircraft. When restricted category aircraft are used solely for the purpose of providing a type rating to a pilot who is not engaged in a special purpose operation, the operation cannot meet the express requirements of Sec.  91.313(a). The previous history relative to this type of training does not change the identified training limitation. Additionally, the FAA believes that this type rating training and testing needs FAA oversight and approval to ensure safe operations. Restricted category aircraft were never intended or designed to be used for FAA pilot training and certification. The FAA will retain the requirement for an operator to obtain an LODA specific to training and testing in restricted category aircraft that require a type rating when a standard category aircraft is not readily available or does not exist and only when a pilot will be performing a special purpose operation.     AOPA noted that the FAA proposed to implement the changes to Sec.   91.313 within 180 days of the final rule. AOPA further noted that if all of its recommendations are adopted, the implementation time frame should be reduced to 30 days. AOPA suggested that the proposed changes would be less complex to implement because the LODA process is eliminated and less coordination within the FAA is required.     The FAA is not eliminating the LODA process and will retain the 180-day effective date after publication. This will allow the FAA and operators time to become familiar with the guidance and process documents associated with the LODA requirements. The FAA has

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retained the provision as proposed in the NPRM.

K. Single Pilot Operations of Former Military Airplanes and Other Airplanes With Special Airworthiness Certificates

    In the NPRM, the FAA proposed to revise Sec.  91.531 to allow large airplanes, including former military aircraft and some experimental aircraft, to operate without an SIC if they were originally designed for single pilot operations.\152\ The FAA also proposed to reorganize Sec.  91.531 by placing all affirmative requirements in paragraph (a) and all exceptions thereto in paragraph (b).\153\ ---------------------------------------------------------------------------

    \152\ Prior to this final rule, certain former military aircraft and some experimental aircraft that were designed to be flown by one pilot were required under Sec.  91.531(a) to have a SIC because they qualified as a large airplane. These airplanes were not eligible to obtain an LOA under Sec.  91.531(b) because they were not type certificated. Under Sec.  91.531(b), the Administrator was allowed only to issue LOAs for the operation of an airplane without an SIC ``if that airplane is designed for and type certificated with only one pilot station.''     \153\ As stated in the NPRM, the FAA also proposed to eliminate inconsistencies, redundancies, and obsolete provisions in Sec.   91.531, including the language found in former paragraph (d). 81 FR at 29744. The FAA notes that former Sec.  91.531(d), which applied to part 91, subpart K aircraft, was redundant to Sec.  91.1049(d). Section 91.1049(d) states, ``[u]nless otherwise authorized by the Administrator, when any ***program*** aircraft is flown in ***program*** operations with passengers onboard, the crew must consist of at least two qualified pilots employed or contracted by the ***program*** manager or the fractional owner.'' ---------------------------------------------------------------------------

    The Aircraft Owners and Pilots Association (AOPA) expressed concern that, if read in isolation, proposed Sec.  91.531(b) could be interpreted as providing an exhaustive list of airplanes that may be operated without a SIC. AOPA stated that this would be a detrimental unintended consequence because airplanes type certificated for one required pilot are not listed in proposed Sec.  91.531(b). AOPA recommended the FAA clarify that proposed Sec.  91.531(b) is not an exhaustive list.     Section 91.531(b) should not be read in isolation from the remainder of Sec.  91.531 Section 91.531 prescribes SIC requirements under subpart F of part 91. Subpart F of part 91 applies to large and turbine-powered multiengine airplanes and fractional ownership ***program*** aircraft. Section 91.531(b) should be read in context with paragraph (a), which expressly states that exceptions are provided in paragraph (b). The FAA finds that reading Sec.  91.531 in its entirety alleviates AOPA's concern. The FAA is adopting Sec.  91.531(b) as proposed.     AOPA also recommended revising proposed Sec.  91.531(b)(3) to state ``large airplane or turbojet-powered multiengine airplane,'' rather than ``large or turbojet-powered multiengine airplane,'' to prevent any confusion as to whether the paragraph applied to ``large airplanes'' or ``large multiengine airplanes.''     The FAA agrees that proposed Sec.  91.531(b)(3) may have caused confusion specific to large airplanes. The FAA is adopting AOPA's recommendation.     Additionally, the FAA recognizes that Sec.  91.531 has been amended since the FAA published the NPRM on May 12, 2016.\154\ Effective August 30, 2017, the FAA amended its airworthiness standards for normal, utility, acrobatic, and commuter category airplanes by replacing the current prescriptive design requirements of part 23 with performance- based airworthiness standards.\155\ As part of the part 23 final rule, the FAA replaced the utility, acrobatic, and commuter categories in part 23 with new airplane certification levels. As a result, the FAA amended Sec.  91.531(a)(1) and (3) to incorporate the new airplane certification levels to ensure airplanes certificated in the future under new part 23 airworthiness standards would be addressed by Sec.   91.531 In this final rule, the FAA finds it unnecessary to expressly incorporate the new airplane certification levels in the reorganized rule language of Sec.  91.531(a) because levels 3 and 4 airplanes are already covered by Sec.  91.531(a)(1), which requires a SIC for any airplane that is type certificated for more than one required pilot. ---------------------------------------------------------------------------

    \154\ Regulatory Relief: Aviation Training Devices; Pilot Certification, Training, and Pilot Schools; and Other Provisions, proposed rule, 81 FR 29720 (May 12, 2016).     \155\ Revisions of Airworthiness Standards for Normal, Utility, Acrobatic, and Commuter Category Airplanes, final rule, 81 FR 96572 (Dec. 30, 2016) (part 23 final rule). ---------------------------------------------------------------------------

    Furthermore, the FAA is relocating the exception in proposed Sec.   91.531(a)(2), which excepts from the SIC requirement any large airplane that is type certificated for single-pilot operation, to Sec.   91.531(b)(1). This change from what was proposed is consistent with the NPRM, which intended to place all affirmative requirements in paragraph (a) and all exceptions in paragraph (b). The FAA notes that, rather than providing an exception for any large airplane certificated under SFAR 41 if that airplane is certificated for operation with one pilot, paragraph (b)(1) excepts any airplane that is certificated for operation with one pilot. It is therefore unnecessary to expressly reference the new airplane certification levels in paragraph (b) because Sec.  91.531(b)(1) will except from the SIC requirement any airplane that is certificated for single-pilot operation, including any airplanes certificated under new part 23 and any large airplanes certificated under SFAR 41. The FAA notes that the remaining requirements of Sec.  91.531 remain unchanged from the proposal.

L. Technical Corrections and Nomenclature Change

    In the NPRM, the FAA proposed a technical correction in appendix I to part 141, Additional Aircraft Category and/or Class Rating Course. In paragraph 4.(k), course for an airplane additional multiengine class rating, subparagraph (2) discussing the requirements for the commercial pilot certificate, the FAA noted that two paragraphs were designated as (k)(2)(iv). The FAA proposed to redesignate the second paragraph (k)(2)(iv) as paragraph (k)(2)(v). The FAA received no comments on this correction. The FAA is redesignating the second paragraph (k)(2)(iv) as paragraph (k)(2)(v) as proposed.     Additionally, to reflect the change in nomenclature regarding flight simulators, the FAA proposed to remove the words ``flight simulator'' wherever they appear in the sections the FAA determined needed to be revised and replace them with the words ``full flight simulator.'' The Society of Aviation and Flight Educators agreed with the proposed changes of wording to ``full flight simulator.'' The FAA is adopting the changes as proposed. The following sections are amended to reflect this nomenclature change: Sec. Sec.  61.31, 61.51, 61.57, 61.109, 61.129, 61.159, 61.161, and section 4 of Appendix D to part 141.     Finally, as discussed in section III.F.2 of this preamble, GAMA recommended the FAA update its nomenclature to reflect the new Airmen Certification Standards (ACS). The FAA began transitioning from the practical test standards (PTS) to the airmen certification standards (ACS) on June 15, 2016. The transition from the PTS to the ACS is an ongoing process in which the FAA is enhancing the guidance it provides to applicants, instructors, and evaluators to better prepare applicants for knowledge and practical tests.\156\ ---------------------------------------------------------------------------

    \156\ The ACS offers a more comprehensive and integrated presentation of standards for the knowledge and practical test for an airman certificate or rating. ---------------------------------------------------------------------------

    In light of GAMA's comment, the FAA recognized that the following sections still referenced the practical test standards: Sec. Sec.   61.43, 61.57, 65.59, appendix A to part 65, and appendices A, B, C and D to part 60. The FAA has

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decided to revise these sections to reflect the transition to the ACS.     In Sec.  61.57(d), the FAA is removing the reference to the PTS. The FAA recognizes that it was inappropriate for Sec.  61.57(d) to state that the areas of operation and instrument tasks were required in the instrument rating PTS. The PTS and ACS do not contain regulatory requirements. Therefore, rather than referencing the instrument rating ACS in Sec.  61.57(d), the FAA is codifying in Sec.  61.57(d) the areas of operation for an IPC. The FAA finds that this revision is not a substantive change because the areas of operation and instrument tasks required for an IPC remain unchanged. Thus, an IPC is still driven by the standards for the instrument rating practical test.\157\ ---------------------------------------------------------------------------

    \157\ The areas of operation and instrument tasks are contained in new Sec.  61.57(d)(1). The FAA notes that it is redesignating former Sec.  61.57(d)(1) as new Sec.  61.57(d)(2), and former Sec.   61.57(d)(2) as new Sec.  61.57(d)(3). ---------------------------------------------------------------------------

    In Sec.  61.43(a)(1), the FAA is removing the reference to the PTS as unnecessary. The FAA is also removing from Sec.  65.59 the reference to the aircraft dispatcher PTS, to be consistent with editorial changes made to other regulatory parts pertaining to certification of airmen. In its place, the FAA is requiring an applicant to demonstrate skill in applying the areas of knowledge and the topics outlined in appendix A of part 65 to preflight and all phases of flight, which must include abnormal and emergency procedures. The FAA emphasizes that this is not a substantive change. The areas of operation in the aircraft dispatcher PTS are currently based on an aircraft dispatcher's duties as they relate to the various phases of flight, including preflight, en route, and post-flight, and abnormal and emergency situations that could occur. Therefore, the practical test will still be based on the aircraft dispatcher PTS on the items outlined in appendix A of part 65. Additionally, the aircraft dispatcher PTS will continue to provide direction to examiners on how to administer a practical test.     Additionally, the FAA is removing the references to the practical test standards for FAA Publication FAA-S-8081 series (Practical Test Standards for Airline Transport Pilot Certificate, Type Ratings, Commercial Pilot, and Instrument Ratings) in appendices A, B, C, and D to part 60. These references are replaced with ``FAA Airman Testing Standards for the Airline Transport Pilot Certificate, Type Ratings, Commercial Pilot Certificate, and Instrument Ratings.''

IV. Discussion of Effective Dates for Rule Provisions

    In the NPRM, the FAA proposed three different effective dates for the various proposed amendments. The proposed amendments would have been effective either 30, 60 or 180 days after the date of publication of the final rule in the Federal Register, depending on the type and scale of implementation needed for persons to begin complying with the amended requirements.     The FAA received no comments on the proposed effective dates. The following discussion summarizes when the various amendments included in this final rule will become effective.

Provisions Effective 30 Days After Date of Publication of Final Rule

    The following provisions will be effective 30 days after publication of the final rule:

 The revised definition of ``flight simulation training device'' in Sec.  1.1  All definitions added to Sec.  61.1 and revisions to the definition of ``pilot time'' in Sec.  61.1 regarding the reference to FFSs rather than flight simulators and the allowance for training received or given in an ATD  Substantive and clarifying amendments to Sec.  61.51(g)(4) and (5) regarding instructor requirement when using an FFS, FTD, or ATD to complete instrument recency experience  Amendment to Sec.  61.51(h) to include ATDs to accommodate the logging of training time in an ATD  Amendments to Sec.  135.245 regarding instrument experience requirements  Amendments to Sec.  61.195 regarding flight instructors with instrument ratings only  Amendment to Sec.  61.99 and addition of Sec.  61.109(l) regarding credit for training obtained as a sport pilot  Substantive amendment to Sec.  91.531 regarding single pilot operations of former military airplanes and other airplanes with special airworthiness certificates and clarifying amendments  Typographical correction to appendix I to part 141  Revisions related to the transition from the practical test standards to the airman certification standards in Sec. Sec.  61.43, 61.57, 65.59, appendix A to part 65, and appendices A, B, C and D to part 60

Provisions Effective 60 Days After Date of Publication of Final Rule

    The following provisions will be effective 60 days after publication of the final rule:

 Substantive amendments to Sec.  61.129(a)(3)(ii) and (j) and appendix D to part 141 regarding the completion of commercial pilot training in technically advanced airplanes and clarifying amendments to Sec.  61.129(b)(3)(ii)  Amendments to Sec. Sec.  61.412, 61.415(h) and 91.109(c) regarding sport pilot flight instructor training privilege  Amendments to Sec. Sec.  61.197 and 61.199 regarding military competence for Flight Instructors  Amendments to Sec.  61.31 regarding the allowance of a Sec.   135.293 pilot-in-command competency check in a complex or high- performance airplane to meet the training requirements for a complex or high-performance airplane, respectively

Provisions Effective 150 Days After Date of Publication of Final Rule

    The following provisions will be effective 150 days after publication of the final rule:

 Revisions to the definition of ``pilot time'' in Sec.  61.1 regarding the allowance of SIC time obtained under the SIC PDP in accordance with Sec.  135.99(c)  Amendments to Sec.  61.57(c) regarding instrument experience requirements  Amendments to Sec. Sec.  61.39, 61.51(e) and (f), 61.159(a), (c), and (d)-(f), 61.161, and 135.99(c) and (d) regarding logging flight time as a second in command in part 135 operations  Amendment to Sec.  141.5(d) regarding pilot school use of special curricula courses for renewal of certificate

Provisions Effective 180 Days After Date of Publication of Final Rule

    The following provisions will be effective 180 days after publication of the final rule:

 Amendments to Sec. Sec.  61.3(a) and (l), 63.3, 63.16, 121.383(a) through (c), 91.1015 and 135.95 regarding temporary validation of flightcrew members' certificates  Amendments to Sec.  91.313 regarding use of aircraft certificated in the restricted category for pilot flight training, checking, and testing.

V. Advisory Circulars and Other Guidance Materials

    To further implement this final rule, the FAA is revising or creating the following Advisory Circulars and FAA Orders.     FAA Order 8900.1, Flight Standards Information Management System, Vol. 11, Chapter 10, Basic and Advanced Aviation Training Device, Sec. 1, Approval and Authorized Use under 14

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CFR parts 61 and 141 guidance concerning ATD's will be revised.     FAA Order 8900.1, Flight Standards Information Management System, Vol. 5 Airmen Certification, Chapter 1 Direction, Guidance, and Procedures for Title 14 CFR parts 121/135 and General Aviation, Sec. 1, General Information, will be revised adding a new paragraph to facilitate application to the General Aviation and Commercial Division for new technology TAA designation.     The Commercial Pilot--Airplane ACS will be revised to no longer require a complex or turbine powered airplane to be provided for part of the practical test, and the Flight Instructor PTS for Airplane will be revised to no longer require a complex airplane to be provided for part of the practical test.     AC 135-43: This document will be a new AC (Part 135 SIC Professional Development ***Program***) that will provide part 135 operators guidance on receiving FAA approval for training and qualifying pilots to act as an SIC and log that time for the ATP flight time requirements.     AC 61-65, Certification: Pilots and Flight and Ground Instructors will be revised to include endorsements and guidance pertaining to the sport pilot provisions. This will include the recommended endorsement for qualifying a sport pilot only instructor to give basic instrument flight instruction to sport pilot candidates only. Additional guidance will be provided concerning reference to the General Aviation and Commercial Division, to qualify aircraft as TAA that otherwise do not meet the criteria defined in the rule definition.     AC 141-1 Pilot School Certification will be revised to reflect the allowance to use graduates from special curricula courses as a counter for those pilot schools obtaining initial or renewal pilot school certification.     AC 00-70: This document will be a new AC (Flightcrew Member Certificate Verification Plan) that will provide part 121 air carriers, part 135 air carriers/operators, and part 91, subpart K, ***program*** managers guidance on receiving FAA approval of a certificate verification plan to provide a temporary document verifying a flightcrew member's airman certificate and medical certificate privileges.     FAA Order 8900.1, Flight Standards Information Management System, Vol. 5, Airman Certification, Chapter 1, Direction, Guidance and Procedures for Parts 121/135 and General Aviation, Sec. 7, Amendments to Certificates and Replacement of Lost Certificates will be revised to provide guidance concerning temporary documents verifying a flightcrew member's airman certificate and medical certificate privileges under an approved certificate verification plan set forth in the certificate holder's operations specifications/management specifications.     FAA Order 8900.1, Flight Standards Information Management System, Vol. 5, Airman Certification, Chapter 2, Title 14 CFR part 61 Certification of Pilots and Flight Instructors, Sec. 15, Issue a Title 14 CFR part 61 Pilot Certificate Based on Military Competence; and FAA Order 8900.2, General Aviation Airman Designee Handbook, Chapter 7, Designated Pilot Examiner ***Program***, Sec. 19, Accomplish Designation/ Issue Certificates as an ACR Employed Solely by a FIRC Sponsor, Paragraph 121, Flight Instructor Certificate and Ratings Issued on the Basis of Military Competence by an MCE and MC/FPE, and Paragraph 122, Certification of Graduates; and Sec. 20, Accomplish Designation/Conduct Functions as an MCE, FPE, MC/FPE, GIE, and FIRE, Paragraphs 123-127, Background, General Information for MCE, FPE, and MC/FPE Designations, Issuance of a U.S Private Pilot Certificate and Ratings Based on Foreign Pilot Licenses, Pilot Certificates and Ratings Issued on the Basis of Military Competence by an MCE and MC/FPE, and Compliance with Other Provisions, respectively, guidance concerning flight instructor certificate renewal via military competence will be revised regarding the military flight instructor provisions included in this final rule.

VI. Section-By-Section Discussion of the Final Rule

    In part 1, definitions and abbreviations, in Sec.  1.1, the definition of ``flight simulation training device'' is revised.     In part 60, flight simulation training device initial and continuing qualification and use, appendices A, B, C, and D are revised to remove the references to the FAA Publication FAA-S-8081 series (Practical Test Standards for Airline Transport Pilot Certificate, Type Ratings, Commercial Pilot, and Instrument Ratings) to reflect the transition to the airman certification standards. These references are replaced with ``FAA Airman Testing Standards for the Airline Transport Pilot Certificate, Type Ratings, Commercial Pilot Certificate, and Instrument Ratings.''     In part 61, certification: Pilots, flight instructors, and ground instructors, in Sec.  61.1, the definition of ``pilot time'' is revised. New definitions are added to Sec.  61.1(b) for ``aviation training device'' and ``technically advanced airplane.''     Section 61.3(a) is revised to permit a pilot flightcrew member to carry a temporary document as a required pilot certificate for operating a civil aircraft of the United States. This document must be provided under an approved certificate verification plan by a part 119 certificate holder conducting operations under part 121 or 135 or a fractional ownership ***program*** manager conducting operations under part 91, subpart K. Section 61.3(l) is revised to require the temporary document to be presented for inspection upon request of certain persons.     Section 61.31 is revised to add an exception in Sec.  61.31(e) and (f) to allow a Sec.  135.293 pilot-in-command competency check completed in a complex or high performance airplane to meet the training requirements for a complex or high performance airplane, respectively.     Section 61.39 is revised to add a provision that requires a pilot who has logged flight time under the SIC professional development ***program*** requirements of Sec.  61.159(c) to present a copy of the records required by Sec.  135.63(a)(4)(vi) and (x) at the time of application for the practical test.     Section 61.43 is revised to remove the reference to the practical test standards to reflect the transition to the airman certification standards.     Section 61.51(e) is revised to allow a commercial pilot or ATP acting as PIC of a part 135 operation to log all of the flight time as PIC flight time even when the SIC is the sole manipulator of the controls under an approved SIC PDP. Section 61.51(e) is also revised to prohibit an SIC from logging PIC time when the SIC is the sole manipulator of the controls under an approved SIC PDP. Section 61.51(f) is revised to reflect the allowance for SICs to log flight time in part 135 operations when not serving as required flightcrew members under the type certificate or regulations. Section 61.51(g) is revised to allow a pilot to accomplish instrument experience when using a FFS, FTD, or ATD without an instructor present. Section 61.51(h) is revised to include ATDs to accommodate the logging of training time in an ATD.     Section 61.57(c) is revised to allow pilots to accomplish instrument experience in ATDs at the same 6-month interval allowed for FFSs and FTDs. In addition, the section is revised to no longer require pilots, who opt to use ATDs for accomplishing instrument experience, to complete a specific number of additional instrument experience hours or additional tasks. Finally, Sec.  61.57(d) is being revised to remove the reference to the practical test

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standards and codifying the areas of operation and instrument tasks required for an IPC.     Section 61.99 is revised to allow flight training received from a flight instructor with a sport pilot rating who does not also hold a flight instructor certificate issued under the requirements in subpart H of part 61 to be credited toward the flight training and aeronautical experience requirements for a recreational pilot certificate with airplane or rotorcraft categories.     Section 61.109 is revised by adding paragraph (l) to allow flight training received from a flight instructor with a sport pilot rating who does not also hold a flight instructor certificate issued under the requirements in subpart H of part 61 to be credited toward the flight training and aeronautical experience requirements for a private pilot certificate with airplane, rotorcraft, or lighter-than-air categories.     Section 61.129(a)(3)(ii) is revised to allow a pilot seeking an initial commercial pilot certificate with an airplane single engine rating to complete 10 hours of training, currently required in a complex or turbine-powered airplane, to also be completed in a TAA or any combination thereof. Section 61.129(a)(3)(ii) is also revised to include a reference to the requirements of paragraph (j) because the FAA is relocating the proposed requirements regarding what a TAA must contain to Sec.  61.129(j). Coordinated revisions are made in Sec.   61.129(b)(3)(ii) for clarity and consistency purposes only.     Section 61.159 is revised to permit flight time logged under an approved SIC PDP to be used to meet certain flight time requirements for an ATP certificate with an airplane category rating.     Section 61.161 is revised to permit flight time logged under an approved SIC PDP to be used to meet certain flight time requirements for an ATP certificate with a rotorcraft category and helicopter class rating.     Section 61.195(b) and (c) are revised to permit a flight instructor who holds only an instrument rating to provide instrument training without being required to hold aircraft category and class ratings on his or her flight instructor certificate if both the flight instructor and the pilot receiving training hold a pilot certificate with the appropriate category and class ratings. Flight instructors who wish to provide instrument training in a multiengine airplane must still have that additional category and class on their flight instructor certificate.     Section 61.197(a)(2)(iv) is revised to allow a military instructor who has passed a U.S Armed Forces military instructor pilot proficiency check within the 24 ***calendar*** months preceding the month of application to be eligible to renew his or her FAA flight instructor certificate based on that proficiency check. The section is clarified to indicate that a flight instructor is able to renew his or her certificate by providing a record demonstrating that, within the previous 24 ***calendar*** months, the instructor passed a military instructor pilot proficiency check for a rating that the instructor already holds or for a new rating.     Section 61.199 is revised to permit a military instructor to reinstate his or her flight instructor certificate by providing a record showing that, within the previous six ***calendar*** months, the instructor passed a U.S Armed Forces instructor pilot or pilot examiner proficiency check for an additional military rating or completed a U.S Armed Forces' instructor pilot or pilot examiner training course and received an additional aircraft rating qualification as a military instructor pilot or pilot examiner. Section 61.199(c) is added as a temporary provision to provide a reinstatement method for military instructors and examiners who allowed their FAA instructor certificates to expire before the regulations allowed them to add a rating based on military instructor competence.     Section 61.412 is added to establish training and endorsement requirements for those sport pilot flight instructors who want to provide training for sport-pilot applicants on control and maneuvering solely by reference to the flight instruments.     Section 61.415 is revised by adding new paragraph (h) to clarify that a sport pilot instructor may not conduct flight training on control and maneuvering an aircraft solely by reference to the instruments in an airplane that has a Vh greater than 87 knots CAS without meeting the requirements in Sec.  61.412     In part 63, certification: Flight crewmembers other than pilots, Sec.  63.3(a) is revised to permit a flight engineer flightcrew member to carry a temporary verification document as an airman certificate or medical certificate, as appropriate. This document must be provided under an approved certificate verification plan by a part 119 certificate holder conducting operations under part 121. Section 63.3(e) is revised to require the temporary document to be presented for inspection upon request of certain persons.     Section 63.16 is revised to update the process for replacement of a lost or destroyed airman certificate or medical certificate and to add a process for replacement of a lost or destroyed knowledge test report.     In part 65, certification: Airmen other than flight crewmembers, Sec.  65.59 and appendix A are revised to update the terminology to reflect the transition to the airman certification standards.     In part 91, general operating and flight rules, Sec.  91.109(c) is revised to permit a sport pilot instructor who has obtained the endorsement in Sec.  61.412 to serve as a safety pilot only for the purpose of providing flight training on control and maneuvering solely by reference to the instruments to a sport pilot applicant seeking a solo endorsement in an airplane with a Vh greater than 87 knots CAS.     Section 91.313 is revised to permit operators of aircraft certificated in the restricted category to operate those aircraft for the purpose of providing pilot training and testing, to pilots employed by the operator to perform the special purpose operation, that leads to a type rating designation required by Sec.  61.31(a) (and an ATP certificate obtained concurrently with a type rating). The section is amended to allow flights to be conducted in restricted category aircraft for the purpose of designating examiners and qualifying FAA inspectors in the aircraft type and conducting oversight and observation of designated examiners.     Section 91.531 is revised to allow certain large airplanes that are not type-certificated to be operated without a pilot who is designated as SIC, provided that those airplanes: (1) Were originally designed with only one pilot station; or (2) were originally designed with more than one pilot station for purposes of flight training or for other purposes, but were operated by a branch of the United States armed forces or the armed forces of a foreign contracting State to the Convention on International Civil Aviation with only one pilot. The section is revised to eliminate redundancies and reorganized for purposes of clarification by placing all affirmative requirements for a SIC in paragraph (a) and all exceptions thereto in paragraph (b).     Section 91.1015 is revised to permit a fractional ownership ***program*** manager to obtain approval to provide a temporary document verifying a flightcrew member's airman certificate and medical certificate privileges under an approved certificate verification plan set forth in the ***program*** manager's management specifications.     In part 121, operating requirements: Domestic, flag, and supplemental operations, Sec.  121.383(b) is revised to require the temporary document to be

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presented for inspection upon request of the Administrator. Section 121.383(c) is revised to permit a certificate holder to obtain approval to provide a temporary document verifying a flightcrew member's airman certificate and medical certificate privileges under an approved certificate verification plan set forth in the certificate holder's operations specifications.     In part 135, operating requirements: Commuter and on demand operations and rules governing persons on board such aircraft, Sec.   135.95 is revised to permit a certificate holder to obtain approval to provide a temporary document verifying a flightcrew member's airman certificate and medical certificate privileges under an approved certificate verification plan set forth in the certificate holder's operations specifications.     Section 135.99 is revised to add paragraph (c) to permit a certificate holder conducting part 135 operations to receive approval of an SIC PDP via operations specifications (Ops Specs) in order to allow their pilots to log time as SICs in an operation that does not require an SIC by type certification of the aircraft or the regulations under which the flight is being conducted. The paragraph includes requirements related to the certificate holder, aircraft, and pilots involved. Section 135.99(d) states that certificate holders who have been approved to deviate from the requirements in Sec.  135.21(a), Sec.  135.341(a), or Sec.  119.69(a) are not permitted to obtain approval to conduct an SIC PDP.     Section 135.245 is revised to remove the reference to part 61 in Sec.  135.245(a) and move the current instrument experience requirements in Sec.  61.57(c) and (d) to new Sec.  135.245(c) and (d).     In part 141, pilot schools, Sec.  141.5(d) is revised to add an end-of-course test for a special curricula course approved under Sec.   141.57 to the list of activities a pilot school may use for the FAA to issue or renew a pilot school certificate.     Appendix D to part 141, commercial pilot certification course, is revised to allow commercial pilot certification courses to reflect the relief in Sec.  61.129(a)(3)(ii) that permits a pilot seeking a commercial pilot certificate with an airplane single engine class rating to complete the 10 hours of training in one, or a combination of, a TAA, a complex airplane, or a turbine-powered airplane.     Appendix I to part 141, additional aircraft category and/or class rating course, section 4, paragraph (k)(2) is revised by redesignating the second paragraph (k)(2)(iv) as paragraph (k)(2)(v).

VII. Regulatory Notices and Analyses

A. Regulatory Evaluation

    Changes to Federal regulations must undergo several economic analyses. First, Executive Order 12866, and Executive Order 13563, direct that each Federal agency shall propose or adopt a regulation only upon a reasoned determination that the benefits of the intended regulation justify its costs. Second, the Regulatory Flexibility Act of 1980 (Pub. L. 96-354) requires agencies to analyze the economic impact of regulatory changes on small entities. Third, the Trade Agreements Act (Pub. L. 96-39) prohibits agencies from setting standards that create unnecessary obstacles to the foreign commerce of the United States. In developing U.S standards, this Trade Act requires agencies to consider international standards and, where appropriate, that they be the basis of U.S standards. Fourth, the Unfunded Mandates Reform Act of 1995 (Pub. L. 104-4) requires agencies to prepare a written assessment of the costs, benefits, and other effects of proposed or final rules that include a Federal mandate likely to result in the expenditure by State, local, or tribal governments, in the aggregate, or by the private sector, of $100 million or more annually (adjusted for inflation with base ***year*** of 1995). This portion of the preamble summarizes the FAA's analysis of the economic impacts of this rule. We suggest readers seeking greater detail read the full regulatory evaluation, a copy of which we have placed in the docket for this rulemaking.     In conducting these analyses, FAA has determined that this final rule: (1) Has benefits that justify its costs, (2) is not an economically ``significant regulatory action'' as defined in section 3(f) of Executive Order 12866, (3) is not ``significant'' as defined in DOT's Regulatory Policies and Procedures; (4) will not result in a significant economic impact on a substantial number of small entities, because this rule provides modest cost savings without imposing significant costs; (5) will not create unnecessary obstacles to the foreign commerce of the United States; and (6) will not impose an unfunded mandate on state, local, or tribal governments, or on the private sector by exceeding the threshold identified above. These analyses are summarized below, and a full discussion of the benefits and costs is provided in the regulatory evaluation included in the docket for this rulemaking. Who is potentially affected by this rule?     This final rule will provide regulatory relief and benefits to pilots, student pilots, flight instructors, military pilots seeking civilian ratings, and pilot schools. Assumptions 1. Analysis Time Period--5 ***Years*** 2. Discount Rates--3% and 7% 3. Analysis Base Dollar ***Year***--2016 Summary of Cost Savings     The amendments in this final rule reduce or relieve existing burdens on the general aviation community and part 135 operators. Several of these changes result from comments from the general aviation community through petitions for rulemaking, industry/agency meetings, and requests for legal interpretation. The changes include: reduction in time and flexibilities in the use of ATDs, FTDs, and FFSs; expanded opportunities for pilots in part 135 operations to log flight time; allowed alternatives to the complex airplane requirement for commercial pilot training; and, an allowance for pilots to credit some of their sport pilot training toward a higher certificate. This final rule does not result in additional costs.     The present value total cost savings over the 5-***year*** period of analysis is about $93.1 million with an annualized cost savings of about $22.7 million at a 7% discount rate. The following table summarizes unquantified and monetized cost savings over the 5-***year*** period of analysis.

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                                       Table 2--Summary of Rule Provisions ----------------------------------------------------------------------------------------------------------------                                                                    Total 5-***year*** cost savings (millions of $2016                                                                                     dollars) \*                Provision/area of regulatory relief               -----------------------------------------------                                                                        2016$         PV at 3%        PV at 7% ---------------------------------------------------------------------------------------------------------------- Allow a pilot to accomplish instrument recency experience in an            $12.5           $11.4           $10.3  FFS, FTD, or ATD without an instructor present................. Reduction in interval and time for pilots using ATDs............            83.1            76.1            68.2 Allowance to use less expensive basic airplanes for tests                    3.1             2.8             2.6  instead of more expensive complex airplanes.................... Credit for training obtained as a sport pilot \*.................            14.0            13.3            12.3                                                                  -----------------------------------------------     5-***Year*** Total................................................           113.5           104.0            93.1 ----------------------------------------------------------------------------------------------------------------                                 Provisions With Unquantified Minimal Cost Savings ---------------------------------------------------------------------------------------------------------------- Second in Command for part 135 operations. Instrument recency experience for SICs serving in Part 135 operations. Flight instructors with instrument ratings only. Sport pilot flight instructor training privilege. Include special curricula courses in renewal of pilot school certificate. Temporary validation of flightcrew members' certificates. Military competence for flight instructors. Restricted category aircraft training and testing allowances. Single pilot operations of former military airplanes and other airplanes with special airworthiness  certificates. ---------------------------------------------------------------------------------------------------------------- \* Totals may not sum due to rounding.

    The following table summarizes annualized cost savings at a 7% discount rate (annualized estaimtes at a 3% discount rate are almost the same in this analysis). The reduction in interval and time for pilots using ATDs comprises about 75% of the savings of this final rule.

              Table 3--Summary of Annualized Cost Savings \* ------------------------------------------------------------------------                                                         Annualized cost          Provision/area of regulatory relief             savings at 7%                                                               ($M) ------------------------------------------------------------------------ Allow a pilot to accomplish instrument recency                      $2.5  experience in an FFS, FTD, or ATD without an  instructor present.................................. Reduction in interval and time for pilots using ATDs.               16.6 Allowance to use TAAs for training and less expensive                 .6  basic airplanes for tests instead of more expensive  complex airplanes................................... Credit for training obtained as a sport pilot........                3.0                                                       ------------------     Total............................................               22.7 ------------------------------------------------------------------------ \* Estimates may total due to rounding.

B. Regulatory Flexibility Determination

    The Regulatory Flexibility Act of 1980 (Pub. L. 96-354) (RFA) establishes ``as a principle of regulatory issuance that agencies shall endeavor, consistent with the objectives of the rule and of applicable statutes, to fit regulatory and informational requirements to the scale of the businesses, organizations, and governmental jurisdictions subject to regulation. To achieve this principle, agencies are required to solicit and consider flexible regulatory proposals and to explain the rationale for their actions to assure that such proposals are given serious consideration.'' The RFA covers a wide range of small entities, including small businesses, not-for-profit organizations, and small governmental jurisdictions.     Agencies must perform a review to determine whether a rule will have a significant economic impact on a substantial number of small entities. If the agency determines that it will, the agency must prepare a regulatory flexibility analysis as described in the RFA.     However, if an agency determines that a rule is not expected to have a significant economic impact on a substantial number of small entities, section 605(b) of the RFA provides that the head of the agency may so certify and a regulatory flexibility analysis is not required. The certification must include a statement providing the factual basis for this determination, and the reasoning should be clear.     Most of the parties affected by this final rule will be small businesses such as flight instructors, aviation schools, fixed base operators, and small part 135 air carriers. There are over 1,000 part 135 air carriers alone. The general lack of publicly available financial information from these small businesses precludes a financial analysis of these small businesses.     This final rule will affect a substantial number of small entities. However, this final rule will not impose a significant impact on those entities because this rule provides modest cost savings without imposing significant costs.     Therefore, as provided in section 605(b), the head of the FAA certifies that this final rule will not result in a significant economic impact on a substantial number of small entities, as it imposes no new costs.

C. International Trade Impact Assessment

    The Trade Agreements Act of 1979 (Pub. L. 96-39), as amended by the

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Uruguay Round Agreements Act (Pub. L. 103-465), prohibits Federal agencies from establishing standards or engaging in related activities that create unnecessary obstacles to the foreign commerce of the United States. Pursuant to these Acts, the establishment of standards is not considered an unnecessary obstacle to the foreign commerce of the United States, so long as the standard has a legitimate domestic objective, such as the protection of safety, and does not operate in a manner that excludes imports that meet this objective. The statute also requires consideration of international standards and, where appropriate, that they be the basis for U.S standards.     The FAA has assessed the potential effect of this final rule and determined that it will have only a domestic impact and therefore would not create unnecessary obstacles to the foreign commerce of the United States.

D. Unfunded Mandates Assessment

    Title II of the Unfunded Mandates Reform Act of 1995 (Pub. L. 104- 4) requires each Federal agency to prepare a written statement assessing the effects of any Federal mandate in a proposed or final agency rule that may result in an expenditure of $100 million or more (in 1995 dollars) in any one ***year*** by State, local, and tribal governments, in the aggregate, or by the private sector; such a mandate is deemed to be a ``significant regulatory action.'' The FAA currently uses an inflation-adjusted value of $155.0 million in lieu of $100 million.     This final rule does not contain such a mandate. Therefore, the requirements of Title II of the Act do not apply.

E. Paperwork Reduction Act

    The Paperwork Reduction Act of 1995 (44 U.S.C 3507(d)) requires that the FAA consider the impact of paperwork and other information collection burdens imposed on the public. According to the 1995 amendments to the Paperwork Reduction Act, (5 CFR 1320.8(b)(2)(vi)), an agency may not collect or sponsor the collection of information, nor may it impose an information collection requirement unless it displays a currently valid Office of Management and Budget (OMB) control number.     In the proposed rule the FAA identified three provisions with PRA implications that will require amended OMB supporting statements:      Instrument recency experience requirements (information collection 2120-0021),      Second in command for part 135 operations (information collection 2120-0021, 2120-0593, 2120-0039),      Include special curricula courses in renewal of pilot school certificate (information collection 2120-0009).     The FAA did not receive any comments regarding its proposed revision to any of the listed information collections. However, as the FAA was developing this final rule, it recognized that it had not provided an opportunity for meaningful comment regarding the proposed revisions to information collections 2120-0021, 2120-0039 and 2120- 0009.\158\ While the FAA had described the changes in burden it did not provide estimates of the total number of respondents affected by some of the changes. To ensure transparency and a meaningful opportunity for comment, the FAA published three notices seeking specific comment regarding the revisions being made to each of these information collections as part of this final rule.\159\ The revisions to these information collections will follow the notice and comment requirements of the Paperwork Reduction Act and will be submitted to OMB for review and approval. ---------------------------------------------------------------------------

    \158\ The FAA notes that for one information collection, 2120- 0593: Certification: Air Carriers and Commercial Operators, the FAA provided estimates of the number of respondents and the total burden. Therefore, the FAA provided adequate notice and an opportunity for comment regarding the revisions to information collection 2120-0593 in the NPRM. 81 FR 29749-52. The FAA further notes that this information collection was submitted to OMB during the comment period for the NPRM. OMB filed comment and continued the information collection on January 2, 2017.     \159\ Agency Information Collection Activities: Requests for Comments; Clearance of Renewed Approval of Information Collection: Pilot Schools-FAR 141, 83 FR 27820 (Jun. 14, 2018); Agency Information Collection Activities: Requests for Comments; Clearance of Renewed Approval of Information Collection: Certification: Pilots, Flight Instructors, and Ground Instructors, 83 FR 27821 (Jun. 14, 2018); Agency Information Collection Activities: Requests for Comments; Clearance of a Revision to an Approval of an Existing Information Collection: Operating Requirements: Commuter and On- Demand Operation, 83 FR 27822 (Jun. 14, 2018). ---------------------------------------------------------------------------

    The FAA notes that the effective dates of the provisions of this final rule with information collection revisions have been adjusted from the effective dates that were proposed to address the Paperwork Reduction Act requirements for notice and OMB approval.

F. International Compatibility and Cooperation

    In keeping with U.S obligations under the Convention on International Civil Aviation, it is FAA policy to conform to ICAO Standards and Recommended Practices to the maximum extent practicable. The FAA has reviewed the corresponding ICAO Standards and Recommended Practices and has identified the following differences with these proposed regulations.     The FAA notes that, under Sec.  61.159(c), pilots are permitted to log second in command flight time in part 135 operations when a second pilot is not required. ICAO standards do not recognize the crediting of flight time when a pilot is not required by the aircraft certification or the operation under which the flight is being conducted. Accordingly, all pilots who log flight time under this provision and apply for an ATP certificate would have a limitation on the certificate indicating that the pilot does not meet the PIC aeronautical experience requirements of ICAO. This limitation may be removed when the pilot presents satisfactory evidence that he or she has met the ICAO standards.     Additionally, the FAA is allowing part 119 certificate holders conducting operations under parts 121 and 135 and ***program*** managers conducting operations under part 91 subpart K to issue temporary verification documents to flightcrew members who do not have their airman certificates or medical certificates in their personal possession for a particular flight. A temporary verification document may be used for a period not to exceed 72 hours. Article 29 of the Convention on International Civil Aviation requires that every aircraft engaged in international navigation shall carry ``the appropriate licenses for each member of the crew.'' Accordingly, the FAA is limiting the use of temporary verification documents to flights conducted entirely within the United States.

G. Environmental Analysis

    FAA Order 1050.1F identifies FAA actions that are categorically excluded from preparation of an environmental assessment or environmental impact statement under the National Environmental Policy Act in the absence of extraordinary circumstances. The FAA has determined this rulemaking action qualifies for the categorical exclusion identified in paragraph 5-6.6f and involves no extraordinary circumstances.

VIII. Executive Order Determinations

A. Executive Order 13132, Federalism

    The FAA has analyzed this proposed rule under the principles and criteria of Executive Order 13132, Federalism. The agency has determined that this action would not have a substantial direct effect on the States, or the relationship between the Federal Government and

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the States, or on the distribution of power and responsibilities among the various levels of government, and, therefore, would not have Federalism implications.

B. Executive Order 13211, Regulations That Significantly Affect Energy Supply, Distribution, or Use

    The FAA analyzed this proposed rule under Executive Order 13211, Actions Concerning Regulations that Significantly Affect Energy Supply, Distribution, or Use (May 18, 2001). The agency has determined that it would not be a ``significant energy action'' under the executive order and would not be likely to have a significant adverse effect on the supply, distribution, or use of energy.

C. Executive Order 13609, Promoting International Regulatory Cooperation

    Executive Order 13609, Promoting International Regulatory Cooperation, (77 FR 26413, May 4, 2012) promotes international regulatory cooperation to meet shared challenges involving health, safety, labor, security, environmental, and other issues and to reduce, eliminate, or prevent unnecessary differences in regulatory requirements. The FAA has analyzed this action under the policies and agency responsibilities of Executive Order 13609, and has determined that this action would have no effect on international regulatory cooperation.

D. Executive Order 13771, Reducing Regulation and Controlling Regulatory Costs

    This final rule is considered an E.O 13771 deregulatory action. Details on the estimated cost savings of this final rule can be found in the rule's economic analysis.

IX. Additional Information

A. Availability of Rulemaking Documents

    An electronic copy of rulemaking documents may be obtained from the internet by--      Searching the Federal eRulemaking Portal ([*http://www.regulations.gov*](http://www.regulations.gov));      Visiting the FAA's Regulations and Policies web page at   [*http://www.faa.gov/regulations\_policies*](http://www.faa.gov/regulations_policies) or      Accessing the Government Publishing Office's web page at   [*http://www.fdsys.gov*](http://www.fdsys.gov)     Copies may also be obtained by sending a request to the Federal Aviation Administration, Office of Rulemaking, ARM-1, 800 Independence Avenue SW, Washington, DC 20591, or by calling (202) 267-9677. Commenters must identify the docket or notice number of this rulemaking.     All documents the FAA considered in developing this proposed rule, including economic analyses and technical reports, may be accessed from the internet through the Federal eRulemaking Portal referenced above.

B. Small Business Regulatory Enforcement Fairness Act

    The Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA) requires FAA to comply with small entity requests for information or advice about compliance with statutes and regulations within its jurisdiction. A small entity with questions regarding this document may contact its local FAA official, or the person listed under the FOR FURTHER INFORMATION CONTACT heading at the beginning of the preamble. To find out more about SBREFA on the internet, visit [*http://www.faa.gov/regulations\_policies/rulemaking/sbre\_act/*](http://www.faa.gov/regulations_policies/rulemaking/sbre_act/).

List of Subjects

14 CFR Part 1

    Air transportation.

14 CFR Part 60

    Airmen, Aviation safety, Reporting and recordkeeping requirements.

14 CFR Part 61

    Aircraft, Airmen, Aviation safety, Teachers.

14 CFR Part 63

    Aircraft, Airman, Aviation safety.

14 CFR Part 65

    Air traffic controllers, Aircraft, Airmen, Aviation safety, Reporting and recordkeeping requirements.

14 CFR Part 91

    Aircraft, Airmen, Aviation safety.

14 CFR Part 121

    Air carriers, Aircraft, Airmen, Aviation safety.

14 CFR Part 135

    Aircraft, Airmen, Aviation safety.

14 CFR Part 141

    Airmen, Educational facilities, Reporting and recordkeeping requirements, Schools.

The Amendment

    In consideration of the foregoing, the Federal Aviation Administration amends chapter I of title 14, Code of Federal Regulations as follows:

PART 1--DEFINITIONS AND ABBREVIATIONS

0 1. The authority citation for part 1 continues to read as follows:

    Authority:  49 U.S.C 106(f), 106(g), 40113, 44701.

0 2. In Sec.  1.1, revise the definition of ``Flight simulation training device'' to read as follows:

Sec.  1.1   General definitions.

\* \* \* \* \*     Flight simulation training device (FSTD) means a full flight simulator or a flight training device. \* \* \* \* \*

PART 60--FLIGHT SIMULATION TRAINING DEVICE INITIAL AND CONTINUING QUALIFICATION AND USE

0 3. The authority citation for part 60 continues to read as follows:

    Authority:  49 U.S.C 106(f), 106(g), 40113, and 44701; Pub. L. 111-216, 124 Stat. 2348 (49 U.S.C 44701 note).

0 4. In appendix A, revise paragraph 1.d (27) to read as follows:

Appendix A to Part 60--Qualification Performance Standards for Airplane Full Flight Simulators

\* \* \* \* \*     1. \* \* \*     d. \* \* \*     (27) FAA Airman Testing Standards for the Airline Transport Pilot Certificate, Type Ratings, Commercial Pilot Certificate, and Instrument Ratings. \* \* \* \* \*

0 5. In appendix B, revise paragraph 1.d (26) to read as follows:

Appendix B to Part 60--Qualification Performance Standards for Airplane Flight Training Devices

\* \* \* \* \*     1. \* \* \*     d. \* \* \*     (26) FAA Airman Testing Standards for the Airline Transport Pilot Certificate, Type Ratings, Commercial Pilot Certificate, and Instrument Ratings. \* \* \* \* \*

0 6. In appendix C, revise paragraph 1.d (25) to read as follows:

Appendix C to Part 60--Qualification Performance Standards for Helicopter Full Flight Simulators

\* \* \* \* \*     1. \* \* \*     d. \* \* \*     (25) FAA Airman Testing Standards for the Airline Transport Pilot Certificate, Type Ratings, Commercial Pilot Certificate, and Instrument Ratings. \* \* \* \* \*

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0 7. In appendix D, revise paragraph 1.d (28) to read as follows:

Appendix D to Part 60--Qualification Performance Standards for Helicopter Flight Training Devices

\* \* \* \* \*     1. \* \* \*     d. \* \* \*     (28) FAA Airman Testing Standards for the Airline Transport Pilot Certificate, Type Ratings, Commercial Pilot Certificate, and Instrument Ratings. \* \* \* \* \*

PART 61--CERTIFICATION: PILOTS, FLIGHT INSTRUCTORS, AND GROUND INSTRUCTORS

0 8. The authority citation for part 61 continues to read as follows:

    Authority:  49 U.S.C 106(f), 106(g), 40113, 44701-44703, 44707, 44709-44711, 44729, 44903, 45102-45103, 45301-45302; Sec. 2307 Pub. L. 114-190, 130 Stat. 615 (49 U.S.C 44703 note).

0 9. Amend Sec.  61.1(b) as follows: 0 a. Add a definition of ``Aviation training device'' in alphabetical order. 0 b. Revise the definition of ``Pilot time;'' and, 0 c. Add a definition of ``Technically advanced airplane'' in alphabetical order.     The revisions and additions read as follows:

Sec.  61.1   Applicability and definitions.

\* \* \* \* \*     (b) \* \* \*     Aviation training device means a training device, other than a full flight simulator or flight training device, that has been evaluated, qualified, and approved by the Administrator. \* \* \* \* \*     Pilot time means that time in which a person--     (i) Serves as a required pilot flight crewmember;     (ii) Receives training from an authorized instructor in an aircraft, full flight simulator, flight training device, or aviation training device; or     (iii) Gives training as an authorized instructor in an aircraft, full flight simulator, flight training device, or aviation training device. \* \* \* \* \*     Technically advanced airplane (TAA) means an airplane equipped with an electronically advanced avionics system. \* \* \* \* \*

0 10. Effective November 26, 2018, in Sec.  61.1(b), amend the definition of ``Pilot time'' by removing the word ``or'' at the end of paragraph (ii), revising paragraph (iii), and adding paragraph (iv) to read as follows:

Sec.  61.1   Applicability and definitions.

\* \* \* \* \*     (b) \* \* \*     Pilot time \* \* \*     (iii) Gives training as an authorized instructor in an aircraft, full flight simulator, flight training device, or aviation training device; or     (iv) Serves as second in command in operations conducted in accordance with Sec.  135.99(c) of this chapter when a second pilot is not required under the type certification of the aircraft or the regulations under which the flight is being conducted, provided the requirements in Sec.  61.159(c) are satisfied. \* \* \* \* \*

0 11. Effective December 24, 2018, in Sec.  61.3, revise paragraph (a)(1)(iv), redesignate paragraph (a)(1)(v) as paragraph (a)(1)(vii), add paragraphs (a)(1)(v) and (vi), and revise paragraph (l) introductory text to read as follows:

Sec.  61.3   Requirement for certificates, ratings, and authorizations.

    (a) \* \* \*     (1) \* \* \*     (iv) A document conveying temporary authority to exercise certificate privileges issued by the Airmen Certification Branch under Sec.  61.29(e);     (v) When engaged in a flight operation within the United States for a part 119 certificate holder authorized to conduct operations under part 121 or 135 of this chapter, a temporary document provided by that certificate holder under an approved certificate verification plan;     (vi) When engaged in a flight operation within the United States for a fractional ownership ***program*** manager authorized to conduct operations under part 91, subpart K, of this chapter, a temporary document provided by that ***program*** manager under an approved certificate verification plan; or \* \* \* \* \*     (l) Inspection of certificate. Each person who holds an airman certificate, temporary document in accordance with paragraph (a)(1)(v) or (vi) of this section, medical certificate, documents establishing alternative medical qualification under part 68 of this chapter, authorization, or license required by this part must present it and their photo identification as described in paragraph (a)(2) of this section for inspection upon a request from: \* \* \* \* \*

0 12. Amend Sec.  61.31 as follows: 0 a. Effective July 27, 2018, in paragraphs (e)(1)(i), (f)(1)(i), (g)(2) and (3), and (h)(1), remove the words ``flight simulator'' and add in their place the words ``full flight simulator''; and 0 b. Effective August 27, 2018, revise paragraphs (e)(2) and (f)(2).     The revisions read as follows:

Sec.  61.31   Type rating requirements, additional training, and authorization requirements.

\* \* \* \* \*     (e) \* \* \*     (2) The training and endorsement required by paragraph (e)(1) of this section is not required if--     (i) The person has logged flight time as pilot in command of a complex airplane, or in a full flight simulator or flight training device that is representative of a complex airplane prior to August 4, 1997; or     (ii) The person has received ground and flight training under an approved training ***program*** and has satisfactorily completed a competency check under Sec.  135.293 of this chapter in a complex airplane, or in a full flight simulator or flight training device that is representative of a complex airplane which must be documented in the pilot's logbook or training record.     (f) \* \* \*     (2) The training and endorsement required by paragraph (f)(1) of this section is not required if--     (i) The person has logged flight time as pilot in command of a high-performance airplane, or in a full flight simulator or flight training device that is representative of a high-performance airplane prior to August 4, 1997; or     (ii) The person has received ground and flight training under an approved training ***program*** and has satisfactorily completed a competency check under Sec.  135.293 of this chapter in a high performance airplane, or in a full flight simulator or flight training device that is representative of a high performance airplane which must be documented in the pilot's logbook or training record. \* \* \* \* \*

0 13. Effective November 26, 2018, in Sec.  61.39, revise paragraph (a)(3) to read as follows:

Sec.  61.39   Prerequisites for practical tests.

    (a) \* \* \*     (3) Have satisfactorily accomplished the required training and obtained the aeronautical experience prescribed by this part for the certificate or rating sought, and if applying for the practical test with flight time accomplished under Sec.  61.159(c), present a copy of the records required by Sec.  135.63(a)(4)(vi) and (x) of this chapter; \* \* \* \* \*

0 14. In Sec.  61.43, revise paragraph (a)(1) to read as follows:

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Sec.  61.43   Practical tests: General procedures.

    (a) \* \* \*     (1) Performing the tasks specified in the areas of operation for the airman certificate or rating sought; \* \* \* \* \*

0 15. Amend Sec.  61.51 as follows: 0 a. Effective July 27, 2018, in paragraphs (b)(1)(iii) and (iv), (b)(2)(v), (b)(3)(iii) and (iv), (k)(1)(ii), and (k)(2)(ii), remove the words ``flight simulator'' and add in their place the words ``full flight simulator''; 0 b. Effective November 26, 2018, revise paragraph (e)(1)(i); 0 c. Effective November 26, 2018, add paragraph (e)(5); 0 d. Effective November 26, 2018, revise paragraphs (f)(1) and (2); 0 e. Effective November 26, 2018, add paragraph (f)(3); 0 f. Effective July 27, 2018, revise paragraph (g)(4); 0 g. Effective July 27, 2018, add paragraph (g)(5); and 0 h. Effective July 27, 2018, revise paragraph (h)(1).     The revisions and additions read as follows:

Sec.  61.51   Pilot logbooks.

\* \* \* \* \*     (e) \* \* \*     (1) \* \* \*     (i) Except when logging flight time under Sec.  61.159(c), when the pilot is the sole manipulator of the controls of an aircraft for which the pilot is rated, or has sport pilot privileges for that category and class of aircraft, if the aircraft class rating is appropriate; \* \* \* \* \*     (5) A commercial pilot or airline transport pilot may log all flight time while acting as pilot in command of an operation in accordance with Sec.  135.99(c) of this chapter if the flight is conducted in accordance with an approved second-in-command professional development ***program*** that meets the requirements of Sec.  135.99(c) of this chapter.     (f) \* \* \*     (1) Is qualified in accordance with the second-in-command requirements of Sec.  61.55, and occupies a crewmember station in an aircraft that requires more than one pilot by the aircraft's type certificate;     (2) Holds the appropriate category, class, and instrument rating (if an instrument rating is required for the flight) for the aircraft being flown, and more than one pilot is required under the type certification of the aircraft or the regulations under which the flight is being conducted; or     (3) Serves as second in command in operations conducted in accordance with Sec.  135.99(c) of this chapter when a second pilot is not required under the type certification of the aircraft or the regulations under which the flight is being conducted, provided the requirements in Sec.  61.159(c) are satisfied.     (g) \* \* \*     (4) A person may use time in a full flight simulator, flight training device, or aviation training device for acquiring instrument aeronautical experience for a pilot certificate or rating provided an authorized instructor is present to observe that time and signs the person's logbook or training record to verify the time and the content of the training session.     (5) A person may use time in a full flight simulator, flight training device, or aviation training device for satisfying instrument recency experience requirements provided a logbook or training record is maintained to specify the training device, time, and the content.     (h) Logging training time. (1) A person may log training time when that person receives training from an authorized instructor in an aircraft, full flight simulator, flight training device, or aviation training device. \* \* \* \* \*

0 16. Amend Sec.  61.57 as follows: 0 a. Effective July 27, 2018, in paragraphs (a)(3), (b)(2), (d)(1)(ii), (e)(4)(ii)(D), and (g) introductory text, remove the words ``flight simulator'' and add in their place the words ``full flight simulator''; 0 b. Effective July 27, 2018, in paragraph (e)(4)(ii)(D), remove the words ``flight simulator's'' and add in their place the words ``full flight simulator's''; 0 c. Effective November 26, 2018, revise paragraph (c)(2), remove paragraphs (c)(3) through (5), and redesignate paragraph (c)(6) as paragraph (c)(3); 0 d. Effective July 27, 2018, redesignate paragraphs (d)(1) and (2) as paragraphs (d)(2) and (3), redesignate the introductory text of paragraph (d) as paragraph (d)(1), and revise newly redesignated paragraph (d)(1).     The revisions read as follows:

Sec.  61.57   Recent flight experience: Pilot in command.

\* \* \* \* \*     (c) \* \* \*     (2) Use of a full flight simulator, flight training device, or aviation training device for maintaining instrument experience. A pilot may accomplish the requirements in paragraph (c)(1) of this section in a full flight simulator, flight training device, or aviation training device provided the device represents the category of aircraft for the instrument rating privileges to be maintained and the pilot performs the tasks and iterations in simulated instrument conditions. A person may complete the instrument experience in any combination of an aircraft, full flight simulator, flight training device, or aviation training device. \* \* \* \* \*     (d) Instrument proficiency check. (1) Except as provided in paragraph (e) of this section, a person who has failed to meet the instrument experience requirements of paragraph (c) of this section for more than six ***calendar*** months may reestablish instrument currency only by completing an instrument proficiency check. The instrument proficiency check must consist of at least the following areas of operation:     (i) Air traffic control clearances and procedures;     (ii) Flight by reference to instruments;     (iii) Navigation systems;     (iv) Instrument approach procedures;     (v) Emergency operations; and     (vi) Postflight procedures. \* \* \* \* \*

0 17. Revise Sec.  61.99 to read as follows:

Sec.  61.99   Aeronautical experience.

    (a) A person who applies for a recreational pilot certificate must receive and log at least 30 hours of flight time that includes at least--     (1) 15 hours of flight training from an authorized instructor on the areas of operation listed in Sec.  61.98 that consists of at least:     (i) Except as provided in Sec.  61.100, 2 hours of flight training en route to an airport that is located more than 25 nautical miles from the airport where the applicant normally trains, which includes at least three takeoffs and three landings at the airport located more than 25 nautical miles from the airport where the applicant normally trains; and     (ii) Three hours of flight training with an authorized instructor in the aircraft for the rating sought in preparation for the practical test within the preceding 2 ***calendar*** months from the month of the test.     (2) Three hours of solo flying in the aircraft for the rating sought, on the areas of operation listed in Sec.  61.98 that apply to the aircraft category and class rating sought.     (b) The holder of a sport pilot certificate may credit flight training received from a flight instructor with a sport pilot rating toward the aeronautical experience requirements of this section if the following conditions are met:     (1) The flight training was accomplished in the same category and

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class of aircraft for which the rating is sought;     (2) The flight instructor with a sport pilot rating was authorized to provide the flight training; and     (3) The flight training included training on areas of operation that are required for both a sport pilot certificate and a recreational pilot certificate.

0 18. In Sec.  61.109, amend paragraph (k) by removing the words ``flight simulator'' and adding in their place the words ``full flight simulator'' and add paragraph (l) to read as follows:

Sec.  61.109   Aeronautical experience.

\* \* \* \* \*     (l) Permitted credit for flight training received from a flight instructor with a sport pilot rating. The holder of a sport pilot certificate may credit flight training received from a flight instructor with a sport pilot rating toward the aeronautical experience requirements of this section if the following conditions are met:     (1) The flight training was accomplished in the same category and class of aircraft for which the rating is sought;     (2) The flight instructor with a sport pilot rating was authorized to provide the flight training; and     (3) The flight training included either--     (i) Training on areas of operation that are required for both a sport pilot certificate and a private pilot certificate; or     (ii) For airplanes with a VH greater than 87 knots CAS, training on the control and maneuvering of an airplane solely by reference to the flight instruments, including straight and level flight, turns, descents, climbs, use of radio aids, and ATC directives, provided the training was received from a flight instructor with a sport pilot rating who holds an endorsement required by Sec.   61.412(c).

0 19. In Sec.  61.129: 0 a. Effective August 27, 2018, revise paragraphs (a)(3)(ii) and (b)(3)(ii); 0 b. Effective July 27, 2018, in paragraphs (c)(3)(i), (d) introductory text, (d)(3)(i), and (i), remove the words ``flight simulator'' and add in their place the words ``full flight simulator''; and 0 c. Effective August 27, 2018, add paragraph (j).     The revisions and addition read as follows:

Sec.  61.129  Aeronautical experience.

    (a) \* \* \*     (3) \* \* \*     (ii) 10 hours of training in a complex airplane, a turbine-powered airplane, or a technically advanced airplane (TAA) that meets the requirements of paragraph (j) of this section, or any combination thereof. The airplane must be appropriate to land or sea for the rating sought; \* \* \* \* \*     (b) \* \* \*     (3) \* \* \*     (ii) 10 hours of training in a multiengine complex or turbine- powered airplane; or for an applicant seeking a multiengine seaplane rating, 10 hours of training in a multiengine seaplane that has flaps and a controllable pitch propeller, including seaplanes equipped with an engine control system consisting of a digital computer and associated accessories for controlling the engine and propeller, such as a full authority digital engine control; \* \* \* \* \*     (j) Technically advanced airplane. Unless otherwise authorized by the Administrator, a technically advanced airplane must be equipped with an electronically advanced avionics system that includes the following installed components:     (1) An electronic Primary Flight Display (PFD) that includes, at a minimum, an airspeed indicator, turn coordinator, attitude indicator, heading indicator, altimeter, and vertical speed indicator;     (2) An electronic Multifunction Display (MFD) that includes, at a minimum, a moving map using Global Positioning System (GPS) navigation with the aircraft position displayed;     (3) A two axis autopilot integrated with the navigation and heading guidance system; and     (4) The display elements described in paragraphs (j)(1) and (2) of this section must be continuously visible.

0 20. In Sec.  61.159: 0 a. Effective July 27, 2018, amend paragraph (a)(4) by removing the words ``flight simulator'' and adding in their place the words ``full flight simulator''; and 0 b. Effective November 26, 2018, revise the introductory text of paragraphs (a) and (a)(5), revise paragraph (c), redesignate paragraphs (d) and (e) as paragraphs (e) and (f), add new paragraph (d), and revise newly redesignated paragraphs (e) and (f).     The revisions and addition read as follows:

Sec.  61.159   Aeronautical experience: Airplane category rating.

    (a) Except as provided in paragraphs (b), (c), and (d) of this section, a person who is applying for an airline transport pilot certificate with an airplane category and class rating must have at least 1,500 hours of total time as a pilot that includes at least: \* \* \* \* \*     (5) 250 hours of flight time in an airplane as a pilot in command, or when serving as a required second in command flightcrew member performing the duties of pilot in command while under the supervision of a pilot in command, or any combination thereof, which includes at least-- \* \* \* \* \*     (c) A commercial pilot may log second-in-command pilot time toward the aeronautical experience requirements of paragraph (a) of this section and the aeronautical experience requirements in Sec.  61.160, provided the pilot is employed by a part 119 certificate holder authorized to conduct operations under part 135 of this chapter and the second-in-command pilot time is obtained in operations conducted for the certificate holder under part 91 or 135 of this chapter when a second pilot is not required under the type certification of the aircraft or the regulations under which the flight is being conducted, and the following requirements are met--     (1) The experience must be accomplished as part of a second-in- command professional development ***program*** approved by the Administrator under Sec.  135.99 of this chapter;     (2) The flight operation must be conducted in accordance with the certificate holder's operations specification for the second-in-command professional development ***program***;     (3) The pilot in command of the operation must certify in the pilot's logbook that the second-in-command pilot time was accomplished under this section; and     (4) The pilot time may not be logged as pilot-in-command time even when the pilot is the sole manipulator of the controls and may not be used to meet the aeronautical experience requirements in paragraph (a)(5) of this section.     (d) A commercial pilot may log the following flight engineer flight time toward the 1,500 hours of total time as a pilot required by paragraph (a) of this section and the total time as a pilot required by Sec.  61.160:     (1) Flight-engineer time, provided the time--     (i) Is acquired in an airplane required to have a flight engineer by the airplane's flight manual or type certificate;     (ii) Is acquired while engaged in operations under part 121 of this

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chapter for which a flight engineer is required;     (iii) Is acquired while the person is participating in a pilot training ***program*** approved under part 121 of this chapter; and     (iv) Does not exceed more than 1 hour for each 3 hours of flight engineer flight time for a total credited time of no more than 500 hours.     (2) Flight-engineer time, provided the flight time--     (i) Is acquired as a U.S Armed Forces' flight engineer crewmember in an airplane that requires a flight engineer crewmember by the flight manual;     (ii) Is acquired while the person is participating in a flight engineer crewmember training ***program*** for the U.S Armed Forces; and     (iii) Does not exceed 1 hour for each 3 hours of flight engineer flight time for a total credited time of no more than 500 hours.     (e) An applicant who credits time under paragraphs (b), (c), and (d) of this section is issued an airline transport pilot certificate with the limitation, ``Holder does not meet the pilot in command aeronautical experience requirements of ICAO,'' as prescribed under Article 39 of the Convention on International Civil Aviation.     (f) An applicant is entitled to an airline transport pilot certificate without the ICAO limitation specified under paragraph (e) of this section when the applicant presents satisfactory evidence of having met the ICAO requirements under paragraph (e) of this section and otherwise meets the aeronautical experience requirements of this section.

0 21. In Sec.  61.161: 0 a. Effective July 27, 2018, amend paragraph (b) by removing the words ``flight simulator'' and adding in their place the words ``full flight simulator''; and 0 b. Effective November 26, 2018, add paragraphs (c), (d), and (e).     The additions read as follows:

Sec.  61.161   Aeronautical experience: Rotorcraft category and helicopter class rating.

\* \* \* \* \*     (c) Flight time logged under Sec.  61.159(c) may be counted toward the 1,200 hours of total time as a pilot required by paragraph (a) of this section and the flight time requirements of paragraphs (a)(1), (2), and (4) of this section, except for the specific helicopter flight time requirements.     (d) An applicant who credits time under paragraph (c) of this section is issued an airline transport pilot certificate with the limitation, ``Holder does not meet the pilot in command aeronautical experience requirements of ICAO,'' as prescribed under Article 39 of the Convention on International Civil Aviation.     (e) An applicant is entitled to an airline transport pilot certificate without the ICAO limitation specified under paragraph (d) of this section when the applicant presents satisfactory evidence of having met the ICAO requirements under paragraph (d) of this section and otherwise meets the aeronautical experience requirements of this section.

0 22. In Sec.  61.195, revise paragraphs (b), (c), and (e) and add paragraph (l) to read as follows:

Sec.  61.195   Flight instructor limitations and qualifications.

\* \* \* \* \*     (b) Aircraft ratings. Except as provided in paragraph (c) of this section, a flight instructor may not conduct flight training in any aircraft unless the flight instructor:     (1) Holds a flight instructor certificate with the applicable category and class rating;     (2) Holds a pilot certificate with the applicable category and class rating; and     (3) Meets the requirements of paragraph (e) of this section, if applicable.     (c) Instrument rating. A flight instructor may conduct instrument training for the issuance of an instrument rating, a type rating not limited to VFR, or the instrument training required for commercial pilot and airline transport pilot certificates if the following requirements are met:     (1) Except as provided in paragraph (c)(2) of this section, the flight instructor must hold an instrument rating appropriate to the aircraft used for the instrument training on his or her flight instructor certificate, and--     (i) Meet the requirements of paragraph (b) of this section; or     (ii) Hold a commercial pilot certificate or airline transport pilot certificate with the appropriate category and class ratings for the aircraft in which the instrument training is conducted provided the pilot receiving instrument training holds a pilot certificate with category and class ratings appropriate to the aircraft in which the instrument training is being conducted.     (2) If the flight instructor is conducting the instrument training in a multiengine airplane, the flight instructor must hold an instrument rating appropriate to the aircraft used for the instrument training on his or her flight instructor certificate and meet the requirements of paragraph (b) of this section. \* \* \* \* \*     (e) Training in an aircraft that requires a type rating. A flight instructor may not give flight instruction, including instrument training, in an aircraft that requires the pilot in command to hold a type rating unless the flight instructor holds a type rating for that aircraft on his or her pilot certificate. \* \* \* \* \*     (l) Training on control and maneuvering an aircraft solely by reference to the instruments. A flight instructor may conduct flight training on control and maneuvering an airplane solely by reference to the flight instruments, provided the flight instructor--     (1) Holds a flight instructor certificate with the applicable category and class rating; or     (2) Holds an instrument rating appropriate to the aircraft used for the training on his or her flight instructor certificate, and holds a commercial pilot certificate or airline transport pilot certificate with the appropriate category and class ratings for the aircraft in which the training is conducted provided the pilot receiving the training holds a pilot certificate with category and class ratings appropriate to the aircraft in which the training is being conducted.

0 23. Effective August 27, 2018, in Sec.  61.197, revise paragraphs (a)(2)(iv) and (c) to read as follows:

Sec.  61.197   Renewal requirements for flight instructor certification.

    (a) \* \* \*     (2) \* \* \*     (iv) A record showing that, within the preceding 24 months from the month of application, the flight instructor passed an official U.S Armed Forces military instructor pilot or pilot examiner proficiency check in an aircraft for which the military instructor already holds a rating or in an aircraft for an additional rating. \* \* \* \* \*     (c) The practical test required by paragraph (a)(1) of this section may be accomplished in a full flight simulator or flight training device if the test is accomplished pursuant to an approved course conducted by a training center certificated under part 142 of this chapter.

0 24. Effective August 27, 2018, in Sec.  61.199, add paragraphs (a)(3), (c) and (d) to read as follows:

Sec.  61.199   Reinstatement requirements of an expired flight instructor certificate.

    (a) \* \* \*     (3) For military instructor pilots, provide a record showing that, within

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the preceding 6 ***calendar*** months from the date of application for reinstatement, the person--     (i) Passed a U.S Armed Forces instructor pilot or pilot examiner proficiency check; or     (ii) Completed a U.S Armed Forces' instructor pilot or pilot examiner training course and received an additional aircraft rating qualification as a military instructor pilot or pilot examiner that is appropriate to the flight instructor rating sought. \* \* \* \* \*     (c) Certain military instructors and examiners. The holder of an expired flight instructor certificate issued prior to October 20, 2009, may apply for reinstatement of that certificate by presenting the following:     (1) A record showing that, since the date the flight instructor certificate was issued, the person passed a U.S Armed Forces instructor pilot or pilot examiner proficiency check for an additional military rating; and     (2) A knowledge test report that shows the person passed a knowledge test on the aeronautical knowledge areas listed under Sec.   61.185(a) appropriate to the flight instructor rating sought and the knowledge test was passed within the preceding 24 ***calendar*** months prior to the month of application.     (d) Expiration date. The requirements of paragraph (c) of this section will expire on August 26, 2019.

0 25. Effective August 27, 2018, add Sec.  61.412 to read as follows:

Sec.  61.412   Do I need additional training to provide instruction on control and maneuvering an airplane solely by reference to the instruments in a light-sport aircraft based on VH?

    To provide flight training under Sec.  61.93(e)(12) on control and maneuvering an airplane solely by reference to the flight instruments for the purpose of issuing a solo cross-country endorsement under Sec.   61.93(c)(1) to a student pilot seeking a sport pilot certificate, a flight instructor with a sport pilot rating must:     (a) Hold an endorsement required by Sec.  61.327(b);     (b) Receive and log a minimum of 1 hour of ground training and 3 hours of flight training from an authorized instructor in an airplane with a VH greater than 87 knots CAS or in a full flight simulator, flight training device, or aviation training device that replicates an airplane with a VH greater than 87 knots CAS; and     (c) Receive a one-time endorsement in his or her logbook from an instructor authorized under subpart H of this part who certifies that the person is proficient in providing training on control and maneuvering solely by reference to the flight instruments in an airplane with a VH greater than 87 knots CAS. This flight training must include straight and level flight, turns, descents, climbs, use of radio navigation aids, and ATC directives.

0 26. Effective August 27, 2018, in Sec.  61.415, redesignate paragraphs (h) and (i) as paragraphs (i) and (j) and add paragraph (h) to read as follows:

Sec.  61.415   What are the limits of a flight instructor certificate with a sport pilot rating?

\* \* \* \* \*     (h) You may not provide training on the control and maneuvering of an aircraft solely by reference to the instruments in a light sport airplane with a Vh greater than 87 knots CAS unless you meet the requirements in Sec.  61.412 \* \* \* \* \*

PART 63--CERTIFICATION: FLIGHT CREWMEMBERS OTHER THAN PILOTS

0 27. The authority citation for part 63 is revised to read as follows:

    Authority:  49 U.S.C 106(f), 106(g), 40113, 44701-44703, 44707, 44709-44711, 45102-45103, 45301-45302.

0 28. Effective December 24, 2018, revise Sec.  63.3 to read as follows:

Sec.  63.3   Certificates and ratings required.

    (a) Except as provided in paragraph (c) of this section, no person may act as a flight engineer of a civil aircraft of U.S registry unless that person has in his or her physical possession or readily accessible in the aircraft:     (1) A current flight engineer certificate with appropriate ratings issued to that person under this part;     (2) A document conveying temporary authority to exercise certificate privileges issued by the Airman Certification Branch under Sec.  63.16(f); or     (3) When engaged in a flight operation within the United States for a part 119 certificate holder authorized to conduct operations under part 121 of this chapter, a temporary document provided by that certificate holder under an approved certificate verification plan.     (b) A person may act as a flight engineer of an aircraft only if that person holds a current second-class (or higher) medical certificate issued to that person under part 67 of this chapter, or other documentation acceptable to the FAA, that is in that person's physical possession or readily accessible in the aircraft.     (c) When the aircraft is operated within a foreign country, a current flight engineer certificate issued by the country in which the aircraft is operated, with evidence of current medical qualification for that certificate, may be used. Also, in the case of a flight engineer certificate issued under Sec.  63.42, evidence of current medical qualification accepted for the issue of that certificate is used in place of a medical certificate.     (d) No person may act as a flight navigator of a civil aircraft of U.S registry unless that person has in his or her physical possession a current flight navigator certificate issued to him or her under this part and a second-class (or higher) medical certificate issued to him or her under part 67 of this chapter within the preceding 12 months. However, when the aircraft is operated within a foreign country, a current flight navigator certificate issued by the country in which the aircraft is operated, with evidence of current medical qualification for that certificate, may be used.     (e) Each person who holds a flight engineer or flight navigator certificate, medical certificate, or temporary document in accordance with paragraph (a)(3) of this section shall present it for inspection upon the request of the Administrator or an authorized representative of the National Transportation Safety Board, or of any Federal, State, or local law enforcement officer.

0 29. Effective December 24, 2018, revise Sec.  63.16 to read as follows:

Sec.  63.16   Change of name; replacement of lost or destroyed certificate.

    (a) An application for a change of name on a certificate issued under this part must be accompanied by the applicant's current certificate and the marriage license, court order, or other document verifying the change. The documents are returned to the applicant after inspection.     (b) A request for a replacement of a lost or destroyed airman certificate issued under this part must be made:     (1) By letter to the Department of Transportation, Federal Aviation Administration, Airman Certification Branch, Post Office Box 25082, Oklahoma City, OK 73125 and must be accompanied by a check or money order for the appropriate fee payable to the FAA; or     (2) In any other form and manner approved by the Administrator including a request to Airman Services at [*http://www.faa.gov*](http://www.faa.gov), and must be accompanied by acceptable form of ***payment*** for the appropriate fee.

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    (c) A request for the replacement of a lost or destroyed medical certificate must be made:     (1) By letter to the Department of Transportation, FAA, Aerospace Medical Certification Division, P.O Box 26200, Oklahoma City, OK 73125, and must be accompanied by a check or money order for the appropriate fee payable to the FAA; or     (2) In any other manner and form approved by the Administrator and must be accompanied by acceptable form of ***payment*** for the appropriate fee.     (d) A request for the replacement of a lost or destroyed knowledge test report must be made:     (1) By letter to the Department of Transportation, FAA, Airmen Certification Branch, P.O Box 25082, Oklahoma City, OK 73125, and must be accompanied by a check or money order for the appropriate fee payable to the FAA; or     (2) In any other manner and form approved by the Administrator and must be accompanied by acceptable form of ***payment*** for the appropriate fee.     (e) The letter requesting replacement of a lost or destroyed airman certificate, medical certificate, or knowledge test report must state:     (1) The name of the person;     (2) The permanent mailing address (including ZIP code), or if the permanent mailing address includes a post office box number, then the person's current residential address;     (3) The certificate holder's date and place of birth; and     (4) Any information regarding the--     (i) Grade, number, and date of issuance of the airman certificate and ratings, if appropriate;     (ii) Class of medical certificate, the place and date of the medical exam, name of the Airman Medical Examiner (AME), and the circumstances concerning the loss of the original medical certificate, as appropriate; and     (iii) Date the knowledge test was taken, if appropriate.     (f) A person who has lost an airman certificate, medical certificate, or knowledge test report may obtain in a form or manner approved by the Administrator, a document conveying temporary authority to exercise certificate privileges from the FAA Aeromedical Certification Branch or the Airman Certification Branch, as appropriate, and the--     (1) Document may be carried as an airman certificate, medical certificate, or knowledge test report, as appropriate, for a period not to exceed 60 days pending the person's receiving a duplicate under paragraph (b), (c), or (d) of this section, unless the person has been notified that the certificate has been suspended or revoked.     (2) Request for such a document must include the date on which a duplicate certificate or knowledge test report was previously requested.

PART 65--CERTIFICATION: AIRMEN OTHER THAN FLIGHT CREWMEMBERS

0 30. The authority citation for part 65 is revised to read as follows:

    Authority:  49 U.S.C 106(f), 106(g), 40113, 44701-44703, 44707, 44709-44711, 45102-45103, 45301-45302.

0 31. Revise Sec.  65.59 to read as follows:

Sec.  65.59   Skill requirements.

    An applicant for an aircraft dispatcher certificate must pass a practical test given by the Administrator, with respect to any one type of large aircraft used in air carrier operations. To pass the practical test for an aircraft dispatcher certificate, the applicant must demonstrate skill in applying the areas of knowledge and topics specified in appendix A of this part to preflight and all phases of flight, including abnormal and emergency procedures.

0 32. Revise the introductory text of appendix A to read as follows:

Appendix A to Part 65--Aircraft Dispatcher Courses

Overview

    This appendix sets forth the areas of knowledge necessary to perform dispatcher functions. The items listed below indicate the minimum set of topics that must be covered in a training course for aircraft dispatcher certification. The order of coverage is at the discretion of the approved school. \* \* \* \* \*

PART 91--GENERAL OPERATING AND FLIGHT RULES

0 33. The authority citation for part 91 continues to read as follows:

    Authority:  49 U.S.C 106(f), 106(g), 1155, 40101, 40103, 40105, 40113, 40120, 44101, 44111, 44701, 44704, 44709, 44711, 44712, 44715, 44716, 44717, 44722, 46306, 46315, 46316, 46504, 46506-46507, 47122, 47508, 47528-47531, 47534, Pub. L. 114-190, 130 Stat. 615 (49 U.S.C 44703 note); articles 12 and 29 of the Convention on International Civil Aviation (61 Stat. 1180), (126 Stat. 11).

0 34. Effective August 27, 2018, in Sec.  91.109, revise paragraph (c)(1) to read as follows:

Sec.  91.109   Flight instruction; Simulated instrument flight and certain flight tests.

\* \* \* \* \*     (c) \* \* \*     (1) The other control seat is occupied by a safety pilot who possesses at least:     (i) A private pilot certificate with category and class ratings appropriate to the aircraft being flown; or     (ii) For purposes of providing training for a solo cross-country endorsement under Sec.  61.93 of this chapter, a flight instructor certificate with an appropriate sport pilot rating and meets the requirements of Sec.  61.412 of this chapter. \* \* \* \* \*

0 35. Effective December 24, 2018, in Sec.  91.313, revise paragraphs (b), (c), and (d)(3) and (4) and add paragraphs (d)(5) and (h) to read as follows:

Sec.  91.313   Restricted category civil aircraft: Operating limitations.

\* \* \* \* \*     (b) For the purpose of paragraph (a) of this section, the following operations are considered necessary to accomplish the work activity directly associated with a special purpose operation:     (1) Flights conducted for flight crewmember training in a special purpose operation for which the aircraft is certificated.     (2) Flights conducted to satisfy proficiency check and recent flight experience requirements under part 61 of this chapter provided the flight crewmember holds the appropriate category, class, and type ratings and is employed by the operator to perform the appropriate special purpose operation.     (3) Flights conducted to relocate the aircraft for delivery, repositioning, or maintenance.     (c) No person may operate a restricted category civil aircraft carrying persons or property for compensation or hire. For the purposes of this paragraph (c), a special purpose operation involving the carriage of persons or material necessary to accomplish that operation, such as crop dusting, seeding, spraying, and banner towing (including the carrying of required persons or material to the location of that operation), an operation for the purpose of providing flight crewmember training in a special purpose operation, and an operation conducted under the authority provided in paragraph (h) of this section are not considered to be the carriage of persons or property for compensation or hire.     (d) \* \* \*     (3) Performs an essential function in connection with a special purpose operation for which the aircraft is certificated;     (4) Is necessary to accomplish the work activity directly associated with that special purpose; or

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    (5) Is necessary to accomplish an operation under paragraph (h) of this section. \* \* \* \* \*     (h)(1) An operator may apply for deviation authority from the provisions of paragraph (a) of this section to conduct operations for the following purposes:     (i) Flight training and the practical test for issuance of a type rating provided--     (A) The pilot being trained and tested holds at least a commercial pilot certificate with the appropriate category and class ratings for the aircraft type;     (B) The pilot receiving flight training is employed by the operator to perform a special purpose operation; and     (C) The flight training is conducted by the operator who employs the pilot to perform a special purpose operation.     (ii) Flights to designate an examiner or qualify an FAA inspector in the aircraft type and flights necessary to provide continuing oversight and evaluation of an examiner.     (2) The FAA will issue this deviation authority as a letter of deviation authority.     (3) The FAA may cancel or amend a letter of deviation authority at any time.     (4) An applicant must submit a request for deviation authority in a form and manner acceptable to the Administrator at least 60 days before the date of intended operations. A request for deviation authority must contain a complete description of the proposed operation and justification that establishes a level of safety equivalent to that provided under the regulations for the deviation requested.

0 36. Revise Sec.  91.531 to read as follows:

Sec.  91.531   Second in command requirements.

    (a) Except as provided in paragraph (b) of this section, no person may operate the following airplanes without a pilot designated as second in command:     (1) Any airplane that is type certificated for more than one required pilot.     (2) Any large airplane.     (3) Any commuter category airplane.     (b) A person may operate the following airplanes without a pilot designated as second in command:     (1) Any airplane certificated for operation with one pilot.     (2) A large airplane or turbojet-powered multiengine airplane that holds a special airworthiness certificate, if:     (i) The airplane was originally designed with only one pilot station; or     (ii) The airplane was originally designed with more than one pilot station, but single pilot operations were permitted by the airplane flight manual or were otherwise permitted by a branch of the United States Armed Forces or the armed forces of a foreign contracting State to the Convention on International Civil Aviation.     (c) No person may designate a pilot to serve as second in command, nor may any pilot serve as second in command, of an airplane required under this section to have two pilots unless that pilot meets the qualifications for second in command prescribed in Sec.  61.55 of this chapter.

0 37. Effective December 24, 2018, in Sec.  91.1015, add paragraph (h) to read as follows:

Sec.  91.1015   Management specifications.

\* \* \* \* \*     (h) A ***program*** manager may obtain approval to provide a temporary document verifying a flightcrew member's airman certificate and medical certificate privileges under an approved certificate verification plan set forth in the ***program*** manager's management specifications. A document provided by the ***program*** manager may be carried as an airman certificate or medical certificate on flights within the United States for up to 72 hours.

PART 121--OPERATING REQUIREMENTS: DOMESTIC, FLAG, AND SUPPLEMENTAL OPERATIONS

0 38. The authority citation for part 121 continues to read as follows:

    Authority:  49 U.S.C 106(f), 106(g), 40103, 40113, 40119, 41706, 42301 preceding note added by Pub. L. 112-95, sec. 412, 126 Stat. 89, 44101, 44701-44702, 44705, 44709-44711, 44713, 44716- 44717, 44722, 44729, 44732; 46105; Pub. L. 111-216, 124 Stat. 2348 (49 U.S.C 44701 note); Pub. L. 112-95, 126 Stat. 62 (49 U.S.C 44732 note).

0 39. Effective December 24, 2018, in Sec.  121.383, revise paragraphs (a)(2) and (b) and add paragraph (c) to read as follows:

Sec.  121.383   Airman: Limitations on use of services.

    (a) \* \* \*     (2) Has in his or her possession while engaged in operations under this part--     (i) Any required appropriate current airman and medical certificates; or     (ii) A temporary document issued in accordance with paragraph (c) of this section; and \* \* \* \* \*     (b) Each airman covered by paragraph (a)(2) of this section shall present his or her certificates or temporary document for inspection upon request of the Administrator.     (c) A certificate holder may obtain approval to provide a temporary document verifying a flightcrew member's airman certificate and medical certificate privileges under an approved certificate verification plan set forth in the certificate holder's operations specifications. A document provided by the certificate holder may be carried as an airman certificate or medical certificate on flights within the United States for up to 72 hours. \* \* \* \* \*

PART 135--OPERATING REQUIREMENTS: COMMUTER AND ON DEMAND OPERATIONS AND RULES GOVERNING PERSONS ON BOARD SUCH AIRCRAFT

0 40. The authority citation for part 135 is revised to read as follows:

    Authority:  49 U.S.C 106(f), 106(g), 40113, 41706, 44701-44702, 44705, 44709, 44711-44713, 44715-44717, 44722, 44730, 45101-45105; Pub. L. 112-95, 126 Stat. 58 (49 U.S.C 44730).

0 41. Effective December 24, 2018, revise Sec.  135.95 to read as follows:

Sec.  135.95   Airmen: Limitations on use of services.

    (a) No certificate holder may use the services of any person as an airman unless the person performing those services--     (1) Holds an appropriate and current airman certificate; and     (2) Is qualified, under this chapter, for the operation for which the person is to be used.     (b) A certificate holder may obtain approval to provide a temporary document verifying a flightcrew member's airman certificate and medical certificate privileges under an approved certificate verification plan set forth in the certificate holder's operations specifications. A document provided by the certificate holder may be carried as an airman certificate or medical certificate on flights within the United States for up to 72 hours.

0 42. Effective November 26, 2018, in Sec.  135.99, add paragraphs (c) and (d) to read as follows:

Sec.  135.99   Composition of flight crew.

\* \* \* \* \*     (c) Except as provided in paragraph (d) of this section, a certificate holder authorized to conduct operations under instrument flight rules may receive authorization from the Administrator through its operations specifications to establish a second-in-command professional development ***program***. As part of that ***program***, a pilot employed by the certificate holder may log time as

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second in command in operations conducted under this part and part 91 of this chapter that do not require a second pilot by type certification of the aircraft or the regulation under which the flight is being conducted, provided the flight operation is conducted in accordance with the certificate holder's operations specifications for second-in-command professional development ***program***; and--     (1) The certificate holder:     (i) Maintains records for each assigned second in command consistent with the requirements in Sec.  135.63;     (ii) Provides a copy of the records required by Sec.   135.63(a)(4)(vi) and (x) to the assigned second in command upon request and within a reasonable time; and     (iii) Establishes and maintains a data collection and analysis process that will enable the certificate holder and the FAA to determine whether the second-in-command professional development ***program*** is accomplishing its objectives.     (2) The aircraft is a multiengine airplane or a single-engine turbine-powered airplane. The aircraft must have an independent set of controls for a second pilot flightcrew member, which may not include a throwover control wheel. The aircraft must also have the following equipment and independent instrumentation for a second pilot:     (i) An airspeed indicator;     (ii) Sensitive altimeter adjustable for barometric pressure;     (iii) Gyroscopic bank and pitch indicator;     (iv) Gyroscopic rate-of-turn indicator combined with an integral slip-skid indicator;     (v) Gyroscopic direction indicator;     (vi) For IFR operations, a vertical speed indicator;     (vii) For IFR operations, course guidance for en route navigation and instrument approaches; and     (viii) A microphone, transmit switch, and headphone or speaker.     (3) The pilot assigned to serve as second in command satisfies the following requirements:     (i) The second in command qualifications in Sec.  135.245;     (ii) The flight time and duty period limitations and rest requirements in subpart F of this part;     (iii) The crewmember testing requirements for second in command in subpart G of this part; and     (iv) The crewmember training requirements for second in command in subpart H of this part.     (4) The pilot assigned to serve as pilot in command satisfies the following requirements:     (i) Has been fully qualified to serve as a pilot in command for the certificate holder for at least the previous 6 ***calendar*** months; and     (ii) Has completed mentoring training, including techniques for reinforcing the highest standards of technical performance, airmanship and professionalism within the preceding 36 ***calendar*** months.     (d) The following certificate holders are not eligible to receive authorization for a second-in-command professional development ***program*** under paragraph (c) of this section:     (1) A certificate holder that uses only one pilot in its operations; and     (2) A certificate holder that has been approved to deviate from the requirements in Sec.  135.21(a), Sec.  135.341(a), or Sec.  119.69(a) of this chapter.

0 43. In Sec.  135.245, revise paragraph (a) and add paragraphs (c) and (d) to read as follows.

Sec.  135.245   Second in command qualifications.

    (a) Except as provided in paragraph (b) of this section, no certificate holder may use any person, nor may any person serve, as second in command of an aircraft unless that person holds at least a commercial pilot certificate with appropriate category and class ratings and an instrument rating. \* \* \* \* \*     (c) No certificate holder may use any person, nor may any person serve, as second in command under IFR unless that person meets the following instrument experience requirements:     (1) Use of an airplane or helicopter for maintaining instrument experience. Within the 6 ***calendar*** months preceding the month of the flight, that person performed and logged at least the following tasks and iterations in-flight in an airplane or helicopter, as appropriate, in actual weather conditions, or under simulated instrument conditions using a view-limiting device:     (i) Six instrument approaches;     (ii) Holding procedures and tasks; and     (iii) Intercepting and tracking courses through the use of navigational electronic systems.     (2) Use of an FSTD for maintaining instrument experience. A person may accomplish the requirements in paragraph (c)(1) of this section in an approved FSTD, or a combination of aircraft and FSTD, provided:     (i) The FSTD represents the category of aircraft for the instrument rating privileges to be maintained;     (ii) The person performs the tasks and iterations in simulated instrument conditions; and     (iii) A flight instructor qualified under Sec.  135.338 or a check pilot qualified under Sec.  135.337 observes the tasks and iterations and signs the person's logbook or training record to verify the time and content of the session.     (d) A second in command who has failed to meet the instrument experience requirements of paragraph (c) of this section for more than six ***calendar*** months must reestablish instrument recency under the supervision of a flight instructor qualified under Sec.  135.338 or a check pilot qualified under Sec.  135.337 To reestablish instrument recency, a second in command must complete at least the following areas of operation required for the instrument rating practical test in an aircraft or FSTD that represents the category of aircraft for the instrument experience requirements to be reestablished:     (1) Air traffic control clearances and procedures;     (2) Flight by reference to instruments;     (3) Navigation systems;     (4) Instrument approach procedures;     (5) Emergency operations; and     (6) Postflight procedures.

PART 141--PILOT SCHOOLS

0 44. The authority citation for part 141 continues to read as follows:

    Authority:  49 U.S.C 106(f), 106(g), 40113, 44701-44703, 44707, 44709, 44711, 45102-45103, 45301-45302.

0 45. Effective November 26, 2018, in Sec.  141.5, revise paragraph (d) to read as follows:

Sec.  141.5   Requirements for a pilot school certificate.

\* \* \* \* \*     (d) Has established a pass rate of 80 percent or higher on the first attempt for all:     (1) Knowledge tests leading to a certificate or rating;     (2) Practical tests leading to a certificate or rating;     (3) End-of-course tests for an approved training course specified in appendix K of this part; and     (4) End-of-course tests for special curricula courses approved under Sec.  141.57 \* \* \* \* \*

0 46. Effective August 27, 2018, in appendix D to part 141, section 4: 0 a. Revise paragraphs (b)(1)(ii) and (b)(2)(ii); and 0 b. Amend paragraphs (b)(3)(i) and (b)(4)(i) by removing the words ``flight simulator'' and adding in their place the words ``full flight simulator''.

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    The revisions read as follows:

Appendix D to Part 141--Commercial Pilot Certification Course

\* \* \* \* \*     4. \* \* \*     (b) \* \* \*     (1) \* \* \*     (ii) Ten hours of training in a complex airplane, a turbine- powered airplane, or a technically advanced airplane that meets the requirements of Sec.  61.129(j) of this chapter, or any combination thereof. The airplane must be appropriate to land or sea for the rating sought; \* \* \* \* \*     (2) \* \* \*     (ii) 10 hours of training in a multiengine complex or turbine- powered airplane, or any combination thereof; \* \* \* \* \*

Appendix I to Part 141--[Amended]

0 47. In appendix I to part 141, section 4, redesignate the second paragraph (k)(2)(iv) as paragraph (k)(2)(v).

    Issued in Washington, DC, under the authority of 49 U.S.C 106(f), 44701(a)(5), and 44703(a), on June 6, 2018. Daniel K. Elwell, Acting Administrator. [FR Doc. 2018-12800 Filed 6-26-18; 8:45 am]  BILLING CODE 4910-13-P

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[***African economy: the limits of ‘leapfrogging’***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T1C-HR61-F039-607M-00000-00&context=1516831)

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**Length:** 2281 words

**Byline:** David Pilling in Cape Town

**Body**

Kotiogo Ng’usilo vividly remembers the first time he saw a car. It was the 1950s and Mr Ng’usilo, a hunter-gatherer from the Ogiek tribe in Kenya’s Mau forest, thought it was a “moving house”.

These days, at 86, though he still tries to preserve a hunter-gatherer lifestyle, foraging for honey and secretly bagging the odd hyrax, he has moved with the times. He wears western clothes, buys food at the market and, like his younger relatives, uses a mobile phone. His story about the old days — which he recounts over sacred honey beer — is interrupted by incessant chirruping, not from birds but handsets bringing news to the forest from the city.

The rapid spread of mobile technology in the developing world — especially in  [*Africa*](https://www.ft.com/world/africa), which has lagged behind most of Asia and Latin America in closing the income gap with the west — has given rise to the theory of “leapfrogging”. This has it that, in the words of a World Bank study, countries can make “a quick jump in economic development” by harnessing technological innovation.

Some see in the power of technology an almost miraculous potential to solve problems that many governments, particularly in Africa, have failed properly to address; poor health, poor schools, lack of roads, lack of electricity and lack of jobs. Last week Alibaba founder Jack Ma announced a $10m “Netpreneur” prize for young African tech entrepreneurs who, Mr Ma said, were “paving the way for a better future”.

Ban Ki-moon, the former UN secretary-general who will sit on the prize’s advisory board, articulated the huge claims being made of technology to help poor countries catch up — and even overtake — their richer peers. “With the rapid development of the global digital economy and the availability of technology,” he said, “the next century belongs to Africa.”

The term “leapfrogging” is often applied to Africa, though it is also used to describe a path supposedly being charted by  [*India*](http://www.ft.com/india), which is said to have skipped straight to a technology-driven economic model without the intensive manufacturing phase that spurred growth in Japan, South Korea and China. As in Africa, India’s tech entrepreneurs are said to be succeeding where the government has failed. The author    [*Gurcharan Das*](https://www.ft.com/stream/3a2591cc-7e55-3a1f-82be-50969d65e6a1) has said India grows at night “when the government sleeps”.

The spread of mobile and digital technology is seen as the key to leapfrogging. According to Miles Morland, a veteran investor in Africa, Nigeria in 2001 had 100,000 working landlines for a population then around 140m. When in that ***year***, MTN, a South African telecoms company, bid $285m for a mobile operating licence, it estimated that no more than 15m Nigerians would ever own a mobile phone. Today, the country has 162m subscribers, according to Jumia, an online retailer.

In sub-Saharan Africa as a whole, GSMA Intelligence estimates there were 444m unique mobile subscribers in 2017, a penetration rate of 44 per cent. That compares with a global average of 66 per cent, though in countries like South Africa and Nigeria, where nearly nine in 10 people subscribe, mobile phones are as common as in the US, according to Pew Research.

Although mobile phone sales have slowed, many of the 50 countries in sub-Saharan Africa are expected gradually to close the gap on the rest of the world as handsets become more affordable. In Ethiopia, Transsion Holdings, a Chinese company, is already manufacturing handsets costing as little as $10 in an industrial park outside Addis Ababa.

“Access to mobile phones is now virtually ubiquitous,” says Precious Lunga, a Zimbabwean neuroscientist who founded Baobab Circle, a health tech company that uses  [*artificial intelligence*](https://www.ft.com/artificial-intelligence) to give consultations to patients in Kenya and Zimbabwe. “There are places where there’s still no running water, but you can stream a video,” she says.

**The spread of smartphones**, which count for a third of all handsets in Africa, opens up the transformative possibilities of mobile technology still further, say technology advocates.

In teeming cities such as Lagos in Nigeria or Dar es Salaam in Tanzania, both among the fastest growing in the world, a slice of the urban elite is using ride-hailing apps such as Uber and Taxify and ordering takeaway food and goods online. In Ivory Coast, Standard Chartered has launched its first digital-only retail bank, saying it will use the west African country as a testing ground for digital services worldwide.

Even more important for the leapfrogging argument is the impact that mobile technology is having on the countryside, where six of every 10 Africans live. Starting in Kenya, with the 2007 launch of Mpesa — Safaricom’s mobile money ***transfer*** and ***payment*** service— much of Africa is experiencing a revolution in financial inclusion. Tens of millions of previously unbanked people like Mr Ng’usilo can now ***transfer*** money to relatives or pay for goods by pressing a few buttons on their phone.

“The mobile handset in the hands of an ordinary African has become the symbol of leapfrogging,” Calestous Juma, the Kenya-born former chair of the innovation for economic development executive ***programme*** at Harvard’s Kennedy School,  [*wrote shortly*](https://thebreakthrough.org/index.php/journal/past-issues/issue-7/leapfrogging-progress) before he died last ***year***. “The mobile revolution has given hope to Africans that they too can be dynamic and innovative players in the global economy.”

The spread of mobile money — now used by an estimated 690m people, of which half are African, according to GSMA — forms the digital backbone for a host of other services. In cities and towns, small businesses can advertise online and collect ***payments*** by phone. In the countryside, there has been a rapid spread of pay-as-you-go solar-generated power in which customers buy electricity with mobile money for as little as 50 cents a day and panels are deactivated remotely if ***payments*** stop.

**In the village of** Sahabevava in north-east Madagascar, several hours down a bone-jolting road to the nearest town and far from the nearest electricity grid, Lydia Soa, a farmer, is the proud owner of a solar panel. It produces enough power to light her home — good for when the children do homework — power a boombox and, of course, recharge her mobile phone.

Africa accounts for 16 per cent of the world’s population but has only 2.8 per cent of its power generation capacity, according to the World Bank. Only 37 per cent of people in sub-Saharan Africa have access to electricity, leaving some 600m in the dark.

However, according to an industry report, 73m households, mostly in African countries, had access to off-grid solar power by 2017. This rapid spread, which has enabled remote parts of Africa to jump from having no electricity straight to green power, is the quintessence of the leapfrogging argument.

If technology can leapfrog landlines, banking and electricity grids, say enthusiasts, surely it can impact all industries and all areas of life.

Keun Lee, professor of economics at Seoul National University, has studied how technological advances can jump-start development. In the late 1990s, he says, South Korea’s Samsung used the shift to digital television technology to overtake Sony, its Japanese rival, which had dominated the analogue market with its Trinitron range of TVs.

“When a new technology or paradigm emerges, everyone starts on the same line, so latecomers are not behind,” he says. “Forerunners are the last to switch to new technologies,” he adds.

Mr Lee, who advises the Rwandan government on its ambitions to make the tiny central African country a digital hub, says technological shifts give the likes of India, Brazil and some African economies the chance to skip ahead. “African countries used to use kerosene as a source for lighting, but they can bypass grid-based electricity and go straight to solar-based electricity.”

Few would dispute that, either by piggybacking off technologies developed in the west or through their own innovations such as mobile money, countries in Africa and elsewhere can compress development. Britain took 150 ***years*** or more, via an industrial revolution that harnessed water, wind and steam power, to move from an ***agricultural*** to an advanced economy. Japan achieved the same transition more quickly and countries such as Singapore, Taiwan, South Korea and China have taken just a couple of generations to leap from poverty to middle- or high-income status.

The leapfroggers’ definition of technology tends to focus on the digital revolution and the power of “shiny new apps”, in Ms Lunga’s phrase, to transform society. However, Robert Gordon, an economist at Northwestern University, says the greatest gains in productivity were made not through the internet and mobile phones, but in technologies that we now take for granted: indoor plumbing, roads and steam power.

The leapfrog in action?

In numbers

**444m**

Estimated number of mobile phone service subscribers in sub-Saharan Africa by 2017

**73m**

Estimated number of homes with access to off-the-grid solar power, shown above in Kenya

**32%**

Ethiopians who live within 2km of an all-season road; for Kenyans the figure is 44%

If Mr Gordon is right, then skipping over those developments and moving straight to what a World Economic Forum conference held in Rwanda in 2016 called the fourth industrial revolution would see Africa miss out on the most significant gains in productivity — and therefore growth. Indeed, for all the hype about leapfrogging, Africa’s growth rates, particularly in per capita terms, have rarely reached the sustained double-digit levels that transformed lives in north-east Asia.

Bill Gates says lots of the technology that is changing lives in Africa was developed in the past. Yet now it can be adopted in some of the remotest places on earth. “By the time what I call ‘technology’ gets out to the village, the community healthcare worker is doing a simple injection, or you’re swallowing the pill or planting the seed,” he says.

Mr Gates, whose Bill & Melinda Gates Foundation contributes billions of dollars to spreading such advances, says the relative ease of dissemination allows countries to catch up faster, particularly in health. “We have things like vaccines that we do a fairly good job at getting out to every child in the world,” he says.

Hans Rosling, the Swedish health expert, cited Vietnam as the “most drastic” example of compressing development. “Vietnam today has the same health as the United States in 1980, and the same economic level as the United States in 1880,” he said.

Some leapfrogging claims smack of “solutionism”, the idea that technology can fix even the most intractable of problems. Africa, according to sceptics, demonstrates equally the limitations of technological solutions in the absence of good government and basic infrastructure.

Developments in ***agriculture*** and health show both the potential and the shortcoming of technology.

Take farming, which employs more than half of Africa’s adult population. Across the continent, tech-based solutions are addressing a crisis of low productivity. In Ghana,  [*Cocoa Link*](http://www.worldcocoafoundation.org/cocoalink/) delivers information to farmers via text message, dispensing practical advice and market prices. In Kenya,    [*Twiga Foods*](https://twiga.ke/), an online marketplace, uses technology to disintermediate thousands of wholesalers and ensure a transparent market for farmers. Grant Brooke, Twiga’s chief executive, says the greater certainty provided by mobile-based technology can help farmers raise yields.

Yet flashy apps cannot hide a basic truth. African farming yields are stuck in the 19th century. The majority of farms have no irrigation, no government help with seed or fertiliser, no access to market and hazy ownership rights. Farmers do not bother to grow crops that, in the absence of refrigeration, would rot before they reach the consumer. Only 44 per cent of rural Kenyans and 32 per cent of Ethiopians live within 2km of an all-season road, a metric that former Prime Minister Meles Zenawi considered more critical than GDP in determining development.

Health is another example. Around the continent, technologists are seeking to solve a basic problem: lack of decent, affordable public healthcare. Babyl Health Rwanda, the subsidiary of Babylon, a UK creator of a “doctor in your pocket” app, offers online consultations to villagers who live miles from the nearest clinic. Ms Lunga, whose Baobab Circle offers tele-consultations to hypertension and diabetes patients, argues that technology can fill a gap.

“There are not enough doctors, there are not enough nurses,” she says. “That’s when you need AI to leapfrog that.”

Yet, as with ***agriculture***, innovations in healthcare smack of patching up failed systems. Many African governments are too poor, too badly organised or too busy lining their own pockets to provide decent healthcare for their people. If there is leapfrogging in health, it is when Africa’s wealthy skip over their own dilapidated systems to get treatment abroad.

“No one can suggest that great technology is in any way a substitute for good governance,” says Mr Gates. “I certainly don’t think giving everyone computers helps their malaria or solves the problem of the teacher not being there or not having a schoolroom,” he says.

Calestous Juma, the professor who was passionate about the power of technology to transform African lives, argued that leapfrogging cannot overcome bad leadership. He  [*warned of*](https://thebreakthrough.org/index.php/journal/past-issues/issue-7/leapfrogging-progress) “a faulty narrative that assumes Africa can leap into the service economy without first building a manufacturing base”.

Although it was right to see “technological innovation as an essential driver of economic growth, and as the key to moving beyond the vagaries of commodity exports”, innovation depended on industrial development to build infrastructure and capacity. “That”, he wrote, “cannot be leapfrogged”.

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HINA Digest

1 June 2018

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**Length:** 10695 words

**Body**

Zagreb, 01 June 2018 (Hina) - Croatia committed to protecting minorities, vulnerable groups, says FMZAGREB, June 1 (Hina) - During its chairmanship of the Council of Europe (CoE), Croatia will be committedto an active and leading role in the protection and promotion of human rights, democracy and the rule of law, Foreign and European Affairs Minister Marija PejcinovicBuric said at a meeting of the Standing Committee of the Parliamentary Assembly of the Council of Europe (PACE), held in the Croatian parliament on Friday."During its chairmanshipCroatia will becommitted to an active and leading role in the protection and promotion of human rights, democracy and the rule of law," the minister said.Croatia recognises that the Council of Europe has had a key role in building Europe ever since it was established in 1949, she underscored.For us, the Council of Europe represents the fundamental organisation to set the standards in promoting human rights, democracy and rule of law in Europe, she added."By applying those standards in our societies, we, the member states, confirm our commitment to our common values," she underscored.The Croatian government strongly supports the need for the continuation of the reform of the Council of Europe, an organisation that is also facing huge challenges, she said in her address."During its chairmanship, Croatia intends to closely cooperate with the Parliamentary Assembly and the secretary-general with regard to defining clear and long-term perspectives and strategies.

In that regard, it is very important to achieve a greater unity of member states based on dialogue and mutual cooperation," she said.The four main priorities of Croatia's chairmanship will be the fight against corruption, efficient protection of national minorities and vulnerable groups, decentralisation in the context of strengthening local government, and the protection of cultural heritage and cultural routes, said the minister.As far as corruption is concerned, the minister said that not one institution or legal body is immune to that negative phenomenon and announced a ministerial conference on the topic of strengthening transparency and responsibility with the aim of preventing corruption, to be held on October15 and 16 in cooperation with the Council of Europe's Group of States against Corruption (GRECO).During its chairmanship, Croatia will hold several conferences on the protection of the rights of minoritiesand vulnerable groups, including a conference marking the 20th anniversary of the Framework Convention for the Protection of National Minorities, to be held on June 18 and 19 in Strasbourg, Pejcinovic Buric added.She also announced a special conference on the Roma, "From education to employment", which is scheduled to take place onBrijuni Island on September 25-26.Croatia took over the chairmanship of the Council of Europe from Denmark on May 18, and this is the first time that it is chairing this pan-European organisation since it joined it in 1996.Croatian parliament speaker meets with PACE presidentZAGREB, June 1 (Hina) - Croatian Parliament Speaker Gordan Jandrokovic met in Zagreb on Friday with the visiting President of the Parliamentary Assembly of the Council of Europe (PACE),MicheleNicoletti.The PACE Bureau, Presidency and Standing Committee were meetingin the Croatian Parliament as part of the Croatian chairmanship of the Council of Europe Committee of Ministers.Jandrokovic emphasised the importance of the oldest pan-European organisation for Croatia since it became a member in 1996 and the importance of the Parliamentary Assembly in whose work the Croatian Parliament had participated even before Croatia formally joined the organisation.Jandrokovic expressed satisfaction with Croatia's first chairmanship ofthe Committee of Ministers in the 22 ***years*** of its membership, saying that the focus of the Croatian chairmanship would be on priorities shared by all European countries, namely combating corruption and organised crime, protecting the rights of ethnic minorities and vulnerable social groups, strengthening local and regional government, and protecting and promoting cultural heritage.Nicoletti thanked the Croatian Parliament for its hospitality and for the excellent organisation of the PACE meetings, saying that during its membership Croatia had become an example and model to other member states.The two officials also discussed the role of national parliaments in strengthening the work of the Parliamentary Assembly, particularly the conventional system of the Council of Europe and its implementation, Jandrokovic's office said in a press release.Croatia assumed the Council of Europe chairmanship from Denmark on May 18.Earlier in the day, while opening the meeting of the PACE Standing Committee, Jandrokovic said that accession to the Council of Europe had been among Croatia's first major strategic goals and the result of its successful foreign policy.By joining the organisation, Croatia clearly showed that it belonged to the circle of European countries with the highest values and democratic standards."Croatia has become a country fully committed to the democratic foundation on which contemporary Europe is built: democracy, rule of law and human rights protection," Jandrokovic said.He said that Croatia wanted to continue actively contributing to the search for solutions to the many issues being faced by Europe today.Council of Europe Parliamentary Assembly president meets PM PlenkovicPrime Minister Andrej Plenkovic, too, today received for talks the visiting president of the Council of Europe Parliamentary Assembly, and informed him of the priorities of Croatia's six-month presidency of the Council of Europe, noting that Croatia would work to contribute to overcoming problems the organisation was currently faced with, the government said in a statement.Plenkovic said that as the presiding country Croatia would work to promote dialogue and contribute to overcoming the problems the Council of Europe was faced with.President says political elite has alienated itself from the peopleZAGREB, June 1 (Hina) - President Kolinda Grabar-Kitarovic on Friday criticised the political elite, sayingthat it has alienated itself from the peopleand that many citizens feel injustice because the system is not treating everyone the same. She called for joint effort to resolve the problems in Croatian society, underscoring that the demographic issue was crucial.Grabar-Kitarovictemporarily relocated her office to Osijek and in her address at the start of her stay there she saidthat the "Croatian people wanta decent and normal life," without havingto think about whether they can support one, two or more children and whether they can make ends meet, a life in which workers will earn a decent pay and employers will be relieved of unnecessary levies.She added that these were the problems and reasons because of which young people wereemigrating, particularly from Slavonia.Grabar-Kitarovic once again reiterated that the demographic issue wascrucial for Croatia and that there wasno more time to defer resolving the demographic crisis. The president stressed it washigh time for an action plan to be adopted and concrete comprehensive measures to be implemented which would last longer than one government term.She commended the Bridge party'sinitiative aimed at encouraging Croatians to stay in their country, saying that synergy in resolving critical issues wasimportant in orderto restore citizens' trust in state institutions.The president reiterated that she was sorry the government had rejected her proposal for a joint meeting."I will continue to work on these problems and on June 11, I will present the measures that I have prepared with my advisers and will discuss them with all the relevant stakeholders in the political and social life, in order to achieve agreement on their implementation," she underscored.She recalled and welcomed the government's "Slavonia, Baranja and Srijem" project as part of the Competitiveness and Cohesion operational ***programme*** and Rural Development ***programme***, which has resulted in the absorption of more than HRK 6 billion in funding.Parliament speaker calls for defusing tensionsZAGREB, June 1(Hina) - Commenting on the latest criticism of the government by President Kolinda Grabar-Kitarovic regarding depopulation trends and reforms, Parliament Speaker Gordan Jandrokovic on Friday called for defusingtensions.Answering questions from reporters in the parliament, Jandrokovic declined to give any political commentafter earlier this week unofficial sources at the office of the president accused him of lying.In recent days, "harsh words were used that should not be used by senior office-holders", Jandrokovic said, calling for defusing tensions and dealing with challenges faced by Croatia."Today I will not engage in any political squabbles. I was attacked the last time and I only defended myself," said Jandrokovic, declining to say if he had recognised himself in Grabar-Kitarovic's statement that the political elite had alienated itself from the people.As for the president's criticism that the government was not implementing reforms, Jandrokovic said that the government was working a lot, that it had good results and that it should continue that way."The settlement agreement in the Agrokor case has been reached, there is a budget surplus, GDP has grown, there is an entire set of EU-related projects, from the Peljesac bridge to the LNG terminal, which I believe will be implemented," Jandrokovic said.Gov't not responsible for growing populismJandrokovic went on to say that the government was doing a good job, that Croatia needed more political peace and that ideological and political struggles should be toned down and attention turned to improving citizens' living standards.Jandrokovic does not believe that the government is responsible for the growth of populist parties in Croatia."That trend has affected many countries and it requires a political, sociological and legal analysis. This is a new trendand we will have to find answers to it. Responsible politicians must offer solutions and fight for the Constitution, parliamentary democracy, the rule of law, freedom, and for the protection of human and minority rights. Those are serious challenges that we have to start dealing with," said Jadrokovic.Asked about the referendum questions proposed by the civic groups "The Truth about the Istanbul Convention" and "The People Decide", Jandrokovic said that he was surprised that the signatures collected in the referendum campaign by The People Decide civic group had not been submitted to the parliament so that the objections that could be heard lately, namely that signatures were still being collected, could be removed."I have no information on that but handing in the signatures would be good for the sake of the transparency of the procedure," said Jandrokovic."The parliamentary Committee on the Constitution, Standing Orders and Political System will discuss the referendum questions and, considering the opposed views of experts on constitutional law, I expect the Committee to ask the Constitutional Court for its opinion on the questions," Jadrokovic said.PM says president's praise of Bridge party possibly aimed at expanding her voter baseZAGREB, June 1 (Hina) - Prime Minister Andrej Plenkovic said on Friday that President Kolinda Grabar-Kitarovic obviously liked what the Bridge party was doing and that her statement praising that party was possibly aimed at expanding her voter base."She obviously fancies what Bridge has been doing, my experience with Bridge was bad, but maybe she has been trying to broaden her voter base," Plenkovic said while answering questions from the press in Kutina, where he attended a ceremony marking the 50th anniversary of the local artificial fertiliser factory Petrokemija."I can see that Bridge is bragging about having authored the referendum question that is deeply discriminating against members of parliament representing ethnic minorities," Plenkovic said, adding that Bridge was trying to drag Croatia decades backward.He said that he was "somewhat surprised that the president is praising a team like that.""There are no such politicians here, I can't see them," he said when asked to comment on the statement Grabar-Kitarovic made earlier in the day in Osijek, when she criticised the political elite for having alienated itself from the people."If someone is among the people, then that's us," he said, adding that it was his government that had secured a two billion kuna worth project for Osijek.Answering questions about depopulation trends, Plenkovic said that that problem had been burdening Croatia for 70 ***years*** and that neither the president nor the incumbent government were responsible for demographic problems that had started after World War II.He noted that Croatia was not the only country with negative demographic trends.That is a huge problem but the government has been dealing with it practically since its second session, he said, adding that economic progress was not the only way to reverse negative demographic trends.Demographic revitalisation requires a mentality change and optimism in society, he said, adding that constantly insisting on negative trends would not result in anything good and could only cause despondency.The government cannot cope with the problem of negative demographic trends alone, depopulation trends are a broader phenomenon that requires all stakeholders assuming their share of responsibility, said Plenkovic.PM praises Agrokor emergency administration's effortsPlenkovic was also asked to comment on a letter sent by the Franck company to the Commercial Court, in which it says that it will use all legal means available to protect its rights as a creditor of the ailing Agrokor food and retail conglomerate."I believe that a lot has been done, we have found an optimal solution to an extremely complex problem," the PM said, adding that the settlement agreement with Agrokor's creditors would be published next week.He said that Agrokor's creditors were satisfied with the agreement to a large extent.It is unrealistic to expect all stakeholders to be entirely satisfied, he said, adding that the emergency administration had done a huge job and that most of Agrokor's suppliers and companies had a future and had saved jobs.Speaking of Petrokemija, which is expected to be recapitalised, Plenkovic said that he was confident that his government's measures had enabled the continuation of production in Petrokemija.The fifty ***years*** of Petrokemija and its importance for production, employment and exports in Croatia is a basis for the continuation of its modernisation and the reason for the government's clear commitment to finding a long-term, sustainable model for its future operation, the PM said.Police capture migrant smuggler at Donji SrbZAGREB, June 1 (Hina) - Croatian police have captured a person suspected of smuggling illegal migrants at Donji Srb, Interior Minister Davor Bozinovic announced on Friday."According to the latest information from the ground, police have arrested the suspected smuggler. At this point I cannot say more than that he has been arrested in Croatia," Bozinovic told the RTL commercial television station.He said that police could not have known that they were shooting at a van full of people and that they followed the standard procedure.Police stopped a van with Austrian licence plates in the Donji Srb area near the border with Bosnia and Herzegovina on Wednesday and found that it was carrying 29 illegal migrants from Iraq and Afghanistan.Among the migrants were 15 children. Two 12-***year***-olds suffered gunshot wounds after the driver ignored three orders from the police to stop the vehicle. He stopped only after the police opened fire, after which he jumped out of the vehicle and escaped.The injured children were taken to hospital inZadar and their condition is stable, while the others received medical attention in the Zadar and Gospic hospitals, the police said.Minister says police followed procedure in catching illegal migrantsCommenting on the case earlier in the day, Bozinovic saidthat the police followed procedure and that their actions were justified as they acted in self-defence and the Croatian law allowedthe use of firearms in such situations."This was a truly tragic event. I am sorry, especially because children were injured in the incident, but at the same time my thoughts are with all police officers who are protecting the Croatian border 24 hours a day, preventing illegal migrations and implementing Croatian and European laws in the protection of the EU's external borders," Bozinovic said, recalling that the Croatian border was one of the longest external borders of the bloc.Increased pressure of illegal migrationsAsked if this meant there would be no further investigation into a possible unjustified use of firearms, Bozinovic said an investigation was being conducted within the Interior Ministry."I am talking about what the investigation hasrevealed so far. The fact is that there is increased pressure from illegal migrations on a new route through Bosnia and Herzegovina. The Croatian police reacted in the way that was already discussed in the European Commission several months ago, precisely because of the possibility of such scenarios," Bozinovic said.Croatia has developed intensive diplomatic activitywith the most important EU member states and countries on this route and is trying to explain to everyone how important it is for every country to protect its borders in order to secure lawful and sustainable migrations and prevent illegal ones,said Bozinovic.The minister confirmed that the migrants caught on Wednesday have sought asylum, namely international protection.Four Croatian nationals arrested for trying to smuggle 35 foreignersZAGREB, June 1 (Hina) - Croatian police have arrested four Croatian nationals in Vojnic and Ozalj, in Karlovac County, after they tried to smuggle 35 foreign nationals through Croatia and further on to other EU countries, the county police department reported on Friday.The Croatian nationals, aged 24, 29, 34 and 36, were arrested for two separate cases of people smuggling.Vojnic is a municipality on the border with Bosnia and Herzegovina from where migrants are illegally entering Croatia, while Ozalj is a town on the border with Slovenia, a country signatory to the agreement on the Schengen area of passport-free travel which migrants are trying to reach on their journey to EU countries where they want to settle.The police have pressed charges against the suspects and they were remanded in custody.Serbian van driver and 11 Afghan migrants detained in ZagrebZAGREB, June 1 (Hina) - A Serbian national was arrested in Zagreb on Friday for transporting 11 Afghans in a van with German licence plates, police said in a statement.Police stopped the van in Zagreb's Tresnjevka district at 1.45am on Friday, after which the 47-***year***-old Serbian driver and the other people in the van tried to escape, but failed. They were all taken to a police station for questioning.The driver will be remanded in custody for entering the country illegally.USKOK dismisses complaint against border police in death of Afghan girlZAGREB, June 1 (Hina) - The USKOK anti-corruption office has dismissed a criminal complaint against police officers in the death of a minor Afghan girl.Seven Afghan nationals have filed a criminal complaint against unidentified Croatian border police officers for several criminal offences committed on 21 November 2017 near a border crossing with Serbia which resulted in the death of the Afghan girl Madina Hosseini on Serbian territory.An investigation has not found that the police officers committed the crimes listed and the complaint is therefore dismissed, USKOK said in a statement on Friday.JUSP Jasenovac condemns denial of Ustasha crimes on public televisionZAGREB, June 1 (Hina) - The public institution running the Jasenovac memorial complex (JUSP) on Friday condemned the views presented by journalist and writer Igor Vukic in a Croatian public television (HRT) ***programme*** earlier this week, saying that he denied the crimes committed in the WWII Jasenovac concentration camp.Vukic is known for his claims that Jasenovac was a labour camp and labour collection point and that no mass-scale crimes were committed there. His book, Radni logor Jasenovacor The Jasenovac Labour Camp, was presented in the ***programme***, and he again contested the figure of about 80,000 people killed in the camp by the pro-Nazi Ustasha regime which ruled Croatia during World War II.In a statement, JUSP Jasenovac condemned and expressed concern about the views expressed by Vukic and the ***programme***'s hosts Marina Medved Pulic and Frano Ridjan, saying thata person who denies the crimeswas presented as an authority on the subject of the Jasenovac concentration camp.By inviting Vukic as a guest, the HRT and the editors of the "Good afternoon, Croatia" ***programme*** gave him a platform to deny the crimes committed in the Ustasha concentration camp. Vukic said that Jasenovac had served as a labour camp or a prison for active opponents of the state and for Jews excluded from deportation to Germany, and described Ustasha leader Ante Pavelic as the most responsible person for rescuing camp inmates, according to the statement.During his 15-minute appearance, Vukic never once used terms such as crime, racial laws, the Holocaust or forced labour. The ***programme***'s hosts did not distance themselves from the views of their guest and even called on viewers to buy his book, thus showing "a lack of professionalism and sympathy for the victims and generally a lack of knowledge of the subject at hand," the statement said.JUSP Jasenovac once again recalled that the Jasenovac concentration camp had been the largest concentration camp in the territory of the Ustasha-run Independent State of Croatia (NDH) and the site of mass-scale executions of Serbs, Roma, Jews and political opponents of the Ustasha movement's racial ideology.The HRT issued a statement on Thursday distancing itself from the views presented in the ***programme***, aired on May 30, but did not mention any sanctions against those responsible.The HRT ***Programming*** Council has convened a special meeting for June 4 to discuss this case.People Decide civil initiative condemns statements by minority MP, PMZAGREB, June 1 (Hina) - The People Decide civil initiative on Friday condemned what it described asminority MP Furio Radin's blackmail attempt and Prime Minister Andrej Plenkovic's attack on the initiative, announcingthat itwould submit signatures collected in its campaign for areferendum to change the election system to Parliament Speaker Gordan Jandrokovic on June 13.The NGO's coordinator, Zvonimir Troskot, told a press conference that in an interview with the HTV broadcasterRadinblackmailed Prime Minister Andrej Plenkovic by saying that "if thisreferendum passes"he would simply "no longer support the government.""That's political blackmail, political racketeering and the kind of absurdity that led to the civil initiative being formed," Troskot said, accusing Radin of trying to use his 1,600 preferential votes to prevent 3.7 million voters from expressing their opinion ina referendum.Troskot believesthat Plenkovic has given in to such political racketeering and made astatement, which, he says,is actually an instructionto the Constitutional Court. "That is why in fact this civil initiative emerged, to prevent political blackmail and racketeering as done by Radin, and instructions, as those given by Plenkovic," Troskot said.Another representative of the initiative, Luka Mlinaric, said that the signature-collection campaign ended at midnight on Sunday, May 27 and that volunteers were checking petition lists and recounting signatures in order to preparethe petition forms for submission to the parliament."We have collected 780,000 signatures that need to be counted againand prepared forsubmission to the parliament," he said and added that the initiative was preparing its request for the referendum to be called.Asked about the constitutionality of the referendum questions,Troskot said that they were in line with the Constitution and that that had been confirmed by a number ofconstitutional law experts."If you look at Article 15 of the Constitution, which defines national minorities, or the Constitutional Law on National Minority Rights, you can see that our proposal doesn't change even one comma," Troskot said."The constitutional law specifies that national minorities should have five to eight seats in parliament. We have proposed six and that is in fact a 25% reduction, which is in proportion to the 25% decrease in the number of seats in parliament overall," he added.The initiative on Thursday said that it had collected 397,024 signatures for the question referring to general regulations of the election system and 390,189 signatures for the question related to minority representation in parliament.At least 10% of the electorate or 374,740 voters have to sign a petition for a referendum to be called.Press freedom in Croatia: Hate speech and hope for changeZAGREB, June 1 (Hina) - An international mission of press associations and organisations promoting freedom of speech, who visited Zagreb in January for a second time to examine the state of press freedom in Croatia, has released a report "Croatia: Hate speech and hope for change", the Croatian Journalists' Association (HND) said on Friday.After a joint mission found in June 2016 that the situation was bad, a new delegation, including representatives of the South East Europe Media Organisation (SEEMO), the Association of European Journalists (AEJ), the European Broadcasting Union (EBU), the European Federation of Journalists (EFJ), the European Centre for Press and Media Freedom (ECPMF) and Reporters Without Borders (RSF), found at the start of 2018 that things had improved.The latest report says that the ***programme*** of the new conservative-liberal ruling coalition includes freedom of the media as an important issue for Croatia as an EU member, and that politicians clearly speak out against endangering journalists' lives.It says that last ***year*** Prime Minister Andrej Plenkovic and the parliamentary Committee on the Media condemned attacks and threats against journalists, and the police were faster in their response to such cases. Although the number of physical assaults on journalists had decreased, attacks and threats, especially those made online, are still a big problem, as is the destructive impact of hate speech on society, which had increased since 2016.The mission noted that Croatia had moved up from 74th to 69th place in the 2018 World PressFreedom Indexand welcomed the improvement, but added that there was still a lot of work to do. It recommended that authorities conduct comprehensive investigations into all unsolved cases of physical attacks on journalists."Politicians, journalists and public individuals must refrain from participating in, supporting or being perceived as supporting smear campaigns or hateful rhetoric against journalists and media. Politicians must condemn such campaigns and rhetoric when it occurs," the report says, adding thatpolitical parties must refrain from interfering with the editorial policy of the public broadcaster HRT.The mission recommends that lawmakers include HRT's own journalists in debates around a new HRT law and increase the role of those journalists, civil society and consumers in the selection of HRT's management. It says that the method of appointing the HRT director general and other HRT governing structures should be changed in line with European public broadcasting standards, and that HRT should consider the creation of an internal council to serve as a watchdog over HRT's independence.Journalist organisations (associations and unions) should refrain from political activism and should uphold standards of professionalism and collegiality in their public activities.HRT management and journalists should act in the long-term best interest of the broadcaster and show solidarity in rejecting interference by political parties of all stripes, the mission recommends.The matter of hate speech and fake news must be taken more seriously, more comprehensively and more pro-actively. The initiative of a regulation,although announced, should not wait for EU regulation.Rules cannot be a threat against press freedom and freedom of speech, and the Croatian Parliament must fully repeal Article 148 of the Criminal Code on 'shaming', and should also repeal Articles147, 149, 349 and 356, the mission said.Legal provisions providing for transparency of media ownership must be updated to ensure a sufficient framework for monitoring and compliance, and the Electronic Media Council should be more active in cases where electronic media are not respecting professional standards,especially in cases of use of hate language in local media.The mission also recommends preparinga media strategy with active work and feedbacks from all media players.Divjak: Amendments to Education Act are in ParliamentZAGREB, June 1 (Hina) - Science and Education Minister Blazenka Divjak said on Friday that the proposed amendments to the Primary and Secondary Education Act were in parliament and that they included references to curricular documents that were being developed.Initial training sessions for mentors, held by international experts, covered problem solving, teaching students with difficulties and teaching talented students. The mentors are now integrating that with the approaches they have developed in Croatia and are ***transferring*** this knowledge to thousands of students and teachers."This means that no one is left out, what's more, the approaches to work with special groups of students have been upgraded and are being applied," Divjak said in a statement.The introduction of the "School for Life" pilot project in 72 schools as part of the comprehensive curricular reform was financed with 200 million kuna (27 million euros) from the state budget, the European Social Fund and the European Commission, according to the statement.The statement was prompted by a protest rally held outside the Science and Education Ministry's building earlier in the day by representatives of the GOOD initiative who accused the ministry of abandoning the reform.Divjak suggested to the GOOD initiative a constructiveexchange of views and ideas, saying that "problem solving and critical thinking form the basis of changes that we want in our schools and in the approach to the education reform."Petrov critcises gov't for ignoring Bridge-sponsored billsZAGREB, June 1 (Hina) - The leader of the opposition Bridge party, Bozo Petrov, said on Friday that he was pleased that President Kolinda Grabar-Kitarovic had commended the party's work, and criticised the government for ignoring bills that Bridge had put forward to parliament."We consider that today when Croatia is suffering under politicians who are looking out for their own interests and positions, it is exceptionally important to show that it can and should be different. That is why a large number of experts are working on the Stay Movement, Bridge's platform which consists of a series of legislative initiatives aimed at stopping people from emigrating," Petrov said.He added that one of the demographic measures was a well paid job and that apart from demographic measures, Bridge's initiativeis also aimed at entrepreneurship, economic measures, efficient public administration and the fight against corruption and clientelism.He recalled that they have been presenting the measures around the country for months now."I am glad that many experts, and it seems that the president also noticed this, have recognisedthe constructiveness of our measures while the government is continuing to ignore bills that we have put forward to parliament," Petrov said.Grabar-Kitarovic on Friday criticised the government and Prime Minister Andrej Plenkovic for rejecting a joint meeting to discuss the problems of demography and citizens with blocked bank accounts, while commending Bridge's Stay Movement initiative.Croatia to get EUR 4.5bn from EU Common ***Agricultural*** Policy budgetZAGREB, June 1 (Hina) - In the EU's next seven-***year*** budget Croatia is expected to get, as part of the EU's common ***agricultural*** policy (CAP), 4.0345 billion euros, expressed in prices from 2018, or 4.544 billion euros expressed in current prices that take into account projected inflation, with slightly more funds for direct ***payments*** to farmers and less funds for rural development.The European Commission on Friday published a draft regulation on CAP for the period 2021-2027, envisaging EUR 365 billion for 27 member states.The CAP has two pillars - direct ***payments*** to farmers and rural development. Under the present multiannual financial framework, Croatia has access to two billion euros for rural development and 1.48 billion for direct ***payments***, expressed in prices from 2014.In the next multiannual framework, the EC proposes that Croatia should have at its disposal 4.0345 billion euros expressed in fixed prices from 2018 or 4.5446 billion euros, expressed in current prices (taking into account projected inflation until 2027).Of that amount, 2.2077 billion euros (expressed in fixed prices from 2018) or 2.489 billion euros, expressed in current prices, is to be allocated for direct ***payments***. Rural development is to be financed with 1.7501 billion euros (expressed in fixed prices) or 1.9694 billion in current prices. Market support measures total EUR 76.7 million in fixed prices or 86.3 million in current prices. Those ***payments*** account for less than 10% of the CAP.In the present multiannual framework Croatia has slightly less than 3.5 billion euros at its disposal for direct ***payments*** and rural development, and for the next multiannual financial framework the EC proposes slightly more than four billion in fixed prices or slightly more than 4.5 billion euros in current prices.However, the amount of 3.5 billion euros for the present multiannual financial framework is expressed in fixed prices from 2014 while the amount expressed in prices from 2018 is not available so a comparison of allocations from the two multiannual financial frameworks does not show the real gain or loss of funding as 3.5 billion euros is not of the same value in 2014 and 2018.Many stakeholders have accused the EC of manipulating the figures by not stating the amounts in prices for 2018 in the present multiannual financial framework, thus preventing a precise comparison.With regard to cohesion policy, the EC has been pressured into giving amounts both in fixed and current prices for both budgets, which enables a more precise calculation of how much more or less money a country has been given.Under the EC daft proposal, Croatia will get less for rural development even in the nominal amount of 1.750 billion euros in fixed prices from 2018 as against two billion euros in prices from 2014.The nominal amount for direct ***payments*** is slightly bigger - 2.207 billion euros, expressed in prices from 2018 as against 1.48 billion, but the reasons for this are different.As was the case with other new member states, Croatia too was granted a transitional period of ten ***years*** during which the share of EU funds in the established annual limit for the financing of direct ***payments*** is gradually increased.Over that ten-***year*** period, the difference up to the established limit is covered from the Croatian budget, and as of 2023 the entire amount will be provided from the EU budget, with EU funds for direct ***payments*** consequently increasing.Cohesion and ***agricultural*** policies account for almost two-thirds of the EU budget.Two days ago, the EC published a proposal for cohesion policy under which in the 2021-27 financial period Croatia would get around six percent less money in real terms than in the present budget, but it continues to be among the countries that receive the most in terms of per capita allocations.Croatia is expected to be allocated 8.767 billion euros under cohesion policy for the period 2021-2027, or 9.888 billion euros if inflation is taken into account, the European Commission said on Tuesday.In the present multiannual financial period 2014-2020, Croatia has 8.6 billion euros at its disposal, expressed in prices from 2014. If inflation is taken into account, Croatia has 9.3 billion euros at its disposal in the 2014-2020 multiannual framework. This means that in the 2021-2027 financial framework, it has been given 500 million euros or 5.5% less than in the present financial period.In the period from 2021 to 2027 Croatia should have at its disposal under cohesion and ***agricultural*** policies 12.8 billion euros, expressed in fixed prices, or 14.4 billion expressed in current prices.The draft multiannual budget, as well as the accompanying sectoral legislative proposals are only the first step in the process of negotiating the final budget and figures from the EC draft should therefore be taken with reservation as changes are certain to happen in negotiations among member states.The multiannual financial framework should be supported unanimously by all member states and the European Parliament and as in previous ***years***, each budgetary item is expected to be fought over intensively.Croatia's unemployment rate down again, among biggest drops in EUZAGREB, June 1 (Hina) - Croatia's unemployment rate fell again in April for the sixth consecutive month and the country recorded one of the biggest annual decreases in unemployment in the European Union, the European statistical office Eurostat reported on Friday.The seasonally adjusted unemployment rate in the European Union was 7.1% in April 2018, stable compared with March 2018 and down from 7.8% in April2017. This remains the lowest rate recorded since September 2008, Eurostat reported.The euro area seasonally-adjusted unemployment rate was 8.5% in April 2018, down from 8.6% in March2018 and 9.2% in April 2017, the report said.Eurostat estimates that 17.462 million men and women in the EU, of whom 13.880 millionin the euro area, were unemployed in April 2018. Compared with March 2018, the number of persons unemployed decreased by 53,000 in the EU and by 56,000 in the euro area.Compared with April 2017, unemployment fell by 1.633 million in the EU and by 1.088 million in the euro area.The seasonally-adjusted unemployment rate in Croatia in April fell to its lowest level in nine ***years*** at 9.1%. In March it was 9.3%.There were 164,000 citizens without work in Croatia in April, down 4,000 from March.Compared to April last ***year*** their number was reduced by 47,000.Only Italy and Estonia had the same or higher unemployment rates compared to April 2017. In Italy unemploymentstayedat the April 2017 level and in Estonia it went up by 0.3 pp.The annual unemployment rate dropped the most in Cyprus, by 3.1 pp, followed by Croatia, with a drop of 2.4 pp, and Portugal, with a drop of 2.1 pp.In April 2018, the youth unemployment rate was 15.3% in the EU and 17.2% in the euro area, compared with 17.2% and 19.3% respectively in April 2017.There werea total of 3.426 million young persons unemployed in the EU in April of whom2.433 million were in the euro area.Compared with April 2017, youth unemployment decreased by 464,000 in the EU and by 306,000 in the euro area.Croatia doesn't record monthly youth unemployment figures. In the first quarter of 2018 the youth unemployment rate was 23.5%, with 36,000 young people under 25 being out of work, Eurostat's report notes.326,000 individuals and 24,000 businesses with blocked accounts at end-AprilZAGREB, June 1 (Hina) -At the end of April 2018, there were 326,057 citizens and slightly fewerthan 24,000 businesses with blocked bank accounts, owingHRK 43.51 billion and HRK 12.7 billion respectively, the FINA financial agency reported on Friday.FINA's data indicates that the number of individuals with blocked accounts increased on the month but decreased on the ***year*** while their debt continues to grow.There were 803 more individuals with blocked accounts in April compared with March whereas theirnumber fell by almost 3,000 or one percent on the ***year***. Theirdebt in April amounted to HRK 43.51 billion, which is0.3% more on the month and 3.1% higher compared to April 2017 when it amounted to HRK 42.19 billion.There were 23,748 businesses with blocked accounts at the end of April with their debtamounting to HRK 12.68 billion. That is 1% less on the month and a 1.2% decrease in the amount owed.These numbers were significantly lower on the annual level. At the end of April 2018 there were 4,461 fewer businesses with blocked accounts than there were in April 2017 with the amount owed decreasing by HRK 4 billion or by 24%.The number of business entities with accounts blocked for more than 360 days and with higher amounts involved are still the most numerous among those with blocked accounts.HUB: Lending recovers strongly in first four months of 2018ZAGREB, June 1(Hina) - In the first four months of 2018, bank lending in Croatia recovered strongly in all segments, following the negative impact of the Agrokor crisis last ***year***, with the gross amount of newly granted housing loans jumping on the ***year*** by close to 15% and other loans increasing by close to 30%, according to the latest issue of the Croatian Banking Association (HUB) publication "Reviews".Following last ***year***'s disruption in loan demand caused by the Agrokor crisis, the first four months of 2018 saw a significant increase in both corporate and household lending, notes HUB.Smaller corporate loans as well as those thatbelong in the category of the highest loans have been growing at a faster rate, "which is an encouraging sign in terms of further economic growth and changes in the economy's structure,"HUB says, noting that the share of new loans with the currency clause has been on the rise as well.The gross amount of newly-approved housing loans rose in the first four months by close to 15% from the same period of 2017, with loans with the currency clause going up faster, while kuna-denominated loans granted went down."Households are obviouslyreacting more strongly to differences in interest rates which have continued to godown for loans with the currency clause and are now well below 4%, at levels that are comparable with countries in the euro area. As for the loan offer, banks are increasingly limited by a shortage of kuna funds, which is particularly evident in the granting of long-term housing loans, with those in kuna registering a sharp drop. As for other loans, whose growth is faster than that of housing loans, of close to 30%, kuna-denominatedloans are still on the rise even though they are growing at a slower rate than loans with the currency clause," says HUP.As for corporate loans, kuna-denominated loans are being gradually replaced by loans with the currency clause, especially in the segment of loans with a higher value, of above HRK 7.5 million."The segment of loans with a higher value was affected relatively more strongly by the Agrokor crisis last ***year*** and now it is growing the fastest. At the same time, the continuation of growth in the segment of loans of up to two million kuna, at a rate of 6%, is encouraging," HUB says.Similar to household loans, corporate loans, especially those of higher value, are being increasingly tied to a foreign currency.HUB notes that the recovery of lending operations created room for reducing the interest margin, and that its annual moving average dropped from 2.87% in the last quarter of 2017 to 2.83% in Q1 2018, which is the first drop in five ***years***.It also notes that the lending expansion, coupled with stronger demand and competition, results in a lower interest margin. In such a situation, the growth of bank profits can only result from an increased volume of operations if value adjustments are excluded.In the first quarter of this ***year***, the banks' net profits grew from 432 million in Q1 2017 to around 1.4 billion kuna, and HUB explains that almost the entire growth can be attributed to fewer net value corrections and adjustments, which dropped byalmost 95% as this ***year*** there was no "effect of the Agrokor crisis"."The annual moving average of return on capital has thus risen to 7.9% and it will probably continue to grow mildly as the impact of value corrections for loans to Agrokor is no longer taken into account when calculating the time average. With such a rate of return on capital, the Croatian banking system is still in the lower half of the global comparative ranking according to IMF statistics," HUB says.In the first four months of this ***year***, the banks' main source of profit - net interest revenues and net revenues from commissions and fees - saw a drop of 5.8% and 4.3% respectively.In other news:Minister opens int'l conference on forensic medicineZAGREB, June 1(Hina) - Croatian Interior Minister Davor Bozinovic opened the 26th International Meeting on Forensic Medicine Alpe-Adria-Pannoniain the northern Adriatic city of Pula on Friday.Bozinovic said the conference, attended by approximately 100 participants from 20 countries, including forensic medicine experts, would focus on the issue of persons who went missing amid increased migration waves, their identification as well as issuesof clinical forensic medicine.Bozinovic expressed satisfaction with the fact that this wasthe fourth time Croatia was hosting the conference. He recalled that Croatia had a modern forensic institute -- the Ivan Vucetic Institute in Zagreb -- which is a leading forensic institute in this part of Europe with more than 60 accredited methods from all forensic areas.Bozinovic also said the Croatian police was up to the challenge of illegal migrations, recalling a large migrant wave between September 2015 and March 2016, whenmore than 650,000 people passed through Croatia."Stronger Schengen Area" conference starts in DubrovnikZAGREB, June 1 (Hina) - The international conference "Stronger Schengen Area - Schengen as a guarantee of security for European citizens" started in Dubrovnik on Friday in preparation for Croatia's accession to the passport-free travel zone.The introductory talks were given by the conference organiser, Dubravka Suica, head of the Croatian EPP/HDZ delegation in the European Parliamentand Vice President of the EP Committee on Foreign Affairs, and Dubrovnik MayorMato Frankovic."There is no better place for a conference on this topic than Dubrovnik. We will endeavour to answer questions with regard to what still needs to be done to access the Schengen Area," Suica said.European Commissionerfor Migration, Home Affairs and CitizenshipDimitris Avramopoulos and Commissioner for Digital Economy Mariya Gabriel addressed the conference via video link.Several state officials are attending the conference, including aState Secretary atthe Ministry of Foreign and European Affairs, Andreja Metelko Zgombic, Director of the Intelligence-Security Agency (SOA) Daniel Markic, and Chief-of-Police Nikola Milina.ZSE indices end week in redZAGREB, June 1 (Hina) - The main Zagreb Stock Exchange (ZSE) indices fell on Friday, the Crobex dropping by 0.41% to 1,846.38 points and the Crobex10 by 0.57% to 1,065.53 points.The Crobex ended the week in the red for the first time in six weeks, while the Crobex10 was down for the second consecutive week.Turnover at the close of regular trading was HRK 8.3 billion, roughly the same as on the previous trading day, and an additional HRK 6.96 million was generated in block transactions with shares of the sugar producer Viro and the HT telecommunications company.The block transaction with Viro shares was HRK 4.6 million, with shares sold at HRK 140. In regular trading, Viro shares turned over HRK 52,100 and closed up 3.38% at HRK 153.HT shares turned over HRK 2.3million in the block transaction, trading at HRK 155 per share. In regular trading, they turned over HRK 1.1 million and ended the day at HRK 154 per share, down 1.91%.Two more stocks crossed the million kuna mark in regular trading - the preferred stock of the Adris tourism and insurance group and the ordinary stock of the Valamar Riviera hotel company, turning over HRK 2.7 million and HRK 1.2 million respectively. The price of Adris's stock fell by 1.61% to HRK 427, while that of Valamar rose by 1.46% to HRK 41.60.(EUR 1 = HRK 7.383103)THIS BULLETIN INCLUDES ITEMS RELEASED BY 2100 HRS FRIDAY. (Hina) rml Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulicev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentic, DirectorEditor in Chief: Serdo Obratov Bulletin Editor: Marija Sestan

ZAGREB, June 1 (Hina) - During its chairmanship of the Council of Europe (CoE), Croatia will be committedto an active and leading role in the protection and promotion of human rights, democracy and the rule of law, Foreign and European Affairs Minister Marija Pejcinovic

Buric said at a meeting of the Standing Committee of the Parliamentary Assembly of the Council of Europe (PACE), held in the Croatian parliament on Friday.

ZAGREB, June 1 (Hina) - Croatian Parliament Speaker Gordan Jandrokovic met in Zagreb on Friday with the visiting President of the Parliamentary Assembly of the Council of Europe (PACE),MicheleNicoletti.

Council of Europe Parliamentary Assembly president meets PM Plenkovic

Prime Minister Andrej Plenkovic, too, today received for talks the visiting president of the Council of Europe Parliamentary Assembly, and informed him of the priorities of Croatia's six-month presidency of the Council of Europe, noting that Croatia would work to contribute to overcoming problems the organisation was currently faced with, the government said in a statement.

Plenkovic said that as the presiding country Croatia would work to promote dialogue and contribute to overcoming the problems the Council of Europe was faced with.

ZAGREB, June 1 (Hina) - President Kolinda Grabar-Kitarovic on Friday criticised the political elite, sayingthat it has alienated itself from the peopleand that many citizens feel injustice because the system is not treating everyone the same. She called for joint effort to resolve the problems in Croatian society, underscoring that the demographic issue was crucial.

ZAGREB, June 1(Hina) - Commenting on the latest criticism of the government by President Kolinda Grabar-Kitarovic regarding depopulation trends and reforms, Parliament Speaker Gordan Jandrokovic on Friday called for defusingtensions.

ZAGREB, June 1 (Hina) - Prime Minister Andrej Plenkovic said on Friday that President Kolinda Grabar-Kitarovic obviously liked what the Bridge party was doing and that her statement praising that party was possibly aimed at expanding her voter base.

"She obviously fancies what Bridge has been doing, my experience with Bridge was bad, but maybe she has been trying to broaden her voter base," Plenkovic said while answering questions from the press in Kutina, where he attended a ceremony marking the 50th anniversary of the local artificial fertiliser factory Petrokemija.

"I can see that Bridge is bragging about having authored the referendum question that is deeply discriminating against members of parliament representing ethnic minorities," Plenkovic said, adding that Bridge was trying to drag Croatia decades backward.

He said that he was "somewhat surprised that the president is praising a team like that."

"There are no such politicians here, I can't see them," he said when asked to comment on the statement Grabar-Kitarovic made earlier in the day in Osijek, when she criticised the political elite for having alienated itself from the people.

"If someone is among the people, then that's us," he said, adding that it was his government that had secured a two billion kuna worth project for Osijek.

Answering questions about depopulation trends, Plenkovic said that that problem had been burdening Croatia for 70 ***years*** and that neither the president nor the incumbent government were responsible for demographic problems that had started after World War II.

He noted that Croatia was not the only country with negative demographic trends.

That is a huge problem but the government has been dealing with it practically since its second session, he said, adding that economic progress was not the only way to reverse negative demographic trends.

Demographic revitalisation requires a mentality change and optimism in society, he said, adding that constantly insisting on negative trends would not result in anything good and could only cause despondency.

The government cannot cope with the problem of negative demographic trends alone, depopulation trends are a broader phenomenon that requires all stakeholders assuming their share of responsibility, said Plenkovic.

PM praises Agrokor emergency administration's efforts

Plenkovic was also asked to comment on a letter sent by the Franck company to the Commercial Court, in which it says that it will use all legal means available to protect its rights as a creditor of the ailing Agrokor food and retail conglomerate.

"I believe that a lot has been done, we have found an optimal solution to an extremely complex problem," the PM said, adding that the settlement agreement with Agrokor's creditors would be published next week.

He said that Agrokor's creditors were satisfied with the agreement to a large extent.

It is unrealistic to expect all stakeholders to be entirely satisfied, he said, adding that the emergency administration had done a huge job and that most of Agrokor's suppliers and companies had a future and had saved jobs.

Speaking of Petrokemija, which is expected to be recapitalised, Plenkovic said that he was confident that his government's measures had enabled the continuation of production in Petrokemija.

The fifty ***years*** of Petrokemija and its importance for production, employment and exports in Croatia is a basis for the continuation of its modernisation and the reason for the government's clear commitment to finding a long-term, sustainable model for its future operation, the PM said.

ZAGREB, June 1 (Hina) - Croatian police have captured a person suspected of smuggling illegal migrants at Donji Srb, Interior Minister Davor Bozinovic announced on Friday.

"According to the latest information from the ground, police have arrested the suspected smuggler. At this point I cannot say more than that he has been arrested in Croatia," Bozinovic told the RTL commercial television station.

He said that police could not have known that they were shooting at a van full of people and that they followed the standard procedure.

Police stopped a van with Austrian licence plates in the Donji Srb area near the border with Bosnia and Herzegovina on Wednesday and found that it was carrying 29 illegal migrants from Iraq and Afghanistan.

Among the migrants were 15 children. Two 12-***year***-olds suffered gunshot wounds after the driver ignored three orders from the police to stop the vehicle. He stopped only after the police opened fire, after which he jumped out of the vehicle and escaped.

The injured children were taken to hospital inZadar and their condition is stable, while the others received medical attention in the Zadar and Gospic hospitals, the police said.

Minister says police followed procedure in catching illegal migrants

Commenting on the case earlier in the day, Bozinovic saidthat the police followed procedure and that their actions were justified as they acted in self-defence and the Croatian law allowedthe use of firearms in such situations.

ZAGREB, June 1 (Hina) - The public institution running the Jasenovac memorial complex (JUSP) on Friday condemned the views presented by journalist and writer Igor Vukic in a Croatian public television (HRT) ***programme*** earlier this week, saying that he denied the crimes committed in the WWII Jasenovac concentration camp.

ZAGREB, June 1 (Hina) - The People Decide civil initiative on Friday condemned what it described asminority MP Furio Radin's blackmail attempt and Prime Minister Andrej Plenkovic's attack on the initiative, announcingthat itwould submit signatures collected in its campaign for areferendum to change the election system to Parliament Speaker Gordan Jandrokovic on June 13.

ZAGREB, June 1 (Hina) - An international mission of press associations and organisations promoting freedom of speech, who visited Zagreb in January for a second time to examine the state of press freedom in Croatia, has released a report "Croatia: Hate speech and hope for change", the Croatian Journalists' Association (HND) said on Friday.

ZAGREB, June 1 (Hina) - Science and Education Minister Blazenka Divjak said on Friday that the proposed amendments to the Primary and Secondary Education Act were in parliament and that they included references to curricular documents that were being developed.

ZAGREB, June 1 (Hina) - The leader of the opposition Bridge party, Bozo Petrov, said on Friday that he was pleased that President Kolinda Grabar-Kitarovic had commended the party's work, and criticised the government for ignoring bills that Bridge had put forward to parliament.

ZAGREB, June 1 (Hina) - In the EU's next seven-***year*** budget Croatia is expected to get, as part of the EU's common ***agricultural*** policy (CAP), 4.0345 billion euros, expressed in prices from 2018, or 4.544 billion euros expressed in current prices that take into account projected inflation, with slightly more funds for direct ***payments*** to farmers and less funds for rural development.

The European Commission on Friday published a draft regulation on CAP for the period 2021-2027, envisaging EUR 365 billion for 27 member states.

The CAP has two pillars - direct ***payments*** to farmers and rural development. Under the present multiannual financial framework, Croatia has access to two billion euros for rural development and 1.48 billion for direct ***payments***, expressed in prices from 2014.

In the next multiannual framework, the EC proposes that Croatia should have at its disposal 4.0345 billion euros expressed in fixed prices from 2018 or 4.5446 billion euros, expressed in current prices (taking into account projected inflation until 2027).

Of that amount, 2.2077 billion euros (expressed in fixed prices from 2018) or 2.489 billion euros, expressed in current prices, is to be allocated for direct ***payments***. Rural development is to be financed with 1.7501 billion euros (expressed in fixed prices) or 1.9694 billion in current prices. Market support measures total EUR 76.7 million in fixed prices or 86.3 million in current prices. Those ***payments*** account for less than 10% of the CAP.

In the present multiannual framework Croatia has slightly less than 3.5 billion euros at its disposal for direct ***payments*** and rural development, and for the next multiannual financial framework the EC proposes slightly more than four billion in fixed prices or slightly more than 4.5 billion euros in current prices.

However, the amount of 3.5 billion euros for the present multiannual financial framework is expressed in fixed prices from 2014 while the amount expressed in prices from 2018 is not available so a comparison of allocations from the two multiannual financial frameworks does not show the real gain or loss of funding as 3.5 billion euros is not of the same value in 2014 and 2018.

Many stakeholders have accused the EC of manipulating the figures by not stating the amounts in prices for 2018 in the present multiannual financial framework, thus preventing a precise comparison.

With regard to cohesion policy, the EC has been pressured into giving amounts both in fixed and current prices for both budgets, which enables a more precise calculation of how much more or less money a country has been given.

Under the EC daft proposal, Croatia will get less for rural development even in the nominal amount of 1.750 billion euros in fixed prices from 2018 as against two billion euros in prices from 2014.

The nominal amount for direct ***payments*** is slightly bigger - 2.207 billion euros, expressed in prices from 2018 as against 1.48 billion, but the reasons for this are different.

As was the case with other new member states, Croatia too was granted a transitional period of ten ***years*** during which the share of EU funds in the established annual limit for the financing of direct ***payments*** is gradually increased.

Over that ten-***year*** period, the difference up to the established limit is covered from the Croatian budget, and as of 2023 the entire amount will be provided from the EU budget, with EU funds for direct ***payments*** consequently increasing.

Cohesion and ***agricultural*** policies account for almost two-thirds of the EU budget.

Two days ago, the EC published a proposal for cohesion policy under which in the 2021-27 financial period Croatia would get around six percent less money in real terms than in the present budget, but it continues to be among the countries that receive the most in terms of per capita allocations.

Croatia is expected to be allocated 8.767 billion euros under cohesion policy for the period 2021-2027, or 9.888 billion euros if inflation is taken into account, the European Commission said on Tuesday.

In the present multiannual financial period 2014-2020, Croatia has 8.6 billion euros at its disposal, expressed in prices from 2014. If inflation is taken into account, Croatia has 9.3 billion euros at its disposal in the 2014-2020 multiannual framework. This means that in the 2021-2027 financial framework, it has been given 500 million euros or 5.5% less than in the present financial period.

In the period from 2021 to 2027 Croatia should have at its disposal under cohesion and ***agricultural*** policies 12.8 billion euros, expressed in fixed prices, or 14.4 billion expressed in current prices.

The draft multiannual budget, as well as the accompanying sectoral legislative proposals are only the first step in the process of negotiating the final budget and figures from the EC draft should therefore be taken with reservation as changes are certain to happen in negotiations among member states.

The multiannual financial framework should be supported unanimously by all member states and the European Parliament and as in previous ***years***, each budgetary item is expected to be fought over intensively.

ZAGREB, June 1 (Hina) - Croatia's unemployment rate fell again in April for the sixth consecutive month and the country recorded one of the biggest annual decreases in unemployment in the European Union, the European statistical office Eurostat reported on Friday.

ZAGREB, June 1 (Hina) -At the end of April 2018, there were 326,057 citizens and slightly fewerthan 24,000 businesses with blocked bank accounts, owingHRK 43.51 billion and HRK 12.7 billion respectively, the FINA financial agency reported on Friday.

ZAGREB, June 1(Hina) - In the first four months of 2018, bank lending in Croatia recovered strongly in all segments, following the negative impact of the Agrokor crisis last ***year***, with the gross amount of newly granted housing loans jumping on the ***year*** by close to 15% and other loans increasing by close to 30%, according to the latest issue of the Croatian Banking Association (HUB) publication "Reviews".

ZAGREB, June 1(Hina) - Croatian Interior Minister Davor Bozinovic opened the 26th International Meeting on Forensic Medicine Alpe-Adria-Pannoniain the northern Adriatic city of Pula on Friday.

ZAGREB, June 1 (Hina) - The international conference "Stronger Schengen Area - Schengen as a guarantee of security for European citizens" started in Dubrovnik on Friday in preparation for Croatia's accession to the passport-free travel zone.

ZAGREB, June 1 (Hina) - The main Zagreb Stock Exchange (ZSE) indices fell on Friday, the Crobex dropping by 0.41% to 1,846.38 points and the Crobex10 by 0.57% to 1,065.53 points.

THIS BULLETIN INCLUDES ITEMS RELEASED BY 2100 HRS FRIDAY.

**Load-Date:** June 1, 2018

**End of Document**



[***In the 3rd quarter, GDP grew by 4.7 %***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TVW-2N41-F0YC-N4VN-00000-00&context=1516831)

Impact News Service

December 1, 2018 Saturday

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**Length:** 1323 words

**Body**

Riga: Government of Latvia has issued the following media release:

Data compiled by the Central Statistical Bureau (CSB) show that in the 3rd quarter of 2018, compared to the 3rd quarter of 2017, gross domestic product (GDP) increased by 4.7 %, according to seasonally and ***calendar*** non-adjusted data. **At current prices, GDP constituted EUR 7.8 billion in the 3rd quarter.**

Compared to the previous quarter, GDP rose by 1.7 % (according to seasonally and ***calendar*** adjusted data).

GDP changes in Q3 2016–Q3 2018 (at constant prices, as per cent)

In the 3rd quarter of 2018, GDP at current prices constituted EUR 7 760.5 million

Production approach

(at constant prices, seasonally and ***calendar*** non-adjusted data)

Changes of GDP in Q3 2018 by main kind of economic activity

In the 3rd quarter of 2018, compared to the 3rd quarter of 2017, value added of forestry and logging grew by 27 %. The notable rise compensated the decline in ***agriculture*** and fishing.

Comparatively low upturns in several activities were influenced by the increase in consumer, producer and business service prices.

Manufacturing went up by 1 %. The most notable increase – of 6 % – was recorded in manufacture of wood and of products of wood and cork. Decline, in turn, was registered in manufacture of food products and manufacture of non-metallic mineral products (of 5 %), followed by manufacture of computer, electronic and optical products (4 %), and manufacture of fabricated metal products, except machinery and equipment (3 %).

Construction value added increased by 10 %. Construction of buildings grew by 9 %, civil engineering by 6 %, while specialised construction activities by 20 %.

Retail trade went up by 2 %, of which retail sale of food grew by 4 % and retail sale of non-food products by 2 %. Wholesale and retail trade and repair of motor vehicles and motorcycles increased by 2 %, while wholesale fell by 1 %.

In transportation and storage, there was a growth of 8 %, which was influenced by the rise of 8 % in freights and of 7% in warehousing and support activities for transportation. Passenger transportation shows a rise of 11 %, and postal and courier activities of 16 %.

Accommodation and food service activities went up by 4 %, of which accommodation by 9 % and food service activities by 2 %.

Information and communications rose by 14 %, of which computer ***programming***, consultancy and related activities by 17 % and telecommunications by 13 %.

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| Information shows an increase exceeding 14 % already for the third quarter in a row. |

In financial and insurance activities, rise was recorded in insurance, reinsurance and pension funding (of 10 %). In financial service activities, significant increase was recorded in profit from financial instruments trading (four times, compared to the 3rd quarter of the previous ***year***) and decline was observed in commissions and other administrative expenses. The changes resulted in a rise of the sector value added of 0.8 %. Activities auxiliary to financial services and insurance activities rose by 0.9 %.

Administrative and support service activities grew by 13 %, of which rental and leasing activities by 24 %, employment activities by 22 %, and office administrative, office support and other business support activities by 6 %.

In the 3rd quarter of 2018, the volume of taxes on products (value added tax, excise and customs taxes) increased by 8 %.

Expenditure approach

(at constant prices, seasonally and ***calendar*** non-adjusted data)

GDP changes in Q3 2018 by main kind of expenditure

Compared to the corresponding quarter of the previous ***year***, in the 3rd quarter household expenditure on food products rose by 6 %, on transport (public transport, purchase and exploitation of transport vehicles) by 3 %, on recreation and culture by 10 %, and on housing by 3 %.

Government final consumption expenditure grew by 4 %.

Investment in the gross fixed capital formation grew by 13 %, of which investments in dwellings and other buildings and structures by 10 %, in machinery and equipment (incl. in vehicles) by 15 % and in intellectual property products (research, computer software, databases, copyrights, etc.) by 27 %.

In the 3rd quarter, exports of goods and services went up by 1 %, of which exports of goods by 1 % and exports of services by 0.2 %.

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| Exports of information and computer services at current prices rose by 12 %. |

Imports of goods and services grew by 3 %. Imports of goods increased by 4 %, while the total imports of services fell by 2 %, which was due to the decline in information, financial and computer services imports.

Income approach

(at current prices, seasonally and ***calendar*** non-adjusted data)

Compared to the 3rd quarter of 2017, in the 3rd quarter of 2018 the total compensation of employees increased by 11 %, including rise of 10 % in total wages and salaries and social security contributions of employers by 15 %. The rise was promoted by the increase in wage and salary fund in information and communication (of 20 %), construction (14 %), and services sectors (10 %). Gross operating surplus and mixed income increased by 6 %, while the balance of taxes on production and imports and subsidies went up by 13 %.

Total wage and salary fund and changes thereof

GDP changes in the Baltic states (at constant prices, seasonally and ***calendar*** non-adjusted, as % of the corresponding period of the previous ***year***)

Possible changes in calculations of government sector, balance of ***payments*** and sectors of financial services, as well as services producer indices will be taken into account in GDP calculations and balancing of quarterly national accounts on the 85th day after the reference quarter. The updated information will be available in the CSB database on 21 December.

Methodological information

Quarterly calculations of the GDP are made in line with the methodology of the European System of Accounts (ESA 2010), and the main data sources used in calculations are:

* quarterly and monthly surveys of enterprises and institutions;

1. Labour Force Survey data;
2. data of the Ministry of Finance, the Treasury, and State Revenue Service;
3. data of the Bank of Latvia and Financial Capital and Market Commission;
4. data of the Institute of ***Agricultural*** Resources and Economics.

The GDP from production and expenditure approach is calculated at current prices (registration and calculations are made at the actual prices of the respective period) and constant prices. The indicators at constant prices are expressed at prices of the previous ***calendar*** ***year*** and prices of the reference ***year*** (chain-linked).

To calculate GDP at the prices of the previous ***calendar*** ***year*** the actual prices of the previous ***calendar*** ***year*** are used as a base and the “annual average” method (where each running quarter is calculated at the average prices of the previous ***year***) is used.  To make the calculations, various deflators are used.  Both volume indices and price indices may be used as deflators.  The following price indices are used: consumer price index, producer price index, construction cost index, services producer price index, price indices of ***agricultural*** products, export unit value index, import unit value index.  The following volume indices are used: change in number of employees and change in natural indicators (e.g , in removals, passenger number, freights, etc.).

To calculate GDP at the prices of the reference (base) ***year*** (currently 2010), the indices calculated from the GDP indicators at the prices of the previous ***year*** are used to chain-link the calculated volume indices with 2010.

GDP from the income approach is calculated at current prices only.

The published data are adjusted in line with the Guidelines for CSB Revision Policy. The adjustments are made due to receipt of specified information as well as latest administrative data, inclusion of new economically active enterprises and institutions in surveys, specification of economic activity of sector of enterprises.

**Load-Date:** December 1, 2018

**End of Document**



[***Register of Commission documents: COMMISSION DELEGATED DECISION amending Annex III to Decision No 466/2014/EU of the European Parliament and of the Council granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union, as regards Iran Document date: 2018-06-06 COM\_ADL(2018)03730 Delegated acts***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5ST1-0CF1-F0YC-N2V6-00000-00&context=1516831)

Impact News Service

July 14, 2018 Saturday

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**Length:** 4981 words

**Body**

Brussels: Public Register European Parliament has issued the following document

EN EN EUROPEAN COMMISSION Brussels, 6.6.2018 C(2018) 3730 final COMMISSION DELEGATED DECISION (EU) …/… of 6.6.2018 amending Annex III to Decision No 466/2014/EU of the European Parliament and of the Council granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union, as regards Iran EN 1 EN EXPLANATORY MEMORANDUM 1. CONTEXT OF THE DELEGATED ACT The conclusion and implementation of the Joint Comprehensive Plan of Action (JCPOA) on Iran’s nuclear ***programme*** has opened the way for a renewal of EU-Iran relations. This engagement between the EU and Iran takes place on the basis of the full and continued implementation of the JCPOA (which was concluded on 14 July 2015) by Iran and the other parties (the European Union, France, Germany, the United Kingdom, the United States, Russia and China). The International Atomic Energy Agency (IAEA) regularly verifies Iran’s compliance with the JCPOA and has issued 10 reports (last report of 22 February 2018) confirming Iran’s compliance with its nuclear-related commitments. On November 14 2016, the Foreign Affairs Council had already welcomed 'the prospect of extending the third country lending mandate of the European Investment Bank (EIB) to Iran.' The Commission's proposal of 14 September 2016 proposed amendments to the existing External Lending Mandate (ELM) Decision in a number of areas.

The proposed changes included the addition of Iran to the list of potentially eligible countries. The amended ELM Decision was finally adopted by the European Parliament and the Council in March 2018 and entered into force in April 2018 (Decision (EU) 2018/412). The inclusion of Iran on the list of potentially eligible countries empowers the Commission to adopt a delegated act to render Iran eligible under the ELM, by adding it to the list of eligible countries. Despite the US decision to withdraw from the JCPOA, the EU shall continue to pursue its political and economic interests in Iran, which are based on the full and effective implementation of the Nuclear Deal. Following unanimous backing of EU Heads of State or Government at the leaders' meeting in Sofia on the evening of 16 May 2018 for the proposals of President Juncker and High Representative/Vice-President Federica Mogherini, the Commission on 18 May 2018 launched the process of consultation of experts designated by each Member State, paving the way for the adoption of this delegated act. Notwithstanding further assessment of operational prerequisites and decisions by the EIB's governing bodies and the progress made by Iran in complying with the applicable frameworks concerning anti-money laundering and combatting the financing of terrorism, the delegated act, once in force, will make the EU budget guarantee available for potential financing of activities in Iran under the External Lending Mandate, if and when the governing bodies of the EIB decide to take up such financing activities. All relevant rules and procedures will apply to the approval of individual financial operations and projects. The present decision does not constitute any commitment of the EIB to support projects in Iran, which remains in the competence of the governing bodies of the EIB. 2. ASSESSMENT OF THE ECONOMIC, SOCIAL, ENVIRONMENTAL AND POLITICAL SITUATION IN IRAN Political context EU-Iran relations are based on the following principles:  Ensuring and supporting the full implementation of the JCPOA in order to further improve and deepen bilateral cooperation. EN 2 EN  Developing cooperative relations in areas of mutual interest to benefit the economic development, respect for human rights, prosperity and well-being of the people of Iran and the EU. These include cooperation on energy, environment, migration, drugs, humanitarian aid, transport, civil protection, science, education and culture.  Promoting regional peace, security and stability as well as peaceful settlement of regional conflicts through dialogue and engagement. EU High Representative/Vice-President of the Commission, Federica Mogherini, visited Iran on 16 April 2016 with seven other Commissioners and issued a joint statement with the Minister of Foreign Affairs of Iran, Mohammad Javad Zarif, launching gradual EU-Iran cooperation in a variety of areas and sectors. Cooperation currently ranges from economic, trade and investment talks, to education and science cooperation, environment and climate change expert exchanges and discussions on humanitarian and human rights issues. For the time being, the joint statement forms the basis for the bilateral cooperation agenda and it was endorsed by the Foreign Affairs Council on 14 November 2016. Since his first election in 2013, President Rouhani has been able to launch economic reforms and introduce new fiscal policies. These reforms are now under pressure, partly due to the recent US decision to withdraw from the JCPOA. More generally, the Iranian government has fully fulfilled its nuclear-related commitments under the JCPOA but has expressed a clear wish for the remaining JCPOA parties to maintain the deal in a way that corresponds to its legitimate economic expectations. The EU will seek to find ways to protect legitimate economic interests and to enhance economic benefits for the Iranian people. The human rights and democracy situation in Iran remains of concern to the EU, in particular the use of the death penalty, the rights of religious and ethnic minorities and of women and girls. Iran detains several European dual nationals and denies consular access as it does not recognise dual citizenship. The EU and Iran hold regular human rights discussion as part of the High Level Dialogue that is held twice per ***year***. The EU also supports the annual UN General Assembly resolution on the human rights situation in Iran. Iran also participates in the Universal Periodic Review of the human rights situation. In conclusion, while the JCPOA is under heavy pressure, the EU is determined to continue to stick to the agreement as long as Iran does. President Rouhani’s moderate government and his economic policies deserve support and could lead to a more stable and predictable Iran, also in the regional context. EU-Iran cooperation in the economic field is of mutual interest. The EU was Iran’s first trading partner before the sanctions. Economic and social assessment Background and economic performance pre-2016 Iran is the second largest economy in the Middle East after Saudi Arabia and the second most populous country in the region after Egypt, with an estimated Gross Domestic Product (GDP) of about USD 406 billion and a population of 80 million in 2017. It is an upper middle income country in the World Bank classification with gross national income (GNI) per capita reaching USD 5 470 (Atlas method) in 2016. Iran ranks second in the world in natural gas reserves and fourth in proven crude oil reserves and is a member of the Organization of the Petroleum Exporting Countries (OPEC). From around 2000, Iran began opening its economy to the rest of the world through trade liberalisation, elimination of exchange restrictions and attraction of foreign direct investment (FDI). Iran gained observer status at the World Trade Organisation (WTO) and is still aiming EN 3 EN to become a member. Increased export earnings improved its external position and culminated in a large build-up of international reserves and a low external debt-to GDP ratio. GDP growth accelerated to about 6% annually in the first decade of 2000, and GNI per capita reached USD 7 700 in 2011. According to the World Bank, poverty levels dropped from 15% to 9% between 2009 and 2013 partly due to a large cash ***transfer*** ***programme***, but there is no official poverty line or data available. Iran’s 69th on the UN’s Human Development Index. Expansionary policies including costly welfare and housing ***programmes*** between 2006 and 2014 caused a large budget deficit financed via the central bank and government lending to banks. These policies were one of the factors leading to lasting distortions in the financial sector and led to a high ratio of non-performing bank loans, low liquidity, high interest rates and little credit to private investment. With the tightening of the sanctions in 2012, oil exports halved, and the drop in public revenue from oil aggravated the already severe existing economic distortions. Inflation rates fluctuated between 10% and 25% for most of the last 30 ***years*** and peaked at over 40% in 2013, with the rial depreciating strongly. As GDP contracted by 6% in 2012 (-1.7% in 2013), real GDP per capita dropped to USD 5 400 in purchasing power parity terms by 2014. The return to more stability-oriented economic policies under the new presidency in 2014 enabled the central bank to bring down the inflation rate and slow down the depreciation of the currency, but the unemployment rate rose from 10.6% in 2014 to 11.7% in 2015. Negotiations for a Trade and Cooperation Agreement (TCA) between the EU and Iran have been on hold since August 2005, when Iran started to intensify its nuclear activities. The European Commission imposed trade restrictions in 2007. These sanctions were expanded in 2010 and further tightened in 2012 with far-reaching restrictions on all financial transactions and trading of petroleum products and related investments. The World Bank ended its lending to Iran in 2005 and currently has no Country Assistance Strategy (CAS) for Iran. The International Finance Corporation (IFC) closed previous investments by 2005, but the International Monetary Fund has been carrying out annual Article IV reviews. Economic performance since 2016 The main short-term economic benefits from the Joint Comprehensive Plan of Action (JCPOA) and the lifting of EU sanctions since 16 January 2016 for Iran have been the re-connection to the financial system (in particular to SWIFT), access to frozen assets and to technology, an increase of trade volumes (oil exports and declining transport costs) and foreign investment. The remaining US dollar sanctions and concerns of international banks about possible negative repercussions on relations with US banks have hindered the conclusion of a number of business deals under the JCPOA even under the Obama administration. Real GDP growth surged after the lifting of sanctions, but raising medium-term growth will require major reforms. The exceptional increase in oil production and exports pushed real GDP growth to 12.5% in 2016 but for 2017/18 (the Iranian ***year*** begins 20 March), growth is expected to have moderated to 4.3% as further increases in oil production are limited. In 2017/18, recovery broadened to the non-oil sector, aided by supportive fiscal and monetary policies and a recovery in construction and services activity. Real GDP growth is expected to ease further to 4% in 2018/19, as oil production stabilizes in line with Iran’s OPEC cap. The fiscal deficit remained moderate at 2.3% of GDP between 2016 and 2017 and is expected to narrow to 1.4% over 2018/19 (assuming no change in the oil price). Fiscal policy aims to achieve gradual consolidation and lower the oil dependency of public revenues from the current 33% of current expenditure to 20% by 2022, mainly through increasing VAT EN 4 EN collection. Fiscal challenges include ineffective budget implementation and expenditure control as well as insufficient budgetary rules and procedures which do not allow for transparent and comprehensive budgeting and imply that fiscal risks are likely to be unreported. Fiscal expenditure is set to increase over the medium-term to meet rising interest ***payments*** from higher public debt and the recapitalization of public banks as well as social security obligations. The risk of further accumulation of arrears remains high. The unemployment rate is likely to remain close to 12% in the medium-term. Unemployment is much higher for youth and women, and the pace of job creation lags behind the fast growing number of new entrants joining the labour market. Inflation averaged 9.9% during 2017/18 aided by moderation in food prices and stable administered prices. Inflation is expected to accelerate to 12% in 2018/19 following second-round effects of the depreciation in the exchange rate. The Iranian rial is partly pegged to the US dollar (official rate) and partly traded freely on the market (legally). Since the end of 2017, the Iranian currency lost over one third of its value against the US dollar and other foreign currencies. Most analysts agree with the Iranian central bank that the accelerated depreciation is not a consequence of weak economic fundamentals (stable inflation rate, current account surplus, sufficient foreign reserves). Limited access to foreign reserves outside the country in addition to substantial capital outflows - some related to the former sanctions, some for buying assets abroad out of security concerns - have added to external vulnerability. Fears about the return of US sanctions and lack of trust in the country's banking system have become potent drivers of currency depreciation. In response to the free fall of the currency in April 2018, the government imposed restrictions on the ownership of US dollars, banned all currency trading outside of licensed exchange bureaus and allowed only trading at the new unified official rate set at 42 000 rial (from 37 000). Progress on financial sector reforms The reform of the banking sector remains one of the most pressing challenges. A legacy of the government's ***payment*** arrears, exposure to a stagnant real estate sector, uncontrolled fragmented financial institutions and poor risk management have resulted in capital shortages and high interest rates in the banking sector which has become a major impediment to private investment. The central bank estimates the price tag of the necessary recapitalisation, dealing with non-performing loans and restructuring the sector (including non-bank credit institutions) at 30% of GDP. The central bank's Financial Sector Reform Plan is already bringing financial activities of a number of influential clerical organisations under central bank control, reportedly with the backing of the Security Council. The draft Banking Bill, in parliament since late 2017, lays out plans for stressed banks, updates the banking regulation, paves the way for Iran's banks to apply international financial reporting and risk management standards and eases conditions for foreign banks' establishment in Iran. These reforms go hand in hand with the reforms proposed in the Central Bank Bill, also still in parliament, which would strengthen the central bank's supervisory powers and independence and refocus its legal mandate to preserving low inflation. Both bills would improve the transparency of commercial banks' reporting and their supervision which are also necessary for improving the anti-money laundering/counter-terrorism financing (AML/CTF) regime. More generally, as regards anti-money laundering and efforts to combat the financing of terrorism, the Financial Action Task Force (FATF) has agreed with Iran an Action Plan which EN 5 EN Iran is still in the process of implementing. Following Iran's agreement to implement the Action Plan, the FATF has suspended the call for counter-measures—previously in place—until June 2018. The Iranian Majlis is currently reviewing certain key pieces of AML/CTF legislation required by the Action Plan. Progress on this and on all aspects of the Action Plan will be considered at the next FATF meeting in June 2018. Iran is also included in the list of AML/CFT high-risk third countries adopted by the European Commission on 14 July 2016 which in general follows the FATF guidance.1 Progress on structural reforms The current economic policy framework is determined in the 'Vision 2020,' adopted in 2012. It envisages Iran's transformation from a state-dominated (and partly state-controlled) economy to a more market-based economy by improving the business environment and competitiveness, modernizing the financial sector and attracting foreign direct investment. The Iranian parliament approved the sixth five-***year*** development plan (running from March 2016 until March 2021) which sets as economic goals 8% average economic growth, reducing the unemployment rate to 7%, keeping the inflation rate below 10%, reducing the share of oil revenue in the government budget from 31.5% to 22% and a pension reform. Overall, the plan sets out the path to fiscal consolidation and sustainability and confirms the will to economic reorientation towards a stronger private sector with limited state involvement. Privatisation of state-owned enterprises has been high on political agenda since a 2006 constitutional amendment allowed the sale of most state-owned companies, except those in strategic sectors like upstream energy, aviation and shipping. A shortage of private-sector capital, the policy of granting shares to workers, co-operatives and to the poor ('justice shares') and the influence of vested interests linked to the state have hampered the privatization ***programme*** launched after 2005/06. Given all these factors, privatisation has tended to ***transfer*** shares in state-bodies to quasi-state institutions, including pension funds, religious foundations and companies owned by the Iranian Revolutionary Guards Corps (IRGC)—a situation that undermines future partnerships with foreign firms, considering that IRGC-owned companies in effect remain blacklisted. Despite a large and well-educated working-age population, labour market outcomes are weak. Labour force participation is low by international standards (40%), and unemployment has hovered around 11% over the past 30 ***years***. Female labour force participation is very low (17%), whereas the unemployment rate for women might exceed 20%. Given the rapidly increasing share of youth in the population, the high youth unemployment rate (30%) is a major challenge. Structural bottlenecks to private sector development cause low job creation rates and prevent the absorption of new entrants. Strict dismissal regulations, a weak relation between productivity and wages, and skills mismatches hamper the functioning of the labour market on the supply side. Overall the Iranian economy has large potential, and economic institutions are formulating encouraging reform intentions, which at the same time face substantial obstacles linked to an opaque political economy. In order to fully exploit the opportunities presented by the JCPOA, the Iranian government would need to proceed with reforming and restructuring the finance and banking sector, transforming the public sector including state-owned and semi-public enterprises and adjusting the social welfare system in a fiscally sustainable way. 1 Commission Delegated Regulation (EU) 2016/1675 supplementing Directive (EU) 2015/849 of the European Parliament and of the Council by identifying high-risk third countries with strategic deficiencies EN 6 EN The latest five-***year***- development plan not only sets out the path to fiscal sustainability, it also confirms the will to economic reorientation towards a stronger private sector with limited state involvement. At the same time, non-governmental political forces in Iran seem to be influential enough to keep parts of the economy outside of the government's control and are hindering the government's reforms as well as the development of a genuinely private sector and distort competition in the economy. Reducing the influence of semi-public entities (the Revolutionary Guards, unlicensed clerical financial organisations) in the economy will be crucial for increasing efficiency, transparency and the participation of private investors. The government's commitment to reform the role of the state and to cut back the scale and influence of the quasi-public sector seems genuine, considering that it can only achieve its key policy goals of macroeconomic stability, economic growth and reducing unemployment with a stronger private sector. For the EU economy, the opening and possible transformation of the Iranian economy offers significant opportunities for investment and exports but also for supporting socio-economic stability in the region. Considering the commitments taken in the JCPOA and the important potential of EU economic relations with Iran, the EIB could support the economic reorientation of the country towards strengthening the private sector to which the Iranian authorities have committed for instance by improving the access to finance for small and medium-sized enterprises. It could facilitate the attraction of modern technology and specific measures in services and ***agriculture*** which can play an important role in boosting productivity and income. Such support could contribute to fostering sustainable economic growth and reducing youth unemployment through modernising productive infrastructure and private sector development. The EIB could also consider supporting firms doing business with the Iranian market. Environmental aspects Iran's environmental challenges Domestic policies pursued by Iran in past ***years*** have had grave environmental consequences. Sanctions have increased the demand for expanded water-resource infrastructure and secure food and energy. Today Iran's main environmental challenges are: water scarcity, land degradation (caused by desertification and deforestation), energy (CO2 emissions are amongst the highest globally), air pollution, waste management and increasing biodiversity loss. Iran’s fresh water supplies are under severe strain – 90% of the country is arid or semi-arid, and an estimated two-thirds of the rainfall evaporates before it can replenish rivers. The situation is aggravated by frequent droughts and climate change. The water crisis is such that more than 6,000 townships receive their drinking water from tankers. In the post-1979 Revolution era, the Islamic Republic issued permits to allow thousands of wells to be dug across Iran to promote ***agriculture***. Experts see this and the popular choice of dams during previous administrations as one of the main reasons for the decline in water resources. Over the past thirty ***years***, Iran has built 600 dams – an average of 20 a ***year***. There is no specific plan in place to remedy this water crisis. Lake Urmia represents a major cross-border challenge. Lake Urmia is located near the Turkish border. The Lake was declared a Wetland of International Importance by the Ramsar Convention in 1971 and designated a UNESCO Biosphere Reserve in 1976. The lake’s watershed is important for ***agriculture*** in the region. The lake itself is home to a unique brine shrimp species called Artemia urmiana, a hardy species that can tolerate high salinity levels. The lake also supports many species of reptiles, amphibians and mammals and provides an important seasonal habitat for several species of migratory birds. EN 7 EN Lake Urmia, once the sixth-largest salt-water lake in the world (twice the size of Luxembourg) has been declining for 30 ***years***. It has shrunk by about 90% over the last decade, exposing a salt desert that generates noxious dust. President Hassan Rouhani has pledged USD 5 billion over the next decade to revive Urmia. Iran is planning to pump water from Armenia and Georgia. The water will be brought from Armenia’s Lake Sevan and Georgia’s Kura River via three pumping stations in Iran. While Article 50 of the Iranian Constitution stipulates that 'the preservation of the environment in which the present as well as future generations have a right to a flourishing social existence is regarded as a public duty in the Islamic Republic. Economic and other activities that involve pollution of the environment or cause irreparable damage to it are forbidden' and some environmental legislation exists, there is no overarching national plan or strategy for the environment. Implementation of said environmental legislation has been a challenge. Strengthening capacity and resources to oversee implementation, improving inter-departmental consultation and increasing fines could help improve implementation. EU-Iran cooperation on environment and water Iran has signalled environment as a priority area for cooperation with the EU. In April 2016, both sides issued a Joint Statement during a meeting between EU High Representative/Vice-President of the Commission Federica Mogherini together with the Commissioner for Environment, Maritime Affairs and Fisheries Karmenu Vella and Vice-President of Iran and Head of the Environmental Department Masoumeh Ebtekar in Teheran. In December 2016, Vice-President Ebtekar and Commissioner Vella signed administrative arrangements on a framework for cooperation on environmental matters. Three thematic areas of work were agreed:  Circular economy and waste management,  Industrial emissions and air quality,  Water management, including marine environment. Since the signing, cooperation has continued at technical level. Technical meetings with the participation of EU and Iranian experts took place in November 2017 in Tehran. The meetings were organised with the Iranian Department of Environment and in close cooperation with related ministries. Following the November 2017 meetings a scoping study for future cooperation has been written with a view to producing a roadmap for cooperation. It requires further discussion with the Iranian counterparts. A Partnership Instrument (PI) proposal (Policy Support Facility, PSF) supports the implementation of the framework for cooperation on environment. In April 2017, the Council authorised the Commission to negotiate a Memorandum of Understanding between the EU and Iran on cooperation on climate change. The EIB could also consider playing a part in addressing Iran's environmental challenges through investments in areas such as renewable energy, energy efficiency and climate change mitigation and adaptation, providing needed finance as well as crucial technical support and knowledge required to tackle the challenges and ambitions described above. EN 8 EN 3. CONSULTATION PRIOR TO THE ADOPTION OF THE ACT The Commission consulted Member State experts at a meeting on 28 May 2018 called in accordance with the Interinstitutional Agreement of 13 April 2016 on Better Law-Making and the procedure it describes regarding the preparation of delegated acts.2 The European Parliament and the Council also sent experts as foreseen in that agreement. The EIB also attended. During the consultation of Member State experts, it was recalled that the European Investment Bank will continue to apply adequate policies and processes protecting its integrity as well as confidence in the Bank. 4. LEGAL ELEMENTS OF THE DELEGATED ACT The present Commission delegated decision aims at amending Annex III of Decision 466/2014/EU by adding Iran to the list of eligible countries for EIB financing operations with EU guarantee coverage. 2 OJ L 123, 12.5.2016, p. 1-14. EN 9 EN COMMISSION DELEGATED DECISION (EU) …/… of 6.6.2018 amending Annex III to Decision No 466/2014/EU of the European Parliament and of the Council granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union, as regards Iran THE EUROPEAN COMMISSION, Having regard to the Treaty on the Functioning of the European Union, Having regard to Decision No 466/2014/EU of the European Parliament and of the Council of 16 April 2014 granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union3, and in particular Article 4(2) thereof, Whereas: (1) There has been notable progress in the economic, social, environmental and political situation in Iran since the adoption of Decision No 466/2014/EU. (2) In November 2016, the Council welcomed the prospect of extending the European Investment Bank's External Lending Mandate to Iran. (3) Decision (EU) 2018/412 of the European Parliament and of the Council of 14 March 2018 amending Decision No 466/2014/EU4 added Iran to the list of potentially eligible regions and countries in Annex II of that Decision. (4) Tangible steps taken by Iran to respect universal fundamental freedoms, rule of law and human rights would remain key for the shaping of the Union's future policy towards Iran. (5) The European Investment Bank should continue to apply adequate policies and processes protecting its integrity as well as confidence in the Bank. (6) Therefore, the Commission, with the involvement of the European External Action Service, has assessed that the overall economic, social environmental and political situation allows adding Iran to Annex III of Decision No 466/2014/EU, which includes the list of eligible regions and countries for European Investment Bank financing under Union guarantee. (7) Decision No 466/2014/EU should therefore be amended accordingly, HAS ADOPTED THIS DECISION: Article 1 In point C(2) of Annex III to Decision No 466/2014/EU, the words: 3 OJ L 135, 8.5.2014, p. 1-20. 4 OJ L 76, 19.3.2018, p. 30–43 EN 10 EN 'Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Iraq, Laos, Malaysia, Maldives, Mongolia, Myanmar/Burma, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam, Yemen' are replaced by the words: 'Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Iran, Iraq, Laos, Malaysia, Maldives, Mongolia, Myanmar/Burma, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam, Yemen'. Article 2 This Decision shall enter into force on the day of its publication in the Official Journal of the European Union. Done at Brussels, 6.6.2018 For the Commission The President Jean-Claude JUNCKER

**Load-Date:** July 14, 2018

**End of Document**



[***Putin chairs state council meeting on regional development - transcript***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RDV-5381-DYRV-3170-00000-00&context=1516831)

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Text of "State Council meeting on improving investment appeal of Russian regions" published in English by Russian presidential website on 12 January

State Council meeting on improving investment appeal of Russian regions

December 27, 2017, The Kremlin, Moscow

Vladimir Putin is chairing a State Council meeting on improving investment appeal of the Russian regions in the Kremlin.

Head of the State Council Working Group and Novgorod Region Governor Andrei Nikitin will deliver the keynote speech.

The meeting participants will discuss concrete proposals for improving the investment climate. The results of implementing targeted models for simplifying business procedures will be reviewed separately.

\* \* \*

Transcript of State Council meeting on the Investment Appeal of the Russian Regions as a Prerequisite for Economic Growth in the Russian Federation

President of Russia Vladimir Putin: Good afternoon, colleagues,

We are holding this ***year***'s final State Council meeting. Of course, I wish you all the very best for the festive season, and would like to thank you all for your work in the outgoing ***year***, and wish you every success in the new ***year***.

As is customary, we sum up the results at the close of the ***year***. Today, we will discuss what we managed to accomplish and what remains to be done in the key area such as improving the investment appeal of the Russian regions, creating a comfortable environment for opening and running businesses, and launching new production sites. This means creating new jobs, increasing real wages and personal incomes, which is undoubtedly our top priority.

I would like to say that enhancing investment and business activity is an economic task designed to create conditions for economic growth and for strengthening the regions' taxable revenue base. But it is also a political task, because taxes provide resources and increase reserves for the development of our healthcare, education and the social sphere in general, as well as for implementing improvement, urban development and environmental projects.

It should be said that investment trends largely depend on the regional management teams. Over the past three ***years***, investment has decreased in the country by 7.9 percent due to the crisis. At the same time, 21 regions have reported an increase of investment in fixed assets. Investment in the best 10 regions has grown by nearly 40 percent in real terms. These are the Amur, Arkhangelsk, Vologda, Kaliningrad, Leningrad, Murmansk and Tula regions, as well as the republics of Yakutia and Kabardino-Balkaria and the Yamal-Nenets Autonomous Area.

It takes a systemic approach to improve the business climate. I consider it to be exceptionally important that we applied this approach in the past few ***years***. The efforts taken by our companies, the federal and regional authorities and the Agency for Strategic Initiatives (ASI) have been brought together within the framework of a completely new mechanism.

I am referring to the National Entrepreneurial Initiative, which has allowed us to simplify the federal legal framework by eliminating over 50 excessive administrative procedures which were not essential for doing business but were a considerable burden on it. Companies spent over a ***year*** on completing all these procedures instead of doing business.

According to ASI, the National Entrepreneurial Initiative has helped us eliminate 50 excessive procedures that took a total of 435 days to complete. Specifically, the time required to register property has decreased from 43 to 13 days between 2012 and 2017 and the time needed to register a company from 30 to 10 days. The process of getting an electricity connection, which was a major headache for the national economy, has decreased from 281 to 83 days. The time associated with the preparation of papers and the process of moving export goods across the border has been cut from 139 to 97 hours between 2015 and 2017.

Of course, it is necessary to continue improving the legislation. It should support business initiatives and streamline entrepreneurs' day-to-day operations.

Let me emphasise that it is important not only to control and monitor compliance with legislative provisions but also to find the most successful practices of improving the business climate. Its efficiency should be assessed by business itself. At any rate, we should proceed from what is happening in real life. This is where we get a real picture.

This is the approach that underlies the National Investment Climate Rating. Its key task is to promote development and facilitate the dissemination of the best experience on boosting the investment appeal.

We have a group of regions that set high standards in the investment area. Let me repeat, I have mentioned those that have been the most successful but there are more of them as well. This is Tatarstan, Chuvashia and the Tula, Kaluga, Tyumen and Ulyanovsk regions and the Krasnodar Territory. It is important to point out that the Far Eastern regions, such as the Khabarovsk Territory and the Amur Region have substantially strengthened their positions this ***year***.

Let me add that this rating is yet another step in the direction of increasing the transparency of the government administration as well as its responsibility to the society and citizens. It has already become a good impetus for the regions to achieve some progress. They must work on a daily basis to increase their investment appeal and managerial competitiveness.

I would like to ask the Agency for Strategic Initiatives to continue this work in cooperation with the Government and business associations, to develop and improve the National Investment Climate Rating.

Last January we approved 12 target models on the basis of the most successful regional investment experience. These are instructions on making business easier with clear-cut instructions on how to register land allocation, receive a construction permit, which is still so difficult in many respects, and get connected to such things as technology networks.

We agreed to introduce target models before the end of this ***year***. Let us discuss today what has been done in this respect. I ask the governors to say what has already been done and what difficulties they are facing in practice.

Colleagues, it is obvious that besides the improvement of the legal framework and regulations, investment attractiveness depends on other factors too, and the key one is providing business with personnel.

I would like to emphasise again that it is necessary to develop vocational education, first of all skilled workers, engineers and specialists together with the business community and business associations.

We need to think about how to organise and modernise the vocational education system using the best Russian and world standards. Let us talk about this too. Another important issue is the efficient interaction between federal, regional and municipal structures.

Businesses regularly complain about the actions of the oversight and security agencies at the local level. And those entrepreneurs who work in accordance with the law suffer, while those whose activity is only half-legal and who operate in the grey area benefit from them.

Once again, there must be no detachment in improving the business climate. All structures - federal, regional and municipal - have the common task of attracting investors, creating conditions for starting and doing business, developing the regions and improving people's quality of life.

I suggest that today we discuss this issue, as well as the coordination of the activity of the federal agencies with their local colleagues.

Next, the favourable environment for business includes modern roads, networks, logistics - I am talking about eliminating infrastructure obstacles for the development of the Russian economy.

Approximately six months ago, the Government suggested launching a so-called "infrastructure mortgage" mechanism which will make it possible to attract additional financial resources to the construction sector as well as for efforts to improve the quality of the roads. I ask the Economic Development Minister to report today on the progress of this work.

Let me stress in this context that we shall have to tackle comprehensive large-scale tasks involved in developing the regions, including the infrastructure. It is these goals that are outlined in the updated Basics of the State Policy in the Area of Regional Development until 2025.

In the coming ***year***, the Government should adopt a strategy for this country's long-term spatial development, which will define the competitive advantages and growth points for each constituent entity of the Russian Federation, as well as their economic specialisation and the role in international cooperative ties.

Based on this, it is necessary to adjust the relevant state and municipal ***programmes*** and natural monopolies' plans to locate transport, energy and social facilities. I have just examined yet another construction-related document sent by the Government.

A concrete case in point concerns enterprises in the shipbuilding industry and port installations. We don't need any duplication or wasting of funds. We should focus on achieving concrete results and determine the mechanisms for guaranteed funding of priority infrastructure projects that are of importance for developing the regions and for business operations.

In this way, we will be able to set clear, predictable long-term guidelines for implementing private investment initiatives as well as business projects and give them proper state support.

Financial stability is yet another factor in the regions' investment appeal. Investors and the business community trust those regions that are able to live up to their obligations, conduct responsible and balanced budget policies, and avoid excessive borrowing.

I understand perfectly well what the state of regional finances was in previous ***years*** and the reasons for this state. As you know, we have launched a ***programme*** for rescheduling loans extended by the government to improve the financial standing of the regions and give them additional funding they can use to handle their current tasks, as well as those they plan for the future.

Colleagues, I would like to specifically stress this point in order to bring your attention to it, as it is very important, so I would like to remind you of it yet again: regions that have joined this ***programme*** have undertaken to reduce their commercial debt load and their budget deficit. I ask you to take this seriously and give attention to this.

The funds you get must lead to financial rehabilitation in the regions. You should not take out new loans to squander them, spending money as you think to be reasonable and starting to run up debt again. I would like everyone to know that I have asked relevant ministries and agencies to regularly report to me on efforts to achieve financial rehabilitation in the regions across the Russian Federation.

I already spoke about this in public and can repeat this to you with a heavy heart: there are regions which are in no hurry to refinance their loans, although they have the opportunity to do so, and continue borrowing from private banks. It is strange. I will look into [the situation] one more time.

They have the opportunity to repay their loans by fresh borrowing at a lower interest rate through government funding, however, they still obtain loans from private banks at a high interest rate. Whom do you allow to make money on this? Please, think about this, the situation has to be resolved as soon as possible.

I would like to bring the attention of both the regions and the federal bodies to the need to fulfil all obligations undertaken under the rescheduling agreements in full. We will consider this to be an important indicator of how efficient and effective the performance of regional authorities and heads of departments is, while today, we will analyse progress achieved in the government loan rescheduling.

Let us start. I will give the floor to the head of the State Council working group, Mr Nikitin.

Please go ahead.

Novgorod Region Governor Andrei Nikitin: Mr President, colleagues. When the Agency for Strategic Initiatives launched the National Entrepreneurial Initiative in 2012, we pursued primarily business interests. We were drafting amendments to federal legislation and monitored law-enforcement practice together with entrepreneurs.

Naturally, we relied on the experience of the Kaluga Region, the Republic of Tatarstan and other regions of the Russian Federation that have achieved considerable success in creating a comfortable business environment in a short span of time. Our colleagues used a practical example to show that for all the significance of the current legal framework, competent work of regional teams is of major importance.

Today I can assess the launched mechanisms as the head of the region. The national rankings allow us to see better the best practices and approaches, and strongly motivate us to be the best. In turn, target models are in fact a KPI for executive government bodies of the Novgorod Region with understandable, concrete targets, tasks, and of course, deadlines.

I would like to note that we have worked for less than a ***year***, but already rank in ninth place among the Russian regions in introducing target models. We see the results produced by adopted decisions. The development of business is creating jobs with decent incomes and opportunities for our citizens to start their own business.

Colleagues, to go forward, we should resolve the systemic problems that are seriously obstructing normal conditions for doing business. These barriers are obvious at regional and local levels. As the head of the State Council working group, I would like to discuss several key areas.

I would like to start with one of the most sensitive issues for entrepreneurs. I am referring to the increase of administrative burden on business. The working group has made specific proposals and my colleagues will speak about them. I would like to make a number of important points.

We have a unified registry of inspections, but for the time being it does not contain all information. I think it should include all supervisory and other measures that are conducted as regards entrepreneurs on the territory of each region of the Russian Federation. Inspections should be accompanied by video recordings that should be kept for no less than one ***year*** and granted to the bodies of the Prosecutor's Office for the exercise of their supervisory authority.

The next subject is reliably ensuring the right of property on specific plots of land. Without this we will not be able to attract investment and develop our cities and villages.

Today we do not have normal territorial planning and land use. Master plans of cities and villages are formalistic and not always fulfilled. I will quote a specific example. We have launched a project on creating a 3D model of a region with the help of drones. More than 860 plots of land with a vague status have been found within Veliky Novgorod alone. There are industrial buildings and housing on this land. The cadastral value of these land plots is 585 million rubles, which are actually illegal. So, what do we suggest in this respect?

First, to update the territorial planning documents on the basis of uniform methods and a regulatory framework.

Second, to digitise services on urban planning and put them on the relevant regional information systems. Thus, all information will be accessible to citizens, entrepreneurs and investors. We believe decisions on introducing such documents on territorial and urban planning should be made at the regional level and also carried out as a separate project under the Digital Economy ***programme***. There are best practices in this area as well in the Moscow and Tyumen regions.

Now about the deadlines, procedures and quality of heat, water and gas supply services. We work on target models, we regularly conduct business surveys that help us understand how effective our steps are. But here is what is important. Often getting a utilities connection and obtaining energy resources is provided by private organisations, which for a number of reasons have a monopoly in certain territories and do not seek to optimise the technological connection processes or introduce modern services.

It is impossible to submit an electronic application, and to be blunt, certain persons simply demand an additional fee to speed up the resolution of some matters. We believe that companies which provide public services to citizens and entrepreneurs and are monopolies in any sphere, regardless of the form of ownership, should work according to uniform rules and standards. This primarily refers to providing services and reducing deadlines, including in the one-stop-shop form.

Colleagues, I would like to address another very important issue for the development of entrepreneurship. Some of our fellow entrepreneurs believe that it is more profitable to work without registration. Illegal entrepreneurs do not bear any responsibility for poor-quality services, do not pay taxes or contributions for employees to mandatory funds, force people to work illegally, without any guarantees, can fire employees at any time and pay wages in envelopes, which means that this revenue will not be taken into account when forming pension rights.

Municipalities, in turn, lose income, which they could spend on the development of territories. In the Pestovo Municipal District of the Novgorod Region alone, 6,000 people out of the 12,000-strong working population worked at unregistered enterprises. Thanks to the support of the Prosecutor's Office, we managed to officially employ 500 of them in the last few months, and these people began to receive official salaries. I would like to note that the total amount of revenue from personal income taxes the local budget lost may amount to about 90 million rubles (this is one-sixth of the total revenue of the municipal district).

Another example is the provision of tourist services by persons who do not officially have the status of entrepreneurs or legal entities. So, one of the most popular booking resources contains more than 200 reviews on a private hotel. During an inspection, the owner said that his relatives came to his place, and he does not make any profit or engage in entrepreneurial activity.

At the same time, major investors are openly telling us: we are not prepared to work in the absence of fair competition, because we will be losing to illegal businesses in terms of the economy. I emphasise, proper conditions are being created for small companies and sole proprietors at the federal and regional levels. I would like to thank the Corporation for the Development of Small and Medium-Sized Businesses for their Business Navigator for small and medium-sized entrepreneurship, lending ***programmes***, guarantees, and access to procurement by monopolies.

The regions are taking steps to reduce tax rates for those who use the simplified taxation system. There are ways to quickly register a business. I believe we cannot allow the shadow sector to destroy the competitive environment, or to put honest businesspeople at a disadvantage. So, we propose taking another look at liability for illegal entrepreneurship.

Colleagues, on a separate note, I would like to spend a moment discussing the mechanisms for supporting investment projects in the regions. Today, the regions have been given broad authority regarding tax benefits. However, no one can tell whether a particular preference is good for business. In the end, the investor does not feel any support, and the budget loses money. We suggest developing a methodology for assessing the effectiveness of tax incentives and introducing accountability for project outcomes.

Also, a ***programme*** for compensating expenses of the regions on creating regional industrial parks started in 2015. The funds available under it cannot exceed the amount of federal taxes effectively paid by tax residents. Clearly, the VAT ***payments*** are the largest ones, and the companies get a refund when exporting products meaning that the VAT is not taken into account when calculating compensation amounts.

It turns out that, on the one hand, we are striving to increase exports of domestic products and, on the other hand, we are depriving regions of motivation to work with the companies oriented towards foreign markets. In this regard, we believe it is necessary to adjust the mechanism for compensating the costs involved in creating industrial parks.

Colleagues, today, you can hear almost every large company cite a lack of young skilled personnel. At the same time the prestige of blue-collar jobs is growing and our youth are willing to receive a quality education that will allow them to find an interesting, in-demand job and receive a decent income.

We must meet the demand from domestic business, and of course, from young people. To do this, we must help our colleges, including technical colleges, be up to the highest global standards, to massively renovate their facilities and install new equipment and also have teachers upgrade their skills. We suggest implementing the state ***programme*** for developing the system of basic and intermediate vocational education that will be co-financed by both the regions and businesses.

Mr President, colleagues,

Six ***years*** ago you tasked us with creating conditions for doing business in Russia on par with the world's leading countries. We have made a significant step forward. But in the contemporary world, to be the best and competitive, we need to constantly improve and move faster than other countries. We need a mechanism that will allow us to promptly respond to businesses' growing demands regarding the quality of the business environment.

I am talking about timely changes in the laws and regulatory acts, as well as exchanging best practices. In this connection, we suggest that a centre for monitoring and lifting regulatory restrictions be established under the Ministry of Economic Development and a coordinating body at the governmental level.

Thank you for your attention. This is the end of my report.

Vladimir Putin: Thank you very much.

Please, Mr Golubev, go ahead.

Rostov Region Governor Vasily Golubev: Mr President, colleagues,

The working group has presented a comprehensive and detailed report. Mr Nikitin spoke about the main provisions, so I'd like to comment on several proposals.

First, it is evident that one of the factors influencing the investment appeal of the regions is increasing their budgetary self-reliance. Reaching this goal is possible only as a result of pursuing a responsible and well-balanced budget policy, planning real revenue without any "soap bubbles," economical and effective spending within the limits of one's authority, and strictly observing financial discipline all while meeting the social commitments to the people.

Another challenge for investment appeal is the region's debt burden. As of December 1, the public debt of Russia's territorial entities totalled 2 trillion 141 billion rubles.

Mr President, at the State Council Presidium meeting in Ulyanovsk, you made a landmark decision to restructure budgetary loans, which is very important to our regions. This will allow us to ease-off regional debt burdens.

In addition, based on your instructions to the Government Commission for Regional Development, the Ministry of Finance made decisions to adopt budgetary rules that will prevent unbalanced budgets. However, the problem of high cost of commercial borrowings remains. In the regional budgets, the debt load this ***year*** was about 140 billion rubles and the loans themselves exceed one trillion rubles.

If the federal authorities had not supported regional financing, we would be talking about insolvency in some regions today. For this reason, observing financial discipline should be a top priority in all budgetary relations. In other words, the obligations the regions assume when signing contracts with the Ministry of Finance, should be fulfilled, just as the federal authorities' obligations to regions.

The issue of reducing interest rates for the Russian Federation's constituent entities to ensure financial stability remains very relevant. The Bank of Russia has adopted certain regulatory measures; there have been recommendations to lend funds to the constituent entities at no more than a key plus one percent rate.

In this regard, we are suggesting considering a further reduction of interest rates on commercial loans for the regional budgets. At the same time, the regions need to provide a balanced budget and prudent debt policies, consolidation of internal state financial controls that focus on preventive measures, as well as budget transparency.

Allow me to express the collective opinion of all the constituent entities: we need to find a milder version of the model of interaction between commercial banks and Russia's regions.

Mr President! We are asking you to instruct the Russian government to work with the Bank of Russia to develop new measures to reduce the interest rate burden on the budgets of the regions.

For example, we are proposing a special lending schedule for the Bank of Russia, which, if approved by the Russian Ministry of Finance, would provide credit support to the regional budgets at a reduced interest rate.

The second suggestion. It is no secret that the activity of law enforcement agencies greatly influences the investment climate. Once there are signs at the regional level of something being done in an unprofessional way - and in middle management this happens quite often, or even worse (as you said recently), that there are unscrupulous law enforcement officials involved - any functioning investment climate management system collapses. It is obvious that under the present circumstances the issue of establishing a confident environment for conducting business activities and developing entrepreneurship must become a priority for the authorities in the regions.

Under the presidential executive order, coordination meetings have been created in the regions, which include the heads of the law enforcement and oversight bodies. In this regard, I propose informing the Government about the role and the influence these bodies have on the investment climate in each region based on their performance during the ***year***.

There is one more proposal. The time has come for business representatives to come together and have permanent and systematic platforms for interaction between themselves, the Government and business, and of course, vertically from the municipal level all the way up to the federal government.

This will allow us to prepare and implement validated and effective economic solutions, which is important today, and this approach will lead us to a place where businesses will also be accountable to society. I am referring to the negative things that happen in economic activities. I believe our society and our people should be aware of this.

There are proposals that the Chamber of Commerce and Industry of the Russian Federation should assume this role. This organisation has offices all the way from the district level to the federal centre, and also has administrative staff and expertise. This approach is common in many countries. Some of our regions also have positive experience in this area, and the role of chambers of commerce and industry is notable in developing economic policies, including investment policies.

There are instances where regional chambers of commerce and industry are entitled to legislative initiative, and this is working effectively today. I am convinced that implementing these measures will really create the proper environment for improving the investment climate.

Mr President, please have the above proposals included in the list of instructions to be drawn up following today's State Council meeting.

Vladimir Putin: Thank you.

Mr Vorobyov, please go ahead.

Moscow Region Governor Andrei Vorobyov: Mr President, colleagues,

Mr President, I would like to begin with words of gratitude for creating the ASI platform in its own time, because the rankings that are compiled and published at the St Petersburg Forum are an important reference point for us, and each territory wants, of course, to improve its investment potential. It is good that we have an opportunity to regularly share experience and use best practices in our regions.

To further improve the investment climate, I would like to ask you to pass down instructions in three areas.

First, these are special economic zones. In May 2016 an inspection revealed violations and inefficiency in special economic zones. Since then the Government of the Russian Federation and the regional authorities have carried out a lot of work and I think there is every reason to remove this moratorium.

This would allow the regions to establish new special economic zones to attract new investors and of course, grant a package of regional and federal benefits. This is the first request or proposal that I would like to submit.

Second, I would like to talk about e-services. The problem is that to build a plant or factory, investors have to apply for 22 approvals - nine regional and 13 federal permits. My request, Mr President, is to forward an instruction on mandatory e-document exchange with the federal departments. This would drastically reduce the paperwork and the number of applications that are required from entrepreneurs and investors.

We have already amassed positive experience both with the Special Guard Service and Rosaviatsiya (Federal Air Transport Agency). We signed agreements with Rospotrebnadzor (Federal Service for the Oversight of Consumer Protection and Welfare) and Rosavtodor (Federal Road Agency) the other day and they have greatly improved the investment climate. They make it possible to approve documents and build new enterprises with much less delay.

There are some issues in approving documents in the Ministry of Culture and the Federal Agency on the Use of Mineral Resources. The problem is that you have to get approvals no matter where you want to build a plant, even on an old site. You have to get approvals from the Ministry of Culture and the Federal Agency on the Use of Mineral Resources. This is required by law. I would like to suggest amending it so that both this ministry and the agency are required to list the areas that are of special value to them. We have already done this as regards territories near airfields where the owners themselves publish what territories are under restrictions.

And the third issue that you mentioned in your speech is a reduction in the utility connection times. Indeed, all regions made a breakthrough both in gas and electricity because there is a law on standardised fees. I have already talked with the Prime Minister on this issue; he understands where we are with this.

We need a federal law on standardised fees for heat, water discharge and water supply. This would also enable us to drastically reduce the infrastructure connection times and facilitate the commissioning of new enterprises.

So, Mr President, these are my three proposals that I wanted to draw your attention to.

Vladimir Putin: Thank you very much.

Mr Oreshkin.

Minister of Economic Development Maxim Oreshkin: Thank you very much. Mr President, colleagues,

Today, indeed, it was noted that we made great progress in the Doing Business rankings, and the national ranking system encourages the regions to compete among themselves and to improve procedures. However, the analysis shows that there is not always a clear relationship, for example, between the rankings and investment dynamics.

The fact is that the benchmark models and the investment standards offered to the regions are necessary, but of course, insufficient conditions for ensuring favourable investment climate sometimes exist.

I would like to spend a moment to discuss a number of issues.

First, today we talked about the importance of regional financial sustainability. I am not going to delve into matters that Mr Siluanov will take up in his remarks, but I will make just one point taking advantage of the fact that so many governors are present here today. This week we have completed the first stage of the work to identify the so-called redundant, and occasionally even absurd, requirements that the federal authorities set for the regional authorities. I will give you a couple of examples.

We have, for example, an order by the Ministry of Communications that requires everyone to switch to a certain type of franking machines for mail correspondence beginning February 1, 2018. The regions will pay three billion rubles to comply with that next ***year***. Or take, for example, an order by the Ministry of Labour, which identifies a list of equipment that needs to be installed at the organisations that provide social services. The list includes the number of mirrors and the number of clocks on the walls, and how many checker and chess sets should be available on the tables.

We made the first list of such requirements, and submitted it to the Government this week. We suggest either changing or cancelling them. Our ultimate goal is to create an institutional mechanism which will prevent these kinds of requirements from ever surfacing. Recently, we discussed this with the State Duma and the Federation Council, and we are already working to this end.

The second point I would like to make is the stability of the tax system which is an important part of the investment climate. I will give you an example as well.

With regard to the story about returning the right to grant tax incentives on movable property to the regions, beginning next ***year***, if a region does not decide on an incentive, the rate will be set at 1.1 percent. Here, we can see that different regions proceed differently. What, for example, are the regions, for which the stability of tax terms is of primary importance, to do? I will give you an example of the Ivanovo or Nizhny Novgorod regions. They maintained this incentive in key industries, but not all of them. They chose the ones where the tax really represents a tax on modernisation, and ensured keeping this incentive. It is important, when taking decisions, to always think ahead and to understand what ramifications can follow any short-term gains in revenue.

The third thing that has already been mentioned today is control and oversight. Here, it is important to not just limit this activity head on, but rather make it smart. The pressure on businesses should decrease following reorientation of the control agencies to high-risk sites, which systematically commit gross violations of the law. With that, low-risk facilities, on the contrary, should be completely exempted from planned inspections.

Here, too, importantly, a significant portion of these controls should, in the near future, become remote, and the opportunities that the digital economy opens before us will make it possible to automate control to an even greater extent.

The law on control and oversight which describes the new system was put together this ***year*** and submitted by the Government to the State Duma. I hope we will work it through in detail next ***year***, as it needs more work, and then adopt a draft law to this effect.

Infrastructure is the fourth important area that you, Mr President, mentioned. Clearly, when the quality of roads is low and energy or railway infrastructure is not available, this can put an end to any investment project, be it large or small. Again, I will give you an example.

The town of Novomoskovsk in the Tula Region has a good industrial park, with properly developed sites for the construction of plants. However, trucking the output from this area is a challenge. The bridge which connects this area with the mainland has one lane closed for safety reasons, as it is in poor condition. No proper transport infrastructure, so everything else is just not working. Indeed, creating an infrastructure that is adequate for economic needs is a prerequisite for improving investment activity.

We have accomplished certain things, though. We drew up a detailed plan for implementing the new ***programme***. This plan, as well as a number of amendments to draft laws, have already been submitted to the Government. In the first quarter, we will need to do a lot of work to put these changes into practice. We are working actively on pilot projects with the regions such as the Tula Region - everything I mentioned about it - the Novgorod Region, the Perm Region, and a number of other regions, because they are moving forward fast.

The fifth point is competition. It is possible to have ideal infrastructure and perfect procedures but investment will decrease if competition rules are violated.

Mr Nikitin talked about illegal businesses but there are also other problems such as the creation of unitary enterprises in the market, and other forms of regional protectionism. There are also problems with regulations that put competing enterprises in the same industry into different conditions and many other things.

Mr President, you recently signed an executive order on competition and it reflects all these important points. Now our task is to match reality to this executive order. I also think it is important to establish an institutional mechanism that will monitor whether the actions of the authorities correspond to the provisions of the signed executive order.

The sixth point is the human factor, of course. Mr Nikitin spoke about personnel. Indeed, the economy of the 21st century is based on human capital. Therefore, an environment that ensures high living standards and allows people to develop and realise their potential is an absolutely indispensable part of the general investment climate. For instance, the goal of increasing the global competitiveness of Russian cities is highly important in this respect.

Returning to the start of my speech - administrative procedures - I must admit that we need to win global competition rather than simply compete. We must make breakthroughs in some areas, and digital technology allows us to achieve this.

Mr Nikitin talked about the 3D-model of the region that revealed, as a result of cooperation with Rosreestr (Federal Service for State Registration, Cadastre and Cartography), unregistered plots of land, which could increase tax revenue in the region.

Another project that Rosreestr is beginning to carry out jointly with Moscow is on a higher level. It is not just a 3D-model of the region. It is basically the issue of full 3D cadastre registration for buildings, which will substantially facilitate real estate transactions in the capital.

This is one of the examples where new technology makes it possible to raise procedures to an entirely new level. Understandably, it is not always possible to implement these ideas under current law for the simple reason that some areas have not yet been covered. This is why experts are working hard in cooperation with business to change the laws and regulations for the Digital Economy ***programme***.

The part of the ***programme*** that we reviewed at the commission meeting with the Prime Minister already contains 53 drafts that should be amended in the next eighteen months. We are ready to listen to the ideas of our regions. If there is a new specific, tech-savvy solution that cannot be carried out because of legal restrictions, we will be happy to include it in this plan.

In closing, indeed, we are now faced with a critical mass of initiatives and goals to increase our investment appeal in the broad sense of the word. Mr Nikitin suggested creating a single centre for monitoring and eliminating normative and regulatory restrictions on business. I support this idea, we will be happy to take on such a function.

Vladimir Putin: Thank you.

Mr Siluanov, please go ahead.

Minister of Finance Anton Siluanov: Mr President, colleagues,

Clearly, the country's investment climate is formed in the regions. It includes infrastructure, tax regulations, promptness of opening and running a business, connecting to the grid, and so on.

Much depends on a regional leader's pro-active stance. There is a big difference between the regions where the governor and his team are looking for investors in Russia and around the world, and are working to create a proper investment climate in their respective regions, and the regions, which spend most of their time trying to get more financial aid from the federal centre. So, motivation tools are being introduced at the federal level to encourage the regions to develop pro-investment regulations in their respective territories.

What do I mean by that? This includes grants that the federal centre is making available to the regions in recognition of their success in achieving benchmarks, including increases in investment, creating new jobs, and increasing the gross regional product. It also includes profit tax refund that is credited to the federal budget as regards profit tax gains for the regions which showed growth for this indicator during the financial ***year*** under report, that is, in effect, ensured investment activity.

This also includes accounting, as part of calculating financial assistance, for the so-called tax expenses or incentives provided by the regions, and the incentives which, according to our criteria, fall under the effective incentive indicators. They will be taken into account when deciding on not reducing the amount of financial aid provided by the federal centre.

Additional tax incentives to encourage investment will be introduced in 2018. This includes an investment tax break, the corresponding law has been adopted. Now, the regions can make a decision on granting a tax incentive as it applies to new investment. In other words, new investment will, in fact, be deducted from the taxable profit tax base. This also includes the so-called special investment contract in a new format: for major investors with over one billion rubles in capital, special conditions will be created protecting them against changes in tax legislation, providing preferential terms for stable infrastructure solutions, and preferential taxation terms. This also includes subsidies for the regions to develop industrial parks using the revenue that comes to the federal budget from these industrial parks (the regions will get a refund to compensate for these expenses). We have a number of other tools as well. All we need to do is use them. Unfortunately, we can see that not all regions take this into account in their activities.

And, of course, the budget policy. Mr President, you have already spoken about this that indeed the drafting of patently unrealistic budgets, and the failure to comply with commitments on agreements and infrastructure projects and also accounts payable that are revealed with new governors are creating mistrust and a lack of motivation to invest in a region that pursues such an irresponsible financial policy.

In the last few ***years*** the Ministry has been trying to put regional finances in order. We have signed agreements on budget parameters and on debt as a condition of granting financial aid and loans, and agreed on responsible financial policy loan restructuring.

I would like to report that today 74 of 78 regions that can sign loan restructuring agreements, have already addressed us and we will sign these agreements before the end of this ***year***. Four regions have not yet addressed the Finance Ministry because the sums they owe are insignificant. Probably, such debt will not be restructured, but again, this is not critical for the budgets of these regions.

I would like to draw the attention of the regions to the need to observe the commitments under these agreements. There are precedents when agreements on loans and financial aid were signed. In three or four cases they were not fulfilled. This is a systematic failure to comply with your commitments. How can this happen? Naturally, under these conditions it is impossible to talk about investment appeal. In these cases we resort to treasury support. In effect, the Treasury itself determines its priorities - whom to fund in the first, second or third place. Obviously, investors will not be attracted to such regions.

To sum up, there are investment tools, and they simply need to be used. The Government will toughen the responsibility of the regional governors for creating a business environment. Naturally, a realistic and well-balanced budget and sustainable financial policy facilitate trust and success and create the investment appeal of the region. It is necessary to take this into account by all means.

Vladimir Putin: Thank you.

Please, colleagues, do you have any comments or suggestions?

Please, Mr Zyuganov.

Chairman of the Central Committee of the Communist Party of the Russian Federation Gennady Zyuganov: Colleagues, three important speeches have been made that I believe, will influence both domestic and foreign policy, including the investment climate [in our country].

President Vladimir Putin has addressed the country with his, I will call it, message Russia Focused on the Future, in which he set forth guidelines on how to lead the country to make it competitive, intelligent, successful and secure.

Speaking at a Chinese Communist Party meeting, Xi Jinping presented a ***programme*** for the next 30 ***years***. They plan to eradicate poverty by 2021, when they will mark the 100th anniversary of the Communist Party, and become the world's leading country within the next five ***years***. [Donald] Trump presented his national security strategy, referring to Russia and China for the first time in the history of the United States as the US's two main adversaries or, maybe, even enemies.

Never before have UN foreign policy statements like this been made, because [Henry] Kissinger, one of the most intelligent strategists, invariably said: we can never allow Russia and China to cement their common interests. Apparently, global policy in the next few ***years*** will be confined to a triangle of American globalism, Russian revival and China's breakthrough into the future. Much will depend on how fast [each of them] moves.

Mr President, in your Address last ***year***, you set an absolutely correct and realistic objective for the country to reach global economic growth rates. This ***year***, the growth rate for Russia will be 3.5 percent, in China it will be 7.5 percent and the US economy will see global growth. We must do everything to deliver on your instructions because [our] competitiveness, in this case, security, is at stake.

Any country which cares about its future should begin with a law on the distribution of productive forces and population. Given our vast territory, this law acquires a special meaning, and we need it to identify areas of investment activity. If you use a compass and draw a circle with a radius of 1,000 kilometres around Vladivostok on a map, you should know that in our country only 3.5 million people live in this area while 350 million people live in the neighbouring territories.

The recent efforts of the President and the government on developing the Far East - the cosmodrome, a scientific centre, laying our [gas] pipeline - are a good start. However, if we do not triple are efforts in this area, the situation will aggravate for us. This is why we should think together about how to proceed with that line, all the more so given that the current relations with China allow us to implement a number of ***programmes***.

Our Governor Levchenko's visit to China with Ms Matviyenko has already achieved the realisation of four large investment ***programmes***. And such regions as the Irkutsk Region, the Krasnoyarsk Territory, the Novosibirsk Region could be an engine for the development not only of the Siberian but also the Far Eastern regions. Yet the key territories whose development is essential for us are Crimea and Kaliningrad which are largely strategic territories, and we will have to work together on that.

Mr President, five ***years*** ago you undertook, in my view, an exceptionally crucial attempt to plan future work by issuing 11 decrees. They determined development parameters, deadlines and personal responsibility. As we are review the results now, we see that the matters related to security and defence that you oversaw, yielded excellent results, including Syria, equipment renewal, and creating new technologies.

Regarding a number of areas of investment nature, new equipment and productivity, we have not reached the goals that were set. I think one of the reasons for this is the lack of tough and due accountability and personal responsibility. Many issues could have been resolved.

When the most influential people speak at our Duma - you spoke there, so did His Holiness Patriarch Kirill, Nobel Prize winner Zhores Alferov - there emerged a formula which, in my opinion, is the groundwork for exiting the crisis, for the revival of the country. They are the values of the Holy Rus, Russia's millennium-long statehood and Soviet justice. Where we had those as guidelines, in my view, we had the best results.

For example, 132 delegations came to us for the centenary of the Great October Revolution, and you supported sending these invitations to the delegations. I would like to stress and inform everyone - including the governors, and to thank you as you were very considerate about the issue - all 132 delegations (there were 500 MPs and 60 general secretaries), without exception, supported our foreign policy, the policy of fighting terrorism, the policy of security, the policy of strengthening peace on the planet, all the delegations supported us on Crimea and Sevastopol, and all of them without exception took support for Donbass seriously. We recently sent the 68th [humanitarian] convoy related to the New ***Year*** holidays.

The Syrian example shows the result that can be achieved when the state machinery, parties, movements, ministers, service personnel and citizens work towards one and the same goal. Everyone believed that it was impossible to accomplish this task, but it was accomplished in the shortest possible time and extremely effectively. However, we must not rest on our laurels. I saw that you met with your CIS colleagues yesterday. The situation will shift to Afghanistan and Central Asia, and we must therefore display maximum vigilance.

Last time when we contacted you on the Artek issue, you supported all State Duma party factions. It took us three ***years*** to turn Artek into the best place on Earth. Brilliant ***programmes*** have been introduced. We must thank Crimean leaders who have built 60 new facilities. In 1986, Artek received 38,000 children, an all-time high during the Soviet period, and 40,000 will stay there in 2017. This is an impressive result.

We must consider the supply of milk to children today. We have discussed this issue before. We hope you will support this measure. This would be an effective form of assistance for all families. The ***agricultural*** sector has posted a good harvest, but the processing industry is lagging behind. Unfortunately, this excellent harvest has not reduced the price of one loaf of bread even by one kopeck at local shops.

I would like to highlight several threats that all of us will have to deal with, and we will need to provide substantial extra investment. I have assessed the share of foreign capital in the energy sector. Our big country has a cold climate, and this share exceeds 90 percent. The share of foreign capital in the railway engineering sector is about 75 percent, and its share in vodka and tobacco is 53 percent. Most importantly, we cannot give away our sources because they will ensure the country's overall stability.

I would like to thank you for addressing the poverty issue in full measure. In your last three speeches, including at your meeting with deputies, you set this out clearly.

Incidentally, throughout 2017 the State Duma became more actively involved in resolving the most complicated matters, including the housing renovation or housing equity holders.

I am confident that if we pool our efforts we will obtain the desired result. All of us must be wary of the liberal revanchism. I never thought that all these characters who staged protests in front of the Bolshoi Theatre and in other squares in the 1990s would ever resurface again. All of us must remember that the liberal surge in February 1917 led to the breakdown of the state.

Hitler came to power with the help of liberals and unleashed the war. The very same liberals helped Mussolini, Franco and Pinochet come to power. Therefore, all of us must be vigilant because the Americans are shoring up these people every day, and we can feel it, especially in the media.

And the last point concerning our priorities and investment. Poverty. We must first address the children of the war. There are still 12 million of them; 140 billion rubles is nothing, we can afford it, but I feel ashamed looking them in the eye. Several big anniversaries are approaching, including the victories in the Moscow, Stalingrad, Orel and Kursk battles, and Victory Day.

As regards the defence industry, investment has been quite extensive. Even the smallest cuts are not acceptable. I have reviewed the funding plan. You recently met with the new president of the Russian Academy of Sciences. Please support their initiative. Four billion for the academy and scientists but 80 billion for the Federal Agency for Scientific Organisations which has no idea about scientific inquiry? It allocates the funding to those in favour rather than those who need it and can solve problems. This is not right. There is a respective petition.

As concerns rural areas and construction, these are the two driving forces that always drag us out of a crisis if the money is invested properly. I am appealing to you because of the situation with traditionally ethnic Russian areas. Back in 1990, our population was 81 percent Russian. Now, unfortunately, Russian ethnicity is 75 percent and the death rate in traditionally Russian regions is higher than in others. Therefore, it is important to think about measures to support the state-forming ethnicity which is the core of our security and which is an internationalist nation uniting 190 peoples and languages preserving each and every culture, faith and tradition.

Finally, I wish you a Happy New ***Year***. Thank you to the State Council for the support of this anniversary event. The iconic Red Army's 100th anniversary is coming up, along with the 100th anniversary of the Lenin Komsomol, the 200th birthday of Ivan Turgenev who comes from the same region as me. Andrei Klychkov is working effectively on the Orel Region's development, with your support. So, I hope we can deal with the current difficulties and challenges together.

Vladimir Putin: Thank you very much.

Mr Zhirinovsky, please.

Chairman of the Liberal Democratic Party of Russia Vladimir Zhirinovsky: I do not want to argue, but the world will not turn to China's path. No matter how we criticise Europe, its liberalism, freedom in economy, media and culture. Some of these liberties go too far. However, young people will still look up to Europe rather than Asia.

We need to merge our constituent regions to improve investment climate. Consider the case of the Voronezh Region. Under the Tsar it had the population of 8 million. It is 2.4 million now. Why is that? There is a decline even though the region is one of the largest. We need to bring together 30 such large entities under the term namestnichestvo, a Russian word. Most of the terms we use are foreign: region, rayon (district), governor. It is a reason why we are not always treated with respect when we speak Russian. Out of every 10 words seven come from other languages. It makes people think that we are not such a developed nation.

That is not our fault, but our ancestors'. Still, today's officials borrow foreign terms, and it plays a role. Today's Council focuses on the investment climate. Where are Russian words in that? We are used to the word 'climate', but what about 'investment'? Why can't we say it is an issue of 'putting money into the national economy'? Anyone listening to us right now would understand it, even children.

Transport is the main issue. It is our only advantage. Transport, transport economy - that doesn't sound good. Transport engineer is not a model job. People want to become actors, or whatever, but not transport engineers, even though the economy stagnates without transport.

Look at the Ural-North motorway. The idea to build it was put forward in 1912, but we will actually finish the project in 2023. It will have taken us 118 ***years*** to build a road! How can that even be? Why? Small regions, none of them have sufficient funds. If we had one large region, a territory - whatever we would call it - the road would have been long built. As it is, we just hear the small regions ask for more funds, because they lack them. And the project isn't going anywhere.

We grew a lot of grain but we do not have enough elevators. If all is well with production, the transport issues will not allow us to deliver the product. If transport is all right, then there are issues with processing and storing. All retail chains are owned by foreigners, and they don't want our products, but prioritise imports. We need the right professional orientation here.

The cryptocurrency concept emerged. Have students enrolled at a cryptocurrency department September 1? Is there a department or maybe a seminar? In four ***years***, these specialists in cryptocurrency or other currencies will start working for the economy. This will be a trend. Not a single university has opened even one department, and no experts are available. Those who graduate from economic universities in the summer of 2018 should be trained accordingly. We need career guidance and a revision of professions to really improve the investment climate.

Regarding the repatriation of capital, we are doing everything as we should, but we are unable to guarantee banking secrecy. Is it possible to guarantee 100 percent privacy in at least one bank? The Central Bank should open a subsidiary for foreign currency assets. This would guarantee banking secrecy, and no one would know the names of those ***transferring*** money or the amounts. In fact, no one would even have the right to ask such questions. In Switzerland, people are jailed for asking how much money their neighbours have. They are not supposed to inquire about other people's assets. And this information is available all over Russia, including on the internet... Everyone has to file declarations and show how much money he or she has at various banks and accounts.

Look, we need classified declarations. It's no good telling the whole world where wealthy people live in this country because it will boost economic crime. Therefore, we need 100 percent banking secrecy that can be guaranteed forever by decisions signed and approved by the President, the Government and the parliament. And investigators should deal with criminals alone, if any.

And of course, foreign investors. And the problem here is that they should not push out local producers. They are having a hard time, and I understand that inexpensive foreign money is issued quickly for longer terms. Nevertheless, we must not allow this to hamper our investors.

We have done everything right with regard to the land issue and cadastre values. But why do cadastre values exceed market prices by four times? The cadastre price of my friend's land plot is 80 million, and its market price is not more than 15 million. How will he sell his land? People want to buy it for 15 million, but the official cadastre price is 80 million, as determined by the authorities. But who has determined the price? You can understand a 10, 20, or even 30 percent price gap, but a four to five-fold increase is a bit over the top! Who did this? People will stop buying and selling anything; they will be afraid to pay exorbitant taxes.

As I see it, we have some positive information. The Smolensk Region is showing a favourable investment climate. As far as I know, this is an objective estimate. The region is creating jobs, and it boasts a good information website, the best, in my opinion.

There is progress with regard to the Far East, but I propose that we introduce a tax-free economy on Sakhalin Island. We can try it, and if it proves successful, we can extend it to the entire Far East and then Siberia. Step by step. Remember, Sakhalin is like a 'Utopia' island. We could build Communism within the limits of one island, which we would not be able to do on the scale of our big country. The same goes for new trends in the capitalist economy. The island is small. Its population is under 1 million if I am not mistaken. It is isolated. We could try a tax-exempt economy there. But all of the revenue must be invested in Sakhalin. I can assure you the outcome will be good. The island will attract more people. Many want to become millionaires fast but legally. Once it is a success, we can extend this plan. Perhaps in 30 or 40 ***years***, it will reach Kaliningrad.

The same applies to other aspects. I was very bothered by the fact that the regions with large debt to private banks were offered cheaper loans but refused to refinance. This is the first indication of a corrupt scheme. "Why are you keeping your region in debt chains? Here, pay it off, the new loan will be cheaper. You will pay off your debts faster." "No, I don't want to." It means the banker has direct links with the decision-makers. The authorities in the regions that refuse to refinance must be replaced as soon as possible and investigated by the Federal Security Service and prosecutors.

And last, fraud. Here is an example: a new Bryansk to Moscow flight. A promotion campaign offered the cheapest tickets for the destination. Local competitors such as the railway bought all the tickets. The planes were sold out but flew empty. Who benefits from this? Of course, passengers want to reach Moscow in 45 minutes. But no, they must ride a train for four hours. Somebody must investigate this.

Here is my advice. I am not saying that we should encourage 'fingering' or informants. But I think every ticket salesperson should inform their management and the deputy governor in charge of transport about "an organisation that buys all the tickets." Why on earth did you buy 200 tickets? Is your whole company taking a business trip to Moscow? It is just so easy to expose. Staff must inform their management and the management must inform the city officials about such 'surprises.'

Another example. A plane flies from Nizhny Novgorod to Nice. A private charter - no problem. Business people - no problem. But it is the city mayor's office and officials that are on the plane. Why are you flying to your holiday destination on somebody else's plane and on somebody else's money? These things get reported to us. If airport officials informed the governor about a group of public officers who did not buy their own tickets (meaning, the plane was paid for), it will be easier for us to expose these kinds of violations.

We are not forcing anyone to inform on others. This is about the recovery of our economy, discipline and preventing embezzlement and fraud. It requires improving law enforcement. Security comes before economy. If economy came before security I think there would be people who would take advantage and line their own pockets and the money would drain abroad.

I am finished now.

Vladimir Putin: Thank you.

Mr Mironov, please.

Chairman of A Just Russia party Sergei Mironov: Mr President, colleagues,

Today we are discussing a very important practical issue. Some very useful and practical proposals have been made by the head of the working group and two governors, and the heads of relevant ministries have spoken very clearly and in a business-like way about this crucial issue - the regions' investment attractiveness.

I would like to devote my short speech to four other concrete aspects of investment attractiveness that are of vital importance for many regions.

Speaking about the investment attractiveness of ***agricultural*** regions, I believe that our ***agricultural*** achievements allow us to do the following.

First, we should revive our selection system. It is unacceptable that we lack our own breeding animals and stock seeds. More specifically, 98 percent of hatching eggs are imported. The situation with ***agricultural*** sciences is improving, though very slowly. Selection and ***agricultural*** genetics are not just a business but a vital condition of the national food security.

Second, our regions, the Russian regions, are capable of producing large amounts of organic foods. As of now, only 5 percent on the global organic foods market come from Russia. A law on organic foods is being discussed in the Government. It is a very good law, which we really need, but its implementation requires serious investment.

I believe that the economic and social effect of this investment will be enormous. We have created a system of agrarian education, which we did not have before. It comprises 54 universities. I believe that the farms attached to these institutions must be able to receive state support, which is provided to the ***agricultural*** sector in general. Where there are people, there will be investment.

Third. A huge area, specifically, 57.7 million hectares are accounted for by Rosreestr (Federal Service for State Registration, Cadastre and Cartography) as belonging to ***agricultural*** producers you can't find. That is, its ownership is documented but the owners are nowhere to be found. Another 30 million hectares are not assigned to anyone at all. Imagine the area of Spain that belongs to 'dead souls' or Italy that is hanging in the air because nobody knows whose land it is.

Therefore, I believe it is necessary to enact into law the deadline after which such unclaimed farmland must be ***transferred*** into municipal property. We must also specify who has the priority for a discount price or gratuitous ownership to such land.

The second issue concerns the development of the northern territories. An area's investment appeal largely depends on its links with industries and production in other regions. Let us take the northern territories. Despite understanding the importance of production chains, the Arctic projects hardly ever involve the mainland production capacities - particularly, the southern Siberian regions.

Each territory seems to be isolated. Last ***year***, a directory of Siberian companies' products and services for the Arctic projects was released. However, the majority of contractors and subcontractors are still foreign, often not for a good reason and despite our counter-sanctions. The development of the northern territories can produce a multiplier effect similar to that of the defence industry.

Another matter concerning the North is the remuneration policy. Due to a mess in the system of benefits and social protection for northern workers, which has continued since the mid-1990s, only 12 out of the 36 articles of the North law are actually in force. Russia's North has lost its former appeal as a source for earning good wages. As many as 1.6 million people have already fled the North. My belief is the North cannot and must not be developed by people working on a rotational basis. If the local population's income falls the people will leave and investors will not go there.

And the fourth subject is geological prospecting. Indeed, geological prospecting ranks among promising regional investment projects. The Accounts Chamber estimates that geologists have studied just 23 percent of Russia's territory to date. One is worried about the absence of the required number of implemented prospecting projects, the insufficient volume of geological and earlier-than-planned geological and physical and geological survey works.

We have managed to make headway in providing information support for geological prospecting operations as well as to pass legislation simplifying access to geological information for all market players.

A state information system listing geological information about natural resources has been created. This is a highly important step for the establishment of a geological information market that exists in many countries.

However, regional geological policies are lacking, although the law on natural resources delegates specific powers to Russian regions.

I believe it is high time to seriously amend legislation on managing mineral deposits. First of all, we need to pass legislation that would regulate the powers of the executive branch for stockpiling strategic reserves of mineral resources.

Moreover, geological prospecting companies must be able to more easily access promising sectors from the unallocated fund. The pricing system for geological prospecting operations also needs to be upgraded.

Thank you.

Vladimir Putin: Thank you.

Mr Neverov, you have the floor.

Deputy Speaker of the State Duma and Head of the United Russia Party Duma faction Sergei Neverov: Thank you, Mr President. Colleagues, all previous speakers have dwelled upon the subject of today's meeting in sufficiently great detail. I'll make it very brief.

Many Russian regions continue to receive federal-budget subsidies. Of course, this factor influences overall economic growth rates because the country's well-being depends on the success of every region. Doubtless, there are leading regions that lead the way in terms of their popularity with investors.

Mr President, you have just noted this, and substantial attention is now being devoted to the regions of the Russian Far East that have a tremendous potential. But every region is unique, and I am confident that each of our 85 regions has a potential that needs to be unlocked and displayed.

The creation of an investor-friendly environment that would guarantee safe investment is an important aspect. And all of us realise that a favourable investment climate is a combination of the most diverse factors, and we have also discussed this issue today. This includes a stable tax system, legislation and regulations. And the business community must sense stability.

I want to say that the business community must sense stability, including political stability. And I would like to address my colleagues, leaders of parliamentary parties, to ask them to select regional leaders in a more responsible way because their current regional agenda sometimes negatively influences the investment climate.

This includes spreading rumours that any specific regional governor will resign soon. Various media outlets publish these stories all the time, and the situation is being constantly incited. And, of course, investors are not attracted by these loud and frenzied statements which sometimes aim to boost media ratings.

I am confident that we need to prioritise the region's interests and its future, rather than time-serving political ambitions. The region's prospective long-term investors are deterred by the lack of confidence in the positions of incumbent regional leaders and by the apprehensions of those who invested under the current leadership.

I am not talking about only one agenda. Each of us has a right to express his or her opinion on various methods for building a rich and prosperous Russia. But we must do our best to avoid actions capable of destabilising society and, as I have already said, making it possible to implement one's own personal time-serving political interests. In this context, substantial responsibility rests with representatives of political and parliamentary parties.

I would like to say that current national challenges must unite us, despite our political views because national interests are more important than party interests.

Happy New ***Year***, everyone!

Vladimir Putin: Thank you. Mr Titov, you have the floor.

Presidential Commissioner for Entrepreneurs' Rights Boris Titov: Thank you very much, Mr President.

In his report, Mr Nikitin spoke about the shadow economy, or, as we say now, the "garage" economy and called for increasing liability, in particular, for illegal business activities according to Article 171 of the Criminal Code. The problem is huge indeed. According to our institute's estimates, trade in the shadow sector is worth 33.6 trillion rubles, or 39 percent of the GDP, which speaks volumes about our economy.

Of course, we should demand full compliance with the law, but we must realise that in most cases legalisation is fraught with many risks for small businesses. First of all, it is fraught with losses, because it is unprofitable to work while paying all the taxes, and, of course, administrative and even criminal pressure.

The Stolypin Institute for the Economy of Growth has drafted a ***programme***, because it should be a comprehensive ***programme***, which, on one hand, creates incentives for entering the legal sphere, and on the other, increases liability if it is not done. The general direction is clear, and we should only strengthen separate measures.

For example, we should set the simplest, most comfortable and profitable terms for the smallest, micro business, or as we say, individual entrepreneurs with no right to employ. We have been talking about it for a long time, but I would like to repeat that it would be a serious step in legalising businesses.

Also, of course, the main problem for the small shadow businesses is to gain access to money, resources and loans. For them, for the shadow businesses, money is very expensive. So, if we can give them some proposals on [creating] a special fund similar to the Industrial Development Fund, with rates at five percent for five ***years***, this might very much interest them in entering the legal sphere.

Industrial infrastructure, which Mr Oreshkin talked about, is very important, but, unfortunately, we have already created enough of it, and it is very expensive for many people. I mean we should create more business-friendly and cheaper infrastructure for "garage" businesses, to make them come out.

And the main thing I would like to say: we should give them time. With all these conditions, which we, of course, should set clearly and correctly, we will give them a chance to become legal and free themselves from the liability they might face in connection with their past. This concerns several articles. In particular, Article 171, illegal business activities, but also several articles of the Administrative Offences Code.

If we give them time, if they come out and work legally, they will not be responsible for the past. But if they commit another violation or do something wrong again, that is when they must bear full responsibility according to the criminal and administrative legislation.

One more thing I wanted to say. Mr President, we are talking about the fact that the poverty rate in our country is very high. 20 million, you said. But in fact, this shadow economy hides among these 20 million. We have 15 million people who do not pay taxes at all; we see no income. So, statistically, people who are not really poor are often included in this figure. Thank you.

Vladimir Region Governor Svetlana Orlova: Mr President, may I?

Vladimir Putin: Yes, go ahead.

Svetlana Orlova: Mr President, colleagues,

The matter that the State Council is discussing today (I believe, everyone would agree) is of great importance. Mr President, I would like to say that both the Russian Government and Dmitry Kozak's Commission conducted a very meticulous piece of work. We held many meetings, had our disagreements, but now have reached common ground, which must be mandatory for all of us. Regarding the replacement of business loans. Each region had its own results of addressing this subject, some regions have debts, some do not. In any case, there are certain things that stimulate an investment climate today.

For example, I would ask for those 20 billion rubles allocated for socioeconomic development of the regions - this ***year*** there were not 20, but 40 regions, Mr President. The regions were given an incentive, and the Ministry of Finance, the Ministry of Economic Development, and Mr Kozak as well, developed such a scrupulous approach. And then there was not enough for northern regions, but our colleagues reached an agreement and revised everything. Our budget was cut a little, but this served as a very good incentive. We allocated most of the funds, Mr President, to address social needs.

Regarding the attraction of investments. Let me give you an example. Six months ago, we presented the Leningrad Region and Karachayevo-Circassia before the Council of Europe. The presentation of our regions, our territories was done brilliantly; all of us already have planning offices, thanks to the Agency for Strategic Initiatives, Industrial Development Fund, SME Corporation, and the export centre, too. Mr President, today our export centre is conducting a great deal of work to promote our products. Two ***years*** ago we used to export to 90 countries, but today our rather small Vladimir Region is exporting to 110 countries. Many other regions are also developing, as you already mentioned.

What should we also mention? Well, Mr President, on December 21, we commissioned a new factory. So, I am reporting: it is producing the first NGV-fuelled buses in Russia; everything is automated. We are now to close a special investment contract, the Ministry of Industry and Trade is supporting us, we have leasing funds. I know that Tatarstan is making progress in addressing this matter, too. We have 3.6 billion, Mr Zhirinovsky, I'm responding to your question, these are the funds of a Russian investor, and we have a lot of Russian investors in the region already.

But if we switch to buses manufactured in our own country, to Russian fire engines, tourist vehicles, vehicles for medical staff, what kind of money are we going to save? That is right: budget money. And we have to admit, Mr President, despite the complicated situation with guaranteeing suppliers, with provision of gas, water and heat supply, the Energy Ministry and the prosecutor's office helped us, and you too, Mr President, and we solved a number of issues.

In general, Mr President, I would like to say that our investments have not decreased. The ASI ranks us in 15th place in terms of investment, even though we have no oil or gas. Over the past five ***years***, we ***transferred*** 12 billion rubles to the budget. It is thanks to you and to all our colleagues that we have put the issue of financial stability and investment at the top of the agenda.

I wish everyone the best of luck, love, harmony and health.

Vladimir Putin: Thank you.

Ms Golikova, will you speak about love as well?

Accounts Chamber Chairperson Tatyana Golikova: Yes, I will speak about love of finance.

Mr President, colleagues,

I would like to speak about a matter that has not been touched upon today, although it is very important for balancing regional budgets, on the one hand, and for the investment climate, an issue on our agenda today, on the other hand.

As of now, the distribution of financial assistance is not based on the regions' budgets but on the consolidated budgets of constituent entities, which means that we also take into account the municipalities that comprise constituent entities.

The debt restructuring measures we are taking now concern the public-sector debts of constituent entities but not the debts of municipalities, whose finances fall within the exclusive competence of the regions.

Unlike the regions' public debts as of December 1, which is the most recent data, where the share of commercial loans has decreased to 27.4 percent - we hope that this share will continue to decrease - the municipalities' debts are quite another matter. Although they are smaller overall, only 343 billion rubles, the share of commercial loans is much larger, 63 percent.

Regrettably, some regions have no commercial debts, but the municipalities they incorporate do have them, and these debts are quite large.

Vladimir Putin: Are you referring to the debts of municipal organisations and various regional publicly-funded institutions?

Tatyana Golikova: Yes, I am. Regrettably, the authorities either did not get around to this problem, or it does not fall within the federal competence but concerns a different level of public authority as per the Constitution. And it is probably more difficult to deal with this problem at this level than if it fell within the federal competence.

In this connection, I would like to bring your attention to yet another matter, which we are not discussing, however, it is glaringly obvious and it has to do with efforts to balance the regions' overall consolidated budgets.

Since the delineation of authority reform, we have delegated 113 areas of responsibility, which fell within the terms of reference of the Russian Federation, to the regions. For this purpose, 1.5 trillion rubles were allocated from the federal budget in 2012-2016. This is quite a sum. What I want to say is that given financial constraints, some regions in the Russian Federation have devolved the delegated responsibility down to municipal entities.

Today, work is being carried out at the federal level to oversee, so to say, how regions are exercising the delegated authority, however, nothing is being done to analyse this work. As of January 1, 2017, since the annual figures for 2017 are unavailable as yet, 7,429 local government bodies as well as other organisations exercised authority delegated to them by their regions.

I would like to remind you that we have mainly delegated authority related to, among other things, social security and the provision of social services. Regarding what you just said, that they also started running up credit debts, the reason for this is the same, that is, an unbalanced budget policy but this time at the municipal level. It seems to me that it is crucially important to establish a liaison between the federal government, regional authorities and municipal entities, although we are aware of all the difficulties associated with this, as we now have 85 regions and nearly 22,000 municipal entities. Of course, it is extremely difficult to administer this work, nonetheless these matters may move to the forefront as the regions settle their debts to the federal government and additional funds are made available to them. This should be given special attention. Thank you.

Vladimir Putin: Thank you.

Mr Kondratyev, please, go ahead and then we better wind this gathering up.

Krasnodar Territory Governor Veniamin Kondratyev: Thank you.

Mr President,

Indeed, the investment climate depends on the local governments in the Russian Federation constituent entities, self-government bodies. But, Mr President, here we need your support. In what sense? Mr Nikitin already said that certainly the natural state monopolies such as enterprises, or power or utility providers also have a serious impact on the investment climate. Sometimes, the connection time as well as the limits make a real difference to us.

Another, significant aspect - the local federal ministries and agencies. They also contribute to the investment climate. I have a request to make: could you include the work of the federal natural monopolies and the regional power and utility providers, and local ministries and agencies in the rating compiled by the ASI. This is of primary importance to us. Then we will at least be working on a parity basis. Otherwise, we are trying and doing our best, but there is a problem, which is not always obvious, but it is sometimes of crucial importance. And here, not only me, we ask for your support.

Vladimir Putin: Thank you. That was a good and useful proposal.

Mr Medvedev, over to you.

Prime Minister Dmitry Medvedev: Thank you, Mr President.

I've got three bits of feedback to what we heard here. Mr President talked about the need to work on a strategy of long-term multi-dimensional development through to 2025. It is nearly ready and will be considered soon at a Government Cabinet meeting and made public.

As for the problem of numerous decisions that have to be coordinated through the Russian Ministry of Natural Resources and the Ministry of Culture, we are aware of this. I have given instructions and we must study this matter and maybe abolish the need for coordination on non-essential things because it does undermine the investment climate development efforts.

And finally, somebody mentioned the property tax here. We could consider the future of this tax in the context of improving the tax legislation, which is in our plans following the President's instructions.

Vladimir Putin: Thank you very much.

I will make a few comments as well and then say a few words at close of the meeting too.

First of all, I agree with what Mr Kondratyev said. Indeed, much depends on the efficiency of the work concerning the natural monopolies in the territories, where their enterprises are located plus how efficiently the local federal agency bodies work. To a certain degree, this is a restriction in the regional teams' activities. This is absolutely true. And I would like to ask you to consider this while developing a general assessment of what is really happening in the regions.

This is as true as what Ms Golikova has just pointed out. We don't take into account the debt of the regional budget-funded institutions while it poses a growing problem for the municipal entities. I would like everyone, heads of the corresponding departments and, of course, our colleagues in the Russian regions, to pay attention to this as well.

As regards natural gas vehicle (NGV) fuel, this is certainly a very important direction. Gazprom has started to switch its transport to NGV fuel, and this immediately resulted in the company drivers' massively leaving their jobs as they no longer can get their hands on this fuel by syphoning it off. And what about the army? What is occurring in the Defence Ministry as a whole and other agencies? I think any comment here is superfluous.

Secondly, NGV fuel is certainly more eco-friendly. We have great competitive advantages in this regard as we have an abundance of this type of fuel. And selling oil and oil products on foreign markets is even more profitable then selling natural gas.

NGV fuel can be used domestically to a great economic effect and this will create absolute competitive advantages for the national economy as a whole. This is why further efforts should be taken to support the development in this field both at the government and regional levels. I would like to point out that this is very important.

Now step by step. About the "grey" economy. Boris Titov said that we have, according to their data, about 39 percent of the GRP. You know, there's nothing strange about that. In some European countries, it is 40 percent. I heard it from their leaders. That's what they said. I mean the situation is not unique for Russia, but bad. We must do better than them, and for this we must get rid of this "grey" zone.

I agree that to get rid of it we must not use repressive measures only, making it work its way into the "white" zone; we must create conditions. This depends on the Government, but also on what is going on in the Russian regions.

In fact, this is what we are trying to do. Let's say, in resolving the matter of capital amnesty, we create conditions for people to incur no expenses when deciding to ***transfer*** their business or capital to Russia, and we have additional proposals in this area.

And inside the country too, the decisions, let's say, which were taken concerning individual entrepreneurs, are also based on the same principles: to introduce a grace period and to save people from possible damage or persecution, God forbid. This is how it works. But, of course, we should expand this practice.

Now about the Central Bank's recommendations or instructions to commercial banks on easy-term lending to the Russian regions. I do not know how it is possible, but this is what I would like to point out. We have already talked with the Central Bank's Governor.

What is happening here? Commercial banks give any loans to the regions at rather high interest rates, but it is not clear why the rates are high, and not clear why they extend these loans so freely, even if the region is going through a difficult financial situation. But it is unclear only at first sight, while in reality, everything is clear and can be easily explained: because the state gives guarantees. They are practically giving away loans with a state guarantee.

And here, of course, we should take measures to stimulate accounting when extending loans to the regions with guarantees provided by the state, on one hand; and on the other hand, we should examine some limitations we could introduce in this regard, because a commercial bank will not give money to its customers for no reason whatsoever. It always analyses the financial and economic situation of the company. This is not somehow taken into account when we finance the regions.

I have already asked the Central Bank and the Finance Ministry to think about it and I am now asking them to make proposals.

And now, I would like to say a few words about what, I think, the Moscow Region Governor's said - the creation of priority development areas all over the country. We have already established these areas. Theoretically speaking, this idea is good in itself. These areas are good, and they have won a reputation for themselves. In reality, we can see that they are developing successfully.

But we did this to improve the investment climate in the regions which we need to develop, in the first place. First of all, this concerns the Russian Far East. If we spread these privileges to the entire Russian territory and economy, then what advantages would be retained by high-priority areas on which we are focusing? These areas would simply disappear. In that case, we would have to stipulate some other privileges for them.

Mr Zhirinovsky has suggested exempting Sakhalin from all taxes. I would simply like to tell everyone that the Sakhalin Region ranks among the best regions in terms of its economic results and financial performance. In effect, the region is faring much better than most Russian regions. Local authorities collect substantial tax proceeds, and regional companies develop rather intensively. As you know, this includes energy companies. If exempted from taxes, the region might turn into a tax haven.

But chances are that the entire Russian economy would immediately reregister in that tax zone. However, these ideas have some common sense, and all we should do is focus on their implementation.

Various federal departments voice excessive demands to regional agencies. We need to eliminate this practice, including the number of wall clocks and mirrors that these agencies should have. It is good that they are not telling officials about the colour of their pants and other underwear they should choose. This is already funny. And, of course (Mr Medvedev has noted this), we need to pay attention to this, and this excessive regimentation of all aspects is pointless and harmful.

We have talked about the growing network of unitary enterprises today. Some of our colleagues have said this. I fully agree with them that it is a dangerous trend both at the federal and the local levels. The growth of these enterprises will create a situation where they will take over the powers of the authorities. Instead of doing their duty for the people by developing the economy, the authorities ***transfer*** budgetary funds to these enterprises and eventually lose control of their administration.

In addition, these enterprises receive certain benefits, which destroys competition and increases costs. We all know the perils of delivering a deadly blow at competition. It means no investment in other companies. Indeed, why invest when new unitary enterprises will be created to take over the market? Why invest in creating new production facilities or encourage production? Completely useless. This is what we need to eliminate. I want you to take this into account. We have already discussed this matter with the Government. I urge the regional heads to monitor this situation.

As for labour efficiency, I'm glad Mr Zyuganov has raised this issue. Of course, it is a vital component of economic development. Of course, it can be said, or rather, we must admit that we have not reached our targets here.

During a recent meeting with the Economic Development Minister, we pointed out that labour efficiency decreases as GDP declines, because it falls in those sectors where it was expected to grow predominantly. Now that the Russian economy is recuperating and has entered a period of growth, and these trends are growing stronger, we need to seriously consider a way to enhance labour efficiency, which is a key issue of economic development.

By the way, I would like to say it again, although we have said this more than once: the growth of wages and real incomes must be based above all on the growth of labour efficiency.

Wed talked about ***agriculture*** and the harvest today. The harvest is very good. We should congratulate our farmers on this. It is their achievement and their result.

What should we point out in this connection? The harvest is record high, but what are the grain prices? I can understand the decisions on grain intervention and the like. But we also have other instruments for supporting our farmers, and now is the time to put them to use. Or we should use grain interventions but at the same time support ***agricultural*** producers, so that the results of their hard work will not create new economic problems.

As for why young people do not choose engineering professions at universities. They already do. There has been a significant increase in the number of applicants to engineering or technical universities. This is very good news.

Surely, a special focus must be placed on working with staff for the training of quality specialists in the labour and technical professions. This is important. We must support this network in the regions and bring it closer to industrial centres and new industrial enterprises.

We have discussed this many times, what needs to be done to achieve that and what we need to focus on. I will not elaborate on this now. I just want to stress the importance of this in our work.

As regards enlarging the regions. True, from an economic viewpoint, this is often expedient. First, we have the Constitution and the necessary laws. We cannot and will not impose this without asking. Second, we have had an enlargement of regions in our history. In Soviet times, you know, Lenin's idea on how the Soviet Union should be created got through.

In fact, large and strong super regions were created in the Russia of those times. It does not matter what its name was back then, it was the Soviet Union, the fact is that large regions were created. Moreover, they were granted the right of exit, which was fixed in the 1924 Constitution. And later, all this moved from one constitution to another. The result is well-known: the breakup of the Soviet Union.

True, there were many other reasons, but this bomb also took its toll. Therefore, we must, together with the Federal Assembly deputies, consider both the pluses and the risks and make optimal decisions, but we must be very careful in addressing such matters.

Now a few words about the north. I will not go into details. Indeed, the work is the north has become largely unattractive. This is true. In Soviet times some incentives were created, but this was done in the framework of the planned economy when everything belonged to the state. Now it is not possible to create the same conditions with the old methods in the new economic reality. Building new cities beyond the polar circle...

As you know, the ecology system is changing and the climate is changing. What shall we do with the many towns and villages that we built on permafrost? Many cities are built on piles. They are driven into a permafrost that is melting. This is the first point.

Second, is it worth building new housing, new cities and permanent structures in the Extreme North and moving people there? Maybe, in some cases this makes sense. Maybe.

As you know, we have now started organising the Northern Sea Route, this transport corridor. We are doing this in a comprehensive way, ensuring security and protecting nature, bearing in mind that we are increasing economic activity in these hard-to-access northern regions that are very sensitive to any interference in nature. But I assure you that sometimes this rotating scheme is much more efficient than an investment of billions and maybe hundreds of billions of rubles in major construction work.

Here is a good example of regional development - the well-known Yamal LNG project. People are working on a rotating basis and earning good money. They are working in good conditions - these conditions are really very good. Maybe they could be better and they will improve them further but they are quite decent. Gazprom has many examples like this. Other companies have them too, so we should look at this on a case-by-case basis.

And finally, I must agree with one of the last speakers and would like to ask you to support what has been said. To make investment conditions reliable and attractive we need a stable tax policy, different administrative and legal procedures and political stability. Without these there will be no investment.

Who will invest in a region or a country if nobody knows what will happen there tomorrow? So, we do need changes and some progress. But all this should take place in a calm atmosphere via evolution whereby each step forward will be predictable.

Thank you very much. Happy New ***Year*** to you!

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Brussels: Public Register European Parliament has issued the following document:

Towards the CAP after 2020: The Future of Food and Farming Inter-parliamentary committee meeting - Brussels, 24 April 2018 Purpose The European Parliament’s Committee on ***Agriculture*** and Rural Development is holding an interparliamentary committee meeting on 24 April 2018, to look into the CAP after 2020, and the future of food and farming. Representatives of national parliaments have been invited to participate in discussions on a future ***agriculture*** policy as a modernised, results based policy for sustainable growth, environmental protection, quality food, health and jobs, and on improving synergies in a multi-level governance process with strengthened subsidiarity. Inside This publication contains supporting analyses provided by the European Parliament’s Policy Departments to support committees in their work related to the issues that are being dealt with by this meeting. Scan the QR codes or click on the titles for access. Publications Fact Sheet: Towards a post-2020 Common ***Agricultural*** Policy The fifth reform of the Common ***Agricultural*** Policy (CAP) entered into force in 2015. Currently, the European Institutions are committed to adopting a new reform before the 2019 European elections.

This Fact Sheet goes over recent developments by looking at, amongst others, 2014 as a transitional ***year***, the EU’s 2018 budget, the implementation of the new CAP, post-2020 preparations, the Commission’s Communication of November 2017, and Parliament’s role. Fact Sheet: Food safety This Fact Sheet looks into European food safety policy, the aims of which are twofold: to protect human health and consumers’ interests, and to foster the smooth operation of the single European market. The EU ensures that control standards are established and adhered to in the areas of feed and food-product hygiene, animal health, plant health and the prevention of food contamination from external substances. It regulates labelling for food and feed products. The impact of the Common ***Agricultural*** Policy on developing countries - February 2018 Being the biggest world agri-food importer and exporter, the EU plays an important role in international ***agricultural*** markets. This report reviews the impact of the CAP on developing countries, recommends a range of options for future CAP reforms and suggests some alternatives for monitoring and evaluation of progress towards Policy Coherence for Development - which is considered a fundamental part of the EU’s contribution to the Sustainable Development Goals. DG IPOL and DG EXPO Policy Departments Published in cooperation with the Unit for Coordination of Editorial and Communication Activities, April 2018 - PE 618.961 Towards the CAP after 2020: the Future of Food and Farming Young farmers: policy implementation after the 2013 CAP reform - October 2017 This study looks into the state of implementation of the current CAP young farmers’ mechanism. The different implementation styles of the Members States are described and the currently implemented policy tools are evaluated. Based on the secondary analysis and case studies, several policy recommendations are formulated, aimed at improving the existing support scheme and assisting young farmers to deal with the major barriers to entering ***agriculture***. Possible impact of Brexit on the EU budget and, in particular, CAP funding - October 2017 This paper assesses possible consequences of Brexit for the EU budget, and in particular, the Common ***Agricultural*** Policy. It discusses the importance of the ‘Brexit bill’ and the loss of the British net contribution. Furthermore, it describes how the EU budget and spending on the Common ***Agricultural*** Policy can be adjusted to the new situation. It also estimates how the different options would affect EU Member States and their net balances. EU–UK ***agricultural*** trade: state of play and possible impacts of Brexit - October 2017 This report analyses UK-EU27 agri-food trade and quantifies the impacts of a return to WTO rules after Brexit. Agri-food trade is likely to decrease steeply, especially for meat and dairy. There might be an opportunity for an increase in production in a reduced number of European sectors, such as red meat, cattle or wheat, to replace imports from the UK. Ireland is likely to be the most negatively impacted country and deserves particular attention. Possible transitional ***agriculture*** arrangements in the light of the future EU–UK relationship: institutional issues - October 2017 There is the potential for severe disruption of agri-food trade between the UK and the EU27 as the UK prepares to leave the EU. This study reviews the additional trade costs that might arise and how they might be avoided under alternative future trade arrangements. The role of a transitional period in order to avoid a ‘cliff-edge’ for trade is examined. CAP options to address the negative consequences of Brexit for ***agricultural*** markets are discussed. The consequences of climate change for EU ***agriculture***: follow-up to the COP21 conference - February 2017 This study reviews and discusses the implications for the ***agriculture*** sector of the COP21 UN Paris climate change conference and the recent EU climate policy proposals for 2030. It looks specifically at the role that the Common ***Agricultural*** Policy (CAP) plays in supporting climate action within the ***agriculture*** sector and considers how the CAP might evolve post-2020 to support the ***agricultural*** sector in reducing GHG emissions and adapting to climate change. The EU cattle sector: challenges and opportunities – meat and milk, Annexes - February 2017 This study seeks to: analyse the situation of the EU cattle sector focusing on its characteristics, the interlinkages between the meat and dairy sectors, the challenges and opportunities it is facing; and propose specific policy options for CAP measures for supporting the EU cattle sector by focusing on an assessment of the role of current measures for farmers’ incomes and discussing potential alternative measures of support in the sector. . Policy support for productivity vs. sustainability in EU ***agriculture***: towards viable farming and green growth - January 2017 This study presents the main trends in total factor and resource productivity in recent decades. The main pathways for sustainable intensification are explored through case studies and policy analysis. The paper presents a normative analysis of policy tools able to reconcile productivity and sustainability requirements and provides policy recommendations to promote a resource-efficient, productive, climate-friendly and resilient EU ***agricultural*** sector. Workshop on CAP reform post-2020: challenges in ***agriculture*** - October 2016 This document was prepared for the workshop entitled 'Reflections on the ***agricultural*** challenges post-2020 in the EU: preparing the next CAP reform'. Organised for the European Parliament’s Committee on ***Agriculture*** and Rural Development, the workshop was held in November 2016. The document contains three studies, namely on the future of direct ***payments***, on the future of market measures and risk management schemes, and on the future of rural development. European Parliament Inter-parliamentary committee meeting ***Programmes*** implementing the 2015-2020 rural development policy - May 2016 This report examines the choices made by EU Member States in preparing their Rural Development ***Programmes*** for the 2015- 2020 period. It finds much continuity compared to the previous period, although with some notable changes. These include more funding for knowledge and co-operation and a greater focus on the goals of environmental management and investments for primary sector competitiveness. This is less so for rural diversification. Competition in the food retail sector: workshop proceedings - May 2016 Competition in the food retail sector is of high importance. Its rules are enforced jointly by the European Commission and by the national competition authorities. A workshop held in May 2016 gave an overview of the current state of play, and specific trends and challenges, whilst looking into questions regarding the effectiveness of competition, market structure, price development, and the consequences of further concentration by mergers of supermarkets. The role of the EU’s common ***agricultural*** policy in creating rural jobs - April 2016 This study analyses the CAP’s role in creating rural jobs. It concludes that the CAP supports the survival of small-scale farms and contributes to sustain and develop rural economies. Pillar I ***payments*** have contradictory effects on employment and its ability in creating jobs appears to be limited. Pillar II is effective in supporting diversification, but concrete evidence of direct effects on employment are difficult to assess due to missing systematic reporting. Structural change in EU farming: how can the CAP support a 21st century European model of ***agriculture***? - March 2016 This document, prepared for the workshop of March 2016 on the effects of structural changes on EU farming and how to better support the European model of ***agriculture*** of the 21st century with the CAP, deals with the following: farm structural change in Western Europe and the CAP; farm structural change in Central and Eastern Europe and the CAP; food value chain in the EU - How to improve it and strengthen the bargaining power of farmers. State of play of risk management tools implemented by Member States during the period 2014-2020 - March 2016 This study looks at the implementing arrangements adopted by the Member States with regard to the risk management provisions in the ***agricultural*** sector. Amongst other things, it examines similarities and differences in risk management tools to better understand their scope, design, limits and potential efficiency. It also suggests future CAP developments related to risk management to deal more effectively with income uncertainties and market volatility. Implementation of the first pillar of the CAP 2014–2020 in the EU Member States, Annexes - July 2015 This study classifies Member States according to typologies of behaviour to draw a political geography of the new CAP and shed light on future steps of the CAP reform process. The 2014-2020 reform introduced many relevant changes. Within Pillar I, direct ***payments*** became more targeted at specific goals. Member States had a role in tailoring the new CAP according to their primary sector needs. This resulted in a multifaceted form of support under a common framework. . Overview of the ***agricultural*** inputs sector in the EU - July 2015 The development of input markets has always been an important issue for the ***agricultural*** sector. This study analyses the seed, feed, energy, fertilizer, and plant protection agents farm input sectors from the demand and the supply side. Average input shares in the EU-27 for seeds and fertilizers declined while they increased for feeds. Market concentration is the largest in the plant protection agents sector followed by the energy sector, and lowest in the feed sector. Comparison of farmers’ incomes in the EU Member States - June 2015 This study makes comparisons on the incomes of farmers. EU official data sources are used to describe income differences between holdings of different sizes and types and between Member States. Comparisons between the incomes of farmer household and other groups in society rely on ad hoc information. Recommendations relate to the support of small farms, actions to mitigate instability and to fill the important gap in farm household income information. April 2018 European Parliament - Policy Departments The first CAP reform under the Ordinary Legislative Procedure: a political economy perspective - December 2014 This study evaluates how the most recent CAP reform was affected by the enhanced role of the European Parliament in the EU decision-making procedure. It is the first one to evaluate the political process which unfolded between 2010 and 2013. It assesses the extent to which maximum influence was exercised by Parliament’s negotiators and provides insights to assist the institution in its approach to future reform negotiations. Comparative analysis of risk management tools supported by the 2014 US Farm Bill and the CAP 2014-2020 - December 2014 The 2014 Farm Bill includes risk management tools as an integral component of national ***agricultural*** policy whereas the CAP 2014-2020 seems to include them as an afterthought. While EU principles are sound, policies remain in limbo. They suffer from a double dichotomy: two CAP pillars and two administrative levels for implementation. This study gives recommendations for transforming EU ***agricultural*** risk management policy into a coherent CAP linked to world markets. Family farming In Europe: challenges and prospects - April 2014 This note looks into the definitions, challenges and future prospects of family farming in the EU. Family farming is a key element of the European Model of ***Agriculture***. Often by pluriactive and/or diversified households – it is likely to continue to dominate EU farm structure in the near future, despite trends towards larger family and non-family farms. Action at both EU and national levels could help towards a more sustainable and resilient family farm sector. CAP 2014-2020 tools to enhance family farming: opportunities and limits - April 2014 This note looks into the key challenges faced by family farms and the effectiveness of policy measures in the EU. The main conclusions are that Pillar I policies have ***transferred*** substantial funds to family farms and have ensured the survival of many farms that would have otherwise gone out of business. However, the more targeted policies contained in Pillar II are more effective in addressing the specific challenges facing Europe’s family farms. Precision ***agriculture***: an opportunity for EU-Farmers - potential support with the CAP 2014-2020 - March 2014 Precision ***Agriculture*** (PA) is a whole-farm management approach using information technology, satellite positioning (GNSS) data, remote sensing and proximal data gathering. This note goes over the state-of-the-art of PA on arable land, permanent crops and within dairy farming, together with some economic aspects of the adoption of PA. Options to address PA adoption are discussed, including measures within the CAP 2014-2020 legislation. Contacts Committee on ***Agriculture*** and Rural Development [*www.europarl.europa.eu/agri*](http://www.europarl.europa.eu/agri) [*agri-secretariat@europarl.europa.eu*](mailto:agri-secretariat@europarl.europa.eu) Policy Department for Structural and Cohesion Policies AGRI - CULT - PECH - REGI - TRAN [*poldep-cohesion@ep.europa.eu*](mailto:poldep-cohesion@ep.europa.eu) Policy Departments The policy departments provide high-level independent expertise, analysis and advice at the request of committees and other parliamentary bodies. Their expertise covers all areas of Parliamentary activity. They deliver policy analysis in a wide variety of formats, feeding directly into the legislative work of committees or members' delegations. Policy departments also organise events, including workshops and expert panels to enhance Parliament’s analytical capacity and develop common approaches.   [*www.europarl.europa.eu/supporting-analyses*](http://www.europarl.europa.eu/supporting-analyses) Fact Sheets on the EU Available in 23 languages, the Fact Sheets give an overview of European integration and of Parliament’s contribution to the process. They cover five overarching themes: How the European Union works; Economy, science and quality of life; Cohesion, growth and jobs; Citizens - fundamental rights, security and justice; and the EU’s external relations.   [*www.europarl.europa.eu/factsheets*](http://www.europarl.europa.eu/factsheets) Disclaimer: The items contained herein are provided by the Policy Departments of the European Parliament for general information purposes only. 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**Load-Date:** May 4, 2018

**End of Document**



[***Aberdeen Latin American Inc Fd Ltd Annual Financial Report***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TK3-MYS1-F0CC-S3VN-00000-00&context=1516831)

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**Body**

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Aberdeen Latin American Inc Fd Ltd

25 October 2018

ABERDEEN LATIN AMERICAN INCOME FUND LIMITED

ANNUAL FINANCIAL REPORT FOR THE ***YEAR*** ENDED 31 AUGUST 2018

Legal Entity Identifier (LEI): 549300DN623WEGE2MY04

STRATEGIC REPORT - COMPANY SUMMARY AND FINANCIAL HIGHLIGHTS

Investment Objective

The investment objective of the Company is to provide Ordinary Shareholders with a total return, with an above average yield, primarily through investing in Latin American securities.

Gearing

The Board considers that returns to Ordinary Shareholders can be enhanced by the judicious use of borrowing. The Board is responsible for the level of gearing in the Company and reviews the position on a regular basis. Pursuant to the level of gearing set by the Board, the Company may borrow up to an amount equal to 20% of its net assets. The Company will not have any fixed, long-term borrowings.

Risk Diversification

The Company has a diversified portfolio consisting primarily of equities, equity-related and fixed income investments, with at least 25% of its gross assets invested in equity and equity-related investments and at least 25% of its gross assets invested in fixed income investments. The Company's investment policy is flexible, enabling it to invest in all types of securities, including (but not limited to) equities, preference shares, debt, convertible securities, warrants, depositary receipts and other equity-related securities.

Management

The Company is managed by Aberdeen Private Wealth Management Limited ("APWML"), which is registered with the Jersey Financial Services Commission ("JFSC") for the conduct of fund services business. The investment management of the Company has been delegated by APWML to Aberdeen Asset Managers Limited ("AAM"). APWML and AAM are both wholly owned subsidiaries of Standard Life Aberdeen plc, formed by the merger of Aberdeen Asset Management PLC and Standard Life plc on 14 August 2017. Aberdeen Standard Investments is a brand of the investment businesses of the merged entity.

References throughout this document to Aberdeen Standard Investments refer to both APWML and AAM and their responsibilities as Manager and Investment Manager respectively to the Company.

Financial Highlights

Ordinary share price total return{A} Earnings per Ordinary share

(revenue)

-18.5% 3.78p

2017 +23.7% 2017 4.77p

Net asset value total return{A} Dividends per Ordinary share

-18.8% 3.50p

2017 +25.1% 2017 3.50p

Benchmark total return Discount to net asset

value per Ordinary

share {A}

-10.9% 13.6%

2017 +21.4% 2017 13.3%

{A} Considered to be an Alternative Performance Measure. Total

return represents the capital return plus dividends reinvested.

Source: AAML, Morningstar, Russell Mellon, Lipper & JPMorgan

STRATEGIC REPORT - CHAIRMAN'S STATEMENT

Overview

Latin American countries, like the rest of their emerging-market peers, faced an onslaught of bad news over the course of the ***year*** under review. These ranged from problems in the broader developing world, such as Turkey's political missteps and fresh sanctions on Russia, to issues particular to Latin America, such as the Argentinian Peso's tailspin and the Brazilian government's mishandling of the truckers' strike. Unsurprisingly, fears of contagion gripped investors, who sold off their assets rather indiscriminately. Against this backdrop, your Company's net asset value (NAV) retreated by 18.8% in sterling terms, lagging its benchmark's loss of 10.9%.

One of the key reasons for the region's weakness over the period is the liquidity squeeze on the US Dollar. This stemmed from the US tax reforms that encouraged American companies to repatriate cash back home, as well as the Federal Reserve's tightening stance, both quantitatively and via its interest-rate policy. The Dollar strengthened as a result, putting additional pressure on vulnerable economies with substantial foreign debt used to finance their fiscal deficits. Bearing the brunt of the sell-off was Argentina, where equity market gains on optimism surrounding President Mauricio Macri's good showing in the mid-term election and his overhaul of the social security system, were erased. To stem the Peso's decline, the central bank raised interest rates to a record 60% and President Macri sought an accelerated US$50 billion bail-out ***programme*** with the IMF.

Another key worry weighing on sentiment was global trade tensions, resulting from tough policies emanating from the White House, which saw US President Trump aggressively taking on all of the country's major trading allies. His rhetoric on trade hit emerging markets hardest, with Latin America suffering from the fallout as Mexico and Brazil were subjected to 25% tariffs on their steel exports to the US. In response, Mexico imposed levies on American ***agricultural*** and industrial products, particularly those of political significance to President Trump.

Commodity prices also came under pressure from these trade woes, but remained elevated. Notably, Colombia benefited from Brent crude's solid recovery on the back of OPEC's pledge to curb production, the resumption of US sanctions on Iran, and several supply disruptions elsewhere. China's resilient economy continued to support both iron ore and copper prices, boosting the portfolio's mining holding in Brazil. Meanwhile, emerging technology trends in autonomous vehicles underpin growing demand for battery-manufacturing inputs, such as nickel and lithium.

Within the South American continent, politics have occupied centre stage in key markets, such as Mexico, Brazil and Chile. After a prolonged period of sluggish growth and muted investment activity, impeded by natural disasters and uncertainty surrounding the NAFTA talks, Mexican stocks and the Peso rebounded in the lead-up to Lopez Obrador's resounding presidential election victory. Concerns over the reversal of Mexico's energy reform and roll-back of public contracts have subsided, as the left-leaning populist softened his tone towards the private sector and affirmed his willingness to adopt orthodox economic policies. The mood was similarly upbeat in Chile and Colombia, where pro-market candidates Sebastian Pinera and Ivan Duque came into power, promising to unlock investment opportunities through tax reform and other incentives for businesses. In contrast, Brazilian markets were impacted by continuing disappointment with the current government and the increasing prospects of a polarised run-off between leading far-right candidate Jair Bolsonaro and leftist Fernando Haddad - former president Lula da Silva's replacement candidate for the Workers' Party.

Results and Dividends

The Company's NAV total return was 18.8% for the ***year*** ended 31 August 2018, behind the 10.9% return of the composite benchmark's return. On a total return basis the Ordinary share price fell by 18.5% to 60.8p reflecting a widening in the level of discount to NAV per share which moved from 13.3% to 13.6% at the ***year*** end.

The earnings per Ordinary share for the ***year*** ended 31 August 2018 were 3.8p (2017: 4.8p). The Company has maintained four interim dividends of 0.875p per Ordinary share in respect of the ***year*** bringing the total level of dividends for the ***year*** to 3.5p (2017: 3.5p). Allowing for the ***payment*** of the four dividends GBP170,000 has been ***transferred*** to the carried forward revenue reserve. The Company has no current plans to alter the level of the dividends payable to shareholders.

As previously indicated, the Board is pleased to have secured agreement from the Manager to ensure that the Company's ongoing charges ratio ("OCR") will not exceed 2.0% when calculated annually as at 31 August. Until further notice, to the extent that the OCR exceeds 2.0% the Manager will rebate part of its fees in order to bring that ratio down to 2.0%. Subsequent to the ***year*** end a sum of GBP22,318 has been repaid by the Manager in order to maintain the OCR at 2.0% for the ***year***.

Portfolio

During the ***year*** the allocation between equities and bonds was further adjusted with the portfolio being 52.5% equities and 47.5% bonds at the period end, as the Investment Manager continued to seek to exploit market opportunities (2017: 50% equities 50% bonds). The Board and Manager will continue to keep the split under regular review.

Share Capital Management

During the ***year*** the Company purchased 1,672,500 Ordinary shares for treasury and a further 290,000 Ordinary shares for cancellation at a total consideration of GBP1.4 million, all at a discount to the NAV per share; resulting in an enhancement of 0.4% in NAV per share. Market volatility continues to impede our ability to have a meaningful impact on the discount through the purchase of the Ordinary shares in the market and over this period the discount to NAV has widened from 13.3% to 13.6%. Subsequent to the ***year*** end a further 280,000 Ordinary shares have been purchased for cancellation. The Board will continue to make selective use of share buybacks, subject to prevailing market conditions and where to do so would be in Shareholders' interests. At the time of writing the Ordinary shares were trading at a discount of 13.9%.

Gearing

**Load-Date:** October 25, 2018

**End of Document**



[***Washington: TAX CUTS AND JOBS ACT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R7G-CX01-JDG9-Y527-00000-00&context=1516831)

Impact News Service

December 21, 2017 Thursday

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**Length:** 87615 words

**Body**

Washington: The Library of Congress, The Government Washington: of USA has issued the following house proceeding:

 Mr. BRADY of Texas. Mr. Speaker, pursuant to House Resolution 668, I call up the bill (H.R 1) to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal ***year*** 2018, with the Senate amendment thereto, and ask for its immediate consideration. The Clerk read the title of the bill. The SPEAKER pro tempore (Mr. Yoder). The Clerk will designate the Senate amendment. Senate amendment: Strike out all after the enacting clause and insert: TITLE I SEC. 11000. SHORT TITLE, ETC.

(a) Amendment of 1986 Code.--Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986. Subtitle A--Individual Tax Reform PART I--TAX RATE REFORM SEC. 11001. MODIFICATION OF RATES. (a) In General.--Section 1 is amended by adding at the end the following new subsection: ``(j) Modifications for Taxable ***Years*** 2018 Through 2025.-- ``(1) In general.--In the case of a taxable ***year*** beginning after December 31, 2017, and before January 1, 2026-- ``(A) subsection (i) shall not apply, and ``(B) this section (other than subsection (i)) shall be applied as provided in paragraphs (2) through (6). ``(2) Rate tables.-- ``(A) Married individuals filing joint returns and surviving spouses.--The following table shall be applied in lieu of the table contained in subsection (a): ``If taxable income is: The tax is: ------------------------------------------------------------------------ Not over $19,050..................... 10% of taxable income. [[Page H10262]] Over $19,050 but not over $77,400.... $1,905, plus 12% of the excess over $19,050. Over $77,400 but not over $165,000... $8,907, plus 22% of the excess over $77,400. Over $165,000 but not over $315,000.. $28,179, plus 24% of the excess over $165,000. Over $315,000 but not over $400,000.. $64,179, plus 32% of the excess over $315,000. Over $400,000 but not over $600,000.. $91,379, plus 35% of the excess over $400,000. Over $600,000........................ $161,379, plus 37% of the excess over $600,000. ``(B) Heads of households.--The following table shall be applied in lieu of the table contained in subsection (b): ``If taxable income is: The tax is: ------------------------------------------------------------------------ Not over $13,600..................... 10% of taxable income. Over $13,600 but not over $51,800.... $1,360, plus 12% of the excess over $13,600. Over $51,800 but not over $82,500.... $5,944, plus 22% of the excess over $51,800. Over $82,500 but not over $157,500... $12,698, plus 24% of the excess over $82,500. Over $157,500 but not over $200,000.. $30,698, plus 32% of the excess over $157,500. Over $200,000 but not over $500,000.. $44,298, plus 35% of the excess over $200,000. Over $500,000........................ $149,298, plus 37% of the excess over $500,000. ``(C) Unmarried individuals other than surviving spouses and heads of households.--The following table shall be applied in lieu of the table contained in subsection (c): ``If taxable income is: The tax is: ------------------------------------------------------------------------ Not over $9,525...................... 10% of taxable income. Over $9,525 but not over $38,700..... $952.50, plus 12% of the excess over $9,525. Over $38,700 but not over $82,500.... $4,453.50, plus 22% of the excess over $38,700. Over $82,500 but not over $157,500... $14,089.50, plus 24% of the excess over $82,500. Over $157,500 but not over $200,000.. $32,089.50, plus 32% of the excess over $157,500. Over $200,000 but not over $500,000.. $45,689.50, plus 35% of the excess over $200,000. Over $500,000........................ $150,689.50, plus 37% of the excess over $500,000. ``(D) Married individuals filing separate returns.--The following table shall be applied in lieu of the table contained in subsection (d): ``If taxable income is: The tax is: ------------------------------------------------------------------------ Not over $9,525...................... 10% of taxable income. Over $9,525 but not over $38,700..... $952.50, plus 12% of the excess over $9,525. Over $38,700 but not over $82,500.... $4,453.50, plus 22% of the excess over $38,700. Over $82,500 but not over $157,500... $14,089.50, plus 24% of the excess over $82,500. Over $157,500 but not over $200,000.. $32,089.50, plus 32% of the excess over $157,500. Over $200,000 but not over $300,000.. $45,689.50, plus 35% of the excess over $200,000. Over $300,000........................ $80,689.50, plus 37% of the excess over $300,000. ``(E) Estates and trusts.--The following table shall be applied in lieu of the table contained in subsection (e): ``If taxable income is: The tax is: ------------------------------------------------------------------------ Not over $2,550...................... 10% of taxable income. Over $2,550 but not over $9,150...... $255, plus 24% of the excess over $2,550. Over $9,150 but not over $12,500..... $1,839, plus 35% of the excess over $9,150. Over $12,500......................... $3,011.50, plus 37% of the excess over $12,500. ``(F) References to rate tables.--Any reference in this title to a rate of tax under subsection (c) shall be treated as a reference to the corresponding rate bracket under subparagraph (C) of this paragraph, except that the reference in section 3402(q)(1) to the third lowest rate of tax applicable under subsection (c) shall be treated as a reference to the fourth lowest rate of tax under subparagraph (C). ``(3) Adjustments.-- ``(A) No adjustment in 2018.--The tables contained in paragraph (2) shall apply without adjustment for taxable ***years*** beginning after December 31, 2017, and before January 1, 2019. ``(B) Subsequent ***years***.--For taxable ***years*** beginning after December 31, 2018, the Secretary shall prescribe tables which shall apply in lieu of the tables contained in paragraph (2) in the same manner as under paragraphs (1) and (2) of subsection (f) (applied without regard to clauses (i) and (ii) of subsection (f)(2)(A)), except that in prescribing such tables-- ``(i) subsection (f)(3) shall be applied by substituting `***calendar*** ***year*** 2017' for `***calendar*** ***year*** 2016' in subparagraph (A)(ii) thereof, ``(ii) subsection (f)(7)(B) shall apply to any unmarried individual other than a surviving spouse or head of household, and ``(iii) subsection (f)(8) shall not apply. ``(4) Special rules for certain children with unearned income.-- ``(A) In general.--In the case of a child to whom subsection (g) applies for the taxable ***year***, the rules of subparagraphs (B) and (C) shall apply in lieu of the rule under subsection (g)(1). ``(B) Modifications to applicable rate brackets.--In determining the amount of tax imposed by this section for the taxable ***year*** on a child described in subparagraph (A), the income tax table otherwise applicable under this subsection to the child shall be applied with the following modifications: ``(i) 24-percent bracket.--The maximum taxable income which is taxed at a rate below 24 percent shall not be more than the sum of-- ``(I) the earned taxable income of such child, plus ``(II) the minimum taxable income for the 24-percent bracket in the table under paragraph (2)(E) (as adjusted under paragraph (3)) for the taxable ***year***. ``(ii) 35-percent bracket.--The maximum taxable income which is taxed at a rate below 35 percent shall not be more than the sum of-- ``(I) the earned taxable income of such child, plus ``(II) the minimum taxable income for the 35-percent bracket in the table under paragraph (2)(E) (as adjusted under paragraph (3)) for the taxable ***year***. ``(iii) 37-percent bracket.--The maximum taxable income which is taxed at a rate below 37 percent shall not be more than the sum of-- ``(I) the earned taxable income of such child, plus ``(II) the minimum taxable income for the 37-percent bracket in the table under paragraph (2)(E) (as adjusted under paragraph (3)) for the taxable ***year***. ``(C) Coordination with capital gains rates.--For purposes of applying section 1(h) (after the modifications under paragraph (5)(A))-- ``(i) the maximum zero rate amount shall not be more than the sum of-- ``(I) the earned taxable income of such child, plus ``(II) the amount in effect under paragraph (5)(B)(i)(IV) for the taxable ***year***, and ``(ii) the maximum 15-percent rate amount shall not be more than the sum of-- ``(I) the earned taxable income of such child, plus ``(II) the amount in effect under paragraph (5)(B)(ii)(IV) for the taxable ***year***. ``(D) Earned taxable income.--For purposes of this paragraph, the term `earned taxable income' means, with respect to any child for any taxable ***year***, the taxable income of such child reduced (but not below zero) by the net unearned income (as defined in subsection (g)(4)) of such child. ``(5) Application of current income tax brackets to capital gains brackets.-- ``(A) In general.--Section 1(h)(1) shall be applied-- ``(i) by substituting `below the maximum zero rate amount' for `which would (without regard to this paragraph) be taxed at a rate below 25 percent' in subparagraph (B)(i), and ``(ii) by substituting `below the maximum 15-percent rate amount' for `which would (without regard to this paragraph) be taxed at a rate below 39.6 percent' in subparagraph (C)(ii)(I). ``(B) Maximum amounts defined.--For purposes of applying section 1(h) with the modifications described in subparagraph (A)-- [[Page H10263]] ``(i) Maximum zero rate amount.--The maximum zero rate amount shall be-- ``(I) in the case of a joint return or surviving spouse, $77,200, ``(II) in the case of an individual who is a head of household (as defined in section 2(b)), $51,700, ``(III) in the case of any other individual (other than an estate or trust), an amount equal to \1/2\ of the amount in effect for the taxable ***year*** under subclause (I), and ``(IV) in the case of an estate or trust, $2,600. ``(ii) Maximum 15-percent rate amount.--The maximum 15- percent rate amount shall be-- ``(I) in the case of a joint return or surviving spouse, $479,000 (\1/2\ such amount in the case of a married individual filing a separate return), ``(II) in the case of an individual who is the head of a household (as defined in section 2(b)), $452,400, ``(III) in the case of any other individual (other than an estate or trust), $425,800, and ``(IV) in the case of an estate or trust, $12,700. ``(C) Inflation adjustment.--In the case of any taxable ***year*** beginning after 2018, each of the dollar amounts in clauses (i) and (ii) of subparagraph (B) shall be increased by an amount equal to-- ``(i) such dollar amount, multiplied by ``(ii) the cost-of-living adjustment determined under subsection (f)(3) for the ***calendar*** ***year*** in which the taxable ***year*** begins, determined by substituting `***calendar*** ***year*** 2017' for `***calendar*** ***year*** 2016' in subparagraph (A)(ii) thereof. If any increase under this subparagraph is not a multiple of $50, such increase shall be rounded to the next lowest multiple of $50. ``(6) Section 15 not to apply.--Section 15 shall not apply to any change in a rate of tax by reason of this subsection.''. (b) Due Diligence Tax Preparer Requirement With Respect to Head of Household Filing Status.--Subsection (g) of section 6695 is amended to read as follows: ``(g) Failure to Be Diligent in Determining Eligibility for Certain Tax Benefits.--Any person who is a tax return preparer with respect to any return or claim for refund who fails to comply with due diligence requirements imposed by the Secretary by regulations with respect to determining-- ``(1) eligibility to file as a head of household (as defined in section 2(b)) on the return, or ``(2) eligibility for, or the amount of, the credit allowable by section 24, 25A(a)(1), or 32, shall pay a penalty of $500 for each such failure.''. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 11002. INFLATION ADJUSTMENTS BASED ON CHAINED CPI. (a) In General.--Subsection (f) of section 1 is amended by striking paragraph (3) and by inserting after paragraph (2) the following new paragraph: ``(3) Cost-of-living adjustment.--For purposes of this subsection-- ``(A) In general.--The cost-of-living adjustment for any ***calendar*** ***year*** is the percentage (if any) by which-- ``(i) the C-CPI-U for the preceding ***calendar*** ***year***, exceeds ``(ii) the CPI for ***calendar*** ***year*** 2016, multiplied by the amount determined under subparagraph (B). ``(B) Amount determined.--The amount determined under this clause is the amount obtained by dividing-- ``(i) the C-CPI-U for ***calendar*** ***year*** 2016, by ``(ii) the CPI for ***calendar*** ***year*** 2016. ``(C) Special rule for adjustments with a base ***year*** after 2016.--For purposes of any provision of this title which provides for the substitution of a ***year*** after 2016 for `2016' in subparagraph (A)(ii), subparagraph (A) shall be applied by substituting `the C-CPI-U for ***calendar*** ***year*** 2016' for `the CPI for ***calendar*** ***year*** 2016' and all that follows in clause (ii) thereof.''. (b) C-CPI-U.--Subsection (f) of section 1 is amended by striking paragraph (7), by redesignating paragraph (6) as paragraph (7), and by inserting after paragraph (5) the following new paragraph: ``(6) C-CPI-U.--For purposes of this subsection-- ``(A) In general.--The term `C-CPI-U' means the Chained Consumer Price Index for All Urban Consumers (as published by the Bureau of Labor Statistics of the Department of Labor). The values of the Chained Consumer Price Index for All Urban Consumers taken into account for purposes of determining the cost-of-living adjustment for any ***calendar*** ***year*** under this subsection shall be the latest values so published as of the date on which such Bureau publishes the initial value of the Chained Consumer Price Index for All Urban Consumers for the month of August for the preceding ***calendar*** ***year***. ``(B) Determination for ***calendar*** ***year***.--The C-CPI-U for any ***calendar*** ***year*** is the average of the C-CPI-U as of the close of the 12-month period ending on August 31 of such ***calendar*** ***year***.''. (c) Application to Permanent Tax Tables.-- (1) In general.--Section 1(f)(2)(A) is amended to read as follows: ``(A) except as provided in paragraph (8), by increasing the minimum and maximum dollar amounts for each bracket for which a tax is imposed under such table by the cost-of-living adjustment for such ***calendar*** ***year***, determined-- ``(i) except as provided in clause (ii), by substituting `1992' for `2016' in paragraph (3)(A)(ii), and ``(ii) in the case of adjustments to the dollar amounts at which the 36 percent rate bracket begins or at which the 39.6 percent rate bracket begins, by substituting `1993' for `2016' in paragraph (3)(A)(ii),''. (2) Conforming amendments.--Section 1(i) is amended-- (A) by striking ``for `1992' in subparagraph (B)'' in paragraph (1)(C) and inserting ``for `2016' in subparagraph (A)(ii)'', and (B) by striking ``subsection (f)(3)(B) shall be applied by substituting `2012' for `1992' '' in paragraph (3)(C) and inserting ``subsection (f)(3)(A)(ii) shall be applied by substituting `2012' for `2016' ''. (d) Application to Other Internal Revenue Code of 1986 Provisions.-- (1) The following sections are each amended by striking ``for `***calendar*** ***year*** 1992' in subparagraph (B)'' and inserting ``for `***calendar*** ***year*** 2016' in subparagraph (A)(ii)'': (A) Section 23(h)(2). (B) Paragraphs (1)(A)(ii) and (2)(A)(ii) of section 25A(h). (C) Section 25B(b)(3)(B). (D) Subsection (b)(2)(B)(ii)(II), and clauses (i) and (ii) of subsection (j)(1)(B), of section 32. (E) Section 36B(f)(2)(B)(ii)(II). (F) Section 41(e)(5)(C)(i). (G) Subsections (e)(3)(D)(ii) and (h)(3)(H)(i)(II) of section 42. (H) Section 45R(d)(3)(B)(ii). (I) Section 55(d)(4)(A)(ii). (J) Section 62(d)(3)(B). (K) Section 63(c)(4)(B). (L) Section 125(i)(2)(B). (M) Section 135(b)(2)(B)(ii). (N) Section 137(f)(2). (O) Section 146(d)(2)(B). (P) Section 147(c)(2)(H)(ii). (Q) Section 151(d)(4)(B). (R) Section 179(b)(6)(A)(ii). (S) Subsections (b)(5)(C)(i)(II) and (g)(8)(B) of section 219. (T) Section 220(g)(2). (U) Section 221(f)(1)(B). (V) Section 223(g)(1)(B). (W) Section 408A(c)(3)(D)(ii). (X) Section 430(c)(7)(D)(vii)(II). (Y) Section 512(d)(2)(B). (Z) Section 513(h)(2)(C)(ii). (AA) Section 831(b)(2)(D)(ii). (BB) Section 877A(a)(3)(B)(i)(II). (CC) Section 2010(c)(3)(B)(ii). (DD) Section 2032A(a)(3)(B). (EE) Section 2503(b)(2)(B). (FF) Section 4261(e)(4)(A)(ii). (GG) Section 5000A(c)(3)(D)(ii). (HH) Section 6323(i)(4)(B). (II) Section 6334(g)(1)(B). (JJ) Section 6601(j)(3)(B). (KK) Section 6651(i)(1). (LL) Section 6652(c)(7)(A). (MM) Section 6695(h)(1). (NN) Section 6698(e)(1). (OO) Section 6699(e)(1). (PP) Section 6721(f)(1). (QQ) Section 6722(f)(1). (RR) Section 7345(f)(2). (SS) Section 7430(c)(1). (TT) Section 9831(d)(2)(D)(ii)(II). (2) Sections 41(e)(5)(C)(ii) and 68(b)(2)(B) are each amended-- (A) by striking ``1(f)(3)(B)'' and inserting ``1(f)(3)(A)(ii)'', and (B) by striking ``1992'' and inserting ``2016''. (3) Section 42(h)(6)(G) is amended-- (A) by striking ``for `***calendar*** ***year*** 1987' '' in clause (i)(II) and inserting ``for `***calendar*** ***year*** 2016' in subparagraph (A)(ii) thereof'', and (B) by striking ``if the CPI for any ***calendar*** ***year***'' and all that follows in clause (ii) and inserting ``if the C-CPI- U for any ***calendar*** ***year*** (as defined in section 1(f)(6)) exceeds the C-CPI-U for the preceding ***calendar*** ***year*** by more than 5 percent, the C-CPI-U for the base ***calendar*** ***year*** shall be increased such that such excess shall never be taken into account under clause (i). In the case of a base ***calendar*** ***year*** before 2017, the C-CPI-U for such ***year*** shall be determined by multiplying the CPI for such ***year*** by the amount determined under section 1(f)(3)(B).''. (4) Section 59(j)(2)(B) is amended by striking ``for `1992' in subparagraph (B)'' and inserting ``for `2016' in subparagraph (A)(ii)''. (5) Section 132(f)(6)(A)(ii) is amended by striking ``for `***calendar*** ***year*** 1992' '' and inserting ``for `***calendar*** ***year*** 2016' in subparagraph (A)(ii) thereof''. (6) Section 162(o)(3) is amended by striking ``adjusted for changes in the Consumer Price Index (as defined in section 1(f)(5)) since 1991'' and inserting ``adjusted by increasing any such amount under the 1991 agreement by an amount equal to-- ``(A) such amount, multiplied by ``(B) the cost-of-living adjustment determined under section 1(f)(3) for the ***calendar*** ***year*** in which the taxable ***year*** begins, by substituting `***calendar*** ***year*** 1990' for `***calendar*** ***year*** 2016' in subparagraph (A)(ii) thereof''. (7) So much of clause (ii) of section 213(d)(10)(B) as precedes the last sentence is amended to read as follows: ``(ii) Medical care cost adjustment.--For purposes of clause (i), the medical care cost adjustment for any ***calendar*** ***year*** is the percentage (if any) by which-- ``(I) the medical care component of the C-CPI-U (as defined in section 1(f)(6)) for August of the preceding ***calendar*** ***year***, exceeds ``(II) such component of the CPI (as defined in section 1(f)(4)) for August of 1996, multiplied by the amount determined under section 1(f)(3)(B).''. (8) Subparagraph (B) of section 280F(d)(7) is amended to read as follows: ``(B) Automobile price inflation adjustment.--For purposes of this paragraph-- ``(i) In general.--The automobile price inflation adjustment for any ***calendar*** ***year*** is the percentage (if any) by which-- ``(I) the C-CPI-U automobile component for October of the preceding ***calendar*** ***year***, exceeds ``(II) the automobile component of the CPI (as defined in section 1(f)(4)) for October of 1987, multiplied by the amount determined under 1(f)(3)(B). [[Page H10264]] ``(ii) C-CPI-U automobile component.--The term `C-CPI-U automobile component' means the automobile component of the Chained Consumer Price Index for All Urban Consumers (as described in section 1(f)(6)).''. (9) Section 911(b)(2)(D)(ii)(II) is amended by striking ``for `1992' in subparagraph (B)'' and inserting ``for `2016' in subparagraph (A)(ii)''. (10) Paragraph (2) of section 1274A(d) is amended to read as follows: ``(2) Adjustment for inflation.--In the case of any debt instrument arising out of a sale or exchange during any ***calendar*** ***year*** after 1989, each dollar amount contained in the preceding provisions of this section shall be increased by an amount equal to-- ``(A) such amount, multiplied by ``(B) the cost-of-living adjustment determined under section 1(f)(3) for the ***calendar*** ***year*** in which the taxable ***year*** begins, by substituting `***calendar*** ***year*** 1988' for `***calendar*** ***year*** 2016' in subparagraph (A)(ii) thereof. Any increase under the preceding sentence shall be rounded to the nearest multiple of $100 (or, if such increase is a multiple of $50, such increase shall be increased to the nearest multiple of $100).''. (11) Section 4161(b)(2)(C)(i)(II) is amended by striking ``for `1992' in subparagraph (B)'' and inserting ``for `2016' in subparagraph (A)(ii)''. (12) Section 4980I(b)(3)(C)(v)(II) is amended by striking ``for `1992' in subparagraph (B)'' and inserting ``for `2016' in subparagraph (A)(ii)''. (13) Section 6039F(d) is amended by striking ``subparagraph (B) thereof shall be applied by substituting `1995' for `1992' '' and inserting ``subparagraph (A)(ii) thereof shall be applied by substituting `1995' for `2016' ''. (14) Section 7872(g)(5) is amended to read as follows: ``(5) Adjustment of limit for inflation.--In the case of any loan made during any ***calendar*** ***year*** after 1986, the dollar amount in paragraph (2) shall be increased by an amount equal to-- ``(A) such amount, multiplied by ``(B) the cost-of-living adjustment determined under section 1(f)(3) for the ***calendar*** ***year*** in which the taxable ***year*** begins, by substituting `***calendar*** ***year*** 1985' for `***calendar*** ***year*** 2016' in subparagraph (A)(ii) thereof. Any increase under the preceding sentence shall be rounded to the nearest multiple of $100 (or, if such increase is a multiple of $50, such increase shall be increased to the nearest multiple of $100).''. (e) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. PART II--DEDUCTION FOR QUALIFIED BUSINESS INCOME OF PASS-THRU ENTITIES SEC. 11011. DEDUCTION FOR QUALIFIED BUSINESS INCOME. (a) In General.--Part VI of subchapter B of chapter 1 is amended by adding at the end the following new section: ``SEC. 199A. QUALIFIED BUSINESS INCOME. ``(a) In General.--In the case of a taxpayer other than a corporation, there shall be allowed as a deduction for any taxable ***year*** an amount equal to the sum of-- ``(1) the lesser of-- ``(A) the combined qualified business income amount of the taxpayer, or ``(B) an amount equal to 20 percent of the excess (if any) of-- ``(i) the taxable income of the taxpayer for the taxable ***year***, over ``(ii) the sum of any net capital gain (as defined in section 1(h)), plus the aggregate amount of the qualified cooperative dividends, of the taxpayer for the taxable ***year***, plus ``(2) the lesser of-- ``(A) 20 percent of the aggregate amount of the qualified cooperative dividends of the taxpayer for the taxable ***year***, or ``(B) taxable income (reduced by the net capital gain (as so defined)) of the taxpayer for the taxable ***year***. The amount determined under the preceding sentence shall not exceed the taxable income (reduced by the net capital gain (as so defined)) of the taxpayer for the taxable ***year***. ``(b) Combined Qualified Business Income Amount.--For purposes of this section-- ``(1) In general.--The term `combined qualified business income amount' means, with respect to any taxable ***year***, an amount equal to-- ``(A) the sum of the amounts determined under paragraph (2) for each qualified trade or business carried on by the taxpayer, plus ``(B) 20 percent of the aggregate amount of the qualified REIT dividends and qualified publicly traded partnership income of the taxpayer for the taxable ***year***. ``(2) Determination of deductible amount for each trade or business.--The amount determined under this paragraph with respect to any qualified trade or business is the lesser of-- ``(A) 20 percent of the taxpayer's qualified business income with respect to the qualified trade or business, or ``(B) the greater of-- ``(i) 50 percent of the W-2 wages with respect to the qualified trade or business, or ``(ii) the sum of 25 percent of the W-2 wages with respect to the qualified trade or business, plus 2.5 percent of the unadjusted basis immediately after acquisition of all qualified property. ``(3) Modifications to limit based on taxable income.-- ``(A) Exception from limit.--In the case of any taxpayer whose taxable income for the taxable ***year*** does not exceed the threshold amount, paragraph (2) shall be applied without regard to subparagraph (B). ``(B) Phase-in of limit for certain taxpayers.-- ``(i) In general.--If-- ``(I) the taxable income of a taxpayer for any taxable ***year*** exceeds the threshold amount, but does not exceed the sum of the threshold amount plus $50,000 ($100,000 in the case of a joint return), and ``(II) the amount determined under paragraph (2)(B) (determined without regard to this subparagraph) with respect to any qualified trade or business carried on by the taxpayer is less than the amount determined under paragraph (2)(A) with respect such trade or business, then paragraph (2) shall be applied with respect to such trade or business without regard to subparagraph (B) thereof and by reducing the amount determined under subparagraph (A) thereof by the amount determined under clause (ii). ``(ii) Amount of reduction.--The amount determined under this subparagraph is the amount which bears the same ratio to the excess amount as-- ``(I) the amount by which the taxpayer's taxable income for the taxable ***year*** exceeds the threshold amount, bears to ``(II) $50,000 ($100,000 in the case of a joint return). ``(iii) Excess amount.--For purposes of clause (ii), the excess amount is the excess of-- ``(I) the amount determined under paragraph (2)(A) (determined without regard to this paragraph), over ``(II) the amount determined under paragraph (2)(B) (determined without regard to this paragraph). ``(4) Wages, etc.-- ``(A) In general.--The term `W-2 wages' means, with respect to any person for any taxable ***year*** of such person, the amounts described in paragraphs (3) and (8) of section 6051(a) paid by such person with respect to employment of employees by such person during the ***calendar*** ***year*** ending during such taxable ***year***. ``(B) Limitation to wages attributable to qualified business income.--Such term shall not include any amount which is not properly allocable to qualified business income for purposes of subsection (c)(1). ``(C) Return requirement.--Such term shall not include any amount which is not properly included in a return filed with the Social Security Administration on or before the 60th day after the due date (including extensions) for such return. ``(5) Acquisitions, dispositions, and short taxable ***years***.--The Secretary shall provide for the application of this subsection in cases of a short taxable ***year*** or where the taxpayer acquires, or disposes of, the major portion of a trade or business or the major portion of a separate unit of a trade or business during the taxable ***year***. ``(6) Qualified property.--For purposes of this section: ``(A) In general.--The term `qualified property' means, with respect to any qualified trade or business for a taxable ***year***, tangible property of a character subject to the allowance for depreciation under section 167-- ``(i) which is held by, and available for use in, the qualified trade or business at the close of the taxable ***year***, ``(ii) which is used at any point during the taxable ***year*** in the production of qualified business income, and ``(iii) the depreciable period for which has not ended before the close of the taxable ***year***. ``(B) Depreciable period.--The term `depreciable period' means, with respect to qualified property of a taxpayer, the period beginning on the date the property was first placed in service by the taxpayer and ending on the later of-- ``(i) the date that is 10 ***years*** after such date, or ``(ii) the last day of the last full ***year*** in the applicable recovery period that would apply to the property under section 168 (determined without regard to subsection (g) thereof). ``(c) Qualified Business Income.--For purposes of this section-- ``(1) In general.--The term `qualified business income' means, for any taxable ***year***, the net amount of qualified items of income, gain, deduction, and loss with respect to any qualified trade or business of the taxpayer. Such term shall not include any qualified REIT dividends, qualified cooperative dividends, or qualified publicly traded partnership income. ``(2) Carryover of losses.--If the net amount of qualified income, gain, deduction, and loss with respect to qualified trades or businesses of the taxpayer for any taxable ***year*** is less than zero, such amount shall be treated as a loss from a qualified trade or business in the succeeding taxable ***year***. ``(3) Qualified items of income, gain, deduction, and loss.--For purposes of this subsection-- ``(A) In general.--The term `qualified items of income, gain, deduction, and loss' means items of income, gain, deduction, and loss to the extent such items are-- ``(i) effectively connected with the conduct of a trade or business within the United States (within the meaning of section 864(c), determined by substituting `qualified trade or business (within the meaning of section 199A)' for `nonresident alien individual or a foreign corporation' or for `a foreign corporation' each place it appears), and ``(ii) included or allowed in determining taxable income for the taxable ***year***. ``(B) Exceptions.--The following investment items shall not be taken into account as a qualified item of income, gain, deduction, or loss: ``(i) Any item of short-term capital gain, short-term capital loss, long-term capital gain, or long-term capital loss. ``(ii) Any dividend, income equivalent to a dividend, or ***payment*** in lieu of dividends described in section 954(c)(1)(G). ``(iii) Any interest income other than interest income which is properly allocable to a trade or business. [[Page H10265]] ``(iv) Any item of gain or loss described in subparagraph (C) or (D) of section 954(c)(1) (applied by substituting `qualified trade or business' for `controlled foreign corporation'). ``(v) Any item of income, gain, deduction, or loss taken into account under section 954(c)(1)(F) (determined without regard to clause (ii) thereof and other than items attributable to notional principal contracts entered into in transactions qualifying under section 1221(a)(7)). ``(vi) Any amount received from an annuity which is not received in connection with the trade or business. ``(vii) Any item of deduction or loss properly allocable to an amount described in any of the preceding clauses. ``(4) Treatment of reasonable compensation and guaranteed ***payments***.--Qualified business income shall not include-- ``(A) reasonable compensation paid to the taxpayer by any qualified trade or business of the taxpayer for services rendered with respect to the trade or business, ``(B) any guaranteed ***payment*** described in section 707(c) paid to a partner for services rendered with respect to the trade or business, and ``(C) to the extent provided in regulations, any ***payment*** described in section 707(a) to a partner for services rendered with respect to the trade or business. ``(d) Qualified Trade or Business.--For purposes of this section-- ``(1) In general.--The term `qualified trade or business' means any trade or business other than-- ``(A) a specified service trade or business, or ``(B) the trade or business of performing services as an employee. ``(2) Specified service trade or business.--The term `specified service trade or business' means any trade or business-- ``(A) which is described in section 1202(e)(3)(A) (applied without regard to the words `engineering, architecture,') or which would be so described if the term `employees or owners' were substituted for `employees' therein, or ``(B) which in

volves the performance of services that consist of investing and investment management, trading, or dealing in securities (as defined in section 475(c)(2)), partnership interests, or commodities (as defined in section 475(e)(2)). ``(3) Exception for specified service businesses based on taxpayer's income.-- ``(A) In general.--If, for any taxable ***year***, the taxable income of any taxpayer is less than the sum of the threshold amount plus $50,000 ($100,000 in the case of a joint return), then-- ``(i) any specified service trade or business of the taxpayer shall not fail to be treated as a qualified trade or business due to paragraph (1)(A), but ``(ii) only the applicable percentage of qualified items of income, gain, deduction, or loss, and the W-2 wages and the unadjusted basis immediately after acquisition of qualified property, of the taxpayer allocable to such specified service trade or business shall be taken into account in computing the qualified business income, W-2 wages, and the unadjusted basis immediately after acquisition of qualified property of the taxpayer for the taxable ***year*** for purposes of applying this section. ``(B) Applicable percentage.--For purposes of subparagraph (A), the term `applicable percentage' means, with respect to any taxable ***year***, 100 percent reduced (not below zero) by the percentage equal to the ratio of-- ``(i) the taxable income of the taxpayer for the taxable ***year*** in excess of the threshold amount, bears to ``(ii) $50,000 ($100,000 in the case of a joint return). ``(e) Other Definitions.--For purposes of this section-- ``(1) Taxable income.--Taxable income shall be computed without regard to the deduction allowable under this section. ``(2) Threshold amount.-- ``(A) In general.--The term `threshold amount' means $157,500 (200 percent of such amount in the case of a joint return). ``(B) Inflation adjustment.--In the case of any taxable ***year*** beginning after 2018, the dollar amount in subparagraph (A) shall be increased by an amount equal to-- ``(i) such dollar amount, multiplied by ``(ii) the cost-of-living adjustment determined under section 1(f)(3) for the ***calendar*** ***year*** in which the taxable ***year*** begins, determined by substituting `***calendar*** ***year*** 2017' for `***calendar*** ***year*** 2016' in subparagraph (A)(ii) thereof. The amount of any increase under the preceding sentence shall be rounded as provided in section 1(f)(7). ``(3) Qualified reit dividend.--The term `qualified REIT dividend' means any dividend from a real estate investment trust received during the taxable ***year*** which-- ``(A) is not a capital gain dividend, as defined in section 857(b)(3), and ``(B) is not qualified dividend income, as defined in section 1(h)(11). ``(4) Qualified cooperative dividend.--The term `qualified cooperative dividend' means any patronage dividend (as defined in section 1388(a)), any per-unit retain allocation (as defined in section 1388(f)), and any qualified written notice of allocation (as defined in section 1388(c)), or any similar amount received from an organization described in subparagraph (B)(ii), which-- ``(A) is includible in gross income, and ``(B) is received from-- ``(i) an organization or corporation described in section 501(c)(12) or 1381(a), or ``(ii) an organization which is governed under this title by the rules applicable to cooperatives under this title before the enactment of subchapter T. ``(5) Qualified publicly traded partnership income.--The term `qualified publicly traded partnership income' means, with respect to any qualified trade or business of a taxpayer, the sum of-- ``(A) the net amount of such taxpayer's allocable share of each qualified item of income, gain, deduction, and loss (as defined in subsection (c)(3) and determined after the application of subsection (c)(4)) from a publicly traded partnership (as defined in section 7704(a)) which is not treated as a corporation under section 7704(c), plus ``(B) any gain recognized by such taxpayer upon disposition of its interest in such partnership to the extent such gain is treated as an amount realized from the sale or exchange of property other than a capital asset under section 751(a). ``(f) Special Rules.-- ``(1) Application to partnerships and s corporations.-- ``(A) In general.--In the case of a partnership or S corporation-- ``(i) this section shall be applied at the partner or shareholder level, ``(ii) each partner or shareholder shall take into account such person's allocable share of each qualified item of income, gain, deduction, and loss, and ``(iii) each partner or shareholder shall be treated for purposes of subsection (b) as having W-2 wages and unadjusted basis immediately after acquisition of qualified property for the taxable ***year*** in an amount equal to such person's allocable share of the W-2 wages and the unadjusted basis immediately after acquisition of qualified property of the partnership or S corporation for the taxable ***year*** (as determined under regulations prescribed by the Secretary). For purposes of clause (iii), a partner's or shareholder's allocable share of W-2 wages shall be determined in the same manner as the partner's or shareholder's allocable share of wage expenses. For purposes of such clause, partner's or shareholder's allocable share of the unadjusted basis immediately after acquisition of qualified property shall be determined in the same manner as the partner's or shareholder's allocable share of depreciation. For purposes of this subparagraph, in the case of an S corporation, an allocable share shall be the shareholder's pro rata share of an item. ``(B) Application to trusts and estates.--Rules similar to the rules under section 199(d)(1)(B)(i) (as in effect on December 1, 2017) for the apportionment of W-2 wages shall apply to the apportionment of W-2 wages and the apportionment of unadjusted basis immediately after acquisition of qualified property under this section. ``(C) Treatment of trades or business in puerto rico.-- ``(i) In general.--In the case of any taxpayer with qualified business income from sources within the commonwealth of Puerto Rico, if all such income is taxable under section 1 for such taxable ***year***, then for purposes of determining the qualified business income of such taxpayer for such taxable ***year***, the term `United States' shall include the Commonwealth of Puerto Rico. ``(ii) Special rule for applying limit.--In the case of any taxpayer described in clause (i), the determination of W-2 wages of such taxpayer with respect to any qualified trade or business conducted in Puerto Rico shall be made without regard to any exclusion under section 3401(a)(8) for remuneration paid for services in Puerto Rico. ``(2) Coordination with minimum tax.--For purposes of determining alternative minimum taxable income under section 55, qualified business income shall be determined without regard to any adjustments under sections 56 through 59. ``(3) Deduction limited to income taxes.--The deduction under subsection (a) shall only be allowed for purposes of this chapter. ``(4) Regulations.--The Secretary shall prescribe such regulations as are necessary to carry out the purposes of this section, including regulations-- ``(A) for requiring or restricting the allocation of items and wages under this section and such reporting requirements as the Secretary determines appropriate, and ``(B) for the application of this section in the case of tiered entities. ``(g) Deduction Allowed to Specified ***Agricultural*** or Horticultural Cooperatives.-- ``(1) In general.--In the case of any taxable ***year*** of a specified ***agricultural*** or horticultural cooperative beginning after December 31, 2017, there shall be allowed a deduction in an amount equal to the lesser of-- ``(A) 20 percent of the excess (if any) of-- ``(i) the gross income of a specified ***agricultural*** or horticultural cooperative, over ``(ii) the qualified cooperative dividends (as defined in subsection (e)(4)) paid during the taxable ***year*** for the taxable ***year***, or ``(B) the greater of-- ``(i) 50 percent of the W-2 wages of the cooperative with respect to its trade or business, or ``(ii) the sum of 25 percent of the W-2 wages of the cooperative with respect to its trade or business, plus 2.5 percent of the unadjusted basis immediately after acquisition of all qualified property of the cooperative. ``(2) Limitation.--The amount determined under paragraph (1) shall not exceed the taxable income of the specified ***agricultural*** or horticultural for the taxable ***year***. ``(3) Specified ***agricultural*** or horticultural cooperative.--For purposes of this subsection, the term `specified ***agricultural*** or horticultural cooperative' means an organization to which part I of subchapter T applies which is engaged in-- ``(A) the manufacturing, production, growth, or extraction in whole or significant part of any ***agricultural*** or horticultural product, ``(B) the marketing of ***agricultural*** or horticultural products which its patrons have so [[Page H10266]] manufactured, produced, grown, or extracted, or ``(C) the provision of supplies, equipment, or services to farmers or to organizations described in subparagraph (A) or (B). ``(h) Anti-abuse Rules.--The Secretary shall-- ``(1) apply rules similar to the rules under section 179(d)(2) in order to prevent the manipulation of the depreciable period of qualified property using transactions between related parties, and ``(2) prescribe rules for determining the unadjusted basis immediately after acquisition of qualified property acquired in like-kind exchanges or involuntary conversions. ``(i) Termination.--This section shall not apply to taxable ***years*** beginning after December 31, 2025.''. (b) Treatment of Deduction in Computing Adjusted Gross and Taxable Income.-- (1) Deduction not allowed in computing adjusted gross income.--Section 62(a) is amended by adding at the end the following new sentence: ``The deduction allowed by section 199A shall not be treated as a deduction described in any of the preceding paragraphs of this subsection.''. (2) Deduction allowed to nonitemizers.--Section 63(b) is amended by striking ``and'' at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting ``, and'', and by adding at the end the following new paragraph: ``(3) the deduction provided in section 199A.''. (3) Deduction allowed to itemizers without limits on itemized deductions.--Section 63(d) is amended by striking ``and'' at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting ``, and'', and by adding at the end the following new paragraph: ``(3) the deduction provided in section 199A.''. (4) Conforming amendment.--Section 3402(m)(1) is amended by inserting ``and the estimated deduction allowed under section 199A'' after ``chapter 1''. (c) Accuracy-related Penalty on Determination of Applicable Percentage.--Section 6662(d)(1) is amended by inserting at the end the following new subparagraph: ``(C) Special rule for taxpayers claiming section 199a deduction.--In the case of any taxpayer who claims the deduction allowed under section 199A for the taxable ***year***, subparagraph (A) shall be applied by substituting `5 percent' for `10 percent'.''. (d) Conforming Amendments.-- (1) Section 172(d) is amended by adding at the end the following new paragraph: ``(8) Qualified business income deduction.--The deduction under section 199A shall not be allowed.''. (2) Section 246(b)(1) is amended by inserting ``199A,'' before ``243(a)(1)''. (3) Section 613(a) is amended by inserting ``and without the deduction under section 199A'' after ``and without the deduction under section 199''. (4) Section 613A(d)(1) is amended by redesignating subparagraphs (C), (D), and (E) as subparagraphs (D), (E), and (F), respectively, and by inserting after subparagraph (B), the following new subparagraph: ``(C) any deduction allowable under section 199A,''. (5) Section 170(b)(2)(D) is amended by striking ``and'' in clause (iv), by striking the period at the end of clause (v), and by adding at the end the following new clause: ``(vi) section 199A(g).''. (6) The table of sections for part VI of subchapter B of chapter 1 is amended by inserting at the end the following new item: ``Sec. 199A. Qualified business income.''. (e) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 11012. LIMITATION ON LOSSES FOR TAXPAYERS OTHER THAN CORPORATIONS. (a) In General.--Section 461 is amended by adding at the end the following new subsection: ``(l) Limitation on Excess Business Losses of Noncorporate Taxpayers.-- ``(1) Limitation.--In the case of taxable ***year*** of a taxpayer other than a corporation beginning after December 31, 2017, and before January 1, 2026-- ``(A) subsection (j) (relating to limitation on excess farm losses of certain taxpayers) shall not apply, and ``(B) any excess business loss of the taxpayer for the taxable ***year*** shall not be allowed. ``(2) Disallowed loss carryover.--Any loss which is disallowed under paragraph (1) shall be treated as a net operating loss carryover to the following taxable ***year*** under section 172. ``(3) Excess business loss.--For purposes of this subsection-- ``(A) In general.--The term `excess business loss' means the excess (if any) of-- ``(i) the aggregate deductions of the taxpayer for the taxable ***year*** which are attributable to trades or businesses of such taxpayer (determined without regard to whether or not such deductions are disallowed for such taxable ***year*** under paragraph (1)), over ``(ii) the sum of-- ``(I) the aggregate gross income or gain of such taxpayer for the taxable ***year*** which is attributable to such trades or businesses, plus ``(II) $250,000 (200 percent of such amount in the case of a joint return). ``(B) Adjustment for inflation.--In the case of any taxable ***year*** beginning after December 31, 2018, the $250,000 amount in subparagraph (A)(ii)(II) shall be increased by an amount equal to-- ``(i) such dollar amount, multiplied by ``(ii) the cost-of-living adjustment determined under section 1(f)(3) for the ***calendar*** ***year*** in which the taxable ***year*** begins, determined by substituting `2017' for `2016' in subparagraph (A)(ii) thereof. If any amount as increased under the preceding sentence is not a multiple of $1,000, such amount shall be rounded to the nearest multiple of $1,000. ``(4) Application of subsection in case of partnerships and s corporations.--In the case of a partnership or S corporation-- ``(A) this subsection shall be applied at the partner or shareholder level, and ``(B) each partner's or shareholder's allocable share of the items of income, gain, deduction, or loss of the partnership or S corporation for any taxable ***year*** from trades or businesses attributable to the partnership or S corporation shall be taken into account by the partner or shareholder in applying this subsection to the taxable ***year*** of such partner or shareholder with or within which the taxable ***year*** of the partnership or S corporation ends. For purposes of this paragraph, in the case of an S corporation, an allocable share shall be the shareholder's pro rata share of an item. ``(5) Additional reporting.--The Secretary shall prescribe such additional reporting requirements as the Secretary determines necessary to carry out the purposes of this subsection. ``(6) Coordination with section 469.--This subsection shall be applied after the application of section 469.''. (b) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. PART III--TAX BENEFITS FOR FAMILIES AND INDIVIDUALS SEC. 11021. INCREASE IN STANDARD DEDUCTION. (a) In General.--Subsection (c) of section 63 is amended by adding at the end the following new paragraph: ``(7) Special rules for taxable ***years*** 2018 through 2025.-- In the case of a taxable ***year*** beginning after December 31, 2017, and before January 1, 2026-- ``(A) Increase in standard deduction.--Paragraph (2) shall be applied-- ``(i) by substituting `$18,000' for `$4,400' in subparagraph (B), and ``(ii) by substituting `$12,000' for `$3,000' in subparagraph (C). ``(B) Adjustment for inflation.-- ``(i) In general.--Paragraph (4) shall not apply to the dollar amounts contained in paragraphs (2)(B) and (2)(C). ``(ii) Adjustment of increased amounts.--In the case of a taxable ***year*** beginning after 2018, the $18,000 and $12,000 amounts in subparagraph (A) shall each be increased by an amount equal to-- ``(I) such dollar amount, multiplied by ``(II) the cost-of-living adjustment determined under section 1(f)(3) for the ***calendar*** ***year*** in which the taxable ***year*** begins, determined by substituting `2017' for `2016' in subparagraph (A)(ii) thereof. If any increase under this clause is not a multiple of $50, such increase shall be rounded to the next lowest multiple of $50.''. (b) Effective Date.--The amendment made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 11022. INCREASE IN AND MODIFICATION OF CHILD TAX CREDIT. (a) In General.--Section 24 is amended by adding at the end the following new subsection: ``(h) Special Rules for Taxable ***Years*** 2018 Through 2025.-- ``(1) In general.--In the case of a taxable ***year*** beginning after December 31, 2017, and before January 1, 2026, this section shall be applied as provided in paragraphs (2) through (7). ``(2) Credit amount.--Subsection (a) shall be applied by substituting `$2,000' for `$1,000'. ``(3) Limitation.--In lieu of the amount determined under subsection (b)(2), the threshold amount shall be $400,000 in the case of a joint return ($200,000 in any other case). ``(4) Partial credit allowed for certain other dependents.-- ``(A) In general.--The credit determined under subsection (a) (after the application of paragraph (2)) shall be increased by $500 for each dependent of the taxpayer (as defined in section 152) other than a qualifying child described in subsection (c). ``(B) Exception for certain noncitizens.--Subparagraph (A) shall not apply with respect to any individual who would not be a dependent if subparagraph (A) of section 152(b)(3) were applied without regard to all that follows `resident of the United States'. ``(C) Certain qualifying children.--In the case of any qualifying child with respect to whom a credit is not allowed under this section by reason of paragraph (7), such child shall be treated as a dependent to whom subparagraph (A) applies. ``(5) Maximum amount of refundable credit.-- ``(A) In general.--The amount determined under subsection (d)(1)(A) with respect to any qualifying child shall not exceed $1,400, and such subsection shall be applied without regard to paragraph (4) of this subsection. ``(B) Adjustment for inflation.--In the case of a taxable ***year*** beginning after 2018, the $1,400 amount in subparagraph (A) shall be increased by an amount equal to-- ``(i) such dollar amount, multiplied by ``(ii) the cost-of-living adjustment determined under section 1(f)(3) for the ***calendar*** ***year*** in which the taxable ***year*** begins, determined by substituting `2017' for `2016' in subparagraph (A)(ii) thereof. If any increase under this clause is not a multiple of $100, such increase shall be rounded to the next lowest multiple of $100. ``(6) Earned income threshold for refundable credit.-- Subsection (d)(1)(B)(i) shall be applied by substituting `$2,500' for `$3,000'. [[Page H10267]] ``(7) Social security number required.--No credit shall be allowed under this section to a taxpayer with respect to any qualifying child unless the taxpayer includes the social security number of such child on the return of tax for the taxable ***year***. For purposes of the preceding sentence, the term `social security number' means a social security number issued to an individual by the Social Security Administration, but only if the social security number is issued-- ``(A) to a citizen of the United States or pursuant to subclause (I) (or that portion of subclause (III) that relates to subclause (I)) of section 205(c)(2)(B)(i) of the Social Security Act, and ``(B) before the due date for such return.''. (b) Effective Date.--The amendment made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 11023. INCREASED LIMITATION FOR CERTAIN CHARITABLE CONTRIBUTIONS. (a) In General.--Section 170(b)(1) is amended by redesignating subparagraph (G) as subparagraph (H) and by inserting after subparagraph (F) the following new subparagraph: ``(G) Increased limitation for cash contributions.-- ``(i) In general.--In the case of any contribution of cash to an organization described in subparagraph (A), the total amount of such contributions which may be taken into account under subsection (a) for any taxable ***year*** beginning after December 31, 2017, and before January 1, 2026, shall not exceed 60 percent of the taxpayer's contribution base for such ***year***. ``(ii) Carryover.--If the aggregate amount of contributions described in clause (i) exceeds the applicable limitation under clause (i) for any taxable ***year*** described in such clause, such excess shall be treated (in a manner consistent with the rules of subsection (d)(1)) as a charitable contribution to which clause (i) applies in each of the 5 succeeding ***years*** in order of time. ``(iii) Coordination with subparagraphs (a) and (b).-- ``(I) In general.--Contributions taken into account under this subparagraph shall not be taken into account under subparagraph (A). ``(II) Limitation reduction.--For each taxable ***year*** described in clause (i), and each taxable ***year*** to which any contribution under this subparagraph is carried over under clause (ii), subparagraph (A) shall be applied by reducing (but not below zero) the contribution limitation allowed for the taxable ***year*** under such subparagraph by the aggregate contributions allowed under this subparagraph for such taxable ***year***, and subparagraph (B) shall be applied by treating any reference to subparagraph (A) as a reference to both subparagraph (A) and this subparagraph.''. (b) Effective Date.--The amendment made by this section shall apply to contributions in taxable ***years*** beginning after December 31, 2017. SEC. 11024. INCREASED CONTRIBUTIONS TO ABLE ACCOUNTS. (a) Increase in Limitation for Contributions From Compensation of Individuals With Disabilities.-- (1) In general.--Section 529A(b)(2)(B) is amended to read as follows: ``(B) except in the case of contributions under subsection (c)(1)(C), if such contribution to an ABLE account would result in aggregate contributions from all contributors to the ABLE account for the taxable ***year*** exceeding the sum of-- ``(i) the amount in effect under section 2503(b) for the ***calendar*** ***year*** in which the taxable ***year*** begins, plus ``(ii) in the case of any contribution by a designated beneficiary described in paragraph (7) before January 1, 2026, the lesser of-- ``(I) compensation (as defined by section 219(f)(1)) includible in the designated beneficiary's gross income for the taxable ***year***, or ``(II) an amount equal to the poverty line for a one-person household, as determined for the ***calendar*** ***year*** preceding the ***calendar*** ***year*** in which the taxable ***year*** begins.''. (2) Responsibility for contribution limitation.--Paragraph (2) of section 529A(b) is amended by adding at the end the following: ``A designated beneficiary (or a person acting on behalf of such beneficiary) shall maintain adequate records for purposes of ensuring, and shall be responsible for ensuring, that the requirements of subparagraph (B)(ii) are met.'' (3) Eligible designated beneficiary.--Section 529A(b) is amended by adding at the end the following: ``(7) Special rules related to contribution limit.--For purposes of paragraph (2)(B)(ii)-- ``(A) Designated beneficiary.--A designated beneficiary described in this paragraph is an employee (including an employee within the meaning of section 401(c)) with respect to whom-- ``(i) no contribution is made for the taxable ***year*** to a defined contribution plan (within the meaning of section 414(i)) with respect to which the requirements of section 401(a) or 403(a) are met, ``(ii) no contribution is made for the taxable ***year*** to an annuity contract described in section 403(b), and ``(iii) no contribution is made for the taxable ***year*** to an eligible deferred compensation plan described in section 457(b). ``(B) Poverty line.--The term `poverty line' has the meaning given such term by section 673 of the Community Services Block Grant Act (42 U.S.C 9902).''. (b) Allowance of Saver's Credit for ABLE Contributions by Account Holder.--Section 25B(d)(1) is amended by striking ``and'' at the end of subparagraph (B)(ii), by striking the period at the end of subparagraph (C) and inserting ``, and'', and by inserting at the end the following: ``(D) the amount of contributions made before January 1, 2026, by such individual to the ABLE account (within the meaning of section 529A) of which such individual is the designated beneficiary.''. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after the date of the enactment of this Act. SEC. 11025. ROLLOVERS TO ABLE ***PROGRAMS*** FROM 529 ***PROGRAMS***. (a) In General.--Clause (i) of section 529(c)(3)(C) is amended by striking ``or'' at the end of subclause (I), by striking the period at the end of subclause (II) and inserting ``, or'', and by adding at the end the following: ``(III) before January 1, 2026, to an ABLE account (as defined in section 529A(e)(6)) of the designated beneficiary or a member of the family of the designated beneficiary. Subclause (III) shall not apply to so much of a distribution which, when added to all other contributions made to the ABLE account for the taxable ***year***, exceeds the limitation under section 529A(b)(2)(B)(i).''. (b) Effective Date.--The amendments made by this section shall apply to distributions after the date of the enactment of this Act. SEC. 11026. TREATMENT OF CERTAIN INDIVIDUALS PERFORMING SERVICES IN THE SINAI PENINSULA OF EGYPT. (a) In General.--For purposes of the following provisions of the Internal Revenue Code of 1986, with respect to the applicable period, a qualified hazardous duty area shall be treated in the same manner as if it were a combat zone (as determined under section 112 of such Code): (1) Section 2(a)(3) (relating to special rule where deceased spouse was in missing status). (2) Section 112 (relating to the exclusion of certain combat pay of members of the Armed Forces). (3) Section 692 (relating to income taxes of members of Armed Forces on death). (4) Section 2201 (relating to members of the Armed Forces dying in combat zone or by reason of combat-zone-incurred wounds, etc.). (5) Section 3401(a)(1) (defining wages relating to combat pay for members of the Armed Forces). (6) Section 4253(d) (relating to the taxation of phone service originating from a combat zone from members of the Armed Forces). (7) Section 6013(f)(1) (relating to joint return where individual is in missing status). (8) Section 7508 (relating to time for performing certain acts postponed by reason of service in combat zone). (b) Qualified Hazardous Duty Area.--For purposes of this section, the term ``qualified hazardous duty area'' means the Sinai Peninsula of Egypt, if as of the date of the enactment of this section any member of the Armed Forces of the United States is entitled to special pay under section 310 of title 37, United States Code (relating to special pay; duty subject to hostile fire or imminent danger), for services performed in such location. Such term includes such location only during the period such entitlement is in effect. (c) Applicable Period.-- (1) In general.--Except as provided in paragraph (2), the applicable period is-- (A) the portion of the first taxable ***year*** ending after June 9, 2015, which begins on such date, and (B) any subsequent taxable ***year*** beginning before January 1, 2026. (2) Withholding.--In the case of subsection (a)(5), the applicable period is-- (A) the portion of the first taxable ***year*** ending after the date of the enactment of this Act which begins on such date, and (B) any subsequent taxable ***year*** beginning before January 1, 2026. (d) Effective Date.-- (1) In general.--Except as provided in paragraph (2), the provisions of this section shall take effect on June 9, 2015. (2) Withholding.--Subsection (a)(5) shall apply to remuneration paid after the date of the enactment of this Act. SEC. 11027. TEMPORARY REDUCTION IN MEDICAL EXPENSE DEDUCTION FLOOR. (a) In General.--Subsection (f) of section 213 is amended to read as follows: ``(f) Special Rules for 2013 Through 2018.--In the case of any taxable ***year***-- ``(1) beginning after December 31, 2012, and ending before January 1, 2017, in the case of a taxpayer if such taxpayer or such taxpayer's spouse has attained age 65 before the close of such taxable ***year***, and ``(2) beginning after December 31, 2016, and ending before January 1, 2019, in the case of any taxpayer, subsection (a) shall be applied with respect to a taxpayer by substituting `7.5 percent' for `10 percent'.''. (b) Minimum Tax Preference Not to Apply.--Section 56(b)(1)(B) is amended by adding at the end the following new sentence:``This subparagraph shall not apply to taxable ***years*** beginning after December 31, 2016, and ending before January 1, 2019''. (c) Effective Date.--The amendment made by this section shall apply to taxable ***years*** beginning after December 31, 2016. SEC. 11028. RELIEF FOR 2016 DISASTER AREAS. (a) In General.--For purposes of this section, the term ``2016 disaster area'' means any area with respect to which a major disaster has been declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act during ***calendar*** ***year*** 2016. (b) Special Rules for Use of Retirement Funds With Respect to Areas Damaged by 2016 Disasters.-- (1) Tax-favored withdrawals from retirement plans.-- (A) In general.--Section 72(t) of the Internal Revenue Code of 1986 shall not apply to any qualified 2016 disaster distribution. (B) Aggregate dollar limitation.-- [[Page H10268]] (i) In general.--For purposes of this subsection, the aggregate amount of distributions received by an individual which may be treated as qualified 2016 disaster distributions for any taxable ***year*** shall not exceed the excess (if any) of-- (I) $100,000, over (II) the aggregate amounts treated as qualified 2016 disaster distributions received by such individual for all prior taxable ***years***. (ii) Treatment of plan distributions.--If a distribution to an individual would (without regard to clause (i)) be a qualified 2016 disaster distribution, a plan shall not be treated as violating any requirement of this title merely because the plan treats such distribution as a qualified 2016 disaster distribution, unless the aggregate amount of such distributions from all plans maintained by the employer (and any member of any controlled group which includes the employer) to such individual exceeds $100,000. (iii) Controlled group.--For purposes of clause (ii), the term ``controlled group'' means any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986. (C) Amount distributed may be repaid.-- (i) In general.--Any individual who receives a qualified 2016 disaster distribution may, at any time during the 3-***year*** period beginning on the day after the date on which such distribution was received, make one or more contributions in an aggregate amount not to exceed the amount of such distribution to an eligible retirement plan of which such individual is a beneficiary and to which a rollover contribution of such distribution could be made under section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16) of the Internal Revenue Code of 1986, as the case may be. (ii) Treatment of repayments of distributions from eligible retirement plans other than iras.--For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to clause (i) with respect to a qualified 2016 disaster distribution from an eligible retirement plan other than an individual retirement plan, then the taxpayer shall, to the extent of the amount of the contribution, be treated as having received the qualified 2016 disaster distribution in an eligible rollover distribution (as defined in section 402(c)(4) of the Internal Revenue Code of 1986) and as having ***transferred*** the amount to the eligible retirement plan in a direct trustee to trustee ***transfer*** within 60 days of the distribution. (iii) Treatment of repayments for distributions from iras.--For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to clause (i) with respect to a qualified 2016 disaster distribution from an individual retirement plan (as defined by section 7701(a)(37) of the Internal Revenue Code of 1986), then, to the extent of the amount of the contribution, the qualified 2016 disaster distribution shall be treated as a distribution described in section 408(d)(3) of such Code and as having been ***transferred*** to the eligible retirement plan in a direct trustee to trustee ***transfer*** within 60 days of the distribution. (D) Definitions.--For purposes of this paragraph-- (i) Qualified 2016 disaster distribution.--Except as provided in subparagraph (B), the term ``qualified 2016 disaster distribution'' means any distribution from an eligible retirement plan made on or after January 1, 2016, and before January 1, 2018, to an individual whose principal place of abode at any time during ***calendar*** ***year*** 2016 was located in a disaster area described in subsection (a) and who has sustained an economic loss by reason of the events giving rise to the Presidential declaration described in subsection (a) which was applicable to such area. (ii) Eligible retirement plan.--The term ``eligible retirement plan'' shall have the meaning given such term by section 402(c)(8)(B) of the Internal Revenue Code of 1986. (E) Income inclusion spread over 3-***year*** period.-- (i) In general.--In the case of any qualified 2016 disaster distribution, unless the taxpayer elects not to have this subparagraph apply for any taxable ***year***, any amount required to be included in gross income for such taxable ***year*** shall be so included ratably over the 3-taxable-***year*** period beginning with such taxable ***year***. (ii) Special rule.--For purposes of clause (i), rules similar to the rules of subparagraph (E) of section 408A(d)(3) of the Internal Revenue Code of 1986 shall apply. (F) Special rules.-- (i) Exemption of distributions from trustee to trustee ***transfer*** and withholding rules.--For purposes of sections 401(a)(31), 402(f), and 3405 of the Internal Revenue Code of 1986, qualified 2016 disaster distribution shall not be treated as eligible rollover distributions. (ii) Qualified 2016 disaster distributions treated as meeting plan distribution requirements.--For purposes of the Internal Revenue Code of 1986, a qualified 2016 disaster distribution shall be treated as meeting the requirements of sections 401(k)(2)(B)(i), 403(b)(7)(A)(ii), 403(b)(11), and 457(d)(1)(A) of the Internal Revenue Code of 1986. (2) Provisions relating to plan amendments.-- (A) In general.--If this paragraph applies to any amendment to any plan or annuity contract, such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subparagraph (B)(ii)(I). (B) Amendments to which subsection applies.-- (i) In general.--This paragraph shall apply to any amendment to any plan or annuity contract which is made-- (I) pursuant to any provision of this section, or pursuant to any regulation under any provision of this section, and (II) on or before the last day of the first plan ***year*** beginning on or after January 1, 2018, or such later date as the Secretary prescribes. In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), subclause (II) shall be applied by substituting the date which is 2 ***years*** after the date otherwise applied under subclause (II). (ii) Conditions.--This paragraph shall not apply to any amendment to a plan or contract unless such amendment applies retroactively for such period, and shall not apply to any such amendment unless the plan or contract is operated as if such amendment were in effect during the period-- (I) beginning on the date that this section or the regulation described in clause (i)(I) takes effect (or in the case of a plan or contract amendment not required by this section or such regulation, the effective date specified by the plan), and (II) ending on the date described in clause (i)(II) (or, if earlier, the date the plan or contract amendment is adopted). (c) Special Rules for Personal Casualty Losses Related to 2016 Major Disaster.-- (1) In general.--If an individual has a net disaster loss for any taxable ***year*** beginning after December 31, 2015, and before January 1, 2018-- (A) the amount determined under section 165(h)(2)(A)(ii) of the Internal Revenue Code of 1986 shall be equal to the sum of-- (i) such net disaster loss, and (ii) so much of the excess referred to in the matter preceding clause (i) of section 165(h)(2)(A) of such Code (reduced by the amount in clause (i) of this subparagraph) as exceeds 10 percent of the adjusted gross income of the individual, (B) section 165(h)(1) of such Code shall be applied by substituting ``$500'' for ``$500 ($100 for taxable ***years*** beginning after December 31, 2009)'', (C) the standard deduction determined under section 63(c) of such Code shall be increased by the net disaster loss, and (D) section 56(b)(1)(E) of such Code shall not apply to so much of the standard deduction as is attributable to the increase under subparagraph (C) of this paragraph. (2) Net disaster loss.--For purposes of this subsection, the term ``net disaster loss'' means the excess of qualified disaster-related personal casualty losses over personal casualty gains (as defined in section 165(h)(3)(A) of the Internal Revenue Code of 1986). (3) Qualified disaster-related personal casualty losses.-- For purposes of this paragraph, the term ``qualified disaster-related personal casualty losses'' means losses described in section 165(c)(3) of the Internal Revenue Code of 1986 which arise in a disaster area described in subsection (a) on or after January 1, 2016, and which are attributable to the events giving rise to the Presidential declaration described in subsection (a) which was applicable to such area. PART IV--EDUCATION SEC. 11031. TREATMENT OF STUDENT LOANS DISCHARGED ON ACCOUNT OF DEATH OR DISABILITY. (a) In General.--Section 108(f) is amended by adding at the end the following new paragraph: ``(5) Discharges on account of death or disability.-- ``(A) In general.--In the case of an individual, gross income does not include any amount which (but for this subsection) would be includible in gross income for such taxable ***year*** by reasons of the discharge (in whole or in part) of any loan described in subparagraph (B) after December 31, 2017, and before January 1, 2026, if such discharge was-- ``(i) pursuant to subsection (a) or (d) of section 437 of the Higher Education Act of 1965 or the parallel benefit under part D of title IV of such Act (relating to the repayment of loan liability), ``(ii) pursuant to section 464(c)(1)(F) of such Act, or ``(iii) otherwise discharged on account of the death or total and permanent disability of the student. ``(B) Loans described.--A loan is described in this subparagraph if such loan is-- ``(i) a student loan (as defined in paragraph (2)), or ``(ii) a private education loan (as defined in section 140(7) of the Consumer Credit Protection Act (15 U.S.C 1650(7))).''. (b) Effective Date.--The amendment made by this section shall apply to discharges of indebtedness after December 31, 2017. SEC. 11032. 529 ACCOUNT FUNDING FOR ELEMENTARY AND SECONDARY EDUCATION. (a) In General.-- (1) In general.--Section 529(c) is amended by adding at the end the following new paragraph: ``(7) Treatment of elementary and secondary tuition.--Any reference in this subsection to the term `qualified higher education expense' shall include a reference to expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school.''. (2) Limitation.--Section 529(e)(3)(A) is amended by adding at the end the following: ``The amount of cash distributions from all qualified tuition ***programs*** described in subsection (b)(1)(A)(ii) with respect to a beneficiary during any taxable ***year*** shall, in the aggregate, include not more than $10,000 in expenses described in subsection (c)(7) incurred during the taxable ***year***.''. (b) Effective Date.--The amendments made by this section shall apply to distributions made after December 31, 2017. [[Page H10269]] PART V--DEDUCTIONS AND EXCLUSIONS SEC. 11041. SUSPENSION OF DEDUCTION FOR PERSONAL EXEMPTIONS. (a) In General.--Subsection (d) of section 151 is amended-- (1) by striking ``In the case of'' in paragraph (4) and inserting ``Except as provided in paragraph (5), in the case of'', and (2) by adding at the end the following new paragraph: ``(5) Special rules for taxable ***years*** 2018 through 2025.-- In the case of a taxable ***year*** beginning after December 31, 2017, and before January 1, 2026-- ``(A) Exemption amount.--The term `exemption amount' means zero. ``(B) References.--For purposes of any other provision of this title, the reduction of the exemption amount to zero under subparagraph (A) shall not be taken into account in determining whether a deduction is allowed or allowable, or whether a taxpayer is entitled to a deduction, under this section.''. (b) Application to Estates and Trusts.--Section 642(b)(2)(C) is amended by adding at the end the following new clause: ``(iii) ***Years*** when personal exemption amount is zero.-- ``(I) In general.--In the case of any taxable ***year*** in which the exemption amount under section 151(d) is zero, clause (i) shall be applied by substituting `$4,150' for `the exemption amount under section 151(d)'. ``(II) Inflation adjustment.--In the case of any taxable ***year*** beginning in a ***calendar*** ***year*** after 2018, the $4,150 amount in subparagraph (A) shall be increased in the same manner as provided in section 6334(d)(4)(C).''. (c) Modification of Wage Withholding Rules.-- (1) In general.--Section 3402(a)(2) is amended by striking ``means the amount'' and all that follows and inserting ``means the amount by which the wages exceed the taxpayer's withholding allowance, prorated to the payroll period.''. (2) Conforming amendments.-- (A) Section 3401 is amended by striking subsection (e). (B) Paragraphs (1) and (2) of section 3402(f) are amended to read as follows: ``(1) In general.--Under rules determined by the Secretary, an employee receiving wages shall on any day be entitled to a withholding allowance determined based on-- ``(A) whether the employee is an individual for whom a deduction is allowable with respect to another taxpayer under section 151; ``(B) if the employee is married, whether the employee's spouse is entitled to an allowance, or would be so entitled if such spouse were an employee receiving wages, under subparagraph (A) or (D), but only if such spouse does not have in effect a withholding allowance certificate claiming such allowance; ``(C) the number of individuals with respect to whom, on the basis of facts existing at the beginning of such day, there may reasonably be expected to be allowable a credit under section 24(a) for the taxable ***year*** under subtitle A in respect of which amounts deducted and withheld under this chapter in the ***calendar*** ***year*** in which such day falls are allowed as a credit; ``(D) any additional amounts to which the employee elects to take into account under subsection (m), but only if the employee's spouse does not have in effect a withholding allowance certificate making such an election; ``(E) the standard deduction allowable to such employee (one-half of such standard deduction in the case of an employee who is married (as determined under section 7703) and whose spouse is an employee receiving wages subject to withholding); and ``(F) whether the employee has withholding allowance certificates in effect with respect to more than 1 employer. ``(2) Allowance certificates.-- ``(A) On commencement of employment.--On or before the date of the commencement of employment with an employer, the employee shall furnish the employer with a signed withholding allowance certificate relating to the withholding allowance claimed by the employee, which shall in no event exceed the amount to which the employee is entitled. ``(B) Change of status.--If, on any day during the ***calendar*** ***year***, an employee's withholding allowance is in excess of the withholding allowance to which the employee would be entitled had the employee submitted a true and accurate withholding allowance certificate to the employer on that day, the employee shall within 10 days thereafter furnish the employer with a new withholding allowance certificate. If, on any day during the ***calendar*** ***year***, an employee's withholding allowance is greater than the withholding allowance claimed, the employee may furnish the employer with a new withholding allowance certificate relating to the withholding allowance to which the employee is so entitled, which shall in no event exceed the amount to which the employee is entitled on such day. ``(C) Change of status which affects next ***calendar*** ***year***.-- If on any day during the ***calendar*** ***year*** the withholding allowance to which the employee will be, or may reasonably be expected to be, entitled at the beginning of the employee's next taxable ***year*** under subtitle A is different from the allowance to which the employee is entitled on such day, the employee shall, in such cases and at such times as the Secretary shall by regulations prescribe, furnish the employer with a withholding allowance certificate relating to the withholding allowance which the employee claims with respect to such next taxable ***year***, which shall in no event exceed the withholding allowance to which the employee will be, or may reasonably be expected to be, so entitled.''. (C) Subsections (b)(1), (b)(2), (f)(3), (f)(4), (f)(5), (f)(7) (including the heading thereof), (g)(4), (l)(1), (l)(2), and (n) of section 3402 are each amended by striking ``exemption'' each place it appears and inserting ``allowance''. (D) The heading of section 3402(f) is amended by striking ``Exemptions'' and inserting ``Allowance''. (E) Section 3402(m) is amended by striking ``additional withholding allowances or additional reductions in withholding under this subsection. In determining the number of additional withholding allowances'' and inserting ``an additional withholding allowance or additional reductions in withholding under this subsection. In determining the additional withholding allowance''. (F) Paragraphs (3) and (4) of section 3405(a) (and the heading for such paragraph (4)) are each amended by striking ``exemption'' each place it appears and inserting ``allowance''. (G) Section 3405(a)(4) is amended by striking ``shall be determined'' and all that follows through ``3 withholding exemptions'' and inserting ``shall be determined under rules prescribed by the Secretary''. (d) Exception for Determining Property Exempt From Levy.-- Section 6334(d) is amended by adding at the end the following new paragraph: ``(4) ***Years*** when personal exemption amount is zero.-- ``(A) In general.--In the case of any taxable ***year*** in which the exemption amount under section 151(d) is zero, paragraph (2) shall not apply and for purposes of paragraph (1) the term `exempt amount' means an amount equal to-- ``(i) the sum of the amount determined under subparagraph (B) and the standard deduction, divided by ``(ii) 52. ``(B) Amount determined.--For purposes of subparagraph (A), the amount determined under this subparagraph is $4,150 multiplied by the number of the taxpayer's dependents for the taxable ***year*** in which the levy occurs. ``(C) Inflation adjustment.--In the case of any taxable ***year*** beginning in a ***calendar*** ***year*** after 2018, the $4,150 amount in subparagraph (B) shall be increased by an amount equal to-- ``(i) such dollar amount, multiplied by ``(ii) the cost-of-living adjustment determined under section 1(f)(3) for the ***calendar*** ***year*** in which the taxable ***year*** begins, determined by substituting `2017' for `2016' in subparagraph (A)(ii) thereof. If any increase determined under the preceding sentence is not a multiple of $100, such increase shall be rounded to the next lowest multiple of $100. ``(D) Verified statement.--Unless the taxpayer submits to the Secretary a written and properly verified statement specifying the facts necessary to determine the proper amount under subparagraph (A), subparagraph (A) shall be applied as if the taxpayer were a married individual filing a separate return with no dependents.''. (e) Persons Required to Make Returns of Income.--Section 6012 is amended by adding at the end the following new subsection: ``(f) Special Rule for Taxable ***Years*** 2018 Through 2025.--In the case of a taxable ***year*** beginning after December 31, 2017, and before January 1, 2026, subsection (a)(1) shall not apply, and every individual who has gross income for the taxable ***year*** shall be required to make returns with respect to income taxes under subtitle A, except that a return shall not be required of-- ``(1) an individual who is not married (determined by applying section 7703) and who has gross income for the taxable ***year*** which does not exceed the standard deduction applicable to such individual for such taxable ***year*** under section 63, or ``(2) an individual entitled to make a joint return if-- ``(A) the gross income of such individual, when combined with the gross income of such individual's spouse, for the taxable ***year*** does not exceed the standard deduction which would be applicable to the taxpayer for such taxable ***year*** under section 63 if such individual and such individual's spouse made a joint return, ``(B) such individual and such individual's spouse have the same household as their home at the close of the taxable ***year***, ``(C) such individual's spouse does not make a separate return, and ``(D) neither such individual nor such individual's spouse is an individual described in section 63(c)(5) who has income (other than earned income) in excess of the amount in effect under section 63(c)(5)(A).''. (f) Effective Date.-- (1) In general.--Except as provided in paragraph (2), the amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. (2) Wage withholding.--The Secretary of the Treasury may administer section 3402 for taxable ***years*** beginning before January 1, 2019, without regard to the amendments made by subsections (a) and (c). SEC. 11042. LIMITATION ON DEDUCTION FOR STATE AND LOCAL, ETC. TAXES. (a) In General.--Subsection (b) of section 164 is amended by adding at the end the following new paragraph: ``(6) Limitation on individual deductions for taxable ***years*** 2018 through 2025.--In the case of an individual and a taxable ***year*** beginning after December 31, 2017, and before January 1, 2026-- ``(A) foreign real property taxes shall not be taken into account under subsection (a)(1), and ``(B) the aggregate amount of taxes taken into account under paragraphs (1), (2), and (3) of subsection (a) and paragraph (5) of this subsection for any taxable ***year*** shall not exceed $10,000 ($5,000 in the case of a married individual filing a separate return). [[Page H10270]] The preceding sentence shall not apply to any foreign taxes described in subsection (a)(3) or to any taxes described in paragraph (1) and (2) of subsection (a) which are paid or accrued in carrying on a trade or business or an activity described in section 212. For purposes of subparagraph (B), an amount paid in a taxable ***year*** beginning before January 1, 2018, with respect to a State or local income tax imposed for a taxable ***year*** beginning after December 31, 2017, shall be treated as paid on the last day of the taxable ***year*** for which such tax is so imposed.''. (b) Effective Date.--The amendment made by this section shall apply to taxable ***years*** beginning after December 31, 2016. SEC. 11043. LIMITATION ON DEDUCTION FOR QUALIFIED RESIDENCE INTEREST. (a) In General.--Section 163(h)(3) is amended by adding at the end the following new subparagraph: ``(F) Special rules for taxable ***years*** 2018 through 2025.-- ``(i) In general.--In the case of taxable ***years*** beginning after December 31, 2017, and before January 1, 2026-- ``(I) Disallowance of home equity indebtedness interest.-- Subparagraph (A)(ii) shall not apply. ``(II) Limitation on acquisition indebtedness.-- Subparagraph (B)(ii) shall be applied by substituting `$750,000 ($375,000' for `$1,000,000 ($500,000'. ``(III) Treatment of indebtedness incurred on or before december 15, 2017.--Subclause (II) shall not apply to any indebtedness incurred on or before December 15, 2017, and, in applying such subclause to any indebtedness incurred after such date, the limitation under such subclause shall be reduced (but not below zero) by the amount of any indebtedness incurred on or before December 15, 2017, which is treated as acquisition indebtedness for purposes of this subsection for the taxable ***year***. ``(IV) Binding contract exception.--In the case of a taxpayer who enters into a written binding contract before December 15, 2017, to close on the purchase of a principal residence before January 1, 2018, and who purchases such residence before April 1, 2018, subclause (III) shall be applied by substituting `April 1, 2018' for `December 15, 2017'. ``(ii) Treatment of limitation in taxable ***years*** after december 31, 2025.--In the case of taxable ***years*** beginning after December 31, 2025, the limitation under subparagraph (B)(ii) shall be applied to the aggregate amount of indebtedness of the taxpayer described in subparagraph (B)(i) without regard to the taxable ***year*** in which the indebtedness was incurred. ``(iii) Treatment of refinancings of indebtedness.-- ``(I) In general.--In the case of any indebtedness which is incurred to refinance indebtedness, such refinanced indebtedness shall be treated for purposes of clause (i)(III) as incurred on the date that the original indebtedness was incurred to the extent the amount of the indebtedness resulting from such refinancing does not exceed the amount of the refinanced indebtedness. ``(II) Limitation on period of refinancing.--Subclause (I) shall not apply to any indebtedness after the expiration of the term of the original indebtedness or, if the principal of such original indebtedness is not amortized over its term, the expiration of the term of the 1st refinancing of such indebtedness (or if earlier, the date which is 30 ***years*** after the date of such 1st refinancing). ``(iv) Coordination with exclusion of income from discharge of indebtedness.--Section 108(h)(2) shall be applied without regard to this subparagraph.''. (b) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 11044. MODIFICATION OF DEDUCTION FOR PERSONAL CASUALTY LOSSES. (a) In General.--Subsection (h) of section 165 is amended by adding at the end the following new paragraph: ``(5) Limitation for taxable ***years*** 2018 through 2025.-- ``(A) In general.--In the case of an individual, except as provided in subparagraph (B), any personal casualty loss which (but for this paragraph) would be deductible in a taxable ***year*** beginning after December 31, 2017, and before January 1, 2026, shall be allowed as a deduction under subsection (a) only to the extent it is attributable to a Federally declared disaster (as defined in subsection (i)(5)). ``(B) Exception related to personal casualty gains.--If a taxpayer has personal casualty gains for any taxable ***year*** to which subparagraph (A) applies-- ``(i) subparagraph (A) shall not apply to the portion of the personal casualty loss not attributable to a Federally declared disaster (as so defined) to the extent such loss does not exceed such gains, and ``(ii) in applying paragraph (2) for purposes of subparagraph (A) to the portion of personal casualty loss which is so attributable to such a disaster, the amount of personal casualty gains taken into account under paragraph (2)(A) shall be reduced by the portion of such gains taken into account under clause (i).''. (b) Effective Date.--The amendment made by this section shall apply to losses incurred in taxable ***years*** beginning after December 31, 2017. SEC. 11045. SUSPENSION OF MISCELLANEOUS ITEMIZED DEDUCTIONS. (a) In General.--Section 67 is amended by adding at the end the following new subsection: ``(g) Suspension for Taxable ***Years*** 2018 Through 2025.-- Notwithstanding subsection (a), no miscellaneous itemized deduction shall be allowed for any taxable ***year*** beginning after December 31, 2017, and before January 1, 2026.''. (b) Effective Date.--The amendment made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 11046. SUSPENSION OF OVERALL LIMITATION ON ITEMIZED DEDUCTIONS. (a) In General.--Section 68 is amended by adding at the end the following new subsection: ``(f) Section Not to Apply.--This section shall not apply to any taxable ***year*** beginning after December 31, 2017, and before January 1, 2026.''. (b) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 11047. SUSPENSION OF EXCLUSION FOR QUALIFIED BICYCLE COMMUTING REIMBURSEMENT. (a) In General.--Section 132(f) is amended by adding at the end the following new paragraph: ``(8) Suspension of qualified bicycle commuting reimbursement exclusion.--Paragraph (1)(D) shall not apply to any taxable ***year*** beginning after December 31, 2017, and before January 1, 2026.''. (b) Effective Date.--The amendment made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 11048. SUSPENSION OF EXCLUSION FOR QUALIFIED MOVING EXPENSE REIMBURSEMENT. (a) In General.--Section 132(g) is amended-- (1) by striking ``For purposes of this section, the term'' and inserting ``For purposes of this section-- ``(1) In general.--The term'', and (2) by adding at the end the following new paragraph: ``(2) Suspension for taxable ***years*** 2018 through 2025.-- Except in the case of a member of the Armed Forces of the United States on active duty who moves pursuant to a military order and incident to a permanent change of station, subsection (a)(6) shall not apply to any taxable ***year*** beginning after December 31, 2017, and before January 1, 2026.''. (b) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 11049. SUSPENSION OF DEDUCTION FOR MOVING EXPENSES. (a) In General.--Section 217 is amended by adding at the end the following new subsection: ``(k) Suspension of Deduction for Taxable ***Years*** 2018 Through 2025.--Except in the case of an individual to whom subsection (g) applies, this section shall not apply to any taxable ***year*** beginning after December 31, 2017, and before January 1, 2026.''. (b) Effective Date.--The amendment made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 11050. LIMITATION ON WAGERING LOSSES. (a) In General.--Section 165(d) is amended by adding at the end the following: ``For purposes of the preceding sentence, in the case of taxable ***years*** beginning after December 31, 2017, and before January 1, 2026, the term `losses from wagering transactions' includes any deduction otherwise allowable under this chapter incurred in carrying on any wagering transaction.''. (b) Effective Date.--The amendment made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 11051. REPEAL OF DEDUCTION FOR ALIMONY ***PAYMENTS***. (a) In General.--Part VII of subchapter B is amended by striking by striking section 215 (and by striking the item relating to such section in the table of sections for such subpart). (b) Conforming Amendments.-- (1) Corresponding repeal of provisions providing for inclusion of alimony in gross income.-- (A) Subsection (a) of section 61 is amended by striking paragraph (8) and by redesignating paragraphs (9) through (15) as paragraphs (8) through (14), respectively. (B) Part II of subchapter B of chapter 1 is amended by striking section 71 (and by striking the item relating to such section in the table of sections for such part). (C) Subpart F of part I of subchapter J of chapter 1 is amended by striking section 682 (and by striking the item relating to such section in the table of sections for such subpart). (2) Related to repeal of section 215.-- (A) Section 62(a) is amended by striking paragraph (10). (B) Section 3402(m)(1) is amended by striking ``(other than paragraph (10) thereof)''. (C) Section 6724(d)(3) is amended by striking subparagraph (C) and by redesignating subparagraph (D) as subparagraph (C). (3) Related to repeal of section 71.-- (A) Section 121(d)(3) is amended-- (i) by striking ``(as defined in section 71(b)(2))'' in subparagraph (B), and (ii) by adding at the end the following new subparagraph: ``(C) Divorce or separation instrument.--For purposes of this paragraph, the term `divorce or separation instrument' means-- ``(i) a decree of divorce or separate maintenance or a written instrument incident to such a decree, ``(ii) a written separation agreement, or ``(iii) a decree (not described in clause (i)) requiring a spouse to make ***payments*** for the support or maintenance of the other spouse.''. (B) Section 152(d)(5) is amended to read as follows: ``(5) Special rules for support.-- ``(A) In general.--For purposes of this subsection-- ``(i) ***payments*** to a spouse of alimony or separate maintenance ***payments*** shall not be treated as a ***payment*** by the payor spouse for the support of any dependent, and ``(ii) in the case of the remarriage of a parent, support of a child received from the parent's spouse shall be treated as received from the parent. [[Page H10271]] ``(B) Alimony or separate maintenance ***payment***.--For purposes of subparagraph (A), the term `alimony or separate maintenance ***payment***' means any ***payment*** in cash if-- ``(i) such ***payment*** is received by (or on behalf of) a spouse under a divorce or separation instrument (as defined in section 121(d)(3)(C)), ``(ii) in the case of an individual legally separated from the individual's spouse under a decree of divorce or of separate maintenance, the payee spouse and the payor spouse are not members of the same household at the time such ***payment*** is made, and ``(iii) there is no liability to make any such ***payment*** for any period after the death of the payee spouse and there is no liability to make any ***payment*** (in cash or property) as a substitute for such ***payments*** after the death of the payee spouse.''. (C) Section 219(f)(1) is amended by striking the third sentence. (D) Section 220(f)(7) is amended by striking ``subparagraph (A) of section 71(b)(2)'' and inserting ``clause (i) of section 121(d)(3)(C)''. (E) Section 223(f)(7) is amended by striking ``subparagraph (A) of section 71(b)(2)'' and inserting ``clause (i) of section 121(d)(3)(C)''. (F) Section 382(l)(3)(B)(iii) is amended by striking ``section 71(b)(2)'' and inserting ``section 121(d)(3)(C)''. (G) Section 408(d)(6) is amended by striking ``subparagraph (A) of section 71(b)(2)'' and inserting ``clause (i) of section 121(d)(3)(C)''. (4) Additional conforming amendments.--Section 7701(a)(17) is amended-- (A) by striking ``sections 682 and 2516'' and inserting ``section 2516'', and (B) by striking ``such sections'' each place it appears and inserting ``such section''. (c) Effective Date.--The amendments made by this section shall apply to-- (1) any divorce or separation instrument (as defined in section 71(b)(2) of the Internal Revenue Code of 1986 as in effect before the date of the enactment of this Act) executed after December 31, 2018, and (2) any divorce or separation instrument (as so defined) executed on or before such date and modified after such date if the modification expressly provides that the amendments made by this section apply to such modification. PART VI--INCREASE IN ESTATE AND GIFT TAX EXEMPTION SEC. 11061. INCREASE IN ESTATE AND GIFT TAX EXEMPTION. (a) In General.--Section 2010(c)(3) is amended by adding at the end the following new subparagraph: ``(C) Increase in basic exclusion amount.--In the case of estates of decedents dying or gifts made after December 31, 2017, and before January 1, 2026, subparagraph (A) shall be applied by substituting `$10,000,000' for `$5,000,000'.''. (b) Conforming Amendment.--Subsection (g) of section 2001 is amended to read as follows: ``(g) Modifications to Tax Payable.-- ``(1) Modifications to gift tax payable to reflect different tax rates.--For purposes of applying subsection (b)(2) with respect to 1 or more gifts, the rates of tax under subsection (c) in effect at the decedent's death shall, in lieu of the rates of tax in effect at the time of such gifts, be used both to compute-- ``(A) the tax imposed by chapter 12 with respect to such gifts, and ``(B) the credit allowed against such tax under section 2505, including in computing-- ``(i) the applicable credit amount under section 2505(a)(1), and ``(ii) the sum of the amounts allowed as a credit for all preceding periods under section 2505(a)(2). ``(2) Modifications to estate tax payable to reflect different basic exclusion amounts.--The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out this section with respect to any difference between-- ``(A) the basic exclusion amount under section 2010(c)(3) applicable at the time of the decedent's death, and ``(B) the basic exclusion amount under such section applicable with respect to any gifts made by the decedent.''. (c) Effective Date.--The amendments made by this section shall apply to estates of decedents dying and gifts made after December 31, 2017. PART VII--EXTENSION OF TIME LIMIT FOR CONTESTING IRS LEVY SEC. 11071. EXTENSION OF TIME LIMIT FOR CONTESTING IRS LEVY. (a) Extension of Time for Return of Property Subject to Levy.--Subsection (b) of section 6343 is amended by striking ``9 months'' and inserting ``2 ***years***''. (b) Period of Limitation on Suits.--Subsection (c) of section 6532 is amended-- (1) by striking ``9 months'' in paragraph (1) and inserting ``2 ***years***'', and (2) by striking ``9-month'' in paragraph (2) and inserting ``2-***year***''. (c) Effective Date.--The amendments made by this section shall apply to-- (1) levies made after the date of the enactment of this Act, and (2) levies made on or before such date if the 9-month period has not expired under section 6343(b) of the Internal Revenue Code of 1986 (without regard to this section) as of such date. PART VIII--INDIVIDUAL MANDATE SEC. 11081. ELIMINATION OF SHARED RESPONSIBILITY ***PAYMENT*** FOR INDIVIDUALS FAILING TO MAINTAIN MINIMUM ESSENTIAL COVERAGE. (a) In General.--Section 5000A(c) is amended-- (1) in paragraph (2)(B)(iii), by striking ``2.5 percent'' and inserting ``Zero percent'', and (2) in paragraph (3)-- (A) by striking ``$695'' in subparagraph (A) and inserting ``$0'', and (B) by striking subparagraph (D). (b) Effective Date.--The amendments made by this section shall apply to months beginning after December 31, 2018. Subtitle B--Alternative Minimum Tax SEC. 12001. REPEAL OF TAX FOR CORPORATIONS. (a) In General.--Section 55(a) is amended by striking ``There'' and inserting ``In the case of a taxpayer other than a corporation, there''. (b) Conforming Amendments.-- (1) Section 38(c)(6) is amended by adding at the end the following new subparagraph: ``(E) Corporations.--In the case of a corporation, this subsection shall be applied by treating the corporation as having a tentative minimum tax of zero.''. (2) Section 53(d)(2) is amended by inserting ``, except that in the case of a corporation, the tentative minimum tax shall be treated as zero'' before the period at the end. (3)(A) Section 55(b)(1) is amended to read as follows: ``(1) Amount of tentative tax.-- ``(A) In general.--The tentative minimum tax for the taxable ***year*** is the sum of-- ``(i) 26 percent of so much of the taxable excess as does not exceed $175,000, plus ``(ii) 28 percent of so much of the taxable excess as exceeds $175,000. The amount determined under the preceding sentence shall be reduced by the alternative minimum tax foreign tax credit for the taxable ***year***. ``(B) Taxable excess.--For purposes of this subsection, the term `taxable excess' means so much of the alternative minimum taxable income for the taxable ***year*** as exceeds the exemption amount. ``(C) Married individual filing separate return.--In the case of a married individual filing a separate return, subparagraph (A) shall be applied by substituting 50 percent of the dollar amount otherwise applicable under clause (i) and clause (ii) thereof. For purposes of the preceding sentence, marital status shall be determined under section 7703.''. (B) Section 55(b)(3) is amended by striking ``paragraph (1)(A)(i)'' and inserting ``paragraph (1)(A)''. (C) Section 59(a) is amended-- (i) by striking ``subparagraph (A)(i) or (B)(i) of section 55(b)(1) (whichever applies) in lieu of the highest rate of tax specified in section 1 or 11 (whichever applies)'' in paragraph (1)(C) and inserting ``section 55(b)(1) in lieu of the highest rate of tax specified in section 1'', and (ii) in paragraph (2), by striking ``means'' and all that follows and inserting ``means the amount determined under the first sentence of section 55(b)(1)(A).''. (D) Section 897(a)(2)(A) is amended by striking ``section 55(b)(1)(A)'' and inserting ``section 55(b)(1)''. (E) Section 911(f) is amended-- (i) in paragraph (1)(B)-- (I) by striking ``section 55(b)(1)(A)(ii)'' and inserting ``section 55(b)(1)(B)'', and (II) by striking ``section 55(b)(1)(A)(i)'' and inserting ``section 55(b)(1)(A)'', and (ii) in paragraph (2)(B), by striking ``section 55(b)(1)(A)(ii)'' each place it appears and inserting ``section 55(b)(1)(B)''. (4) Section 55(c)(1) is amended by striking ``, the section 936 credit allowable under section 27(b), and the Puerto Rico economic activity credit under section 30A''. (5) Section 55(d), as amended by section 11002, is amended-- (A) by striking paragraph (2) and redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively, (B) in paragraph (2) (as so redesignated), by inserting ``and'' at the end of subparagraph (B), by striking ``, and'' at the end of subparagraph (C) and inserting a period, and by striking subparagraph (D), and (C) in paragraph (3) (as so redesignated)-- (i) by striking ``(b)(1)(A)(i)'' in subparagraph (B)(i) and inserting ``(b)(1)(A)'', and (ii) by striking ``paragraph (3)'' in subparagraph (B)(iii) and inserting ``paragraph (2)''. (6) Section 55 is amended by striking subsection (e). (7) Section 56(b)(2) is amended by striking subparagraph (C) and by redesignating subparagraph (D) as subparagraph (C). (8)(A) Section 56 is amended by striking subsections (c) and (g). (B) Section 847 is amended by striking the last sentence of paragraph (9). (C) Section 848 is amended by striking subsection (i). (9) Section 58(a) is amended by striking paragraph (3) and redesignating paragraph (4) as paragraph (3). (10) Section 59 is amended by striking subsections (b) and (f). (11) Section 11(d) is amended by striking ``the taxes imposed by subsection (a) and section 55'' and inserting ``the tax imposed by subsection (a)''. (12) Section 12 is amended by striking paragraph (7). (13) Section 168(k) is amended by striking paragraph (4). (14) Section 882(a)(1) is amended by striking ``, 55,''. (15) Section 962(a)(1) is amended by striking ``sections 11 and 55'' and inserting ``section 11''. (16) Section 1561(a) is amended-- (A) by inserting ``and'' at the end of paragraph (1), by striking ``, and'' at the end of paragraph (2) and inserting a period, and by striking paragraph (3), and (B) by striking the last sentence. (17) Section 6425(c)(1)(A) is amended to read as follows: ``(A) the tax imposed by section 11 or 1201(a), or subchapter L of chapter 1, whichever is applicable, over''. [[Page H10272]] (18) Section 6655(e)(2) is amended by striking ``and alternative minimum taxable income'' each place it appears in subparagraphs (A) and (B)(i). (19) Section 6655(g)(1)(A) is amended by inserting ``plus'' at the end of clause (i), by striking clause (ii), and by redesignating clause (iii) as clause (ii). (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 12002. CREDIT FOR PRIOR ***YEAR*** MINIMUM TAX LIABILITY OF CORPORATIONS. (a) Credits Treated as Refundable.--Section 53 is amended by adding at the end the following new subsection: ``(e) Portion of Credit Treated as Refundable.-- ``(1) In general.--In the case of any taxable ***year*** of a corporation beginning in 2018, 2019, 2020, or 2021, the limitation under subsection (c) shall be increased by the AMT refundable credit amount for such ***year***. ``(2) AMT refundable credit amount.--For purposes of paragraph (1), the AMT refundable credit amount is an amount equal to 50 percent (100 percent in the case of a taxable ***year*** beginning in 2021) of the excess (if any) of-- ``(A) the minimum tax credit determined under subsection (b) for the taxable ***year***, over ``(B) the minimum tax credit allowed under subsection (a) for such ***year*** (before the application of this subsection for such ***year***). ``(3) Credit refundable.--For purposes of this title (other than this section), the credit allowed by reason of this subsection shall be treated as a credit allowed under subpart C (and not this subpart). ``(4) Short taxable ***years***.--In the case of any taxable ***year*** of less than 365 days, the AMT refundable credit amount determined under paragraph (2) with respect to such taxable ***year*** shall be the amount which bears the same ratio to such amount determined without regard to this paragraph as the number of days in such taxable ***year*** bears to 365.''. (b) Treatment of References.--Section 53(d) is amended by adding at the end the following new paragraph: ``(3) AMT term references.--In the case of a corporation, any references in this subsection to section 55, 56, or 57 shall be treated as a reference to such section as in effect before the amendments made by Tax Cuts and Jobs Act.''. (c) Conforming Amendment.--Section 1374(b)(3)(B) is amended by striking the last sentence thereof. (d) Effective Date.-- (1) In general.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. (2) Conforming amendment.--The amendment made by subsection (c) shall apply to taxable ***years*** beginning after December 31, 2021. SEC. 12003. INCREASED EXEMPTION FOR INDIVIDUALS. (a) In General.--Section 55(d), as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraph: ``(4) Special rule for taxable ***years*** beginning after 2017 and before 2026.-- ``(A) In general.--In the case of any taxable ***year*** beginning after December 31, 2017, and before January 1, 2026-- ``(i) paragraph (1) shall be applied-- ``(I) by substituting `$109,400' for `$78,750' in subparagraph (A), and ``(II) by substituting `$70,300' for `$50,600' in subparagraph (B), and ``(ii) paragraph (2) shall be applied-- ``(I) by substituting `$1,000,000' for `$150,000' in subparagraph (A), ``(II) by substituting `50 percent of the dollar amount applicable under subparagraph (A)' for `$112,500' in subparagraph (B), and ``(III) in the case of a taxpayer described in paragraph (1)(D), without regard to the substitution under subclause (I). ``(B) Inflation adjustment.-- ``(i) In general.--In the case of any taxable ***year*** beginning in a ***calendar*** ***year*** after 2018, the amounts described in clause (ii) shall each be increased by an amount equal to-- ``(I) such dollar amount, multiplied by ``(II) the cost-of-living adjustment determined under section 1(f)(3) for the ***calendar*** ***year*** in which the taxable ***year*** begins, determined by substituting `***calendar*** ***year*** 2017' for `***calendar*** ***year*** 2016' in subparagraph (A)(ii) thereof. ``(ii) Amounts described.--The amounts described in this clause are the $109,400 amount in subparagraph (A)(i)(I), the $70,300 amount in subparagraph (A)(i)(II), and the $1,000,000 amount in subparagraph (A)(ii)(I). ``(iii) Rounding.--Any increased amount determined under clause (i) shall be rounded to the nearest multiple of $100. ``(iv) Coordination with current adjustments.--In the case of any taxable ***year*** to which subparagraph (A) applies, no adjustment shall be made under paragraph (3) to any of the numbers which are substituted under subparagraph (A) and adjusted under this subparagraph.''. (b) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. Subtitle C--Business-related Provisions PART I--CORPORATE PROVISIONS SEC. 13001. 21-PERCENT CORPORATE TAX RATE. (a) In General.--Subsection (b) of section 11 is amended to read as follows: ``(b) Amount of Tax.--The amount of the tax imposed by subsection (a) shall be 21 percent of taxable income.''. (b) Conforming Amendments.-- (1) The following sections are each amended by striking ``section 11(b)(1)'' and inserting ``section 11(b)'': (A) Section 280C(c)(3)(B)(ii)(II). (B) Paragraphs (2)(B) and (6)(A)(ii) of section 860E(e). (C) Section 7874(e)(1)(B). (2)(A) Part I of subchapter P of chapter 1 is amended by striking section 1201 (and by striking the item relating to such section in the table of sections for such part). (B) Section 12 is amended by striking paragraphs (4) and (6), and by redesignating paragraph (5) as paragraph (4). (C) Section 453A(c)(3) is amended by striking ``or 1201 (whichever is appropriate)''. (D) Section 527(b) is amended-- (i) by striking paragraph (2), and (ii) by striking all that precedes ``is hereby imposed'' and inserting: ``(b) Tax Imposed.--A tax''. (E) Sections 594(a) is amended by striking ``taxes imposed by section 11 or 1201(a)'' and inserting ``tax imposed by section 11''. (F) Section 691(c)(4) is amended by striking ``1201,''. (G) Section 801(a) is amended-- (i) by striking paragraph (2), and (ii) by striking all that precedes ``is hereby imposed'' and inserting: ``(a) Tax Imposed.--A tax''. (H) Section 831(e) is amended by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively. (I) Sections 832(c)(5) and 834(b)(1)(D) are each amended by striking ``sec. 1201 and following,''. (J) Section 852(b)(3)(A) is amended by striking ``section 1201(a)'' and inserting ``section 11(b)''. (K) Section 857(b)(3) is amended-- (i) by striking subparagraph (A) and redesignating subparagraphs (B) through (F) as subparagraphs (A) through (E), respectively, (ii) in subparagraph (C), as so redesignated-- (I) by striking ``subparagraph (A)(ii)'' in clause (i) thereof and inserting ``paragraph (1)'', (II) by striking ``the tax imposed by subparagraph (A)(ii)'' in clauses (ii) and (iv) thereof and inserting ``the tax imposed by paragraph (1) on undistributed capital gain'', (iii) in subparagraph (E), as so redesignated, by striking ``subparagraph (B) or (D)'' and inserting ``subparagraph (A) or (C)'', and (iv) by adding at the end the following new subparagraph: ``(F) Undistributed capital gain.--For purposes of this paragraph, the term `undistributed capital gain' means the excess of the net capital gain over the deduction for dividends paid (as defined in section 561) determined with reference to capital gain dividends only.''. (L) Section 882(a)(1), as amended by section 12001, is further amended by striking ``or 1201(a)''. (M) Section 904(b) is amended-- (i) by striking ``or 1201(a)'' in paragraph (2)(C), (ii) by striking paragraph (3)(D) and inserting the following: ``(D) Capital gain rate differential.--There is a capital gain rate differential for any ***year*** if subsection (h) of section 1 applies to such taxable ***year***.'', and (iii) by striking paragraph (3)(E) and inserting the following: ``(E) Rate differential portion.--The rate differential portion of foreign source net capital gain, net capital gain, or the excess of net capital gain from sources within the United States over net capital gain, as the case may be, is the same proportion of such amount as-- ``(i) the excess of-- ``(I) the highest rate of tax set forth in subsection (a), (b), (c), (d), or (e) of section 1 (whichever applies), over ``(II) the alternative rate of tax determined under section 1(h), bears to ``(ii) that rate referred to in subclause (I).''. (N) Section 1374(b) is amended by striking paragraph (4). (O) Section 1381(b) is amended by striking ``taxes imposed by section 11 or 1201'' and inserting ``tax imposed by section 11''. (P) Sections 6425(c)(1)(A), as amended by section 12001, and 6655(g)(1)(A)(i) are each amended by striking ``or 1201(a),''. (Q) Section 7518(g)(6)(A) is amended by striking ``or 1201(a)''. (3)(A) Section 1445(e)(1) is amended-- (i) by striking ``35 percent'' and inserting ``the highest rate of tax in effect for the taxable ***year*** under section 11(b)'', and (ii) by striking ``of the gain'' and inserting ``multiplied by the gain''. (B) Section 1445(e)(2) is amended by striking ``35 percent of the amount'' and inserting ``the highest rate of tax in effect for the taxable ***year*** under section 11(b) multiplied by the amount''. (C) Section 1445(e)(6) is amended-- (i) by striking ``35 percent'' and inserting ``the highest rate of tax in effect for the taxable ***year*** under section 11(b)'', and (ii) by striking ``of the amount'' and inserting ``multiplied by the amount''. (D) Section 1446(b)(2)(B) is amended by striking ``section 11(b)(1)'' and inserting ``section 11(b)''. (4) Section 852(b)(1) is amended by striking the last sentence. (5)(A) Part I of subchapter B of chapter 5 is amended by striking section 1551 (and by striking the item relating to such section in the table of sections for such part). (B) Section 535(c)(5) is amended to read as follows: ``(5) Cross reference.--For limitation on credit provided in paragraph (2) or (3) in the case of certain controlled corporations, see section 1561.''. (6)(A) Section 1561, as amended by section 12001, is amended to read as follows: ``SEC. 1561. LIMITATION ON ACCUMULATED EARNINGS CREDIT IN THE CASE OF CERTAIN CONTROLLED CORPORATIONS. ``(a) In General.--The component members of a controlled group of corporations on a December 31 shall, for their taxable ***years*** which include such December 31, be limited for purposes [[Page H10273]] of this subtitle to one $250,000 ($150,000 if any component member is a corporation described in section 535(c)(2)(B)) amount for purposes of computing the accumulated earnings credit under section 535(c)(2) and (3). Such amount shall be divided equally among the component members of such group on such December 31 unless the Secretary prescribes regulations permitting an unequal allocation of such amount. ``(b) Certain Short Taxable ***Years***.--If a corporation has a short taxable ***year*** which does not include a December 31 and is a component member of a controlled group of corporations with respect to such taxable ***year***, then for purposes of this subtitle, the amount to be used in computing the accumulated earnings credit under section 535(c)(2) and (3) of such corporation for such taxable ***year*** shall be the amount specified in subsection (a) with respect to such group, divided by the number of corporations which are component members of such group on the last day of such taxable ***year***. For purposes of the preceding sentence, section 1563(b) shall be applied as if such last day were substituted for December 31.''. (B) The table of sections for part II of subchapter B of chapter 5 is amended by striking the item relating to section 1561 and inserting the following new item: ``Sec. 1561. Limitation on accumulated earnings credit in the case of certain controlled corporations.''. (7) Section 7518(g)(6)(A) is amended-- (A) by striking ``With respect to the portion'' and inserting ``In the case of a taxpayer other than a corporation, with respect to the portion'', and (B) by striking ``(34 percent in the case of a corporation)''. (c) Effective Date.-- (1) In general.--Except as otherwise provided in this subsection, the amendments made by subsections (a) and (b) shall apply to taxable ***years*** beginning after December 31, 2017. (2) Withholding.--The amendments made by subsection (b)(3) shall apply to distributions made after December 31, 2017. (3) Certain ***transfers***.--The amendments made by subsection (b)(6) shall apply to ***transfers*** made after December 31, 2017. (d) Normalization Requirements.-- (1) In general.--A normalization method of accounting shall not be treated as being used with respect to any public utility property for purposes of section 167 or 168 of the Internal Revenue Code of 1986 if the taxpayer, in computing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, reduces the excess tax reserve more rapidly or to a greater extent than such reserve would be reduced under the average rate assumption method. (2) Alternative method for certain taxpayers.--If, as of the first day of the taxable ***year*** that includes the date of enactment of this Act-- (A) the taxpayer was required by a regulatory agency to compute depreciation for public utility property on the basis of an average life or composite rate method, and (B) the taxpayer's books and underlying records did not contain the vintage account data necessary to apply the average rate assumption method, the taxpayer will be treated as using a normalization method of accounting if, with respect to such jurisdiction, the taxpayer uses the alternative method for public utility property that is subject to the regulatory authority of that jurisdiction. (3) Definitions.--For purposes of this subsection-- (A) Excess tax reserve.--The term ``excess tax reserve'' means the excess of-- (i) the reserve for deferred taxes (as described in section 168(i)(9)(A)(ii) of the Internal Revenue Code of 1986) as of the day before the corporate rate reductions provided in the amendments made by this section take effect, over (ii) the amount which would be the balance in such reserve if the amount of such reserve were determined by assuming that the corporate rate reductions provided in this Act were in effect for all prior periods. (B) Average rate assumption method.--The average rate assumption method is the method under which the excess in the reserve for deferred taxes is reduced over the remaining lives of the property as used in its regulated books of account which gave rise to the reserve for deferred taxes. Under such method, during the time period in which the timing differences for the property reverse, the amount of the adjustment to the reserve for the deferred taxes is calculated by multiplying-- (i) the ratio of the aggregate deferred taxes for the property to the aggregate timing differences for the property as of the beginning of the period in question, by (ii) the amount of the timing differences which reverse during such period. (C) Alternative method.--The ``alternative method'' is the method in which the taxpayer-- (i) computes the excess tax reserve on all public utility property included in the plant account on the basis of the weighted average life or composite rate used to compute depreciation for regulatory purposes, and (ii) reduces the excess tax reserve ratably over the remaining regulatory life of the property. (4) Tax increased for normalization violation.--If, for any taxable ***year*** ending after the date of the enactment of this Act, the taxpayer does not use a normalization method of accounting for the corporate rate reductions provided in the amendments made by this section-- (A) the taxpayer's tax for the taxable ***year*** shall be increased by the amount by which it reduces its excess tax reserve more rapidly than permitted under a normalization method of accounting, and (B) such taxpayer shall not be treated as using a normalization method of accounting for purposes of subsections (f)(2) and (i)(9)(C) of section 168 of the Internal Revenue Code of 1986. SEC. 13002. REDUCTION IN DIVIDEND RECEIVED DEDUCTIONS TO REFLECT LOWER CORPORATE INCOME TAX RATES. (a) Dividends Received by Corporations.-- (1) In general.--Section 243(a)(1) is amended by striking ``70 percent'' and inserting ``50 percent''. (2) Dividends from 20-percent owned corporations.--Section 243(c)(1) is amended-- (A) by striking ``80 percent'' and inserting ``65 percent'', and (B) by striking ``70 percent'' and inserting ``50 percent''. (3) Conforming amendment.--The heading for section 243(c) is amended by striking ``Retention of 80-percent Dividend Received Deduction'' and inserting ``Increased Percentage''. (b) Dividends Received From FSC.--Section 245(c)(1)(B) is amended-- (1) by striking ``70 percent'' and inserting ``50 percent'', and (2) by striking ``80 percent'' and inserting ``65 percent''. (c) Limitation on Aggregate Amount of Deductions.--Section 246(b)(3) is amended-- (1) by striking ``80 percent'' in subparagraph (A) and inserting ``65 percent'', and (2) by striking ``70 percent'' in subparagraph (B) and inserting ``50 percent''. (d) Reduction in Deduction Where Portfolio Stock Is Debt- financed.--Section 246A(a)(1) is amended-- (1) by striking ``70 percent'' and inserting ``50 percent'', and (2) by striking ``80 percent'' and inserting ``65 percent''. (e) Income From Sources Within the United States.--Section 861(a)(2) is amended-- (1) by striking ``100/70th'' and inserting ``100/50th'' in subparagraph (B), and (2) in the flush sentence at the end-- (A) by striking ``100/80th'' and inserting ``100/65th'', and (B) by striking ``100/70th'' and inserting ``100/50th''. (f) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. PART II--SMALL BUSINESS REFORMS SEC. 13101. MODIFICATIONS OF RULES FOR EXPENSING DEPRECIABLE BUSINESS ASSETS. (a) Increase in Limitation.-- (1) Dollar limitation.--Section 179(b)(1) is amended by striking ``$500,000'' and inserting ``$1,000,000''. (2) Reduction in limitation.--Section 179(b)(2) is amended by striking ``$2,000,000'' and inserting ``$2,500,000''. (3) Inflation adjustments.-- (A) In general.--Subparagraph (A) of section 179(b)(6), as amended by section 11002(d), is amended-- (i) by striking ``2015'' and inserting ``2018'', and (ii) in clause (ii), by striking ``***calendar*** ***year*** 2014'' and inserting ``***calendar*** ***year*** 2017''. (B) Sport utility vehicles.--Section 179(b)(6) is amended-- (i) in subparagraph (A), by striking ``paragraphs (1) and (2)'' and inserting ``paragraphs (1), (2), and (5)(A)'', and (ii) in subparagraph (B), by inserting ``($100 in the case of any increase in the amount under paragraph (5)(A))'' after ``$10,000''. (b) Section 179 Property To Include Qualified Real Property.-- (1) In general.--Subparagraph (B) of section 179(d)(1) is amended to read as follows: ``(B) which is-- ``(i) section 1245 property (as defined in section 1245(a)(3)), or ``(ii) at the election of the taxpayer, qualified real property (as defined in subsection (f)), and''. (2) Qualified real property defined.--Subsection (f) of section 179 is amended to read as follows: ``(f) Qualified Real Property.--For purposes of this section, the term `qualified real property' means-- ``(1) any qualified improvement property described in section 168(e)(6), and ``(2) any of the following improvements to nonresidential real property placed in service after the date such property was first placed in service: ``(A) Roofs. ``(B) Heating, ventilation, and air-conditioning property. ``(C) Fire protection and alarm systems. ``(D) Security systems.''. (c) Repeal of Exclusion for Certain Property.--The last sentence of section 179(d)(1) is amended by inserting ``(other than paragraph (2) thereof)'' after ``section 50(b)''. (d) Effective Date.--The amendments made by this section shall apply to property placed in service in taxable ***years*** beginning after December 31, 2017. SEC. 13102. SMALL BUSINESS ACCOUNTING METHOD REFORM AND SIMPLIFICATION. (a) Modification of Limitation on Cash Method of Accounting.-- (1) Increased limitation.--So much of section 448(c) as precedes paragraph (2) is amended to read as follows: ``(c) Gross Receipts Test.--For purposes of this section-- ``(1) In general.--A corporation or partnership meets the gross receipts test of this subsection for any taxable ***year*** if the average annual gross receipts of such entity for the 3-taxable-***year*** period ending with the taxable ***year*** which precedes such taxable ***year*** does not exceed $25,000,000.''. (2) Application of exception on annual basis.--Section 448(b)(3) is amended to read as follows: [[Page H10274]] ``(3) Entities which meet gross receipts test.--Paragraphs (1) and (2) of subsection (a) shall not apply to any corporation or partnership for any taxable ***year*** if such entity (or any predecessor) meets the gross receipts test of subsection (c) for such taxable ***year***.''. (3) Inflation adjustment.--Section 448(c) is amended by adding at the end the following new paragraph: ``(4) Adjustment for inflation.--In the case of any taxable ***year*** beginning after December 31, 2018, the dollar amount in paragraph (1) shall be increased by an amount equal to-- ``(A) such dollar amount, multiplied by ``(B) the cost-of-living adjustment determined under section 1(f)(3) for the ***calendar*** ***year*** in which the taxable ***year*** begins, by substituting `***calendar*** ***year*** 2017' for `***calendar*** ***year*** 2016' in subparagraph (A)(ii) thereof. If any amount as increased under the preceding sentence is not a multiple of $1,000,000, such amount shall be rounded to the nearest multiple of $1,000,000.''. (4) Coordination with section 481.--Section 448(d)(7) is amended to read as follows: ``(7) Coordination with section 481.--Any change in method of accounting made pursuant to this section shall be treated for purposes of section 481 as initiated by the taxpayer and made with the consent of the Secretary.''. (5) Application of exception to corporations engaged in farming.-- (A) In general.--Section 447(c) is amended-- (i) by inserting ``for any taxable ***year***'' after ``not being a corporation'' in the matter preceding paragraph (1), and (ii) by amending paragraph (2) to read as follows: ``(2) a corporation which meets the gross receipts test of section 448(c) for such taxable ***year***.''. (B) Coordination with section 481.--Section 447(f) is amended to read as follows: ``(f) Coordination With Section 481.--Any change in method of accounting made pursuant to this section shall be treated for purposes of section 481 as initiated by the taxpayer and made with the consent of the Secretary.''. (C) Conforming amendments.--Section 447 is amended-- (i) by striking subsections (d), (e), (h), and (i), and (ii) by redesignating subsections (f) and (g) (as amended by subparagraph (B)) as subsections (d) and (e), respectively. (b) Exemption From UNICAP Requirements.-- (1) In general.--Section 263A is amended by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following new subsection: ``(i) Exemption for Certain Small Businesses.-- ``(1) In general.--In the case of any taxpayer (other than a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 448(a)(3)) which meets the gross receipts test of section 448(c) for any taxable ***year***, this section shall not apply with respect to such taxpayer for such taxable ***year***. ``(2) Application of gross receipts test to individuals, etc.--In the case of any taxpayer which is not a corporation or a partnership, the gross receipts test of section 448(c) shall be applied in the same manner as if each trade or business of such taxpayer were a corporation or partnership. ``(3) Coordination with section 481.--Any change in method of accounting made pursuant to this subsection shall be treated for purposes of section 481 as initiated by the taxpayer and made with the consent of the Secretary.''. (2) Conforming amendment.--Section 263A(b)(2) is amended to read as follows: ``(2) Property acquired for resale.--Real or personal property described in section 1221(a)(1) which is acquired by the taxpayer for resale.''. (c) Exemption From Inventories.--Section 471 is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection: ``(c) Exemption for Certain Small Businesses.-- ``(1) In general.--In the case of any taxpayer (other than a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 448(a)(3)) which meets the gross receipts test of section 448(c) for any taxable ***year***-- ``(A) subsection (a) shall not apply with respect to such taxpayer for such taxable ***year***, and ``(B) the taxpayer's method of accounting for inventory for such taxable ***year*** shall not be treated as failing to clearly reflect income if such method either-- ``(i) treats inventory as non-incidental materials and supplies, or ``(ii) conforms to such taxpayer's method of accounting reflected in an applicable financial statement of the taxpayer with respect to such taxable ***year*** or, if the taxpayer does not have any applicable financial statement with respect to such taxable ***year***, the books and records of the taxpayer prepared in accordance with the taxpayer's accounting procedures. ``(2) Applicable financial statement.--For purposes of this subsection, the term `applicable financial statement' has the meaning given the term in section 451(b)(3). ``(3) Application of gross receipts test to individuals, etc.--In the case of any taxpayer which is not a corporation or a partnership, the gross receipts test of section 448(c) shall be applied in the same manner as if each trade or business of such taxpayer were a corporation or partnership. ``(4) Coordination with section 481.--Any change in method of accounting made pursuant to this subsection shall be treated for purposes of section 481 as initiated by the taxpayer and made with the consent of the Secretary.''. (d) Exemption From Percentage Completion for Long-term Contracts.-- (1) In general.--Section 460(e)(1)(B) is amended-- (A) by inserting ``(other than a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 448(a)(3))'' after ``taxpayer'' in the matter preceding clause (i), and (B) by amending clause (ii) to read as follows: ``(ii) who meets the gross receipts test of section 448(c) for the taxable ***year*** in which such contract is entered into.''. (2) Conforming amendments.--Section 460(e) is amended by striking paragraphs (2) and (3), by redesignating paragraphs (4), (5), and (6) as paragraphs (3), (4), and (5), respectively, and by inserting after paragraph (1) the following new paragraph: ``(2) Rules related to gross receipts test.-- ``(A) Application of gross receipts test to individuals, etc.--For purposes of paragraph (1)(B)(ii), in the case of any taxpayer which is not a corporation or a partnership, the gross receipts test of section 448(c) shall be applied in the same manner as if each trade or business of such taxpayer were a corporation or partnership. ``(B) Coordination with section 481.--Any change in method of accounting made pursuant to paragraph (1)(B)(ii) shall be treated as initiated by the taxpayer and made with the consent of the Secretary. Such change shall be effected on a cut-off basis for all similarly classified contracts entered into on or after the ***year*** of change.''. (e) Effective Date.-- (1) In general.--Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. (2) Preservation of suspense account rules with respect to any existing suspense accounts.--So much of the amendments made by subsection (a)(5)(C) as relate to section 447(i) of the Internal Revenue Code of 1986 shall not apply with respect to any suspense account established under such section before the date of the enactment of this Act. (3) Exemption from percentage completion for long-term contracts.--The amendments made by subsection (d) shall apply to contracts entered into after December 31, 2017, in taxable ***years*** ending after such date. PART III--COST RECOVERY AND ACCOUNTING METHODS Subpart A--Cost Recovery SEC. 13201. TEMPORARY 100-PERCENT EXPENSING FOR CERTAIN BUSINESS ASSETS. (a) Increased Expensing.-- (1) In general.--Section 168(k) is amended-- (A) in paragraph (1)(A), by striking ``50 percent'' and inserting ``the applicable percentage'', and (B) in paragraph (5)(A)(i), by striking ``50 percent'' and inserting ``the applicable percentage''. (2) Applicable percentage.--Paragraph (6) of section 168(k) is amended to read as follows: ``(6) Applicable percentage.--For purposes of this subsection-- ``(A) In general.--Except as otherwise provided in this paragraph, the term `applicable percentage' means-- ``(i) in the case of property placed in service after September 27, 2017, and before January 1, 2023, 100 percent, ``(ii) in the case of property placed in service after December 31, 2022, and before January 1, 2024, 80 percent, ``(iii) in the case of property placed in service after December 31, 2023, and before January 1, 2025, 60 percent, ``(iv) in the case of property placed in service after December 31, 2024, and before January 1, 2026, 40 percent, and ``(v) in the case of property placed in service after December 31, 2025, and before January 1, 2027, 20 percent. ``(B) Rule for property with longer production periods.--In the case of property described in subparagraph (B) or (C) of paragraph (2), the term `applicable percentage' means-- ``(i) in the case of property placed in service after September 27, 2017, and before January 1, 2024, 100 percent, ``(ii) in the case of property placed in service after December 31, 2023, and before January 1, 2025, 80 percent, ``(iii) in the case of property placed in service after December 31, 2024, and before January 1, 2026, 60 percent, ``(iv) in the case of property placed in service after December 31, 2025, and before January 1, 2027, 40 percent, and ``(v) in the case of property placed in service after December 31, 2026, and before January 1, 2028, 20 percent. ``(C) Rule for plants bearing fruits and nuts.--In the case of a specified plant described in paragraph (5), the term `applicable percentage' means-- ``(i) in the case of a plant which is planted or grafted after September 27, 2017, and before January 1, 2023, 100 percent, ``(ii) in the case of a plant which is planted or grafted after December 31, 2022, and before January 1, 2024, 80 percent, ``(iii) in the case of a plant which is planted or grafted after December 31, 2023, and before January 1, 2025, 60 percent, ``(iv) in the case of a plant which is planted or grafted after December 31, 2024, and before January 1, 2026, 40 percent, and ``(v) in the case of a plant which is planted or grafted after December 31, 2025, and before January 1, 2027, 20 percent.''. (3) Conforming amendment.-- (A) Paragraph (5) of section 168(k) is amended by striking subparagraph (F). [[Page H10275]] (B) Section 168(k) is amended by adding at the end the following new paragraph: ``(8) Phase down.--In the case of qualified property acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer after September 27, 2017, paragraph (6) shall be applied by substituting for each percentage therein-- ``(A) `50 percent' in the case of-- ``(i) property placed in service before January 1, 2018, and ``(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2018, ``(B) `40 percent' in the case of-- ``(i) property placed in service in 2018 (other than property described in subparagraph (B) or (C) of paragraph (2)), and ``(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2019, ``(C) `30 percent' in the case of-- ``(i) property placed in service in 2019 (other than property described in subparagraph (B) or (C) of paragraph (2)), and ``(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2020, and ``(D) `0 percent' in the case of-- ``(i) property placed in service after 2019 (other than property described in subparagraph (B) or (C) of paragraph (2)), and ``(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service after 2020.''. (b) Extension.-- (1) In general.--Section 168(k) is amended-- (A) in paragraph (2)-- (i) in subparagraph (A)(iii), clauses (i)(III) and (ii) of subparagraph (B), and subparagraph (E)(i), by striking ``January 1, 2020'' each place it appears and inserting ``January 1, 2027'', and (ii) in subparagraph (B)-- (I) in clause (i)(II), by striking ``January 1, 2021'' and inserting ``January 1, 2028'', and (II) in the heading of clause (ii), by striking ``pre- january 1, 2020'' and inserting ``pre-january 1, 2027'', and (B) in paragraph (5)(A), by striking ``January 1, 2020'' and inserting ``January 1, 2027''. (2) Conforming amendments.-- (A) Clause (ii) of section 460(c)(6)(B) is amended by striking ``January 1, 2020 (January 1, 2021'' and inserting ``January 1, 2027 (January 1, 2028''. (B) The heading of section 168(k) is amended by striking ``Acquired After December 31, 2007, and Before January 1, 2020''. (c) Application to Used Property.-- (1) In general.--Section 168(k)(2)(A)(ii) is amended to read as follows: ``(ii) the original use of which begins with the taxpayer or the acquisition of which by the taxpayer meets the requirements of clause (ii) of subparagraph (E), and''. (2) Acquisition requirements.--Section 168(k)(2)(E)(ii) is amended to read as follows: ``(ii) Acquisition requirements.--An acquisition of property meets the requirements of this clause if-- ``(I) such property was not used by the taxpayer at any time prior to such acquisition, and ``(II) the acquisition of such property meets the requirements of paragraphs (2)(A), (2)(B), (2)(C), and (3) of section 179(d).'', (3) Anti-abuse rules.--Section 168(k)(2)(E) is further amended by amending clause (iii)(I) to read as follows: ``(I) property is used by a lessor of such property and such use is the lessor's first use of such property,''. (d) Exception for Certain Property.--Section 168(k), as amended by this section, is amended by adding at the end the following new paragraph: ``(9) Exception for certain property.--The term `qualified property' shall not include-- ``(A) any property which is primarily used in a trade or business described in clause (iv) of section 163(j)(7)(A), or ``(B) any property used in a trade or business that has had floor plan financing indebtedness (as defined in paragraph (9) of section 163(j)), if the floor plan financing interest related to such indebtedness was taken into account under paragraph (1)(C) of such section.''. (e) Special Rule.--Section 168(k), as amended by this section, is amended by adding at the end the following new paragraph: ``(10) Special rule for property placed in service during certain periods.-- ``(A) In general.--In the case of qualified property placed in service by the taxpayer during the first taxable ***year*** ending after September 27, 2017, if the taxpayer elects to have this paragraph apply for such taxable ***year***, paragraphs (1)(A) and (5)(A)(i) shall be applied by substituting `50 percent' for `the applicable percentage'. ``(B) Form of election.--Any election under this paragraph shall be made at such time and in such form and manner as the Secretary may prescribe.''. (f) Coordination With Section 280F.--Clause (iii) of section 168(k)(2)(F) is amended by striking ``placed in service by the taxpayer after December 31, 2017'' and inserting ``acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer after September 27, 2017''. (g) Qualified Film and Television and Live Theatrical Productions.-- (1) In general.--Clause (i) of section 168(k)(2)(A), as amended by section 13204, is amended-- (A) in subclause (II), by striking ``or'', (B) in subclause (III), by adding ``or'' after the comma, and (C) by adding at the end the following: ``(IV) which is a qualified film or television production (as defined in subsection (d) of section 181) for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (g) of such section or this subsection, or ``(V) which is a qualified live theatrical production (as defined in subsection (e) of section 181) for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (g) of such section or this subsection,''. (2) Production placed in service.--Paragraph (2) of section 168(k) is amended by adding at the end the following: ``(H) Production placed in service.--For purposes of subparagraph (A)-- ``(i) a qualified film or television production shall be considered to be placed in service at the time of initial release or broadcast, and ``(ii) a qualified live theatrical production shall be considered to be placed in service at the time of the initial live staged performance.''. (h) Effective Date.-- (1) In general.--Except as provided by paragraph (2), the amendments made by this section shall apply to property which-- (A) is acquired after September 27, 2017, and (B) is placed in service after such date. For purposes of the preceding sentence, property shall not be treated as acquired after the date on which a written binding contract is entered into for such acquisition. (2) Specified plants.--The amendments made by this section shall apply to specified plants planted or grafted after September 27, 2017. SEC. 13202. MODIFICATIONS TO DEPRECIATION LIMITATIONS ON LUXURY AUTOMOBILES AND PERSONAL USE PROPERTY. (a) Luxury Automobiles.-- (1) In general.--280F(a)(1)(A) is amended-- (A) in clause (i), by striking ``$2,560'' and inserting ``$10,000'', (B) in clause (ii), by striking ``$4,100'' and inserting ``$16,000'', (C) in clause (iii), by striking ``$2,450'' and inserting ``$9,600'', and (D) in clause (iv), by striking ``$1,475'' and inserting ``$5,760''. (2) Conforming amendments.-- (A) Clause (ii) of section 280F(a)(1)(B) is amended by striking ``$1,475'' in the text and heading and inserting ``$5,760''. (B) Paragraph (7) of section 280F(d) is amended-- (i) in subparagraph (A), by striking ``1988'' and inserting ``2018'', and (ii) in subparagraph (B)(i)(II), by striking ``1987'' and inserting ``2017''. (b) Removal of Computer Equipment From Listed Property.-- (1) In general.--Section 280F(d)(4)(A) is amended-- (A) by inserting ``and'' at the end of clause (iii), (B) by striking clause (iv), and (C) by redesignating clause (v) as clause (iv). (2) Conforming amendment.--Section 280F(d)(4) is amended by striking subparagraph (B) and by redesignating subparagraph (C) as subparagraph (B). (c) Effective Date.--The amendments made by this section shall apply to property placed in service after December 31, 2017, in taxable ***years*** ending after such date. SEC. 13203. MODIFICATIONS OF TREATMENT OF CERTAIN FARM PROPERTY. (a) Treatment of Certain Farm Property as 5-***Year*** Property.--Clause (vii) of section 168(e)(3)(B) is amended by striking ``after December 31, 2008, and which is placed in service before January 1, 2010'' and inserting ``after December 31, 2017''. (b) Repeal of Required Use of 150-Percent Declining Balance Method.--Section 168(b)(2) is amended by striking subparagraph (B) and by redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively. (c) Effective Date.--The amendments made by this section shall apply to property placed in service after December 31, 2017, in taxable ***years*** ending after such date. SEC. 13204. APPLICABLE RECOVERY PERIOD FOR REAL PROPERTY. (a) Improvements to Real Property.-- (1) Elimination of qualified leasehold improvement, qualified restaurant, and qualified retail improvement property.--Subsection (e) of section 168 is amended-- (A) in subparagraph (E) of paragraph (3)-- (i) by striking clauses (iv), (v), and (ix), (ii) in clause (vii), by inserting ``and'' at the end, (iii) in clause (viii), by striking ``, and'' and inserting a period, and (iv) by redesignating clauses (vi), (vii), and (viii), as so amended, as clauses (iv), (v), and (vi), respectively, and (B) by striking paragraphs (6), (7), and (8). (2) Application of straight line method to qualified improvement property.--Paragraph (3) of section 168(b) is amended-- (A) by striking subparagraphs (G), (H), and (I), and (B) by inserting after subparagraph (F) the following new subparagraph: ``(G) Qualified improvement property described in subsection (e)(6).''. (3) Alternative depreciation system.-- (A) Electing real property trade or business.--Subsection (g) of section 168 is amended-- (i) in paragraph (1)-- (I) in subparagraph (D), by striking ``and'' at the end, (II) in subparagraph (E), by inserting ``and'' at the end, and (III) by inserting after subparagraph (E) the following new subparagraph: ``(F) any property described in paragraph (8),'', and (ii) by adding at the end the following new paragraph: ``(8) Electing real property trade or business.--The property described in this paragraph shall consist of any nonresidential real property, residential rental property, and qualified [[Page H10276]] improvement property held by an electing real property trade or business (as defined in 163(j)(7)(B)).''. (B) Qualified improvement property.--The table contained in subparagraph (B) of section 168(g)(3) is amended-- (i) by inserting after the item relating to subparagraph (D)(ii) the following new item: ``(D)(v).........................................................20'' , and (ii) by striking the item relating to subparagraph (E)(iv) and all that follows through the item relating to subparagraph (E)(ix) and inserting the following: ``(E)(iv).........................................................20 (E)(v)............................................................30 (E)(vi).........................................................35''. (C) Applicable recovery period for residential rental property.--The table contained in subparagraph (C) of section 168(g)(2) is amended by striking clauses (iii) and (iv) and inserting the following: ``(iii) Residential rental property.........................30 ***years*** (iv) Nonresidential real property...........................40 ***years*** (v) Any railroad grading or tunnel bore or water utility p50 ***years***''. (4) Conforming amendments.-- (A) Clause (i) of section 168(k)(2)(A) is amended-- (i) in subclause (II), by inserting ``or'' after the comma, (ii) in subclause (III), by striking ``or'' at the end, and (iii) by striking subclause (IV). (B) Section 168 is amended-- (i) in subsection (e), as amended by paragraph (1)(B), by adding at the end the following: ``(6) Qualified improvement property.-- ``(A) In general.--The term `qualified improvement property' means any improvement to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the date such building was first placed in service. ``(B) Certain improvements not included.--Such term shall not include any improvement for which the expenditure is attributable to-- ``(i) the enlargement of the building, ``(ii) any elevator or escalator, or ``(iii) the internal structural framework of the building.'', and (ii) in subsection (k), by striking paragraph (3). (b) Effective Date.-- (1) In general.--Except as provided in paragraph (2), the amendments made by this section shall apply to property placed in service after December 31, 2017. (2) Amendments related to electing real property trade or business.--The amendments made by subsection (a)(3)(A) shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13205. USE OF ALTERNATIVE DEPRECIATION SYSTEM FOR ELECTING FARMING BUSINESSES. (a) In General.--Section 168(g)(1), as amended by section 13204, is amended by striking ``and'' at the end of subparagraph (E), by inserting ``and'' at the end of subparagraph (F), and by inserting after subparagraph (F) the following new subparagraph: ``(G) any property with a recovery period of 10 ***years*** or more which is held by an electing farming business (as defined in section 163(j)(7)(C)),''. (b) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13206. AMORTIZATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES. (a) In General.--Section 174 is amended to read as follows: ``SEC. 174. AMORTIZATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES. ``(a) In General.--In the case of a taxpayer's specified research or experimental expenditures for any taxable ***year***-- ``(1) except as provided in paragraph (2), no deduction shall be allowed for such expenditures, and ``(2) the taxpayer shall-- ``(A) charge such expenditures to capital account, and ``(B) be allowed an amortization deduction of such expenditures ratably over the 5-***year*** period (15-***year*** period in the case of any specified research or experimental expenditures which are attributable to foreign research (within the meaning of section 41(d)(4)(F))) beginning with the midpoint of the taxable ***year*** in which such expenditures are paid or incurred. ``(b) Specified Research or Experimental Expenditures.--For purposes of this section, the term `specified research or experimental expenditures' means, with respect to any taxable ***year***, research or experimental expenditures which are paid or incurred by the taxpayer during such taxable ***year*** in connection with the taxpayer's trade or business. ``(c) Special Rules.-- ``(1) Land and other property.--This section shall not apply to any expenditure for the acquisition or improvement of land, or for the acquisition or improvement of property to be used in connection with the research or experimentation and of a character which is subject to the allowance under section 167 (relating to allowance for depreciation, etc.) or section 611 (relating to allowance for depletion); but for purposes of this section allowances under section 167, and allowances under section 611, shall be considered as expenditures. ``(2) Exploration expenditures.--This section shall not apply to any expenditure paid or incurred for the purpose of ascertaining the existence, location, extent, or quality of any deposit of ore or other mineral (including oil and gas). ``(3) Software development.--For purposes of this section, any amount paid or incurred in connection with the development of any software shall be treated as a research or experimental expenditure. ``(d) Treatment Upon Disposition, Retirement, or Abandonment.--If any property with respect to which specified research or experimental expenditures are paid or incurred is disposed, retired, or abandoned during the period during which such expenditures are allowed as an amortization deduction under this section, no deduction shall be allowed with respect to such expenditures on account of such disposition, retirement, or abandonment and such amortization deduction shall continue with respect to such expenditures.''. (b) Change in Method of Accounting.--The amendments made by subsection (a) shall be treated as a change in method of accounting for purposes of section 481 of the Internal Revenue Code of 1986 and-- (1) such change shall be treated as initiated by the taxpayer, (2) such change shall be treated as made with the consent of the Secretary, and (3) such change shall be applied only on a cut-off basis for any research or experimental expenditures paid or incurred in taxable ***years*** beginning after December 31, 2021, and no adjustments under section 481(a) shall be made. (c) Clerical Amendment.--The table of sections for part VI of subchapter B of chapter 1 is amended by striking the item relating to section 174 and inserting the following new item: ``Sec. 174. Amortization of research and experimental expenditures.''. (d) Conforming Amendments.-- (1) Section 41(d)(1)(A) is amended by striking ``expenses under section 174'' and inserting ``specified research or experimental expenditures under section 174''. (2) Subsection (c) of section 280C is amended-- (A) by striking paragraph (1) and inserting the following: ``(1) In general.--If-- ``(A) the amount of the credit determined for the taxable ***year*** under section 41(a)(1), exceeds ``(B) the amount allowable as a deduction for such taxable ***year*** for qualified research expenses or basic research expenses, the amount chargeable to capital account for the taxable ***year*** for such expenses shall be reduced by the amount of such excess.'', (B) by striking paragraph (2), (C) by redesignating paragraphs (3) (as amended by this Act) and (4) as paragraphs (2) and (3), respectively, and (D) in paragraph (2), as redesignated by subparagraph (C), by striking ``paragraphs (1) and (2)'' and inserting ``paragraph (1)''. (e) Effective Date.--The amendments made by this section shall apply to amounts paid or incurred in taxable ***years*** beginning after December 31, 2021. SEC. 13207. EXPENSING OF CERTAIN COSTS OF REPLANTING CITRUS PLANTS LOST BY REASON OF CASUALTY. (a) In General.--Section 263A(d)(2) is amended by adding at the end the following new subparagraph: ``(C) Special temporary rule for citrus plants lost by reason of casualty.-- ``(i) In general.--In the case of the replanting of citrus plants, subparagraph (A) shall apply to amounts paid or incurred by a person (other than the taxpayer described in subparagraph (A)) if-- ``(I) the taxpayer described in subparagraph (A) has an equity interest of not less than 50 percent in the replanted citrus plants at all times during the taxable ***year*** in which such amounts were paid or incurred and such other person holds any part of the remaining equity interest, or ``(II) such other person acquired the entirety of such taxpayer's equity interest in the land on which the lost or damaged citrus plants were located at the time of such loss or damage, and the replanting is on such land. ``(ii) Termination.--Clause (i) shall not apply to any cost paid or incurred after the date which is 10 ***years*** after the date of the enactment of the Tax Cuts and Jobs Act.''. (b) Effective Date.--The amendment made by this section shall apply to costs paid or incurred after the date of the enactment of this Act. Subpart B--Accounting Methods SEC. 13221. CERTAIN SPECIAL RULES FOR TAXABLE ***YEAR*** OF INCLUSION. (a) Inclusion Not Later Than for Financial Accounting Purposes.--Section 451 is amended by redesignating subsections (b) through (i) as subsections (c) through (j), respectively, and by inserting after subsection (a) the following new subsection: ``(b) Inclusion Not Later Than for Financial Accounting Purposes.-- ``(1) Income taken into account in financial statement.-- ``(A) In general.--In the case of a taxpayer the taxable income of which is computed under an accrual method of accounting, the all events test with respect to any item of gross income (or portion thereof) shall not be treated as met any later than when such item (or portion thereof) is taken into account as revenue in-- ``(i) an applicable financial statement of the taxpayer, or ``(ii) such other financial statement as the Secretary may specify for purposes of this subsection. ``(B) Exception.--This paragraph shall not apply to-- ``(i) a taxpayer which does not have a financial statement described in clause (i) or (ii) of subparagraph (A) for a taxable ***year***, or ``(ii) any item of gross income in connection with a mortgage servicing contract. ``(C) All events test.--For purposes of this section, the all events test is met with respect to any item of gross income if all the events have [[Page H10277]] occurred which fix the right to receive such income and the amount of such income can be determined with reasonable accuracy. ``(2) Coordination with special methods of accounting.-- Paragraph (1) shall not apply with respect to any item of gross income for which the taxpayer uses a special method of accounting provided under any other provision of this chapter, other than any provision of part V of subchapter P (except as provided in clause (ii) of paragraph (1)(B)). ``(3) Applicable financial statement.--For purposes of this subsection, the term `applicable financial statement' means-- ``(A) a financial statement which is certified as being prepared in accordance with generally accepted accounting principles and which is-- ``(i) a 10-K (or successor form), or annual statement to shareholders, required to be filed by the taxpayer with the United States Securities and Exchange Commission, ``(ii) an audited financial statement of the taxpayer which is used for-- ``(I) credit purposes, ``(II) reporting to shareholders, partners, or other proprietors, or to beneficiaries, or ``(III) any other substantial nontax purpose, but only if there is no statement of the taxpayer described in clause (i), or ``(iii) filed by the taxpayer with any other Federal agency for purposes other than Federal tax purposes, but only if there is no statement of the taxpayer described in clause (i) or (ii), ``(B) a financial statement which is made on the basis of international financial reporting standards and is filed by the taxpayer with an agency of a foreign government which is equivalent to the United States Securities and Exchange Commission and which has reporting standards not less stringent than the standards required by such Commission, but only if there is no statement of the taxpayer described in subparagraph (A), or ``(C) a financial statement filed by the taxpayer with any other regulatory or governmental body specified by the Secretary, but only if there is no statement of the taxpayer described in subparagraph (A) or (B). ``(4) Allocation of transaction price.--For purposes of this subsection, in the case of a contract which contains multiple performance obligations, the allocation of the transaction price to each performance obligation shall be equal to the amount allocated to each performance obligation for purposes of including such item in revenue in the applicable financial statement of the taxpayer. ``(5) Group of entities.--For purposes of paragraph (1), if the financial results of a taxpayer are reported on the applicable financial statement (as defined in paragraph (3)) for a group of entities, such statement shall be treated as the applicable financial statement of the taxpayer.''. (b) Treatment of Advance ***Payments***.--Section 451, as amended by subsection (a), is amended by redesignating subsections (c) through (j) as subsections (d) through (k), respectively, and by inserting after subsection (b) the following new subsection: ``(c) Treatment of Advance ***Payments***.-- ``(1) In general.--A taxpayer which computes taxable income under the accrual method of accounting, and receives any advance ***payment*** during the taxable ***year***, shall-- ``(A) except as provided in subparagraph (B), include such advance ***payment*** in gross income for such taxable ***year***, or ``(B) if the taxpayer elects the application of this subparagraph with respect to the category of advance ***payments*** to which such advance ***payment*** belongs, the taxpayer shall-- ``(i) to the extent that any portion of such advance ***payment*** is required under subsection (b) to be included in gross income in the taxable ***year*** in which such ***payment*** is received, so include such portion, and ``(ii) include the remaining portion of such advance ***payment*** in gross income in the taxable ***year*** following the taxable ***year*** in which such ***payment*** is received. ``(2) Election.-- ``(A) In general.--Except as otherwise provided in this paragraph, the election under paragraph (1)(B) shall be made at such time, in such form and manner, and with respect to such categories of advance ***payments***, as the Secretary may provide. ``(B) Period to which election applies.--An election under paragraph (1)(B) shall be effective for the taxable ***year*** with respect to which it is first made and for all subsequent taxable ***years***, unless the taxpayer secures the consent of the Secretary to revoke such election. For purposes of this title, the computation of taxable income under an election made under paragraph (1)(B) shall be treated as a method of accounting. ``(3) Taxpayers ceasing to exist.--Except as otherwise provided by the Secretary, the election under paragraph (1)(B) shall not apply with respect to advance ***payments*** received by the taxpayer during a taxable ***year*** if such taxpayer ceases to exist during (or with the close of) such taxable ***year***. ``(4) Advance ***payment***.--For purposes of this subsection-- ``(A) In general.--The term `advance ***payment***' means any ***payment***-- ``(i) the full inclusion of which in the gross income of the taxpayer for the taxable ***year*** of receipt is a permissible method of accounting under this section (determined without regard to this subsection), ``(ii) any portion of which is included in revenue by the taxpayer in a financial statement described in clause (i) or (ii) of subsection (b)(1)(A) for a subsequent taxable ***year***, and ``(iii) which is for goods, services, or such other items as may be identified by the Secretary for purposes of this clause. ``(B) Exclusions.--Except as otherwise provided by the Secretary, such term shall not include-- ``(i) rent, ``(ii) insurance premiums governed by subchapter L, ``(iii) ***payments*** with respect to financial instruments, ``(iv) ***payments*** with respect to warranty or guarantee contracts under which a third party is the primary obligor, ``(v) ***payments*** subject to section 871(a), 881, 1441, or 1442, ``(vi) ***payments*** in property to which section 83 applies, and ``(vii) any other ***payment*** identified by the Secretary for purposes of this subparagraph. ``(C) Receipt.--For purposes of this subsection, an item of gross income is received by the taxpayer if it is actually or constructively received, or if it is due and payable to the taxpayer. ``(D) Allocation of transaction price.--For purposes of this subsection, rules similar to subsection (b)(4) shall apply.''. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. (d) Coordination With Section 481.-- (1) In general.--In the case of any qualified change in method of accounting for the taxpayer's first taxable ***year*** beginning after December 31, 2017-- (A) such change shall be treated as initiated by the taxpayer, and (B) such change shall be treated as made with the consent of the Secretary of the Treasury. (2) Qualified change in method of accounting.--For purposes of this subsection, the term ``qualified change in method of accounting'' means any change in method of accounting which-- (A) is required by the amendments made by this section, or (B) was prohibited under the Internal Revenue Code of 1986 prior to such amendments and is permitted under such Code after such amendments. (e) Special Rules for Original Issue Discount.-- Notwithstanding subsection (c), in the case of income from a debt instrument having original issue discount-- (1) the amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2018, and (2) the period for taking into account any adjustments under section 481 by reason of a qualified change in method of accounting (as defined in subsection (d)) shall be 6 ***years***. PART IV--BUSINESS-RELATED EXCLUSIONS AND DEDUCTIONS SEC. 13301. LIMITATION ON DEDUCTION FOR INTEREST. (a) In General.--Section 163(j) is amended to read as follows: ``(j) Limitation on Business Interest.-- ``(1) In general.--The amount allowed as a deduction under this chapter for any taxable ***year*** for business interest shall not exceed the sum of-- ``(A) the business interest income of such taxpayer for such taxable ***year***, ``(B) 30 percent of the adjusted taxable income of such taxpayer for such taxable ***year***, plus ``(C) the floor plan financing interest of such taxpayer for such taxable ***year***. The amount determined under subparagraph (B) shall not be less than zero. ``(2) Carryforward of disallowed business interest.--The amount of any business interest not allowed as a deduction for any taxable ***year*** by reason of paragraph (1) shall be treated as business interest paid or accrued in the succeeding taxable ***year***. ``(3) Exemption for certain small businesses.--In the case of any taxpayer (other than a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 448(a)(3)) which meets the gross receipts test of section 448(c) for any taxable ***year***, paragraph (1) shall not apply to such taxpayer for such taxable ***year***. In the case of any taxpayer which is not a corporation or a partnership, the gross receipts test of section 448(c) shall be applied in the same manner as if such taxpayer were a corporation or partnership. ``(4) Application to partnerships, etc.-- ``(A) In general.--In the case of any partnership-- ``(i) this subsection shall be applied at the partnership level and any deduction for business interest shall be taken into account in determining the non-separately stated taxable income or loss of the partnership, and ``(ii) the adjusted taxable income of each partner of such partnership-- ``(I) shall be determined without regard to such partner's distributive share of any items of income, gain, deduction, or loss of such partnership, and ``(II) shall be increased by such partner's distributive share of such partnership's excess taxable income. For purposes of clause (ii)(II), a partner's distributive share of partnership excess taxable income shall be determined in the same manner as the partner's distributive share of nonseparately stated taxable income or loss of the partnership. ``(B) Special rules for carryforwards.-- ``(i) In general.--The amount of any business interest not allowed as a deduction to a partnership for any taxable ***year*** by reason of paragraph (1) for any taxable ***year***-- ``(I) shall not be treated under paragraph (2) as business interest paid or accrued by the partnership in the succeeding taxable ***year***, and ``(II) shall, subject to clause (ii), be treated as excess business interest which is allocated to each partner in the same manner as the non-separately stated taxable income or loss of the partnership. ``(ii) Treatment of excess business interest allocated to partners.--If a partner is allocated any excess business interest from a partnership under clause (i) for any taxable ***year***-- [[Page H10278]] ``(I) such excess business interest shall be treated as business interest paid or accrued by the partner in the next succeeding taxable ***year*** in which the partner is allocated excess taxable income from such partnership, but only to the extent of such excess taxable income, and ``(II) any portion of such excess business interest remaining after the application of subclause (I) shall, subject to the limitations of subclause (I), be treated as business interest paid or accrued in succeeding taxable ***years***. For purposes of applying this paragraph, excess taxable income allocated to a partner from a partnership for any taxable ***year*** shall not be taken into account under paragraph (1)(A) with respect to any business interest other than excess business interest from the partnership until all such excess business interest for such taxable ***year*** and all preceding taxable ***years*** has been treated as paid or accrued under clause (ii). ``(iii) Basis adjustments.-- ``(I) In general.--The adjusted basis of a partner in a partnership interest shall be reduced (but not below zero) by the amount of excess business interest allocated to the partner under clause (i)(II). ``(II) Special rule for dispositions.--If a partner disposes of a partnership interest, the adjusted basis of the partner in the partnership interest shall be increased immediately before the disposition by the amount of the excess (if any) of the amount of the basis reduction under subclause (I) over the portion of any excess business interest allocated to the partner under clause (i)(II) which has previously been treated under clause (ii) as business interest paid or accrued by the partner. The preceding sentence shall also apply to ***transfers*** of the partnership interest (including by reason of death) in a transaction in which gain is not recognized in whole or in part. No deduction shall be allowed to the transferor or transferee under this chapter for any excess business interest resulting in a basis increase under this subclause. ``(C) Excess taxable income.--The term `excess taxable income' means, with respect to any partnership, the amount which bears the same ratio to the partnership's adjusted taxable income as-- ``(i) the excess (if any) of-- ``(I) the amount determined for the partnership under paragraph (1)(B), over ``(II) the amount (if any) by which the business interest of the partnership, reduced by the floor plan financing interest, exceeds the business interest income of the partnership, bears to ``(ii) the amount determined for the partnership under paragraph (1)(B). ``(D) Application to s corporations.--Rules similar to the rules of subparagraphs (A) and (C) shall apply with respect to any S corporation and its shareholders. ``(5) Business interest.--For purposes of this subsection, the term `business interest' means any interest paid or accrued on indebtedness properly allocable to a trade or business. Such term shall not include investment interest (within the meaning of subsection (d)). ``(6) Business interest income.--For purposes of this subsection, the term `business interest income' means the amount of interest includible in the gross income of the taxpayer for the taxable ***year*** which is properly allocable to a trade or business. Such term shall not include investment income (within the meaning of subsection (d)). ``(7) Trade or business.--For purposes of this subsection-- ``(A) In general.--The term `trade or business' shall not include-- ``(i) the trade or business of performing services as an employee, ``(ii) any electing real property trade or business, ``(iii) any electing farming business, or ``(iv) the trade or business of the furnishing or sale of-- ``(I) electrical energy, water, or sewage disposal services, ``(II) gas or steam through a local distribution system, or ``(III) transportation of gas or steam by pipeline, if the rates for such furnishing or sale, as the case may be, have been established or approved by a State or political subdivision thereof, by any agency or instrumentality of the United States, by a public service or public utility commission or other similar body of any State or political subdivision thereof, or by the governing or ratemaking body of an electric cooperative. ``(B) Electing real property trade or business.--For purposes of this paragraph, the term `electing real property trade or business' means any trade or business which is described in section 469(c)(7)(C) and which makes an election under this subparagraph. Any such election shall be made at such time and in such manner as the Secretary shall prescribe, and, once made, shall be irrevocable. ``(C) Electing farming business.--For purposes of this paragraph, the term `electing farming business' means-- ``(i) a farming business (as defined in section 263A(e)(4)) which makes an election under this subparagraph, or ``(ii) any trade or business of a specified ***agricultural*** or horticultural cooperative (as defined in section 199A(g)(2)) with respect to which the cooperative makes an election under this subparagraph. Any such election shall be made at such time and in such manner as the Secretary shall prescribe, and, once made, shall be irrevocable. ``(8) Adjusted taxable income.--For purposes of this subsection, the term `adjusted taxable income' means the taxable income of the taxpayer-- ``(A) computed without regard to-- ``(i) any item of income, gain, deduction, or loss which is not properly allocable to a trade or business, ``(ii) any business interest or business interest income, ``(iii) the amount of any net operating loss deduction under section 172, ``(iv) the amount of any deduction allowed under section 199A, and ``(v) in the case of taxable ***years*** beginning before January 1, 2022, any deduction allowable for depreciation, amortization, or depletion, and ``(B) computed with such other adjustments as provided by the Secretary. ``(9) Floor plan financing interest defined.--For purposes of this subsection-- ``(A) In general.--The term `floor plan financing interest' means interest paid or accrued on floor plan financing indebtedness. ``(B) Floor plan financing indebtedness.--The term `floor plan financing indebtedness' means indebtedness-- ``(i) used to finance the acquisition of motor vehicles held for sale or lease, and ``(ii) secured by the inventory so acquired. ``(C) Motor vehicle.--The term `motor vehicle' means a motor vehicle that is any of the following: ``(i) Any self-propelled vehicle designed for transporting persons or property on a public street, highway, or road. ``(ii) A boat. ``(iii) Farm machinery or equipment. ``(10) Cross references.-- ``(A) For requirement that an electing real property trade or business use the alternative depreciation system, see section 168(g)(1)(F). ``(B) For requirement that an electing farming business use the alternative depreciation system, see section 168(g)(1)(G).''. (b) Treatment of Carryforward of Disallowed Business Interest in Certain Corporate Acquisitions.-- (1) In general.--Section 381(c) is amended by inserting after paragraph (19) the following new paragraph: ``(20) Carryforward of disallowed business interest.--The carryover of disallowed business interest described in section 163(j)(2) to taxable ***years*** ending after the date of distribution or ***transfer***.''. (2) Application of limitation.--Section 382(d) is amended by adding at the end the following new paragraph: ``(3) Application to carryforward of disallowed interest.-- The term `pre-change loss' shall include any carryover of disallowed interest described in section 163(j)(2) under rules similar to the rules of paragraph (1).''. (3) Conforming amendment.--Section 382(k)(1) is amended by inserting after the first sentence the following: ``Such term shall include any corporation entitled to use a carryforward of disallowed interest described in section 381(c)(20).''. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13302. MODIFICATION OF NET OPERATING LOSS DEDUCTION. (a) Limitation on Deduction.-- (1) In general.--Section 172(a) is amended to read as follows: ``(a) Deduction Allowed.--There shall be allowed as a deduction for the taxable ***year*** an amount equal to the lesser of-- ``(1) the aggregate of the net operating loss carryovers to such ***year***, plus the net operating loss carrybacks to such ***year***, or ``(2) 80 percent of taxable income computed without regard to the deduction allowable under this section. For purposes of this subtitle, the term `net operating loss deduction' means the deduction allowed by this subsection.''. (2) Coordination of limitation with carrybacks and carryovers.--Section 172(b)(2) is amended by striking ``shall be computed--'' and all that follows and inserting ``shall-- ``(A) be computed with the modifications specified in subsection (d) other than paragraphs (1), (4), and (5) thereof, and by determining the amount of the net operating loss deduction without regard to the net operating loss for the loss ***year*** or for any taxable ***year*** thereafter, ``(B) not be considered to be less than zero, and ``(C) not exceed the amount determined under subsection (a)(2) for such prior taxable ***year***.''. (3) Conforming amendment.--Section 172(d)(6) is amended by striking ``and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting ``; and'', and by adding at the end the following new subparagraph: ``(C) subsection (a)(2) shall be applied by substituting `real estate investment trust taxable income (as defined in section 857(b)(2) but without regard to the deduction for dividends paid (as defined in section 561))' for `taxable income'.''. (b) Repeal of Net Operating Loss Carryback; Indefinite Carryforward.-- (1) In general.--Section 172(b)(1)(A) is amended-- (A) by striking ``shall be a net operating loss carryback to each of the 2 taxable ***years***'' in clause (i) and inserting ``except as otherwise provided in this paragraph, shall not be a net operating loss carryback to any taxable ***year***'', and (B) by striking ``to each of the 20 taxable ***years***'' in clause (ii) and inserting ``to each taxable ***year***''. (2) Conforming amendment.--Section 172(b)(1) is amended by striking subparagraphs (B) through (F). (c) Treatment of Farming Losses.-- (1) Allowance of carrybacks.--Section 172(b)(1), as amended by subsection (b)(2), is amended by adding at the end the following new subparagraph: ``(B) Farming losses.-- ``(i) In general.--In the case of any portion of a net operating loss for the taxable ***year*** which is a farming loss with respect to the taxpayer, such loss shall be a net operating loss [[Page H10279]] carryback to each of the 2 taxable ***years*** preceding the taxable ***year*** of such loss. ``(ii) Farming loss.--For purposes of this section, the term `farming loss' means the lesser of-- ``(I) the amount which would be the net operating loss for the taxable ***year*** if only income and deductions attributable to farming businesses (as defined in section 263A(e)(4)) are taken into account, or ``(II) the amount of the net operating loss for such taxable ***year***. ``(iii) Coordination with paragraph (2).--For purposes of applying paragraph (2), a farming loss for any taxable ***year*** shall be treated as a separate net operating loss for such taxable ***year*** to be taken into account after the remaining portion of the net operating loss for such taxable ***year***. ``(iv) Election.--Any taxpayer entitled to a 2-***year*** carryback under clause (i) from any loss ***year*** may elect not to have such clause apply to such loss ***year***. Such election shall be made in such manner as prescribed by the Secretary and shall be made by the due date (including extensions of time) for filing the taxpayer's return for the taxable ***year*** of the net operating loss. Such election, once made for any taxable ***year***, shall be irrevocable for such taxable ***year***.''. (2) Conforming amendments.-- (A) Section 172 is amended by striking subsections (f), (g), and (h), and by redesignating subsection (i) as subsection (f). (B) Section 537(b)(4) is amended by inserting ``(as in effect before the date of enactment of the Tax Cuts and Jobs Act)'' after ``as defined in section 172(f)''. (d) Treatment of Certain Insurance Losses.-- (1) Treatment of carryforwards and carrybacks.--Section 172(b)(1), as amended by subsections (b)(2) and (c)(1), is amended by adding at the end the following new subparagraph: ``(C) Insurance companies.--In the case of an insurance company (as defined in section 816(a)) other than a life insurance company, the net operating loss for any taxable ***year***-- ``(i) shall be a net operating loss carryback to each of the 2 taxable ***years*** preceding the taxable ***year*** of such loss, and ``(ii) shall be a net operating loss carryover to each of the 20 taxable ***years*** following the taxable ***year*** of the loss.''. (2) Exemption from limitation.--Section 172, as amended by subsection (c)(2)(A), is amended by redesignating subsection (f) as subsection (g) and inserting after subsection (e) the following new subsection: ``(f) Special Rule for Insurance Companies.--In the case of an insurance company (as defined in section 816(a)) other than a life insurance company-- ``(1) the amount of the deduction allowed under subsection (a) shall be the aggregate of the net operating loss carryovers to such ***year***, plus the net operating loss carrybacks to such ***year***, and ``(2) subparagraph (C) of subsection (b)(2) shall not apply.''. (e) Effective Date.-- (1) Net operating loss limitation.--The amendments made by subsections (a) and (d)(2) shall apply to losses arising in taxable ***years*** beginning after December 31, 2017. (2) Carryforwards and carrybacks.--The amendments made by subsections (b), (c), and (d)(1) shall apply to net operating losses arising in taxable ***years*** ending after December 31, 2017. SEC. 13303. LIKE-KIND EXCHANGES OF REAL PROPERTY. (a) In General.--Section 1031(a)(1) is amended by striking ``property'' each place it appears and inserting ``real property''. (b) Conforming Amendments.-- (1)(A) Paragraph (2) of section 1031(a) is amended to read as follows: ``(2) Exception for real property held for sale.--This subsection shall not apply to any exchange of real property held primarily for sale.''. (B) Section 1031 is amended by striking subsection (i). (2) Section 1031 is amended by striking subsection (e). (3) Section 1031, as amended by paragraph (2), is amended by inserting after subsection (d) the following new subsection: ``(e) Application to Certain Partnerships.--For purposes of this section, an interest in a partnership which has in effect a valid election under section 761(a) to be excluded from the application of all of subchapter K shall be treated as an interest in each of the assets of such partnership and not as an interest in a partnership.''. (4) Section 1031(h) is amended to read as follows: ``(h) Special Rules for Foreign Real Property.--Real property located in the United States and real property located outside the United States are not property of a like kind.''. (5) The heading of section 1031 is amended by striking ``property'' and inserting ``real property''. (6) The table of sections for part III of subchapter O of chapter 1 is amended by striking the item relating to section 1031 and inserting the following new item: ``Sec. 1031. Exchange of real property held for productive use or investment.''. (c) Effective Date.-- (1) In general.--Except as otherwise provided in this subsection, the amendments made by this section shall apply to exchanges completed after December 31, 2017. (2) Transition rule.--The amendments made by this section shall not apply to any exchange if-- (A) the property disposed of by the taxpayer in the exchange is disposed of on or before December 31 2017, or (B) the property received by the taxpayer in the exchange is received on or before December 31, 2017. SEC. 13304. LIMITATION ON DEDUCTION BY EMPLOYERS OF EXPENSES FOR FRINGE BENEFITS. (a) No Deduction Allowed for Entertainment Expenses.-- (1) In general.--Section 274(a) is amended-- (A) in paragraph (1)(A), by striking ``unless'' and all that follows through ``trade or business,'', (B) by striking the flush sentence at the end of paragraph (1), and (C) by striking paragraph (2)(C). (2) Conforming amendments.-- (A) Section 274(d) is amended-- (i) by striking paragraph (2) and redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively, and (ii) in the flush text following paragraph (3) (as so redesignated)-- (I) by striking ``, entertainment, amusement, recreation, or use of the facility or property,'' in item (B), and (II) by striking ``(D) the business relationship to the taxpayer of persons entertained, using the facility or property, or receiving the gift'' and inserting ``(D) the business relationship to the taxpayer of the person receiving the benefit'', (B) Section 274 is amended by striking subsection (l). (C) Section 274(n) is amended by striking ``and Entertainment'' in the heading. (D) Section 274(n)(1) is amended to read as follows: ``(1) In general.--The amount allowable as a deduction under this chapter for any expense for food or beverages shall not exceed 50 percent of the amount of such expense which would (but for this paragraph) be allowable as a deduction under this chapter.''. (E) Section 274(n)(2) is amended-- (i) in subparagraph (B), by striking ``in the case of an expense for food or beverages,'', (ii) by striking subparagraph (C) and redesignating subparagraphs (D) and (E) as subparagraphs (C) and (D), respectively, (iii) by striking ``of subparagraph (E)'' the last sentence and inserting ``of subparagraph (D)'', and (iv) by striking ``in subparagraph (D)'' in the last sentence and inserting ``in subparagraph (C)''. (F) Clause (iv) of section 7701(b)(5)(A) is amended to read as follows: ``(iv) a professional athlete who is temporarily in the United States to compete in a sports event-- ``(I) which is organized for the primary purpose of benefiting an organization which is described in section 501(c)(3) and exempt from tax under section 501(a), ``(II) all of the net proceeds of which are contributed to such organization, and, ``(III) which utilizes volunteers for substantially all of the work performed in carrying out such event.''. (b) Only 50 Percent of Expenses for Meals Provided on or Near Business Premises Allowed as Deduction.--Paragraph (2) of section 274(n), as amended by subsection (a), is amended-- (1) by striking subparagraph (B), (2) by redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively, (3) by striking ``of subparagraph (D)'' in the last sentence and inserting ``of subparagraph (C)'', and (4) by striking ``in subparagraph (C)'' in the last sentence and inserting ``in subparagraph (B)''. (c) Treatment of Transportation Benefits.--Section 274, as amended by subsection (a), is amended-- (1) in subsection (a)-- (A) in the heading, by striking ``or Recreation'' and inserting ``Recreation, or Qualified Transportation Fringes'', and (B) by adding at the end the following new paragraph: ``(4) Qualified transportation fringes.--No deduction shall be allowed under this chapter for the expense of any qualified transportation fringe (as defined in section 132(f)) provided to an employee of the taxpayer.'', and (2) by inserting after subsection (k) the following new subsection: ``(l) Transportation and Commuting Benefits.-- ``(1) In general.--No deduction shall be allowed under this chapter for any expense incurred for providing any transportation, or any ***payment*** or reimbursement, to an employee of the taxpayer in connection with travel between the employee's residence and place of employment, except as necessary for ensuring the safety of the employee. ``(2) Exception.--In the case of any qualified bicycle commuting reimbursement (as described in section 132(f)(5)(F)), this subsection shall not apply for any amounts paid or incurred after December 31, 2017, and before January 1, 2026.''. (d) Elimination of Deduction for Meals Provided at Convenience of Employer.--Section 274, as amended by subsection (c), is amended-- (1) by redesignating subsection (o) as subsection (p), and (2) by inserting after subsection (n) the following new subsection: ``(o) Meals Provided at Convenience of Employer.--No deduction shall be allowed under this chapter for-- ``(1) any expense for the operation of a facility described in section 132(e)(2), and any expense for food or beverages, including under section 132(e)(1), associated with such facility, or ``(2) any expense for meals described in section 119(a).''. [[Page H10280]] (e) Effective Date.-- (1) In general.--Except as provided in paragraph (2), the amendments made by this section shall apply to amounts incurred or paid after December 31, 2017. (2) Effective date for elimination of deduction for meals provided at convenience of employer.--The amendments made by subsection (d) shall apply to amounts incurred or paid after December 31, 2025. SEC. 13305. REPEAL OF DEDUCTION FOR INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES. (a) In General.--Part VI of subchapter B of chapter 1 is amended by striking section 199 (and by striking the item relating to such section in the table of sections for such part). (b) Conforming Amendments.-- (1) Sections 74(d)(2)(B), 86(b)(2)(A), 135(c)(4)(A), 137(b)(3)(A), 219(g)(3)(A)(ii), 221(b)(2)(C), 222(b)(2)(C), 246(b)(1), and 469(i)(3)(F)(iii) are each amended by striking ``199,''. (2) Section 170(b)(2)(D), as amended by subtitle A, is amended by striking clause (iv), and by redesignating clauses (v) and (vi) as clauses (iv) and (v). (3) Section 172(d) is amended by striking paragraph (7). (4) Section 613(a), as amended by section 11011, is amended by striking ``and without the deduction under section 199''. (5) Section 613A(d)(1), as amended by section 11011, is amended by striking subparagraph (B) and by redesignating subparagraphs (C), (D), (E), and (F) as subparagraphs (B), (C), (D), and (E), respectively. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13306. DENIAL OF DEDUCTION FOR CERTAIN FINES, PENALTIES, AND OTHER AMOUNTS. (a) Denial of Deduction.-- (1) In general.--Subsection (f) of section 162 is amended to read as follows: ``(f) Fines, Penalties, and Other Amounts.-- ``(1) In general.--Except as provided in the following paragraphs of this subsection, no deduction otherwise allowable shall be allowed under this chapter for any amount paid or incurred (whether by suit, agreement, or otherwise) to, or at the direction of, a government or governmental entity in relation to the violation of any law or the investigation or inquiry by such government or entity into the potential violation of any law. ``(2) Exception for amounts constituting restitution or paid to come into compliance with law.-- ``(A) In general.--Paragraph (1) shall not apply to any amount that-- ``(i) the taxpayer establishes-- ``(I) constitutes restitution (including remediation of property) for damage or harm which was or may be caused by the violation of any law or the potential violation of any law, or ``(II) is paid to come into compliance with any law which was violated or otherwise involved in the investigation or inquiry described in paragraph (1), ``(ii) is identified as restitution or as an amount paid to come into compliance with such law, as the case may be, in the court order or settlement agreement, and ``(iii) in the case of any amount of restitution for failure to pay any tax imposed under this title in the same manner as if such amount were such tax, would have been allowed as a deduction under this chapter if it had been timely paid. The identification under clause (ii) alone shall not be sufficient to make the establishment required under clause (i). ``(B) Limitation.--Subparagraph (A) shall not apply to any amount paid or incurred as reimbursement to the government or entity for the costs of any investigation or litigation. ``(3) Exception for amounts paid or incurred as the result of certain court orders.--Paragraph (1) shall not apply to any amount paid or incurred by reason of any order of a court in a suit in which no government or governmental entity is a party. ``(4) Exception for taxes due.--Paragraph (1) shall not apply to any amount paid or incurred as taxes due. ``(5) Treatment of certain nongovernmental regulatory entities.--For purposes of this subsection, the following nongovernmental entities shall be treated as governmental entities: ``(A) Any nongovernmental entity which exercises self- regulatory powers (including imposing sanctions) in connection with a qualified board or exchange (as defined in section 1256(g)(7)). ``(B) To the extent provided in regulations, any nongovernmental entity which exercises self-regulatory powers (including imposing sanctions) as part of performing an essential governmental function.''. (2) Effective date.--The amendment made by this subsection shall apply to amounts paid or incurred on or after the date of the enactment of this Act, except that such amendments shall not apply to amounts paid or incurred under any binding order or agreement entered into before such date. Such exception shall not apply to an order or agreement requiring court approval unless the approval was obtained before such date. (b) Reporting of Deductible Amounts.-- (1) In general.--Subpart B of part III of subchapter A of chapter 61 is amended by inserting after section 6050W the following new section: ``SEC. 6050X. INFORMATION WITH RESPECT TO CERTAIN FINES, PENALTIES, AND OTHER AMOUNTS. ``(a) Requirement of Reporting.-- ``(1) In general.--The appropriate official of any government or any entity described in section 162(f)(5) which is involved in a suit or agreement described in paragraph (2) shall make a return in such form as determined by the Secretary setting forth-- ``(A) the amount required to be paid as a result of the suit or agreement to which paragraph (1) of section 162(f) applies, ``(B) any amount required to be paid as a result of the suit or agreement which constitutes restitution or remediation of property, and ``(C) any amount required to be paid as a result of the suit or agreement for the purpose of coming into compliance with any law which was violated or involved in the investigation or inquiry. ``(2) Suit or agreement described.-- ``(A) In general.--A suit or agreement is described in this paragraph if-- ``(i) it is-- ``(I) a suit with respect to a violation of any law over which the government or entity has authority and with respect to which there has been a court order, or ``(II) an agreement which is entered into with respect to a violation of any law over which the government or entity has authority, or with respect to an investigation or inquiry by the government or entity into the potential violation of any law over which such government or entity has authority, and ``(ii) the aggregate amount involved in all court orders and agreements with respect to the violation, investigation, or inquiry is $600 or more. ``(B) Adjustment of reporting threshold.--The Secretary shall adjust the $600 amount in subparagraph (A)(ii) as necessary in order to ensure the efficient administration of the internal revenue laws. ``(3) Time of filing.--The return required under this subsection shall be filed at the time the agreement is entered into, as determined by the Secretary. ``(b) Statements to Be Furnished to Individuals Involved in the Settlement.--Every person required to make a return under subsection (a) shall furnish to each person who is a party to the suit or agreement a written statement showing-- ``(1) the name of the government or entity, and ``(2) the information supplied to the Secretary under subsection (a)(1). The written statement required under the preceding sentence shall be furnished to the person at the same time the government or entity provides the Secretary with the information required under subsection (a). ``(c) Appropriate Official Defined.--For purposes of this section, the term `appropriate official' means the officer or employee having control of the suit, investigation, or inquiry or the person appropriately designated for purposes of this section.''. (2) Conforming amendment.--The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6050W the following new item: ``Sec. 6050X. Information with respect to certain fines, penalties, and other amounts.''. (3) Effective date.--The amendments made by this subsection shall apply to amounts paid or incurred on or after the date of the enactment of this Act, except that such amendments shall not apply to amounts paid or incurred under any binding order or agreement entered into before such date. Such exception shall not apply to an order or agreement requiring court approval unless the approval was obtained before such date. SEC. 13307. DENIAL OF DEDUCTION FOR SETTLEMENTS SUBJECT TO NONDISCLOSURE AGREEMENTS PAID IN CONNECTION WITH SEXUAL HARASSMENT OR SEXUAL ABUSE. (a) Denial of Deduction.--Section 162 is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection: ``(q) ***Payments*** Related to Sexual Harassment and Sexual Abuse.--No deduction shall be allowed under this chapter for-- ``(1) any settlement or ***payment*** related to sexual harassment or sexual abuse if such settlement or ***payment*** is subject to a nondisclosure agreement, or ``(2) attorney's fees related to such a settlement or ***payment***.''. (b) Effective Date.--The amendments made by this section shall apply to amounts paid or incurred after the date of the enactment of this Act. SEC. 13308. REPEAL OF DEDUCTION FOR LOCAL LOBBYING EXPENSES. (a) In General.--Section 162(e) is amended by striking paragraphs (2) and (7) and by redesignating paragraphs (3), (4), (5), (6), and (8) as paragraphs (2), (3), (4), (5), and (6), respectively. (b) Conforming Amendment.--Section 6033(e)(1)(B)(ii) is amended by striking ``section 162(e)(5)(B)(ii)'' and inserting ``section 162(e)(4)(B)(ii)''. (c) Effective Date.--The amendments made by this section shall apply to amounts paid or incurred on or after the date of the enactment of this Act. SEC. 13309. RECHARACTERIZATION OF CERTAIN GAINS IN THE CASE OF PARTNERSHIP PROFITS INTERESTS HELD IN CONNECTION WITH PERFORMANCE OF INVESTMENT SERVICES. (a) In General.--Part IV of subchapter O of chapter 1 is amended-- (1) by redesignating section 1061 as section 1062, and (2) by inserting after section 1060 the following new section: ``SEC. 1061. PARTNERSHIP INTERESTS HELD IN CONNECTION WITH PERFORMANCE OF SERVICES. ``(a) In General.--If one or more applicable partnership interests are held by a taxpayer at [[Page H10281]] any time during the taxable ***year***, the excess (if any) of-- ``(1) the taxpayer's net long-term capital gain with respect to such interests for such taxable ***year***, over ``(2) the taxpayer's net long-term capital gain with respect to such interests for such taxable ***year*** computed by applying paragraphs (3) and (4) of sections 1222 by substituting `3 ***years***' for `1 ***year***', shall be treated as short-term capital gain, notwithstanding section 83 or any election in effect under section 83(b). ``(b) Special Rule.--To the extent provided by the Secretary, subsection (a) shall not apply to income or gain attributable to any asset not held for portfolio investment on behalf of third party investors. ``(c) Applicable Partnership Interest.--For purposes of this section-- ``(1) In general.--Except as provided in this paragraph or paragraph (4), the term `applicable partnership interest' means any interest in a partnership which, directly or indirectly, is ***transferred*** to (or is held by) the taxpayer in connection with the performance of substantial services by the taxpayer, or any other related person, in any applicable trade or business. The previous sentence shall not apply to an interest held by a person who is employed by another entity that is conducting a trade or business (other than an applicable trade or business) and only provides services to such other entity. ``(2) Applicable trade or business.--The term `applicable trade or business' means any activity conducted on a regular, continuous, and substantial basis which, regardless of whether the activity is conducted in one or more entities, consists, in whole or in part, of-- ``(A) raising or returning capital, and ``(B) either-- ``(i) investing in (or disposing of) specified assets (or identifying specified assets for such investing or disposition), or ``(ii) developing specified assets. ``(3) Specified asset.--The term `specified asset' means securities (as defined in section 475(c)(2) without regard to the last sentence thereof), commodities (as defined in section 475(e)(2)), real estate held for rental or investment, cash or cash equivalents, options or derivative contracts with respect to any of the foregoing, and an interest in a partnership to the extent of the partnership's proportionate interest in any of the foregoing. ``(4) Exceptions.--The term `applicable partnership interest' shall not include-- ``(A) any interest in a partnership directly or indirectly held by a corporation, or ``(B) any capital interest in the partnership which provides the taxpayer with a right to share in partnership capital commensurate with-- ``(i) the amount of capital contributed (determined at the time of receipt of such partnership interest), or ``(ii) the value of such interest subject to tax under section 83 upon the receipt or vesting of such interest. ``(5) Third party investor.--The term `third party investor' means a person who-- ``(A) holds an interest in the partnership which does not constitute property held in connection with an applicable trade or business; and ``(B) is not (and has not been) actively engaged, and is (and was) not related to a person so engaged, in (directly or indirectly) providing substantial services described in paragraph (1) for such partnership or any applicable trade or business. ``(d) ***Transfer*** of Applicable Partnership Interest to Related Person.-- ``(1) In general.--If a taxpayer ***transfers*** any applicable partnership interest, directly or indirectly, to a person related to the taxpayer, the taxpayer shall include in gross income (as short term capital gain) the excess (if any) of-- ``(A) so much of the taxpayer's long-term capital gains with respect to such interest for such taxable ***year*** attributable to the sale or exchange of any asset held for not more than 3 ***years*** as is allocable to such interest, over ``(B) any amount treated as short term capital gain under subsection (a) with respect to the ***transfer*** of such interest. ``(2) Related person.--For purposes of this paragraph, a person is related to the taxpayer if-- ``(A) the person is a member of the taxpayer's family within the meaning of section 318(a)(1), or ``(B) the person performed a service within the current ***calendar*** ***year*** or the preceding three ***calendar*** ***years*** in any applicable trade or business in which or for which the taxpayer performed a service. ``(e) Reporting.--The Secretary shall require such reporting (at the time and in the manner prescribed by the Secretary) as is necessary to carry out the purposes of this section. ``(f) Regulations.--The Secretary shall issue such regulations or other guidance as is necessary or appropriate to carry out the purposes of this section''. (b) Clerical Amendment.--The table of sections for part IV of subchapter O of chapter 1 is amended by striking the item relating to 1061 and inserting the following new items: ``Sec. 1061. Partnership interests held in connection with performance of services. ``Sec. 1062. Cross references.''. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13310. PROHIBITION ON CASH, GIFT CARDS, AND OTHER NON- TANGIBLE PERSONAL PROPERTY AS EMPLOYEE ACHIEVEMENT AWARDS. (a) In General.--Subparagraph (A) of section 274(j)(3) is amended-- (1) by striking ``The term'' and inserting the following: ``(i) In general.--The term''. (2) by redesignating clauses (i), (ii), and (iii) as subclauses (I), (II), and (III), respectively, and conforming the margins accordingly, and (3) by adding at the end the following new clause: ``(ii) Tangible personal property.--For purposes of clause (i), the term `tangible personal property' shall not include-- ``(I) cash, cash equivalents, gift cards, gift coupons, or gift certificates (other than arrangements conferring only the right to select and receive tangible personal property from a limited array of such items pre-selected or pre- approved by the employer), or ``(II) vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, other securities, and other similar items.''. (b) Effective Date.--The amendments made by this section shall apply to amounts paid or incurred after December 31, 2017. SEC. 13311. ELIMINATION OF DEDUCTION FOR LIVING EXPENSES INCURRED BY MEMBERS OF CONGRESS. (a) In General.--Subsection (a) of section 162 is amended in the matter following paragraph (3) by striking ``in excess of $3,000''. (b) Effective Date.--The amendment made by this section shall apply to taxable ***years*** beginning after the date of the enactment of this Act. SEC. 13312. CERTAIN CONTRIBUTIONS BY GOVERNMENTAL ENTITIES NOT TREATED AS CONTRIBUTIONS TO CAPITAL. (a) In General.--Section 118 is amended-- (1) by striking subsections (b), (c), and (d), (2) by redesignating subsection (e) as subsection (d), and (3) by inserting after subsection (a) the following new subsections: ``(b) Exceptions.--For purposes of subsection (a), the term `contribution to the capital of the taxpayer' does not include-- ``(1) any contribution in aid of construction or any other contribution as a customer or potential customer, and ``(2) any contribution by any governmental entity or civic group (other than a contribution made by a shareholder as such). ``(c) Regulations.--The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out this section, including regulations or other guidance for determining whether any contribution constitutes a contribution in aid of construction.''. (b) Effective Date.-- (1) In general.--Except as provided in paragraph (2), the amendments made by this section shall apply to contributions made after the date of enactment of this Act. (2) Exception.--The amendments made by this section shall not apply to any contribution, made after the date of enactment of this Act by a governmental entity, which is made pursuant to a master development plan that has been approved prior to such date by a governmental entity. SEC. 13313. REPEAL OF ROLLOVER OF PUBLICLY TRADED SECURITIES GAIN INTO SPECIALIZED SMALL BUSINESS INVESTMENT COMPANIES. (a) In General.--Part III of subchapter O of chapter 1 is amended by striking section 1044 (and by striking the item relating to such section in the table of sections of such part). (b) Conforming Amendments.--Section 1016(a)(23) is amended-- (1) by striking ``1044,'', and (2) by striking ``1044(d),''. (c) Effective Date.--The amendments made by this section shall apply to sales after December 31, 2017. SEC. 13314. CERTAIN SELF-CREATED PROPERTY NOT TREATED AS A CAPITAL ASSET. (a) Patents, etc.--Section 1221(a)(3) is amended by inserting ``a patent, invention, model or design (whether or not patented), a secret formula or process,'' before ``a copyright''. (b) Conforming Amendment.--Section 1231(b)(1)(C) is amended by inserting ``a patent, invention, model or design (whether or not patented), a secret formula or process,'' before ``a copyright''. (c) Effective Date.--The amendments made by this section shall apply to dispositions after December 31, 2017. PART V--BUSINESS CREDITS SEC. 13401. MODIFICATION OF ORPHAN DRUG CREDIT. (a) Credit Rate.--Subsection (a) of section 45C is amended by striking ``50 percent'' and inserting ``25 percent''. (b) Election of Reduced Credit.--Subsection (b) of section 280C is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph: ``(3) Election of reduced credit.-- ``(A) In general.--In the case of any taxable ***year*** for which an election is made under this paragraph-- ``(i) paragraphs (1) and (2) shall not apply, and ``(ii) the amount of the credit under section 45C(a) shall be the amount determined under subparagraph (B). ``(B) Amount of reduced credit.--The amount of credit determined under this subparagraph for any taxable ***year*** shall be the amount equal to the excess of-- ``(i) the amount of credit determined under section 45C(a) without regard to this paragraph, over ``(ii) the product of-- ``(I) the amount described in clause (i), and ``(II) the maximum rate of tax under section 11(b). ``(C) Election.--An election under this paragraph for any taxable ***year*** shall be made not later than the time for filing the return of tax [[Page H10282]] for such ***year*** (including extensions), shall be made on such return, and shall be made in such manner as the Secretary shall prescribe. Such an election, once made, shall be irrevocable.''. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13402. REHABILITATION CREDIT LIMITED TO CERTIFIED HISTORIC STRUCTURES. (a) In General.--Subsection (a) of section 47 is amended to read as follows: ``(a) General Rule.-- ``(1) In general.--For purposes of section 46, for any taxable ***year*** during the 5-***year*** period beginning in the taxable ***year*** in which a qualified rehabilitated building is placed in service, the rehabilitation credit for such ***year*** is an amount equal to the ratable share for such ***year***. ``(2) Ratable share.--For purposes of paragraph (1), the ratable share for any taxable ***year*** during the period described in such paragraph is the amount equal to 20 percent of the qualified rehabilitation expenditures with respect to the qualified rehabilitated building, as allocated ratably to each ***year*** during such period.''. (b) Conforming Amendments.-- (1) Section 47(c) is amended-- (A) in paragraph (1)-- (i) in subparagraph (A), by amending clause (iii) to read as follows: ``(iii) such building is a certified historic structure, and'', (ii) by striking subparagraph (B), and (iii) by redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively, and (B) in paragraph (2)(B), by amending clause (iv) to read as follows: ``(iv) Certified historic structure.--Any expenditure attributable to the rehabilitation of a qualified rehabilitated building unless the rehabilitation is a certified rehabilitation (within the meaning of subparagraph (C)).''. (2) Paragraph (4) of section 145(d) is amended-- (A) by striking ``of section 47(c)(1)(C)'' each place it appears and inserting ``of section 47(c)(1)(B)'', and (B) by striking ``section 47(c)(1)(C)(i)'' and inserting ``section 47(c)(1)(B)(i)''. (c) Effective Date.-- (1) In general.--Except as provided in paragraph (2), the amendments made by this section shall apply to amounts paid or incurred after December 31, 2017. (2) Transition rule.--In the case of qualified rehabilitation expenditures with respect to any building-- (A) owned or leased by the taxpayer during the entirety of the period after December 31, 2017, and (B) with respect to which the 24-month period selected by the taxpayer under clause (i) of section 47(c)(1)(B) of the Internal Revenue Code (as amended by subsection (b)), or the 60-month period applicable under clause (ii) of such section, begins not later than 180 days after the date of the enactment of this Act, the amendments made by this section shall apply to such expenditures paid or incurred after the end of the taxable ***year*** in which the 24-month period, or the 60-month period, referred to in subparagraph (B) ends. SEC. 13403. EMPLOYER CREDIT FOR PAID FAMILY AND MEDICAL LEAVE. (a) In General.-- (1) Allowance of credit.--Subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section: ``SEC. 45S. EMPLOYER CREDIT FOR PAID FAMILY AND MEDICAL LEAVE. ``(a) Establishment of Credit.-- ``(1) In general.--For purposes of section 38, in the case of an eligible employer, the paid family and medical leave credit is an amount equal to the applicable percentage of the amount of wages paid to qualifying employees during any period in which such employees are on family and medical leave. ``(2) Applicable percentage.--For purposes of paragraph (1), the term `applicable percentage' means 12.5 percent increased (but not above 25 percent) by 0.25 percentage points for each percentage point by which the rate of ***payment*** (as described under subsection (c)(1)(B)) exceeds 50 percent. ``(b) Limitation.-- ``(1) In general.--The credit allowed under subsection (a) with respect to any employee for any taxable ***year*** shall not exceed an amount equal to the product of the normal hourly wage rate of such employee for each hour (or fraction thereof) of actual services performed for the employer and the number of hours (or fraction thereof) for which family and medical leave is taken. ``(2) Non-hourly wage rate.--For purposes of paragraph (1), in the case of any employee who is not paid on an hourly wage rate, the wages of such employee shall be prorated to an hourly wage rate under regulations established by the Secretary. ``(3) Maximum amount of leave subject to credit.--The amount of family and medical leave that may be taken into account with respect to any employee under subsection (a) for any taxable ***year*** shall not exceed 12 weeks. ``(c) Eligible Employer.--For purposes of this section-- ``(1) In general.--The term `eligible employer' means any employer who has in place a written policy that meets the following requirements: ``(A) The policy provides-- ``(i) in the case of a qualifying employee who is not a part-time employee (as defined in section 4980E(d)(4)(B)), not less than 2 weeks of annual paid family and medical leave, and ``(ii) in the case of a qualifying employee who is a part- time employee, an amount of annual paid family and medical leave that is not less than an amount which bears the same ratio to the amount of annual paid family and medical leave that is provided to a qualifying employee described in clause (i) as-- ``(I) the number of hours the employee is expected to work during any week, bears to ``(II) the number of hours an equivalent qualifying employee described in clause (i) is expected to work during the week. ``(B) The policy requires that the rate of ***payment*** under the ***program*** is not less than 50 percent of the wages normally paid to such employee for services performed for the employer. ``(2) Special rule for certain employers.-- ``(A) In general.--An added employer shall not be treated as an eligible employer unless such employer provides paid family and medical leave in compliance with a written policy which ensures that the employer-- ``(i) will not interfere with, restrain, or deny the exercise of or the attempt to exercise, any right provided under the policy, and ``(ii) will not discharge or in any other manner discriminate against any individual for opposing any practice prohibited by the policy. ``(B) Added employer; added employee.--For purposes of this paragraph-- ``(i) Added employee.--The term `added employee' means a qualifying employee who is not covered by title I of the Family and Medical Leave Act of 1993, as amended. ``(ii) Added employer.--The term `added employer' means an eligible employer (determined without regard to this paragraph), whether or not covered by that title I, who offers paid family and medical leave to added employees. ``(3) Aggregation rule.--All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer. ``(4) Treatment of benefits mandated or paid for by state or local governments.--For purposes of this section, any leave which is paid by a State or local government or required by State or local law shall not be taken into account in determining the amount of paid family and medical leave provided by the employer. ``(5) No inference.--Nothing in this subsection shall be construed as subjecting an employer to any penalty, liability, or other consequence (other than ineligibility for the credit allowed by reason of subsection (a) or recapturing the benefit of such credit) for failure to comply with the requirements of this subsection. ``(d) Qualifying Employees.--For purposes of this section, the term `qualifying employee' means any employee (as defined in section 3(e) of the Fair Labor Standards Act of 1938, as amended) who-- ``(1) has been employed by the employer for 1 ***year*** or more, and ``(2) for the preceding ***year***, had compensation not in excess of an amount equal to 60 percent of the amount applicable for such ***year*** under clause (i) of section 414(q)(1)(B). ``(e) Family and Medical Leave.-- ``(1) In general.--Except as provided in paragraph (2), for purposes of this section, the term `family and medical leave' means leave for any 1 or more of the purposes described under subparagraph (A), (B), (C), (D), or (E) of paragraph (1), or paragraph (3), of section 102(a) of the Family and Medical Leave Act of 1993, as amended, whether the leave is provided under that Act or by a policy of the employer. ``(2) Exclusion.--If an employer provides paid leave as vacation leave, personal leave, or medical or sick leave (other than leave specifically for 1 or more of the purposes referred to in paragraph (1)), that paid leave shall not be considered to be family and medical leave under paragraph (1). ``(3) Definitions.--In this subsection, the terms `vacation leave', `personal leave', and `medical or sick leave' mean those 3 types of leave, within the meaning of section 102(d)(2) of that Act. ``(f) Determinations Made by Secretary of Treasury.--For purposes of this section, any determination as to whether an employer or an employee satisfies the applicable requirements for an eligible employer (as described in subsection (c)) or qualifying employee (as described in subsection (d)), respectively, shall be made by the Secretary based on such information, to be provided by the employer, as the Secretary determines to be necessary or appropriate. ``(g) Wages.--For purposes of this section, the term `wages' has the meaning given such term by subsection (b) of section 3306 (determined without regard to any dollar limitation contained in such section). Such term shall not include any amount taken into account for purposes of determining any other credit allowed under this subpart. ``(h) Election to Have Credit Not Apply.-- ``(1) In general.--A taxpayer may elect to have this section not apply for any taxable ***year***. ``(2) Other rules.--Rules similar to the rules of paragraphs (2) and (3) of section 51(j) shall apply for purposes of this subsection. ``(i) Termination.--This section shall not apply to wages paid in taxable ***years*** beginning after December 31, 2019.''. (b) Credit Part of General Business Credit.--Section 38(b) is amended by striking ``plus'' at the end of paragraph (35), by striking the period at the end of paragraph (36) and inserting ``, plus'', and by adding at the end the following new paragraph: ``(37) in the case of an eligible employer (as defined in section 45S(c)), the paid family and medical leave credit determined under section 45S(a).''. (c) Credit Allowed Against AMT.--Subparagraph (B) of section 38(c)(4) is amended by redesignating clauses (ix) through (xi) as clauses (x) through (xii), respectively, and by inserting after clause (viii) the following new clause: ``(ix) the credit determined under section 45S,''. [[Page H10283]] (d) Conforming Amendments.-- (1) Denial of double benefit.--Section 280C(a) is amended by inserting ``45S(a),'' after ``45P(a),''. (2) Election to have credit not apply.--Section 6501(m) is amended by inserting ``45S(h),'' after ``45H(g),''. (3) Clerical amendment.--The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item: ``Sec. 45S. Employer credit for paid family and medical leave.''. (e) Effective Date.--The amendments made by this section shall apply to wages paid in taxable ***years*** beginning after December 31, 2017. SEC. 13404. REPEAL OF TAX CREDIT BONDS. (a) In General.--Part IV of subchapter A of chapter 1 is amended by striking subparts H, I, and J (and by striking the items relating to such subparts in the table of subparts for such part). (b) ***Payments*** to Issuers.--Subchapter B of chapter 65 is amended by striking section 6431 (and by striking the item relating to such section in the table of sections for such subchapter). (c) Conforming Amendments.-- (1) Part IV of subchapter U of chapter 1 is amended by striking section 1397E (and by striking the item relating to such section in the table of sections for such part). (2) Section 54(l)(3)(B) is amended by inserting ``(as in effect before its repeal by the Tax Cuts and Jobs Act)'' after ``section 1397E(I)''. (3) Section 6211(b)(4)(A) is amended by striking ``, and 6431'' and inserting ``and'' before ``36B''. (4) Section 6401(b)(1) is amended by striking ``G, H, I, and J'' and inserting ``and G''. (d) Effective Date.--The amendments made by this section shall apply to bonds issued after December 31, 2017. PART VI--PROVISIONS RELATED TO SPECIFIC ENTITIES AND INDUSTRIES Subpart A--Partnership Provisions SEC. 13501. TREATMENT OF GAIN OR LOSS OF FOREIGN PERSONS FROM SALE OR EXCHANGE OF INTERESTS IN PARTNERSHIPS ENGAGED IN TRADE OR BUSINESS WITHIN THE UNITED STATES. (a) Amount Treated as Effectively Connected.-- (1) In general.--Section 864(c) is amended by adding at the end the following: ``(8) Gain or loss of foreign persons from sale or exchange of certain partnership interests.-- ``(A) In general.--Notwithstanding any other provision of this subtitle, if a nonresident alien individual or foreign corporation owns, directly or indirectly, an interest in a partnership which is engaged in any trade or business within the United States, gain or loss on the sale or exchange of all (or any portion of) such interest shall be treated as effectively connected with the conduct of such trade or business to the extent such gain or loss does not exceed the amount determined under subparagraph (B). ``(B) Amount treated as effectively connected.--The amount determined under this subparagraph with respect to any partnership interest sold or exchanged-- ``(i) in the case of any gain on the sale or exchange of the partnership interest, is-- ``(I) the portion of the partner's distributive share of the amount of gain which would have been effectively connected with the conduct of a trade or business within the United States if the partnership had sold all of its assets at their fair market value as of the date of the sale or exchange of such interest, or ``(II) zero if no gain on such deemed sale would have been so effectively connected, and ``(ii) in the case of any loss on the sale or exchange of the partnership interest, is-- ``(I) the portion of the partner's distributive share of the amount of loss on the deemed sale described in clause (i)(I) which would have been so effectively connected, or ``(II) zero if no loss on such deemed sale would be have been so effectively connected. For purposes of this subparagraph, a partner's distributive share of gain or loss on the deemed sale shall be determined in the same manner as such partner's distributive share of the non-separately stated taxable income or loss of such partnership. ``(C) Coordination with united states real property interests.--If a partnership described in subparagraph (A) holds any United States real property interest (as defined in section 897(c)) at the time of the sale or exchange of the partnership interest, then the gain or loss treated as effectively connected income under subparagraph (A) shall be reduced by the amount so treated with respect to such United States real property interest under section 897. ``(D) Sale or exchange.--For purposes of this paragraph, the term `sale or exchange' means any sale, exchange, or other disposition. ``(E) Secretarial authority.--The Secretary shall prescribe such regulations or other guidance as the Secretary determines appropriate for the application of this paragraph, including with respect to exchanges described in section 332, 351, 354, 355, 356, or 361.''. (2) Conforming amendments.--Section 864(c)(1) is amended-- (A) by striking ``and (7)'' in subparagraph (A), and inserting ``(7), and (8)'', and (B) by striking ``or (7)'' in subparagraph (B), and inserting ``(7), or (8)''. (b) Withholding Requirements.--Section 1446 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following: ``(f) Special Rules for Withholding on Dispositions of Partnership Interests.-- ``(1) In general.--Except as provided in this subsection, if any portion of the gain (if any) on any disposition of an interest in a partnership would be treated under section 864(c)(8) as effectively connected with the conduct of a trade or business within the United States, the transferee shall be required to deduct and withhold a tax equal to 10 percent of the amount realized on the disposition. ``(2) Exception if nonforeign affidavit furnished.-- ``(A) In general.--No person shall be required to deduct and withhold any amount under paragraph (1) with respect to any disposition if the transferor furnishes to the transferee an affidavit by the transferor stating, under penalty of perjury, the transferor's United States taxpayer identification number and that the transferor is not a foreign person. ``(B) False affidavit.--Subparagraph (A) shall not apply to any disposition if-- ``(i) the transferee has actual knowledge that the affidavit is false, or the transferee receives a notice (as described in section 1445(d)) from a transferor's agent or transferee's agent that such affidavit or statement is false, or ``(ii) the Secretary by regulations requires the transferee to furnish a copy of such affidavit or statement to the Secretary and the transferee fails to furnish a copy of such affidavit or statement to the Secretary at such time and in such manner as required by such regulations. ``(C) Rules for agents.--The rules of section 1445(d) shall apply to a transferor's agent or transferee's agent with respect to any affidavit described in subparagraph (A) in the same manner as such rules apply with respect to the disposition of a United States real property interest under such section. ``(3) Authority of secretary to prescribe reduced amount.-- At the request of the transferor or transferee, the Secretary may prescribe a reduced amount to be withheld under this section if the Secretary determines that to substitute such reduced amount will not jeopardize the collection of the tax imposed under this title with respect to gain treated under section 864(c)(8) as effectively connected with the conduct of a trade or business with in the United States. ``(4) Partnership to withhold amounts not withheld by the transferee.--If a transferee fails to withhold any amount required to be withheld under paragraph (1), the partnership shall be required to deduct and withhold from distributions to the transferee a tax in an amount equal to the amount the transferee failed to withhold (plus interest under this title on such amount). ``(5) Definitions.--Any term used in this subsection which is also used under section 1445 shall have the same meaning as when used in such section. ``(6) Regulations.--The Secretary shall prescribe such regulations or other guidance as may be necessary to carry out the purposes of this subsection, including regulations providing for exceptions from the provisions of this subsection.''. (c) Effective Dates.-- (1) Subsection (a).--The amendments made by subsection (a) shall apply to sales, exchanges, and dispositions on or after November 27, 2017. (2) Subsection (b).--The amendment made by subsection (b) shall apply to sales, exchanges, and dispositions after December 31, 2017. SEC. 13502. MODIFY DEFINITION OF SUBSTANTIAL BUILT-IN LOSS IN THE CASE OF ***TRANSFER*** OF PARTNERSHIP INTEREST. (a) In General.--Paragraph (1) of section 743(d) is to read as follows: ``(1) In general.--For purposes of this section, a partnership has a substantial built-in loss with respect to a ***transfer*** of an interest in the partnership if-- ``(A) the partnership's adjusted basis in the partnership property exceeds by more than $250,000 the fair market value of such property, or ``(B) the transferee partner would be allocated a loss of more than $250,000 if the partnership assets were sold for cash equal to their fair market value immediately after such ***transfer***.''. (b) Effective Date.--The amendments made by this section shall apply to ***transfers*** of partnership interests after December 31, 2017. SEC. 13503. CHARITABLE CONTRIBUTIONS AND FOREIGN TAXES TAKEN INTO ACCOUNT IN DETERMINING LIMITATION ON ALLOWANCE OF PARTNER'S SHARE OF LOSS. (a) In General.--Subsection (d) of section 704 is amended-- (1) by striking ``A partner's distributive share'' and inserting the following: ``(1) In general.--A partner's distributive share'', (2) by striking ``Any excess of such loss'' and inserting the following: ``(2) Carryover.--Any excess of such loss'', and (3) by adding at the end the following new paragraph: ``(3) Special rules.-- ``(A) In general.--In determining the amount of any loss under paragraph (1), there shall be taken into account the partner's distributive share of amounts described in paragraphs (4) and (6) of section 702(a). ``(B) Exception.--In the case of a charitable contribution of property whose fair market value exceeds its adjusted basis, subparagraph (A) shall not apply to the extent of the partner's distributive share of such excess.''. (b) Effective Date.--The amendments made by this section shall apply to partnership taxable ***years*** beginning after December 31, 2017. SEC. 13504. REPEAL OF TECHNICAL TERMINATION OF PARTNERSHIPS. (a) In General.--Paragraph (1) of section 708(b) is amended-- (1) by striking ``, or'' at the end of subparagraph (A) and all that follows and inserting a period, and [[Page H10284]] (2) by striking ``only if--'' and all that follows through ``no part of any business'' and inserting the following: ``only if no part of any business''. (b) Conforming Amendment.-- (1) Section 168(i)(7)(B) is amended by striking the second sentence. (2) Section 743(e) is amended by striking paragraph (4) and redesignating paragraphs (5), (6), and (7) as paragraphs (4), (5), and (6). (c) Effective Date.--The amendments made by this section shall apply to partnership taxable ***years*** beginning after December 31, 2017. Subpart B--Insurance Reforms SEC. 13511. NET OPERATING LOSSES OF LIFE INSURANCE COMPANIES. (a) In General.--Section 805(b) is amended by striking paragraph (4) and by redesignating paragraph (5) as paragraph (4). (b) Conforming Amendments.-- (1) Part I of subchapter L of chapter 1 is amended by striking section 810 (and by striking the item relating to such section in the table of sections for such part). (2)(A) Part III of subchapter L of chapter 1 is amended by striking section 844 (and by striking the item relating to such section in the table of sections for such part). (B) Section 831(b)(3) is amended by striking ``except as provided in section 844,'' (3) Section 381 is amended by striking subsection (d). (4) Section 805(a)(4)(B)(ii) is amended to read as follows: ``(ii) the deduction allowed under section 172,''. (5) Section 805(a) is amended by striking paragraph (5). (6) Section 805(b)(2)(A)(iv) is amended to read as follows: ``(iv) any net operating loss carryback to the taxable ***year*** under section 172, and''. (7) Section 953(b)(1)(B) is amended to read as follows: ``(B) So much of section 805(a)(8) as relates to the deduction allowed under section 172.''. (8) Section 1351(i)(3) is amended by striking ``or the operations loss deduction under section 810,''. (c) Effective Date.--The amendments made by this section shall apply to losses arising in taxable ***years*** beginning after December 31, 2017. SEC. 13512. REPEAL OF SMALL LIFE INSURANCE COMPANY DEDUCTION. (a) In General.--Part I of subchapter L of chapter 1 is amended by striking section 806 (and by striking the item relating to such section in the table of sections for such part). (b) Conforming Amendments.-- (1) Section 453B(e) is amended-- (A) by striking ``(as defined in section 806(b)(3))'' in paragraph (2)(B), and (B) by adding at the end the following new paragraph: ``(3) Noninsurance business.-- ``(A) In general.--For purposes of this subsection, the term `noninsurance business' means any activity which is not an insurance business. ``(B) Certain activities treated as insurance businesses.-- For purposes of subparagraph (A), any activity which is not an insurance business shall be treated as an insurance business if-- ``(i) it is of a type traditionally carried on by life insurance companies for investment purposes, but only if the carrying on of such activity (other than in the case of real estate) does not constitute the active conduct of a trade or business, or ``(ii) it involves the performance of administrative services in connection with plans providing life insurance, pension, or accident and health benefits.''. (2) Section 465(c)(7)(D)(v)(II) is amended by striking ``section 806(b)(3)'' and inserting ``section 453B(e)(3)''. (3) Section 801(a)(2) is amended by striking subparagraph (C). (4) Section 804 is amended by striking ``means--'' and all that follows and inserting ``means the general deductions provided in section 805.''. (5) Section 805(a)(4)(B), as amended by this Act, is amended by striking clause (i) and by redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively. (6) Section 805(b)(2)(A), as amended by this Act, is amended by striking clause (iii) and by redesignating clauses (iv) and (v) as clauses (iii) and (iv), respectively. (7) Section 842(c) is amended by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively. (8) Section 953(b)(1), as amended by section 13511, is amended by striking subparagraph (A) and by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13513. ADJUSTMENT FOR CHANGE IN COMPUTING RESERVES. (a) In General.--Paragraph (1) of section 807(f) is amended to read as follows: ``(1) Treatment as change in method of accounting.--If the basis for determining any item referred to in subsection (c) as of the close of any taxable ***year*** differs from the basis for such determination as of the close of the preceding taxable ***year***, then so much of the difference between-- ``(A) the amount of the item at the close of the taxable ***year***, computed on the new basis, and ``(B) the amount of the item at the close of the taxable ***year***, computed on the old basis, as is attributable to contracts issued before the taxable ***year*** shall be taken into account under section 481 as adjustments attributable to a change in method of accounting initiated by the taxpayer and made with the consent of the Secretary.''. (b) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13514. REPEAL OF SPECIAL RULE FOR DISTRIBUTIONS TO SHAREHOLDERS FROM PRE-1984 POLICYHOLDERS SURPLUS ACCOUNT. (a) In General.--Subpart D of part I of subchapter L is amended by striking section 815 (and by striking the item relating to such section in the table of sections for such subpart). (b) Conforming Amendment.--Section 801 is amended by striking subsection (c). (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. (d) Phased Inclusion of Remaining Balance of Policyholders Surplus Accounts.--In the case of any stock life insurance company which has a balance (determined as of the close of such company's last taxable ***year*** beginning before January 1, 2018) in an existing policyholders surplus account (as defined in section 815 of the Internal Revenue Code of 1986, as in effect before its repeal), the tax imposed by section 801 of such Code for the first 8 taxable ***years*** beginning after December 31, 2017, shall be the amount which would be imposed by such section for such ***year*** on the sum of-- (1) life insurance company taxable income for such ***year*** (within the meaning of such section 801 but not less than zero), plus (2) \1/8\ of such balance. SEC. 13515. MODIFICATION OF PRORATION RULES FOR PROPERTY AND CASUALTY INSURANCE COMPANIES. (a) In General.--Section 832(b)(5)(B) is amended-- (1) by striking ``15 percent'' and inserting ``the applicable percentage'', and (2) by inserting at the end the following new sentence: ``For purposes of this subparagraph, the applicable percentage is 5.25 percent divided by the highest rate in effect under section 11(b).''. (b) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13516. REPEAL OF SPECIAL ESTIMATED TAX ***PAYMENTS***. (a) In General.--Part III of subchapter L of chapter 1 is amended by striking section 847 (and by striking the item relating to such section in the table of sections for such part). (b) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13517. COMPUTATION OF LIFE INSURANCE TAX RESERVES. (a) In General.-- (1) Appropriate rate of interest.--The second sentence of section 807(c) is amended to read as follows: ``For purposes of paragraph (3), the appropriate rate of interest is the highest rate or rates permitted to be used to discount the obligations by the National Association of Insurance Commissioners as of the date the reserve is determined.''. (2) Method of computing reserves.--Section 807(d) is amended-- (A) by striking paragraphs (1), (2), (4), and (5), (B) by redesignating paragraph (6) as paragraph (4), (C) by inserting before paragraph (3) the following new paragraphs: ``(1) Determination of reserve.-- ``(A) In general.--For purposes of this part (other than section 816), the amount of the life insurance reserves for any contract (other than a contract to which subparagraph (B) applies) shall be the greater of-- ``(i) the net surrender value of such contract, or ``(ii) 92.81 percent of the reserve determined under paragraph (2). ``(B) Variable contracts.--For purposes of this part (other than section 816), the amount of the life insurance reserves for a variable contract shall be equal to the sum of-- ``(i) the greater of-- ``(I) the net surrender value of such contract, or ``(II) the portion of the reserve that is separately accounted for under section 817, plus ``(ii) 92.81 percent of the excess (if any) of the reserve determined under paragraph (2) over the amount in clause (i). ``(C) Statutory cap.--In no event shall the reserves determined under subparagraphs (A) or (B) for any contract as of any time exceed the amount which would be taken into account with respect to such contract as of such time in determining statutory reserves (as defined in paragraph (4)). ``(D) No double counting.--In no event shall any amount or item be taken into account more than once in determining any reserve under this subchapter. ``(2) Amount of reserve.--The amount of the reserve determined under this paragraph with respect to any contract shall be determined by using the tax reserve method applicable to such contract.''. (D) by striking ``(other than a qualified long-term care insurance contract, as defined in section 7702B(b)), a 2-***year*** full preliminary term method'' in paragraph (3)(A)(iii) and inserting ``, the reserve method prescribed by the National Association of Insurance Commissioners which covers such contract as of the date the reserve is determined'', (E) by striking ``(as of the date of issuance)'' in paragraph (3)(A)(iv)(I) and inserting ``(as of the date the reserve is determined)'', (F) by striking ``as of the date of the issuance of'' in paragraph (3)(A)(iv)(II) and inserting ``as of the date the reserve is determined for'', (G) by striking ``in effect on the date of the issuance of the contract'' in paragraph (3)(B)(i) and inserting ``applicable to the contract and in effect as of the date the reserve is determined'', and [[Page H10285]] (H) by striking ``in effect on the date of the issuance of the contract'' in paragraph (3)(B)(ii) and inserting ``applicable to the contract and in effect as of the date the reserve is determined''. (3) Special rules.--Section 807(e) is amended-- (A) by striking paragraphs (2) and (5), (B) by redesignating paragraphs (3), (4), (6), and (7) as paragraphs (2), (3), (4), and (5), respectively, (C) by amending paragraph (2) (as so redesignated) to read as follows: ``(2) Qualified supplemental benefits.-- ``(A) Qualified supplemental benefits treated separately.-- For purposes of this part, the amount of the life insurance reserve for any qualified supplemental benefit shall be computed separately as though such benefit were under a separate contract. ``(B) Qualified supplemental benefit.--For purposes of this paragraph, the term `qualified supplemental benefit' means any supplemental benefit described in subparagraph (C) if-- ``(i) there is a separately identified premium or charge for such benefit, and ``(ii) any net surrender value under the contract attributable to any other benefit is not available to fund such benefit. ``(C) Supplemental benefits.--For purposes of this paragraph, the supplemental benefits described in this subparagraph are any-- ``(i) guaranteed insurability, ``(ii) accidental death or disability benefit, ``(iii) convertibility, ``(iv) disability waiver benefit, or ``(v) other benefit prescribed by regulations, which is supplemental to a contract for which there is a reserve described in subsection (c).'', and (D) by adding at the end the following new paragraph: ``(6) Reporting rules.--The Secretary shall require reporting (at such time and in such manner as the Secretary shall prescribe) with respect to the opening balance and closing balance of reserves and with respect to the method of computing reserves for purposes of determining income.''. (4) Definition of life insurance contract.--Section 7702 is amended-- (A) by striking clause (i) of subsection (c)(3)(B) and inserting the following: ``(i) reasonable mortality charges which meet the requirements prescribed in regulations to be promulgated by the Secretary or that do not exceed the mortality charges specified in the prevailing commissioners' standard tables as defined in subsection (f)(10),'' and (B) by adding at the end of subsection (f) the following new paragraph: ``(10) Prevailing commissioners' standard tables.--For purposes of subsection (c)(3)(B)(i), the term `prevailing commissioners' standard tables' means the most recent commissioners' standard tables prescribed by the National Association of Insurance Commissioners which are permitted to be used in computing reserves for that type of contract under the insurance laws of at least 26 States when the contract was issued. If the prevailing commissioners' standard tables as of the beginning of any ***calendar*** ***year*** (hereinafter in this paragraph referred to as the `***year*** of change') are different from the prevailing commissioners' standard tables as of the beginning of the preceding ***calendar*** ***year***, the issuer may use the prevailing commissioners' standard tables as of the beginning of the preceding ***calendar*** ***year*** with respect to any contract issued after the change and before the close of the 3-***year*** period beginning on the first day of the ***year*** of change.''. (b) Conforming Amendments.-- (1) Section 808 is amended by adding at the end the following new subsection: ``(g) Prevailing State Assumed Interest Rate.--For purposes of this subchapter-- ``(1) In general.--The term `prevailing State assumed interest rate' means, with respect to any contract, the highest assumed interest rate permitted to be used in computing life insurance reserves for insurance contracts or annuity contracts (as the case may be) under the insurance laws of at least 26 States. For purposes of the preceding sentence, the effect of nonforfeiture laws of a State on interest rates for reserves shall not be taken into account. ``(2) When rate determined.--The prevailing State assumed interest rate with respect to any contract shall be determined as of the beginning of the ***calendar*** ***year*** in which the contract was issued.''. (2) Paragraph (1) of section 811(d) is amended by striking ``the greater of the prevailing State assumed interest rate or applicable Federal interest rate in effect under section 807'' and inserting ``the interest rate in effect under section 808(g)''. (3) Subparagraph (A) of section 846(f)(6) is amended by striking ``except that'' and all that follows and inserting ``except that the limitation of subsection (a)(3) shall apply, and''. (4) Section 848(e)(1)(B)(iii) is amended by striking ``807(e)(4)'' and inserting ``807(e)(3)''. (5) Subparagraph (B) of section 954(i)(5) is amended by striking ``shall be substituted for the prevailing State assumed interest rate,'' and inserting ``shall apply,''. (c) Effective Date.-- (1) In general.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. (2) Transition rule.--For the first taxable ***year*** beginning after December 31, 2017, the reserve with respect to any contract (as determined under section 807(d) of the Internal Revenue Code of 1986) at the end of the preceding taxable ***year*** shall be determined as if the amendments made by this section had applied to such reserve in such preceding taxable ***year***. (3) Transition relief.-- (A) In general.--If-- (i) the reserve determined under section 807(d) of the Internal Revenue Code of 1986 (determined after application of paragraph (2)) with respect to any contract as of the close of the ***year*** preceding the first taxable ***year*** beginning after December 31, 2017, differs from (ii) the reserve which would have been determined with respect to such contract as of the close of such taxable ***year*** under such section determined without regard to paragraph (2), then the difference between the amount of the reserve described in clause (i) and the amount of the reserve described in clause (ii) shall be taken into account under the method provided in subparagraph (B). (B) Method.--The method provided in this subparagraph is as follows: (i) If the amount determined under subparagraph (A)(i) exceeds the amount determined under subparagraph (A)(ii), 1/8 of such excess shall be taken into account, for each of the 8 succeeding taxable ***years***, as a deduction under section 805(a)(2) or 832(c)(4) of such Code, as applicable. (ii) If the amount determined under subparagraph (A)(ii) exceeds the amount determined under subparagraph (A)(i), 1/8 of such excess shall be included in gross income, for each of the 8 succeeding taxable ***years***, under section 803(a)(2) or 832(b)(1)(C) of such Code, as applicable. SEC. 13518. MODIFICATION OF RULES FOR LIFE INSURANCE PRORATION FOR PURPOSES OF DETERMINING THE DIVIDENDS RECEIVED DEDUCTION. (a) In General.--Section 812 is amended to read as follows: ``SEC. 812. DEFINITION OF COMPANY'S SHARE AND POLICYHOLDER'S SHARE. ``(a) Company's Share.--For purposes of section 805(a)(4), the term `company's share' means, with respect to any taxable ***year*** beginning after December 31, 2017, 70 percent. ``(b) Policyholder's Share.--For purposes of section 807, the term `policyholder's share' means, with respect to any taxable ***year*** beginning after December 31, 2017, 30 percent.''. (b) Conforming Amendment.--Section 817A(e)(2) is amended by striking ``, 807(d)(2)(B), and 812'' and inserting ``and 807(d)(2)(B)''. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13519. CAPITALIZATION OF CERTAIN POLICY ACQUISITION EXPENSES. (a) In General.-- (1) Section 848(a)(2) is amended by striking ``120-month'' and inserting ``180-month''. (2) Section 848(c)(1) is amended by striking ``1.75 percent'' and inserting ``2.09 percent''. (3) Section 848(c)(2) is amended by striking ``2.05 percent'' and inserting ``2.45 percent''. (4) Section 848(c)(3) is amended by striking ``7.7 percent'' and inserting ``9.2 percent''. (b) Conforming Amendments.--Section 848(b)(1) is amended by striking ``120-month'' and inserting ``180-month''. (c) Effective Date.-- (1) In general.--The amendments made by this section shall apply to net premiums for taxable ***years*** beginning after December 31, 2017. (2) Transition rule.--Specified policy acquisition expenses first required to be capitalized in a taxable ***year*** beginning before January 1, 2018, will continue to be allowed as a deduction ratably over the 120-month period beginning with the first month in the second half of such taxable ***year***. SEC. 13520. TAX REPORTING FOR LIFE SETTLEMENT TRANSACTIONS. (a) In General.--Subpart B of part III of subchapter A of chapter 61, as amended by section 13306, is amended by adding at the end the following new section: ``SEC. 6050Y. RETURNS RELATING TO CERTAIN LIFE INSURANCE CONTRACT TRANSACTIONS. ``(a) Requirement of Reporting of Certain ***Payments***.-- ``(1) In general.--Every person who acquires a life insurance contract or any interest in a life insurance contract in a reportable policy sale during any taxable ***year*** shall make a return for such taxable ***year*** (at such time and in such manner as the Secretary shall prescribe) setting forth-- ``(A) the name, address, and TIN of such person, ``(B) the name, address, and TIN of each recipient of ***payment*** in the reportable policy sale, ``(C) the date of such sale, ``(D) the name of the issuer of the life insurance contract sold and the policy number of such contract, and ``(E) the amount of each ***payment***. ``(2) Statement to be furnished to persons with respect to whom information is required.--Every person required to make a return under this subsection shall furnish to each person whose name is required to be set forth in such return a written statement showing-- ``(A) the name, address, and phone number of the information contact of the person required to make such return, and ``(B) the information required to be shown on such return with respect to such person, except that in the case of an issuer of a life insurance contract, such statement is not required to include the information specified in paragraph (1)(E). ``(b) Requirement of Reporting of Seller's Basis in Life Insurance Contracts.-- ``(1) In general.--Upon receipt of the statement required under subsection (a)(2) or upon notice of a ***transfer*** of a life insurance contract to a foreign person, each issuer of a life insurance contract shall make a return (at such time and in such manner as the Secretary shall prescribe) setting forth-- ``(A) the name, address, and TIN of the seller who ***transfers*** any interest in such contract in such sale, [[Page H10286]] ``(B) the investment in the contract (as defined in section 72(e)(6)) with respect to such seller, and ``(C) the policy number of such contract. ``(2) Statement to be furnished to persons with respect to whom information is required.--Every person required to make a return under this subsection shall furnish to each person whose name is required to be set forth in such return a written statement showing-- ``(A) the name, address, and phone number of the information contact of the person required to make such return, and ``(B) the information required to be shown on such return with respect to each seller whose name is required to be set forth in such return. ``(c) Requirement of Reporting With Respect to Reportable Death Benefits.-- ``(1) In general.--Every person who makes a ***payment*** of reportable death benefits during any taxable ***year*** shall make a return for such taxable ***year*** (at such time and in such manner as the Secretary shall prescribe) setting forth-- ``(A) the name, address, and TIN of the person making such ***payment***, ``(B) the name, address, and TIN of each recipient of such ***payment***, ``(C) the date of each such ***payment***, ``(D) the gross amount of each such ***payment***, and ``(E) such person's estimate of the investment in the contract (as defined in section 72(e)(6)) with respect to the buyer. ``(2) Statement to be furnished to persons with respect to whom information is required.--Every person required to make a return under this subsection shall furnish to each person whose name is required to be set forth in such return a written statement showing-- ``(A) the name, address, and phone number of the information contact of the person required to make such return, and ``(B) the information required to be shown on such return with respect to each recipient of ***payment*** whose name is required to be set forth in such return. ``(d) Definitions.--For purposes of this section: ``(1) ***Payment***.--The term `***payment***' means, with respect to any reportable policy sale, the amount of cash and the fair market value of any consideration ***transferred*** in the sale. ``(2) Reportable policy sale.--The term `reportable policy sale' has the meaning given such term in section 101(a)(3)(B). ``(3) Issuer.--The term `issuer' means any life insurance company that bears the risk with respect to a life insurance contract on the date any return or statement is required to be made under this section. ``(4) Reportable death benefits.--The term `reportable death benefits' means amounts paid by reason of the death of the insured under a life insurance contract that has been ***transferred*** in a reportable policy sale.''. (b) Clerical Amendment.--The table of sections for subpart B of part III of subchapter A of chapter 61, as amended by section 13306, is amended by inserting after the item relating to section 6050X the following new item: ``Sec. 6050Y. Returns relating to certain life insurance contract transactions.''. (c) Conforming Amendments.-- (1) Subsection (d) of section 6724 is amended-- (A) by striking ``or'' at the end of clause (xxiv) of paragraph (1)(B), by striking ``and'' at the end of clause (xxv) of such paragraph and inserting ``or'', and by inserting after such clause (xxv) the following new clause: ``(xxvi) section 6050Y (relating to returns relating to certain life insurance contract transactions), and'', and (B) by striking ``or'' at the end of subparagraph (HH) of paragraph (2), by striking the period at the end of subparagraph (II) of such paragraph and inserting ``, or'', and by inserting after such subparagraph (II) the following new subparagraph: ``(JJ) subsection (a)(2), (b)(2), or (c)(2) of section 6050Y (relating to returns relating to certain life insurance contract transactions).''. (2) Section 6047 is amended-- (A) by redesignating subsection (g) as subsection (h), (B) by inserting after subsection (f) the following new subsection: ``(g) Information Relating to Life Insurance Contract Transactions.--This section shall not apply to any information which is required to be reported under section 6050Y.'', and (C) by adding at the end of subsection (h), as so redesignated, the following new paragraph: ``(4) For provisions requiring reporting of information relating to certain life insurance contract transactions, see section 6050Y.''. (d) Effective Date.--The amendments made by this section shall apply to-- (1) reportable policy sales (as defined in section 6050Y(d)(2) of the Internal Revenue Code of 1986 (as added by subsection (a)) after December 31, 2017, and (2) reportable death benefits (as defined in section 6050Y(d)(4) of such Code (as added by subsection (a)) paid after December 31, 2017. SEC. 13521. CLARIFICATION OF TAX BASIS OF LIFE INSURANCE CONTRACTS. (a) Clarification With Respect to Adjustments.--Paragraph (1) of section 1016(a) is amended by striking subparagraph (A) and all that follows and inserting the following: ``(A) for-- ``(i) taxes or other carrying charges described in section 266; or ``(ii) expenditures described in section 173 (relating to circulation expenditures), for which deductions have been taken by the taxpayer in determining taxable income for the taxable ***year*** or prior taxable ***years***; or ``(B) for mortality, expense, or other reasonable charges incurred under an annuity or life insurance contract;''. (b) Effective Date.--The amendment made by this section shall apply to transactions entered into after August 25, 2009. SEC. 13522. EXCEPTION TO ***TRANSFER*** FOR VALUABLE CONSIDERATION RULES. (a) In General.--Subsection (a) of section 101 is amended by inserting after paragraph (2) the following new paragraph: ``(3) Exception to valuable consideration rules for commercial ***transfers***.-- ``(A) In general.--The second sentence of paragraph (2) shall not apply in the case of a ***transfer*** of a life insurance contract, or any interest therein, which is a reportable policy sale. ``(B) Reportable policy sale.--For purposes of this paragraph, the term `reportable policy sale' means the acquisition of an interest in a life insurance contract, directly or indirectly, if the acquirer has no substantial family, business, or financial relationship with the insured apart from the acquirer's interest in such life insurance contract. For purposes of the preceding sentence, the term `indirectly' applies to the acquisition of an interest in a partnership, trust, or other entity that holds an interest in the life insurance contract.''. (b) Conforming Amendment.--Paragraph (1) of section 101(a) is amended by striking ``paragraph (2)'' and inserting ``paragraphs (2) and (3)''. (c) Effective Date.--The amendments made by this section shall apply to ***transfers*** after December 31, 2017. SEC. 13523. MODIFICATION OF DISCOUNTING RULES FOR PROPERTY AND CASUALTY INSURANCE COMPANIES. (a) Modification of Rate of Interest Used to Discount Unpaid Losses.--Paragraph (2) of section 846(c) is amended to read as follows: ``(2) Determination of annual rate.--The annual rate determined by the Secretary under this paragraph for any ***calendar*** ***year*** shall be a rate determined on the basis of the corporate bond yield curve (as defined in section 430(h)(2)(D)(i), determined by substituting `60-month period' for `24-month period' therein).''. (b) Modification of Computational Rules for Loss ***Payment*** Patterns.--Section 846(d)(3) is amended by striking subparagraphs (B) through (G) and inserting the following new subparagraph: ``(B) Treatment of certain losses.-- ``(i) 3-***year*** loss ***payment*** pattern.--In the case of any line of business not described in subparagraph (A)(ii), losses paid after the 1st ***year*** following the accident ***year*** shall be treated as paid equally in the 2nd and 3rd ***year*** following the accident ***year***. ``(ii) 10-***year*** loss ***payment*** pattern.-- ``(I) In general.--The period taken into account under subparagraph (A)(ii) shall be extended to the extent required under subclause (II). ``(II) Computation of extension.--The amount of losses which would have been treated as paid in the 10th ***year*** after the accident ***year*** shall be treated as paid in such 10th ***year*** and each subsequent ***year*** in an amount equal to the amount of the average of the losses treated as paid in the 7th, 8th, and 9th ***years*** after the accident ***year*** (or, if lesser, the portion of the unpaid losses not theretofore taken into account). To the extent such unpaid losses have not been treated as paid before the 24th ***year*** after the accident ***year***, they shall be treated as paid in such 24th ***year***.''. (c) Repeal of Historical ***Payment*** Pattern Election.--Section 846, as amended by this Act, is amended by striking subsection (e) and by redesignating subsections (f) and (g) as subsections (e) and (f), respectively. (d) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. (e) Transitional Rule.--For the first taxable ***year*** beginning after December 31, 2017-- (1) the unpaid losses and the expenses unpaid (as defined in paragraphs (5)(B) and (6) of section 832(b) of the Internal Revenue Code of 1986) at the end of the preceding taxable ***year***, and (2) the unpaid losses as defined in sections 807(c)(2) and 805(a)(1) of such Code at the end of the preceding taxable ***year***, shall be determined as if the amendments made by this section had applied to such unpaid losses and expenses unpaid in the preceding taxable ***year*** and by using the interest rate and loss ***payment*** patterns applicable to accident ***years*** ending with ***calendar*** ***year*** 2018, and any adjustment shall be taken into account ratably in such first taxable ***year*** and the 7 succeeding taxable ***years***. For subsequent taxable ***years***, such amendments shall be applied with respect to such unpaid losses and expenses unpaid by using the interest rate and loss ***payment*** patterns applicable to accident ***years*** ending with ***calendar*** ***year*** 2018. Subpart C--Banks and Financial Instruments SEC. 13531. LIMITATION ON DEDUCTION FOR FDIC PREMIUMS. (a) In General.--Section 162, as amended by sections 13307, is amended by redesignating subsection (r) as subsection (s) and by inserting after subsection (q) the following new subsection: ``(r) Disallowance of FDIC Premiums Paid by Certain Large Financial Institutions.-- ``(1) In general.--No deduction shall be allowed for the applicable percentage of any FDIC premium paid or incurred by the taxpayer. ``(2) Exception for small institutions.--Paragraph (1) shall not apply to any taxpayer for any taxable ***year*** if the total consolidated assets of such taxpayer (determined as of the close of such taxable ***year***) do not exceed $10,000,000,000. ``(3) Applicable percentage.--For purposes of this subsection, the term `applicable percentage' means, with respect to any taxpayer for any taxable ***year***, the ratio (expressed as a percentage but not greater than 100 percent) which-- [[Page H10287]] ``(A) the excess of-- ``(i) the total consolidated assets of such taxpayer (determined as of the close of such taxable ***year***), over ``(ii) $10,000,000,000, bears to ``(B) $40,000,000,000. ``(4) FDIC premiums.--For purposes of this subsection, the term `FDIC premium' means any assessment imposed under section 7(b) of the Federal Deposit Insurance Act (12 U.S.C 1817(b)). ``(5) Total consolidated assets.--For purposes of this subsection, the term `total consolidated assets' has the meaning given such term under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C 5365). ``(6) Aggregation rule.-- ``(A) In general.--Members of an expanded affiliated group shall be treated as a single taxpayer for purposes of applying this subsection. ``(B) Expanded affiliated group.-- ``(i) In general.--For purposes of this paragraph, the term `expanded affiliated group' means an affiliated group as defined in section 1504(a), determined-- ``(I) by substituting `more than 50 percent' for `at least 80 percent' each place it appears, and ``(II) without regard to paragraphs (2) and (3) of section 1504(b). ``(ii) Control of non-corporate entities.--A partnership or any other entity (other than a corporation) shall be treated as a member of an expanded affiliated group if such entity is controlled (within the meaning of section 954(d)(3)) by members of such group (including any entity treated as a member of such group by reason of this clause).''. (b) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13532. REPEAL OF ADVANCE REFUNDING BONDS. (a) In General.--Paragraph (1) of section 149(d) is amended by striking ``as part of an issue described in paragraph (2), (3), or (4).'' and inserting ``to advance refund another bond.''. (b) Conforming Amendments.-- (1) Section 149(d) is amended by striking paragraphs (2), (3), (4), and (6) and by redesignating paragraphs (5) and (7) as paragraphs (2) and (3). (2) Section 148(f)(4)(C) is amended by striking clause (xiv) and by redesignating clauses (xv) to (xvii) as clauses (xiv) to (xvi). (c) Effective Date.--The amendments made by this section shall apply to advance refunding bonds issued after December 31, 2017. Subpart D--S Corporations SEC. 13541. EXPANSION OF QUALIFYING BENEFICIARIES OF AN ELECTING SMALL BUSINESS TRUST. (a) No Look-through for Eligibility Purposes.--Section 1361(c)(2)(B)(v) is amended by adding at the end the following new sentence: ``This clause shall not apply for purposes of subsection (b)(1)(C).''. (b) Effective Date.--The amendment made by this section shall take effect on January 1, 2018. SEC. 13542. CHARITABLE CONTRIBUTION DEDUCTION FOR ELECTING SMALL BUSINESS TRUSTS. (a) In General.--Section 641(c)(2) is amended by inserting after subparagraph (D) the following new subparagraph: ``(E)(i) Section 642(c) shall not apply. ``(ii) For purposes of section 170(b)(1)(G), adjusted gross income shall be computed in the same manner as in the case of an individual, except that the deductions for costs which are paid or incurred in connection with the administration of the trust and which would not have been incurred if the property were not held in such trust shall be treated as allowable in arriving at adjusted gross income.''. (b) Effective Date.--The amendment made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13543. MODIFICATION OF TREATMENT OF S CORPORATION CONVERSIONS TO C CORPORATIONS. (a) Adjustments Attributable to Conversion From S Corporation to C Corporation.--Section 481 is amended by adding at the end the following new subsection: ``(d) Adjustments Attributable to Conversion From S Corporation to C Corporation.-- ``(1) In general.--In the case of an eligible terminated S corporation, any adjustment required by subsection (a)(2) which is attributable to such corporation's revocation described in paragraph (2)(A)(ii) shall be taken into account ratably during the 6-taxable ***year*** period beginning with the ***year*** of change. ``(2) Eligible terminated s corporation.--For purposes of this subsection, the term `eligible terminated S corporation' means any C corporation-- ``(A) which-- ``(i) was an S corporation on the day before the date of the enactment of the Tax Cuts and Jobs Act, and ``(ii) during the 2-***year*** period beginning on the date of such enactment makes a revocation of its election under section 1362(a), and ``(B) the owners of the stock of which, determined on the date such revocation is made, are the same owners (and in identical proportions) as on the date of such enactment.''. (b) Cash Distributions Following Post-termination Transition Period From S Corporation Status.--Section 1371 is amended by adding at the end the following new subsection: ``(f) Cash Distributions Following Post-termination Transition Period.--In the case of a distribution of money by an eligible terminated S corporation (as defined in section 481(d)) after the post-termination transition period, the accumulated adjustments account shall be allocated to such distribution, and the distribution shall be chargeable to accumulated earnings and profits, in the same ratio as the amount of such accumulated adjustments account bears to the amount of such accumulated earnings and profits.''. PART VII--EMPLOYMENT Subpart A--Compensation SEC. 13601. MODIFICATION OF LIMITATION ON EXCESSIVE EMPLOYEE REMUNERATION. (a) Repeal of Performance-based Compensation and Commission Exceptions for Limitation on Excessive Employee Remuneration.-- (1) In general.--Paragraph (4) of section 162(m) is amended by striking subparagraphs (B) and (C) and by redesignating subparagraphs (D), (E), (F), and (G) as subparagraphs (B), (C), (D), and (E), respectively. (2) Conforming amendments.-- (A) Paragraphs (5)(E) and (6)(D) of section 162(m) are each amended by striking ``subparagraphs (B), (C), and (D)'' and inserting ``subparagraph (B)''. (B) Paragraphs (5)(G) and (6)(G) of section 162(m) are each amended by striking ``(F) and (G)'' and inserting ``(D) and (E)''. (b) Modification of Definition of Covered Employees.-- Paragraph (3) of section 162(m) is amended-- (1) in subparagraph (A), by striking ``as of the close of the taxable ***year***, such employee is the chief executive officer of the taxpayer or is'' and inserting ``such employee is the principal executive officer or principal financial officer of the taxpayer at any time during the taxable ***year***, or was'', (2) in subparagraph (B)-- (A) by striking ``4'' and inserting ``3'', and (B) by striking ``(other than the chief executive officer)'' and inserting ``(other than any individual described in subparagraph (A))'', and (3) by striking ``or'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting ``, or'', and by adding at the end the following: ``(C) was a covered employee of the taxpayer (or any predecessor) for any preceding taxable ***year*** beginning after December 31, 2016.''. (c) Expansion of Applicable Employer.-- (1) In general.--Section 162(m)(2) is amended to read as follows: ``(2) Publicly held corporation.--For purposes of this subsection, the term `publicly held corporation' means any corporation which is an issuer (as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C 78c))-- ``(A) the securities of which are required to be registered under section 12 of such Act (15 U.S.C 78l), or ``(B) that is required to file reports under section 15(d) of such Act (15 U.S.C 78o(d)).''. (2) Conforming amendment.--Section 162(m)(3), as amended by subsection (b), is amended by adding at the end the following flush sentence: ``Such term shall include any employee who would be described in subparagraph (B) if the reporting described in such subparagraph were required as so described.''. (d) Special Rule for Remuneration Paid to Beneficiaries, etc.--Paragraph (4) of section 162(m), as amended by subsection (a), is amended by adding at the end the following new subparagraph: ``(F) Special rule for remuneration paid to beneficiaries, etc.--Remuneration shall not fail to be applicable employee remuneration merely because it is includible in the income of, or paid to, a person other than the covered employee, including after the death of the covered employee.''. (e) Effective Date.-- (1) In general.--Except as provided in paragraph (2), the amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. (2) Exception for binding contracts.--The amendments made by this section shall not apply to remuneration which is provided pursuant to a written binding contract which was in effect on November 2, 2017, and which was not modified in any material respect on or after such date. SEC. 13602. EXCISE TAX ON EXCESS TAX-EXEMPT ORGANIZATION EXECUTIVE COMPENSATION. (a) In General.--Subchapter D of chapter 42 is amended by adding at the end the following new section: ``SEC. 4960. TAX ON EXCESS TAX-EXEMPT ORGANIZATION EXECUTIVE COMPENSATION. ``(a) Tax Imposed.--There is hereby imposed a tax equal to the product of the rate of tax under section 11 and the sum of-- ``(1) so much of the remuneration paid (other than any excess parachute ***payment***) by an applicable tax-exempt organization for the taxable ***year*** with respect to employment of any covered employee in excess of $1,000,000, plus ``(2) any excess parachute ***payment*** paid by such an organization to any covered employee. For purposes of the preceding sentence, remuneration shall be treated as paid when there is no substantial risk of forfeiture (within the meaning of section 457(f)(3)(B)) of the rights to such remuneration. ``(b) Liability for Tax.--The employer shall be liable for the tax imposed under subsection (a). ``(c) Definitions and Special Rules.--For purposes of this section-- ``(1) Applicable tax-exempt organization.--The term `applicable tax-exempt organization' means any organization which for the taxable ***year***-- ``(A) is exempt from taxation under section 501(a), ``(B) is a farmers' cooperative organization described in section 521(b)(1), [[Page H10288]] ``(C) has income excluded from taxation under section 115(1), or ``(D) is a political organization described in section 527(e)(1). ``(2) Covered employee.--For purposes of this section, the term `covered employee' means any employee (including any former employee) of an applicable tax-exempt organization if the employee-- ``(A) is one of the 5 highest compensated employees of the organization for the taxable ***year***, or ``(B) was a covered employee of the organization (or any predecessor) for any preceding taxable ***year*** beginning after December 31, 2016. ``(3) Remuneration.--For purposes of this section: ``(A) In general.--The term `remuneration' means wages (as defined in section 3401(a)), except that such term shall not include any designated Roth contribution (as defined in section 402A(c)) and shall include amounts required to be included in gross income under section 457(f). ``(B) Exception for remuneration for medical services.--The term `remuneration' shall not include the portion of any remuneration paid to a licensed medical professional (including a veterinarian) which is for the performance of medical or veterinary services by such professional. ``(4) Remuneration from related organizations.-- ``(A) In general.--Remuneration of a covered employee by an applicable tax-exempt organization shall include any remuneration paid with respect to employment of such employee by any related person or governmental entity. ``(B) Related organizations.--A person or governmental entity shall be treated as related to an applicable tax- exempt organization if such person or governmental entity-- ``(i) controls, or is controlled by, the organization, ``(ii) is controlled by one or more persons which control the organization, ``(iii) is a supported organization (as defined in section 509(f)(3)) during the taxable ***year*** with respect to the organization, ``(iv) is a supporting organization described in section 509(a)(3) during the taxable ***year*** with respect to the organization, or ``(v) in the case of an organization which is a voluntary employees' beneficiary association described in section 501(c)(9), establishes, maintains, or makes contributions to such voluntary employees' beneficiary association. ``(C) Liability for tax.--In any case in which remuneration from more than one employer is taken into account under this paragraph in determining the tax imposed by subsection (a), each such employer shall be liable for such tax in an amount which bears the same ratio to the total tax determined under subsection (a) with respect to such remuneration as-- ``(i) the amount of remuneration paid by such employer with respect to such employee, bears to ``(ii) the amount of remuneration paid by all such employers to such employee. ``(5) Excess parachute ***payment***.--For purposes of determining the tax imposed by subsection (a)(2)-- ``(A) In general.--The term `excess parachute ***payment***' means an amount equal to the excess of any parachute ***payment*** over the portion of the base amount allocated to such ***payment***. ``(B) Parachute ***payment***.--The term `parachute ***payment***' means any ***payment*** in the nature of compensation to (or for the benefit of) a covered employee if-- ``(i) such ***payment*** is contingent on such employee's separation from employment with the employer, and ``(ii) the aggregate present value of the ***payments*** in the nature of compensation to (or for the benefit of) such individual which are contingent on such separation equals or exceeds an amount equal to 3 times the base amount. ``(C) Exception.--Such term does not include any ***payment***-- ``(i) described in section 280G(b)(6) (relating to exemption for ***payments*** under qualified plans), ``(ii) made under or to an annuity contract described in section 403(b) or a plan described in section 457(b), ``(iii) to a licensed medical professional (including a veterinarian) to the extent that such ***payment*** is for the performance of medical or veterinary services by such professional, or ``(iv) to an individual who is not a highly compensated employee as defined in section 414(q). ``(D) Base amount.--Rules similar to the rules of 280G(b)(3) shall apply for purposes of determining the base amount. ``(E) Property ***transfers***; present value.--Rules similar to the rules of paragraphs (3) and (4) of section 280G(d) shall apply. ``(6) Coordination with deduction limitation.--Remuneration the deduction for which is not allowed by reason of section 162(m) shall not be taken into account for purposes of this section. ``(d) Regulations.--The Secretary shall prescribe such regulations as may be necessary to prevent avoidance of the tax under this section, including regulations to prevent avoidance of such tax through the performance of services other than as an employee or by providing compensation through a pass-through or other entity to avoid such tax.''. (b) Clerical Amendment.--The table of sections for subchapter D of chapter 42 is amended by adding at the end the following new item: ``Sec. 4960. Tax on excess tax-exempt organization executive compensation.''. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13603. TREATMENT OF QUALIFIED EQUITY GRANTS. (a) In General.--Section 83 is amended by adding at the end the following new subsection: ``(i) Qualified Equity Grants.-- ``(1) In general.--For purposes of this subtitle-- ``(A) Timing of inclusion.--If qualified stock is ***transferred*** to a qualified employee who makes an election with respect to such stock under this subsection, subsection (a) shall be applied by including the amount determined under such subsection with respect to such stock in income of the employee in the taxable ***year*** determined under subparagraph (B) in lieu of the taxable ***year*** described in subsection (a). ``(B) Taxable ***year*** determined.--The taxable ***year*** determined under this subparagraph is the taxable ***year*** of the employee which includes the earliest of-- ``(i) the first date such qualified stock becomes ***transferable*** (including, solely for purposes of this clause, becoming ***transferable*** to the employer), ``(ii) the date the employee first becomes an excluded employee, ``(iii) the first date on which any stock of the corporation which issued the qualified stock becomes readily tradable on an established securities market (as determined by the Secretary, but not including any market unless such market is recognized as an established securities market by the Secretary for purposes of a provision of this title other than this subsection), ``(iv) the date that is 5 ***years*** after the first date the rights of the employee in such stock are ***transferable*** or are not subject to a substantial risk of forfeiture, whichever occurs earlier, or ``(v) the date on which the employee revokes (at such time and in such manner as the Secretary provides) the election under this subsection with respect to such stock. ``(2) Qualified stock.-- ``(A) In general.--For purposes of this subsection, the term `qualified stock' means, with respect to any qualified employee, any stock in a corporation which is the employer of such employee, if-- ``(i) such stock is received-- ``(I) in connection with the exercise of an option, or ``(II) in settlement of a restricted stock unit, and ``(ii) such option or restricted stock unit was granted by the corporation-- ``(I) in connection with the performance of services as an employee, and ``(II) during a ***calendar*** ***year*** in which such corporation was an eligible corporation. ``(B) Limitation.--The term `qualified stock' shall not include any stock if the employee may sell such stock to, or otherwise receive cash in lieu of stock from, the corporation at the time that the rights of the employee in such stock first become ***transferable*** or not subject to a substantial risk of forfeiture. ``(C) Eligible corporation.--For purposes of subparagraph (A)(ii)(II)-- ``(i) In general.--The term `eligible corporation' means, with respect to any ***calendar*** ***year***, any corporation if-- ``(I) no stock of such corporation (or any predecessor of such corporation) is readily tradable on an established securities market (as determined under paragraph (1)(B)(iii)) during any preceding ***calendar*** ***year***, and ``(II) such corporation has a written plan under which, in such ***calendar*** ***year***, not less than 80 percent of all employees who provide services to such corporation in the United States (or any possession of the United States) are granted stock options, or are granted restricted stock units, with the same rights and privileges to receive qualified stock. ``(ii) Same rights and privileges.--For purposes of clause (i)(II)-- ``(I) except as provided in subclauses (II) and (III), the determination of rights and privileges with respect to stock shall be made in a similar manner as under section 423(b)(5), ``(II) employees shall not fail to be treated as having the same rights and privileges to receive qualified stock solely because the number of shares available to all employees is not equal in amount, so long as the number of shares available to each employee is more than a de minimis amount, and ``(III) rights and privileges with respect to the exercise of an option shall not be treated as the same as rights and privileges with respect to the settlement of a restricted stock unit. ``(iii) Employee.--For purposes of clause (i)(II), the term `employee' shall not include any employee described in section 4980E(d)(4) or any excluded employee. ``(iv) Special rule for ***calendar*** ***years*** before 2018.--In the case of any ***calendar*** ***year*** beginning before January 1, 2018, clause (i)(II) shall be applied without regard to whether the rights and privileges with respect to the qualified stock are the same. ``(3) Qualified employee; excluded employee.--For purposes of this subsection-- ``(A) In general.--The term `qualified employee' means any individual who-- ``(i) is not an excluded employee, and ``(ii) agrees in the election made under this subsection to meet such requirements as are determined by the Secretary to be necessary to ensure that the withholding requirements of the corporation under chapter 24 with respect to the qualified stock are met. ``(B) Excluded employee.--The term `excluded employee' means, with respect to any corporation, any individual-- ``(i) who is a 1-percent owner (within the meaning of section 416(i)(1)(B)(ii)) at any time during the ***calendar*** ***year*** or who was such a 1 percent owner at any time during the 10 preceding ***calendar*** ***years***, ``(ii) who is or has been at any prior time-- ``(I) the chief executive officer of such corporation or an individual acting in such a capacity, or [[Page H10289]] ``(II) the chief financial officer of such corporation or an individual acting in such a capacity, ``(iii) who bears a relationship described in section 318(a)(1) to any individual described in subclause (I) or (II) of clause (ii), or ``(iv) who is one of the 4 highest compensated officers of such corporation for the taxable ***year***, or was one of the 4 highest compensated officers of such corporation for any of the 10 preceding taxable ***years***, determined with respect to each such taxable ***year*** on the basis of the shareholder disclosure rules for compensation under the Securities Exchange Act of 1934 (as if such rules applied to such corporation). ``(4) Election.-- ``(A) Time for making election.--An election with respect to qualified stock shall be made under this subsection no later than 30 days after the first date the rights of the employee in such stock are ***transferable*** or are not subject to a substantial risk of forfeiture, whichever occurs earlier, and shall be made in a manner similar to the manner in which an election is made under subsection (b). ``(B) Limitations.--No election may be made under this section with respect to any qualified stock if-- ``(i) the qualified employee has made an election under subsection (b) with respect to such qualified stock, ``(ii) any stock of the corporation which issued the qualified stock is readily tradable on an established securities market (as determined under paragraph (1)(B)(iii)) at any time before the election is made, or ``(iii) such corporation purchased any of its outstanding stock in the ***calendar*** ***year*** preceding the ***calendar*** ***year*** which includes the first date the rights of the employee in such stock are ***transferable*** or are not subject to a substantial risk of forfeiture, unless-- ``(I) not less than 25 percent of the total dollar amount of the stock so purchased is deferral stock, and ``(II) the determination of which individuals from whom deferral stock is purchased is made on a reasonable basis. ``(C) Definitions and special rules related to limitation on stock redemptions.-- ``(i) Deferral stock.--For purposes of this paragraph, the term `deferral stock' means stock with respect to which an election is in effect under this subsection. ``(ii) Deferral stock with respect to any individual not taken into account if individual holds deferral stock with longer deferral period.--Stock purchased by a corporation from any individual shall not be treated as deferral stock for purposes of subparagraph (B)(iii) if such individual (immediately after such purchase) holds any deferral stock with respect to which an election has been in effect under this subsection for a longer period than the election with respect to the stock so purchased. ``(iii) Purchase of all outstanding deferral stock.--The requirements of subclauses (I) and (II) of subparagraph (B)(iii) shall be treated as met if the stock so purchased includes all of the corporation's outstanding deferral stock. ``(iv) Reporting.--Any corporation which has outstanding deferral stock as of the beginning of any ***calendar*** ***year*** and which purchases any of its outstanding stock during such ***calendar*** ***year*** shall include on its return of tax for the taxable ***year*** in which, or with which, such ***calendar*** ***year*** ends the total dollar amount of its outstanding stock so purchased during such ***calendar*** ***year*** and such other information as the Secretary requires for purposes of administering this paragraph. ``(5) Controlled groups.--For purposes of this subsection, all persons treated as a single employer under section 414(b) shall be treated as 1 corporation. ``(6) Notice requirement.--Any corporation which ***transfers*** qualified stock to a qualified employee shall, at the time that (or a reasonable period before) an amount attributable to such stock would (but for this subsection) first be includible in the gross income of such employee-- ``(A) certify to such employee that such stock is qualified stock, and ``(B) notify such employee-- ``(i) that the employee may be eligible to elect to defer income on such stock under this subsection, and ``(ii) that, if the employee makes such an election-- ``(I) the amount of income recognized at the end of the deferral period will be based on the value of the stock at the time at which the rights of the employee in such stock first become ***transferable*** or not subject to substantial risk of forfeiture, notwithstanding whether the value of the stock has declined during the deferral period, ``(II) the amount of such income recognized at the end of the deferral period will be subject to withholding under section 3401(i) at the rate determined under section 3402(t), and ``(III) the responsibilities of the employee (as determined by the Secretary under paragraph (3)(A)(ii)) with respect to such withholding. ``(7) Restricted stock units.--This section (other than this subsection), including any election under subsection (b), shall not apply to restricted stock units.''. (b) Withholding.-- (1) Time of withholding.--Section 3401 is amended by adding at the end the following new subsection: ``(i) Qualified Stock for Which an Election Is in Effect Under Section 83(i).--For purposes of subsection (a), qualified stock (as defined in section 83(i)) with respect to which an election is made under section 83(i) shall be treated as wages-- ``(1) received on the earliest date described in section 83(i)(1)(B), and ``(2) in an amount equal to the amount included in income under section 83 for the taxable ***year*** which includes such date.''. (2) Amount of withholding.--Section 3402 is amended by adding at the end the following new subsection: ``(t) Rate of Withholding for Certain Stock.--In the case of any qualified stock (as defined in section 83(i)(2)) with respect to which an election is made under section 83(i)-- ``(1) the rate of tax under subsection (a) shall not be less than the maximum rate of tax in effect under section 1, and ``(2) such stock shall be treated for purposes of section 3501(b) in the same manner as a non-cash fringe benefit.''. (c) Coordination With Other Deferred Compensation Rules.-- (1) Election to apply deferral to statutory options.-- (A) Incentive stock options.--Section 422(b) is amended by adding at the end the following: ``Such term shall not include any option if an election is made under section 83(i) with respect to the stock received in connection with the exercise of such option.''. (B) Employee stock purchase plans.--Section 423 is amended-- (i) in subsection (b)(5), by striking ``and'' before ``the plan'' and by inserting ``, and the rules of section 83(i) shall apply in determining which employees have a right to make an election under such section'' before the semicolon at the end, and (ii) by adding at the end the following new subsection: ``(d) Coordination With Qualified Equity Grants.--An option for which an election is made under section 83(i) with respect to the stock received in connection with its exercise shall not be considered as granted pursuant an employee stock purchase plan.''. (2) Exclusion from definition of nonqualified deferred compensation plan.--Subsection (d) of section 409A is amended by adding at the end the following new paragraph: ``(7) Treatment of qualified stock.--An arrangement under which an employee may receive qualified stock (as defined in section 83(i)(2)) shall not be treated as a nonqualified deferred compensation plan with respect to such employee solely because of such employee's election, or ability to make an election, to defer recognition of income under section 83(i).''. (d) Information Reporting.--Section 6051(a) is amended by striking ``and'' at the end of paragraph (14)(B), by striking the period at the end of paragraph (15) and inserting a comma, and by inserting after paragraph (15) the following new paragraphs: ``(16) the amount includible in gross income under subparagraph (A) of section 83(i)(1) with respect to an event described in subparagraph (B) of such section which occurs in such ***calendar*** ***year***, and ``(17) the aggregate amount of income which is being deferred pursuant to elections under section 83(i), determined as of the close of the ***calendar*** ***year***.''. (e) Penalty for Failure of Employer to Provide Notice of Tax Consequences.--Section 6652 is amended by adding at the end the following new subsection: ``(p) Failure to Provide Notice Under Section 83(i).--In the case of each failure to provide a notice as required by section 83(i)(6), at the time prescribed therefor, unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall be paid, on notice and demand of the Secretary and in the same manner as tax, by the person failing to provide such notice, an amount equal to $100 for each such failure, but the total amount imposed on such person for all such failures during any ***calendar*** ***year*** shall not exceed $50,000.''. (f) Effective Dates.-- (1) In general.--Except as provided in paragraph (2), the amendments made by this section shall apply to stock attributable to options exercised, or restricted stock units settled, after December 31, 2017. (2) Requirement to provide notice.--The amendments made by subsection (e) shall apply to failures after December 31, 2017. (g) Transition Rule.--Until such time as the Secretary (or the Secretary's delegate) issues regulations or other guidance for purposes of implementing the requirements of paragraph (2)(C)(i)(II) of section 83(i) of the Internal Revenue Code of 1986 (as added by this section), or the requirements of paragraph (6) of such section, a corporation shall be treated as being in compliance with such requirements (respectively) if such corporation complies with a reasonable good faith interpretation of such requirements. SEC. 13604. INCREASE IN EXCISE TAX RATE FOR STOCK COMPENSATION OF INSIDERS IN EXPATRIATED CORPORATIONS. (a) In General.--Section 4985(a)(1) is amended by striking ``section 1(h)(1)(C)'' and inserting ``section 1(h)(1)(D)''. (b) Effective Date.--The amendment made by this section shall apply to corporations first becoming expatriated corporations (as defined in section 4985 of the Internal Revenue Code of 1986) after the date of enactment of this Act. Subpart B--Retirement Plans SEC. 13611. REPEAL OF SPECIAL RULE PERMITTING RECHARACTERIZATION OF ROTH CONVERSIONS. (a) In General.--Section 408A(d)(6)(B) is amended by adding at the end the following new clause: ``(iii) Conversions.--Subparagraph (A) shall not apply in the case of a qualified rollover contribution to which subsection (d)(3) applies (including by reason of subparagraph (C) thereof).''. (b) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. [[Page H10290]] SEC. 13612. MODIFICATION OF RULES APPLICABLE TO LENGTH OF SERVICE AWARD PLANS. (a) Maximum Deferral Amount.--Clause (ii) of section 457(e)(11)(B) is amended by striking ``$3,000'' and inserting ``$6,000''. (b) Cost of Living Adjustment.--Subparagraph (B) of section 457(e)(11) is amended by adding at the end the following: ``(iii) Cost of living adjustment.--In the case of taxable ***years*** beginning after December 31, 2017, the Secretary shall adjust the $6,000 amount under clause (ii) at the same time and in the same manner as under section 415(d), except that the base period shall be the ***calendar*** quarter beginning July 1, 2016, and any increase under this paragraph that is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''. (c) Application of Limitation on Accruals.--Subparagraph (B) of section 457(e)(11), as amended by subsection (b), is amended by adding at the end the following: ``(iv) Special rule for application of limitation on accruals for certain plans.--In the case of a plan described in subparagraph (A)(ii) which is a defined benefit plan (as defined in section 414(j)), the limitation under clause (ii) shall apply to the actuarial present value of the aggregate amount of length of service awards accruing with respect to any ***year*** of service. Such actuarial present value with respect to any ***year*** shall be calculated using reasonable actuarial assumptions and methods, assuming ***payment*** will be made under the most valuable form of ***payment*** under the plan with ***payment*** commencing at the later of the earliest age at which unreduced benefits are payable under the plan or the participant's age at the time of the calculation.''. (d) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13613. EXTENDED ROLLOVER PERIOD FOR PLAN LOAN OFFSET AMOUNTS. (a) In General.--Paragraph (3) of section 402(c) is amended by adding at the end the following new subparagraph: ``(C) Rollover of certain plan loan offset amounts.-- ``(i) In general.--In the case of a qualified plan loan offset amount, paragraph (1) shall not apply to any ***transfer*** of such amount made after the due date (including extensions) for filing the return of tax for the taxable ***year*** in which such amount is treated as distributed from a qualified employer plan. ``(ii) Qualified plan loan offset amount.--For purposes of this subparagraph, the term `qualified plan loan offset amount' means a plan loan offset amount which is treated as distributed from a qualified employer plan to a participant or beneficiary solely by reason of-- ``(I) the termination of the qualified employer plan, or ``(II) the failure to meet the repayment terms of the loan from such plan because of the severance from employment of the participant. ``(iii) Plan loan offset amount.--For purposes of clause (ii), the term `plan loan offset amount' means the amount by which the participant's accrued benefit under the plan is reduced in order to repay a loan from the plan. ``(iv) Limitation.--This subparagraph shall not apply to any plan loan offset amount unless such plan loan offset amount relates to a loan to which section 72(p)(1) does not apply by reason of section 72(p)(2). ``(v) Qualified employer plan.--For purposes of this subsection, the term `qualified employer plan' has the meaning given such term by section 72(p)(4).''. (b) Conforming Amendments.--Section 402(c)(3) is amended-- (1) by striking ``***Transfer*** must be made within 60 days of receipt'' in the heading and inserting ``Time limit on ***transfers***'', and (2) by striking ``subparagraph (B)'' in subparagraph (A) and inserting ``subparagraphs (B) and (C)''. (c) Effective Date.--The amendments made by this section shall apply to plan loan offset amounts which are treated as distributed in taxable ***years*** beginning after December 31, 2017. PART VIII--EXEMPT ORGANIZATIONS SEC. 13701. EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES. (a) In General.--Chapter 42 is amended by adding at the end the following new subchapter: ``Subchapter H--Excise Tax Based on Investment Income of Private Colleges and Universities ``Sec. 4968. Excise tax based on investment income of private colleges and universities. ``SEC. 4968. EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES. ``(a) Tax Imposed.--There is hereby imposed on each applicable educational institution for the taxable ***year*** a tax equal to 1.4 percent of the net investment income of such institution for the taxable ***year***. ``(b) Applicable Educational Institution.--For purposes of this subchapter-- ``(1) In general.--The term `applicable educational institution' means an eligible educational institution (as defined in section 25A(f)(2))-- ``(A) which had at least 500 students during the preceding taxable ***year***, ``(B) more than 50 percent of the students of which are located in the United States, ``(C) which is not described in the first sentence of section 511(a)(2)(B) (relating to State colleges and universities), and ``(D) the aggregate fair market value of the assets of which at the end of the preceding taxable ***year*** (other than those assets which are used directly in carrying out the institution's exempt purpose) is at least $500,000 per student of the institution. ``(2) Students.--For purposes of paragraph (1), the number of students of an institution (including for purposes of determining the number of students at a particular location) shall be based on the daily average number of full-time students attending such institution (with part-time students taken into account on a full-time student equivalent basis). ``(c) Net Investment Income.--For purposes of this section, net investment income shall be determined under rules similar to the rules of section 4940(c). ``(d) Assets and Net Investment Income of Related Organizations.-- ``(1) In general.--For purposes of subsections (b)(1)(C) and (c), assets and net investment income of any related organization with respect to an educational institution shall be treated as assets and net investment income, respectively, of the educational institution, except that-- ``(A) no such amount shall be taken into account with respect to more than 1 educational institution, and ``(B) unless such organization is controlled by such institution or is described in section 509(a)(3) with respect to such institution for the taxable ***year***, assets and net investment income which are not intended or available for the use or benefit of the educational institution shall not be taken into account. ``(2) Related organization.--For purposes of this subsection, the term `related organization' means, with respect to an educational institution, any organization which-- ``(A) controls, or is controlled by, such institution, ``(B) is controlled by 1 or more persons which also control such institution, or ``(C) is a supported organization (as defined in section 509(f)(3)), or an organization described in section 509(a)(3), during the taxable ***year*** with respect to such institution.''. (b) Clerical Amendment.--The table of subchapters for chapter 42 is amended by adding at the end the following new item: ``subchapter h--excise tax based on investment income of private colleges and universities''. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 13702. UNRELATED BUSINESS TAXABLE INCOME SEPARATELY COMPUTED FOR EACH TRADE OR BUSINESS ACTIVITY. (a) In General.--Subsection (a) of section 512 is amended by adding at the end the following new paragraph: ``(6) Special rule for organization with more than 1 unrelated trade or business.--In the case of any organization with more than 1 unrelated trade or business-- ``(A) unrelated business taxable income, including for purposes of determining any net operating loss deduction, shall be computed separately with respect to each such trade or business and without regard to subsection (b)(12), ``(B) the unrelated business taxable income of such organization shall be the sum of the unrelated business taxable income so computed with respect to each such trade or business, less a specific deduction under subsection (b)(12), and ``(C) for purposes of subparagraph (B), unrelated business taxable income with respect to any such trade or business shall not be less than zero.''. (b) Effective Date.-- (1) In general.--Except to the extent provided in paragraph (2), the amendment made by this section shall apply to taxable ***years*** beginning after December 31, 2017. (2) Carryovers of net operating losses.--If any net operating loss arising in a taxable ***year*** beginning before January 1, 2018, is carried over to a taxable ***year*** beginning on or after such date-- (A) subparagraph (A) of section 512(a)(6) of the Internal Revenue Code of 1986, as added by this Act, shall not apply to such net operating loss, and (B) the unrelated business taxable income of the organization, after the application of subparagraph (B) of such section, shall be reduced by the amount of such net operating loss. SEC. 13703. UNRELATED BUSINESS TAXABLE INCOME INCREASED BY AMOUNT OF CERTAIN FRINGE BENEFIT EXPENSES FOR WHICH DEDUCTION IS DISALLOWED. (a) In General.--Section 512(a), as amended by this Act, is further amended by adding at the end the following new paragraph: ``(7) Increase in unrelated business taxable income by disallowed fringe.--Unrelated business taxable income of an organization shall be increased by any amount for which a deduction is not allowable under this chapter by reason of section 274 and which is paid or incurred by such organization for any qualified transportation fringe (as defined in section 132(f)), any parking facility used in connection with qualified parking (as defined in section 132(f)(5)(C)), or any on-premises athletic facility (as defined in section 132(j)(4)(B)). The preceding sentence shall not apply to the extent the amount paid or incurred is directly connected with an unrelated trade or business which is regularly carried on by the organization. The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations or other guidance providing for the appropriate allocation of depreciation and other costs with respect to facilities used for parking or for on- premises athletic facilities.''. (b) Effective Date.--The amendment made by this section shall apply to amounts paid or incurred after December 31, 2017. SEC. 13704. REPEAL OF DEDUCTION FOR AMOUNTS PAID IN EXCHANGE FOR COLLEGE ATHLETIC EVENT SEATING RIGHTS. (a) In General.--Section 170(l) is amended-- [[Page H10291]] (1) by striking paragraph (1) and inserting the following: ``(1) In general.--No deduction shall be allowed under this section for any amount described in paragraph (2).'', and (2) in paragraph (2)(B), by striking ``such amount would be allowable as a deduction under this section but for the fact that''. (b) Effective Date.--The amendments made by this section shall apply to contributions made in taxable ***years*** beginning after December 31, 2017. SEC. 13705. REPEAL OF SUBSTANTIATION EXCEPTION IN CASE OF CONTRIBUTIONS REPORTED BY DONEE. (a) In General.--Section 170(f)(8) is amended by striking subparagraph (D) and by redesignating subparagraph (E) as subparagraph (D). (b) Effective Date.--The amendments made by this section shall apply to contributions made in taxable ***years*** beginning after December 31, 2016. PART IX--OTHER PROVISIONS Subpart A--Craft Beverage Modernization and Tax Reform SEC. 13801. PRODUCTION PERIOD FOR BEER, WINE, AND DISTILLED SPIRITS. (a) In General.--Section 263A(f) is amended-- (1) by redesignating paragraph (4) as paragraph (5), and (2) by inserting after paragraph (3) the following new paragraph: ``(4) Exemption for aging process of beer, wine, and distilled spirits.-- ``(A) In general.--For purposes of this subsection, the production period shall not include the aging period for-- ``(i) beer (as defined in section 5052(a)), ``(ii) wine (as described in section 5041(a)), or ``(iii) distilled spirits (as defined in section 5002(a)(8)), except such spirits that are unfit for use for beverage purposes. ``(B) Termination.--This paragraph shall not apply to interest costs paid or accrued after December 31, 2019.''. (b) Conforming Amendment.--Paragraph (5)(B)(ii) of section 263A(f), as redesignated by this section, is amended by inserting ``except as provided in paragraph (4),'' before ``ending on the date''. (c) Effective Date.--The amendments made by this section shall apply to interest costs paid or accrued in ***calendar*** ***years*** beginning after December 31, 2017. SEC. 13802. REDUCED RATE OF EXCISE TAX ON BEER. (a) In General.--Paragraph (1) of section 5051(a) is amended to read as follows: ``(1) In general.-- ``(A) Imposition of tax.--A tax is hereby imposed on all beer brewed or produced, and removed for consumption or sale, within the United States, or imported into the United States. Except as provided in paragraph (2), the rate of such tax shall be the amount determined under this paragraph. ``(B) Rate.--Except as provided in subparagraph (C), the rate of tax shall be $18 for per barrel. ``(C) Special rule.--In the case of beer removed after December 31, 2017, and before January 1, 2020, the rate of tax shall be-- ``(i) $16 on the first 6,000,000 barrels of beer-- ``(I) brewed by the brewer and removed during the ***calendar*** ***year*** for consumption or sale, or ``(II) imported by the importer into the United States during the ***calendar*** ***year***, and ``(ii) $18 on any barrels of beer to which clause (i) does not apply. ``(D) Barrel.--For purposes of this section, a barrel shall contain not more than 31 gallons of beer, and any tax imposed under this section shall be applied at a like rate for any other quantity or for fractional parts of a barrel.''. (b) Reduced Rate for Certain Domestic Production.-- Subparagraph (A) of section 5051(a)(2) is amended-- (1) in the heading, by striking ``$7 a barrel'', and (2) by inserting ``($3.50 in the case of beer removed after December 31, 2017, and before January 1, 2020)'' after ``$7''. (c) Application of Reduced Tax Rate for Foreign Manufacturers and Importers.--Subsection (a) of section 5051 is amended-- (1) in subparagraph (C)(i)(II) of paragraph (1), as amended by subsection (a), by inserting ``but only if the importer is an electing importer under paragraph (4) and the barrels have been assigned to the importer pursuant to such paragraph'' after ``during the ***calendar*** ***year***'', and (2) by adding at the end the following new paragraph: ``(4) Reduced tax rate for foreign manufacturers and importers.-- ``(A) In general.--In the case of any barrels of beer which have been brewed or produced outside of the United States and imported into the United States, the rate of tax applicable under clause (i) of paragraph (1)(C) (referred to in this paragraph as the `reduced tax rate') may be assigned by the brewer (provided that the brewer makes an election described in subparagraph (B)(ii)) to any electing importer of such barrels pursuant to the requirements established by the Secretary under subparagraph (B). ``(B) Assignment.--The Secretary shall, through such rules, regulations, and procedures as are determined appropriate, establish procedures for assignment of the reduced tax rate provided under this paragraph, which shall include-- ``(i) a limitation to ensure that the number of barrels of beer for which the reduced tax rate has been assigned by a brewer-- ``(I) to any importer does not exceed the number of barrels of beer brewed or produced by such brewer during the ***calendar*** ***year*** which were imported into the United States by such importer, and ``(II) to all importers does not exceed the 6,000,000 barrels to which the reduced tax rate applies, ``(ii) procedures that allow the election of a brewer to assign and an importer to receive the reduced tax rate provided under this paragraph, ``(iii) requirements that the brewer provide any information as the Secretary determines necessary and appropriate for purposes of carrying out this paragraph, and ``(iv) procedures that allow for revocation of eligibility of the brewer and the importer for the reduced tax rate provided under this paragraph in the case of any erroneous or fraudulent information provided under clause (iii) which the Secretary deems to be material to qualifying for such reduced rate. ``(C) Controlled group.--For purposes of this section, any importer making an election described in subparagraph (B)(ii) shall be deemed to be a member of the controlled group of the brewer, as described under paragraph (5).''. (d) Controlled Group and Single Taxpayer Rules.--Subsection (a) of section 5051, as amended by this section, is amended-- (1) in paragraph (2)-- (A) by striking subparagraph (B), and (B) by redesignating subparagraph (C) as subparagraph (B), and (2) by adding at the end the following new paragraph: ``(5) Controlled group and single taxpayer rules.-- ``(A) In general.--Except as provided in subparagraph (B), in the case of a controlled group, the 6,000,000 barrel quantity specified in paragraph (1)(C)(i) and the 2,000,000 barrel quantity specified in paragraph (2)(A) shall be applied to the controlled group, and the 6,000,000 barrel quantity specified in paragraph (1)(C)(i) and the 60,000 barrel quantity specified in paragraph (2)(A) shall be apportioned among the brewers who are members of such group in such manner as the Secretary or their delegate shall by regulations prescribe. For purposes of the preceding sentence, the term `controlled group' has the meaning assigned to it by subsection (a) of section 1563, except that for such purposes the phrase `more than 50 percent' shall be substituted for the phrase `at least 80 percent' in each place it appears in such subsection. Under regulations prescribed by the Secretary, principles similar to the principles of the preceding two sentences shall be applied to a group of brewers under common control where one or more of the brewers is not a corporation. ``(B) Foreign manufacturers and importers.--For purposes of paragraph (4), in the case of a controlled group, the 6,000,000 barrel quantity specified in paragraph (1)(C)(i) shall be applied to the controlled group and apportioned among the members of such group in such manner as the Secretary shall by regulations prescribe. For purposes of the preceding sentence, the term `controlled group' has the meaning given such term under subparagraph (A). Under regulations prescribed by the Secretary, principles similar to the principles of the preceding two sentences shall be applied to a group of brewers under common control where one or more of the brewers is not a corporation. ``(C) Single taxpayer.--Pursuant to rules issued by the Secretary, two or more entities (whether or not under common control) that produce beer marketed under a similar brand, license, franchise, or other arrangement shall be treated as a single taxpayer for purposes of the application of this subsection.''. (e) Effective Date.--The amendments made by this section shall apply to beer removed after December 31, 2017. SEC. 13803. ***TRANSFER*** OF BEER BETWEEN BONDED FACILITIES. (a) In General.--Section 5414 is amended-- (1) by striking ``Beer may be removed'' and inserting ``(a) In General--Beer may be removed'', and (2) by adding at the end the following: ``(b) ***Transfer*** of Beer Between Bonded Facilities.-- ``(1) In general.--Beer may be removed from one bonded brewery to another bonded brewery, without ***payment*** of tax, and may be mingled with beer at the receiving brewery, subject to such conditions, including ***payment*** of the tax, and in such containers, as the Secretary by regulations shall prescribe, which shall include-- ``(A) any removal from one brewery to another brewery belonging to the same brewer, ``(B) any removal from a brewery owned by one corporation to a brewery owned by another corporation when-- ``(i) one such corporation owns the controlling interest in the other such corporation, or ``(ii) the controlling interest in each such corporation is owned by the same person or persons, and ``(C) any removal from one brewery to another brewery when-- ``(i) the proprietors of ***transferring*** and receiving premises are independent of each other and neither has a proprietary interest, directly or indirectly, in the business of the other, and ``(ii) the transferor has divested itself of all interest in the beer so ***transferred*** and the transferee has accepted responsibility for ***payment*** of the tax. ``(2) ***Transfer*** of liability for tax.--For purposes of paragraph (1)(C), such relief from liability shall be effective from the time of removal from the transferor's bonded premises, or from the time of divestment of interest, whichever is later. ``(3) Termination.--This subsection shall not apply to any ***calendar*** quarter beginning after December 31, 2019.''. (b) Removal From Brewery by Pipeline.--Section 5412 is amended by inserting ``pursuant to section 5414 or'' before ``by pipeline''. (c) Effective Date.--The amendments made by this section shall apply to any ***calendar*** quarters beginning after December 31, 2017. [[Page H10292]] SEC. 13804. REDUCED RATE OF EXCISE TAX ON CERTAIN WINE. (a) In General.--Section 5041(c) is amended by adding at the end the following new paragraph: ``(8) Special rule for 2018 and 2019.-- ``(A) In general.--In the case of wine removed after December 31, 2017, and before January 1, 2020, paragraphs (1) and (2) shall not apply and there shall be allowed as a credit against any tax imposed by this title (other than chapters 2, 21, and 22) an amount equal to the sum of-- ``(i) $1 per wine gallon on the first 30,000 wine gallons of wine, plus ``(ii) 90 cents per wine gallon on the first 100,000 wine gallons of wine to which clause (i) does not apply, plus ``(iii) 53.5 cents per wine gallon on the first 620,000 wine gallons of wine to which clauses (i) and (ii) do not apply, which are produced by the producer and removed during the ***calendar*** ***year*** for consumption or sale, or which are imported by the importer into the United States during the ***calendar*** ***year***. ``(B) Adjustment of credit for hard cider.--In the case of wine described in subsection (b)(6), subparagraph (A) of this paragraph shall be applied-- ``(i) in clause (i) of such subparagraph, by substituting `6.2 cents' for `$1', ``(ii) in clause (ii) of such subparagraph, by substituting `5.6 cents' for `90 cents', and ``(iii) in clause (iii) of such subparagraph, by substituting `3.3 cents' for `53.5 cents'.'', (b) Controlled Group and Single Taxpayer Rules.--Paragraph (4) of section 5041(c) is amended by striking ``section 5051(a)(2)(B)'' and inserting ``section 5051(a)(5)''. (c) Allowance of Credit for Foreign Manufacturers and Importers.--Subsection (c) of section 5041, as amended by subsection (a), is amended-- (1) in subparagraph (A) of paragraph (8), by inserting ``but only if the importer is an electing importer under paragraph (9) and the wine gallons of wine have been assigned to the importer pursuant to such paragraph'' after ``into the United States during the ***calendar*** ***year***'', and (2) by adding at the end the following new paragraph: ``(9) Allowance of credit for foreign manufacturers and importers.-- ``(A) In general.--In the case of any wine gallons of wine which have been produced outside of the United States and imported into the United States, the credit allowable under paragraph (8) (referred to in this paragraph as the `tax credit') may be assigned by the person who produced such wine (referred to in this paragraph as the `foreign producer'), provided that such person makes an election described in subparagraph (B)(ii), to any electing importer of such wine gallons pursuant to the requirements established by the Secretary under subparagraph (B). ``(B) Assignment.--The Secretary shall, through such rules, regulations, and procedures as are determined appropriate, establish procedures for assignment of the tax credit provided under this paragraph, which shall include-- ``(i) a limitation to ensure that the number of wine gallons of wine for which the tax credit has been assigned by a foreign producer-- ``(I) to any importer does not exceed the number of wine gallons of wine produced by such foreign producer during the ***calendar*** ***year*** which were imported into the United States by such importer, and ``(II) to all importers does not exceed the 750,000 wine gallons of wine to which the tax credit applies, ``(ii) procedures that allow the election of a foreign producer to assign and an importer to receive the tax credit provided under this paragraph, ``(iii) requirements that the foreign producer provide any information as the Secretary determines necessary and appropriate for purposes of carrying out this paragraph, and ``(iv) procedures that allow for revocation of eligibility of the foreign producer and the importer for the tax credit provided under this paragraph in the case of any erroneous or fraudulent information provided under clause (iii) which the Secretary deems to be material to qualifying for such credit. ``(C) Controlled group.--For purposes of this section, any importer making an election described in subparagraph (B)(ii) shall be deemed to be a member of the controlled group of the foreign producer, as described under paragraph (4).''. (d) Effective Date.--The amendments made by this section shall apply to wine removed after December 31, 2017. SEC. 13805. ADJUSTMENT OF ALCOHOL CONTENT LEVEL FOR APPLICATION OF EXCISE TAX RATES. (a) In General.--Paragraphs (1) and (2) of section 5041(b) are each amended by inserting ``(16 percent in the case of wine removed after December 31, 2017, and before January 1, 2020'' after ``14 percent''. (b) Effective Date.--The amendments made by this section shall apply to wine removed after December 31, 2017. SEC. 13806. DEFINITION OF MEAD AND LOW ALCOHOL BY VOLUME WINE. (a) In General.--Section 5041 is amended-- (1) in subsection (a), by striking ``Still wines'' and inserting ``Subject to subsection (h), still wines'', and (2) by adding at the end the following new subsection: ``(h) Mead and Low Alcohol by Volume Wine.-- ``(1) In general.--For purposes of subsections (a) and (b)(1), mead and low alcohol by volume wine shall be deemed to be still wines containing not more than 16 percent of alcohol by volume. ``(2) Definitions.-- ``(A) Mead.--For purposes of this section, the term `mead' means a wine-- ``(i) containing not more than 0.64 gram of carbon dioxide per hundred milliliters of wine, except that the Secretary shall by regulations prescribe such tolerances to this limitation as may be reasonably necessary in good commercial practice, ``(ii) which is derived solely from honey and water, ``(iii) which contains no fruit product or fruit flavoring, and ``(iv) which contains less than 8.5 percent alcohol by volume. ``(B) Low alcohol by volume wine.--For purposes of this section, the term `low alcohol by volume wine' means a wine-- ``(i) containing not more than 0.64 gram of carbon dioxide per hundred milliliters of wine, except that the Secretary shall by regulations prescribe such tolerances to this limitation as may be reasonably necessary in good commercial practice, ``(ii) which is derived-- ``(I) primarily from grapes, or ``(II) from grape juice concentrate and water, ``(iii) which contains no fruit product or fruit flavoring other than grape, and ``(iv) which contains less than 8.5 percent alcohol by volume. ``(3) Termination.--This subsection shall not apply to wine removed after December 31, 2019.''. (b) Effective Date.--The amendments made by this section shall apply to wine removed after December 31, 2017. SEC. 13807. REDUCED RATE OF EXCISE TAX ON CERTAIN DISTILLED SPIRITS. (a) In General.--Section 5001 is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection: ``(c) Reduced Rate for 2018 and 2019.-- ``(1) In general.--In the case of a distilled spirits operation, the otherwise applicable tax rate under subsection (a)(1) shall be-- ``(A) $2.70 per proof gallon on the first 100,000 proof gallons of distilled spirits, and ``(B) $13.34 per proof gallon on the first 22,130,000 of proof gallons of distilled spirits to which subparagraph (A) does not apply, which have been distilled or processed by such operation and removed during the ***calendar*** ***year*** for consumption or sale, or which have been imported by the importer into the United States during the ***calendar*** ***year***. ``(2) Controlled groups.-- ``(A) In general.--In the case of a controlled group, the proof gallon quantities specified under subparagraphs (A) and (B) of paragraph (1) shall be applied to such group and apportioned among the members of such group in such manner as the Secretary or their delegate shall by regulations prescribe. ``(B) Definition.--For purposes of subparagraph (A), the term `controlled group' shall have the meaning given such term by subsection (a) of section 1563, except that `more than 50 percent' shall be substituted for `at least 80 percent' each place it appears in such subsection. ``(C) Rules for non-corporations.--Under regulations prescribed by the Secretary, principles similar to the principles of subparagraphs (A) and (B) shall be applied to a group under common control where one or more of the persons is not a corporation. ``(D) Single taxpayer.--Pursuant to rules issued by the Secretary, two or more entities (whether or not under common control) that produce distilled spirits marketed under a similar brand, license, franchise, or other arrangement shall be treated as a single taxpayer for purposes of the application of this subsection. ``(3) Termination.--This subsection shall not apply to distilled spirits removed after December 31, 2019.''. (b) Conforming Amendment.--Section 7652(f)(2) is amended by striking ``section 5001(a)(1)'' and inserting ``subsection (a)(1) of section 5001, determined as if subsection (c)(1) of such section did not apply''. (c) Application of Reduced Tax Rate for Foreign Manufacturers and Importers.--Subsection (c) of section 5001, as added by subsection (a), is amended-- (1) in paragraph (1), by inserting ``but only if the importer is an electing importer under paragraph (3) and the proof gallons of distilled spirits have been assigned to the importer pursuant to such paragraph'' after ``into the United States during the ***calendar*** ***year***'', and (2) by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph: ``(3) Reduced tax rate for foreign manufacturers and importers.-- ``(A) In general.--In the case of any proof gallons of distilled spirits which have been produced outside of the United States and imported into the United States, the rate of tax applicable under paragraph (1) (referred to in this paragraph as the `reduced tax rate') may be assigned by the distilled spirits operation (provided that such operation makes an election described in subparagraph (B)(ii)) to any electing importer of such proof gallons pursuant to the requirements established by the Secretary under subparagraph (B). ``(B) Assignment.--The Secretary shall, through such rules, regulations, and procedures as are determined appropriate, establish procedures for assignment of the reduced tax rate provided under this paragraph, which shall include-- ``(i) a limitation to ensure that the number of proof gallons of distilled spirits for which the reduced tax rate has been assigned by a distilled spirits operation-- ``(I) to any importer does not exceed the number of proof gallons produced by such operation during the ***calendar*** ***year*** which were imported into the United States by such importer, and [[Page H10293]] ``(II) to all importers does not exceed the 22,230,000 proof gallons of distilled spirits to which the reduced tax rate applies, ``(ii) procedures that allow the election of a distilled spirits operation to assign and an importer to receive the reduced tax rate provided under this paragraph, ``(iii) requirements that the distilled spirits operation provide any information as the Secretary determines necessary and appropriate for purposes of carrying out this paragraph, and ``(iv) procedures that allow for revocation of eligibility of the distilled spirits operation and the importer for the reduced tax rate provided under this paragraph in the case of any erroneous or fraudulent information provided under clause (iii) which the Secretary deems to be material to qualifying for such reduced rate. ``(C) Controlled group.-- ``(i) In general.--For purposes of this section, any importer making an election described in subparagraph (B)(ii) shall be deemed to be a member of the controlled group of the distilled spirits operation, as described under paragraph (2). ``(ii) Apportionment.--For purposes of this paragraph, in the case of a controlled group, rules similar to section 5051(a)(5)(B) shall apply.''. (d) Effective Date.--The amendments made by this section shall apply to distilled spirits removed after December 31, 2017. SEC. 13808. BULK DISTILLED SPIRITS. (a) In General.--Section 5212 is amended by adding at the end the following sentence: ``In the case of distilled spirits ***transferred*** in bond after December 31, 2017, and before January 1, 2020, this section shall be applied without regard to whether distilled spirits are bulk distilled spirits.''. (b) Effective Date.--The amendments made by this section shall apply distilled spirits ***transferred*** in bond after December 31, 2017. Subpart B--Miscellaneous Provisions SEC. 13821. MODIFICATION OF TAX TREATMENT OF ALASKA NATIVE CORPORATIONS AND SETTLEMENT TRUSTS. (a) Exclusion for ANCSA ***Payments*** Assigned to Alaska Native Settlement Trusts.-- (1) In general.--Part III of subchapter B of chapter 1 is amended by inserting before section 140 the following new section: ``SEC. 139G. ASSIGNMENTS TO ALASKA NATIVE SETTLEMENT TRUSTS. ``(a) In General.--In the case of a Native Corporation, gross income shall not include the value of any ***payments*** that would otherwise be made, or treated as being made, to such Native Corporation pursuant to, or as required by, any provision of the Alaska Native Claims Settlement Act (43 U.S.C 1601 et seq.), including any ***payment*** that would otherwise be made to a Village Corporation pursuant to section 7(j) of the Alaska Native Claims Settlement Act (43 U.S.C 1606(j)), provided that any such ***payments***-- ``(1) are assigned in writing to a Settlement Trust, and ``(2) were not received by such Native Corporation prior to the assignment described in paragraph (1). ``(b) Inclusion in Gross Income.--In the case of a Settlement Trust which has been assigned ***payments*** described in subsection (a), gross income shall include such ***payments*** when received by such Settlement Trust pursuant to the assignment and shall have the same character as if such ***payments*** were received by the Native Corporation. ``(c) Amount and Scope of Assignment.--The amount and scope of any assignment under subsection (a) shall be described with reasonable particularity and may either be in a percentage of one or more such ***payments*** or in a fixed dollar amount. ``(d) Duration of Assignment; Revocability.--Any assignment under subsection (a) shall specify-- ``(1) a duration either in perpetuity or for a period of time, and ``(2) whether such assignment is revocable. ``(e) Prohibition on Deduction.--Notwithstanding section 247, no deduction shall be allowed to a Native Corporation for purposes of any amounts described in subsection (a). ``(f) Definitions.--For purposes of this section, the terms `Native Corporation' and `Settlement Trust' have the same meaning given such terms under section 646(h).''. (2) Conforming amendment.--The table of sections for part III of subchapter B of chapter 1 is amended by inserting before the item relating to section 140 the following new item: ``Sec. 139G. Assignments to Alaska Native Settlement Trusts.''. (3) Effective date.--The amendments made by this subsection shall apply to taxable ***years*** beginning after December 31, 2016. (b) Deduction of Contributions to Alaska Native Settlement Trusts.-- (1) In general.--Part VIII of subchapter B of chapter 1 is amended by inserting before section 248 the following new section: ``SEC. 247. CONTRIBUTIONS TO ALASKA NATIVE SETTLEMENT TRUSTS. ``(a) In General.--In the case of a Native Corporation, there shall be allowed a deduction for any contributions made by such Native Corporation to a Settlement Trust (regardless of whether an election under section 646 is in effect for such Settlement Trust) for which the Native Corporation has made an annual election under subsection (e). ``(b) Amount of Deduction.--The amount of the deduction under subsection (a) shall be equal to-- ``(1) in the case of a cash contribution (regardless of the method of ***payment***, including currency, coins, money order, or check), the amount of such contribution, or ``(2) in the case of a contribution not described in paragraph (1), the lesser of-- ``(A) the Native Corporation's adjusted basis in the property contributed, or ``(B) the fair market value of the property contributed. ``(c) Limitation and Carryover.-- ``(1) In general.--Subject to paragraph (2), the deduction allowed under subsection (a) for any taxable ***year*** shall not exceed the taxable income (as determined without regard to such deduction) of the Native Corporation for the taxable ***year*** in which the contribution was made. ``(2) Carryover.--If the aggregate amount of contributions described in subsection (a) for any taxable ***year*** exceeds the limitation under paragraph (1), such excess shall be treated as a contribution described in subsection (a) in each of the 15 succeeding ***years*** in order of time. ``(d) Definitions.--For purposes of this section, the terms `Native Corporation' and `Settlement Trust' have the same meaning given such terms under section 646(h). ``(e) Manner of Making Election.-- ``(1) In general.--For each taxable ***year***, a Native Corporation may elect to have this section apply for such taxable ***year*** on the income tax return or an amendment or supplement to the return of the Native Corporation, with such election to have effect solely for such taxable ***year***. ``(2) Revocation.--Any election made by a Native Corporation pursuant to this subsection may be revoked pursuant to a timely filed amendment or supplement to the income tax return of such Native Corporation. ``(f) Additional Rules.-- ``(1) Earnings and profits.--Notwithstanding section 646(d)(2), in the case of a Native Corporation which claims a deduction under this section for any taxable ***year***, the earnings and profits of such Native Corporation for such taxable ***year*** shall be reduced by the amount of such deduction. ``(2) Gain or loss.--No gain or loss shall be recognized by the Native Corporation with respect to a contribution of property for which a deduction is allowed under this section. ``(3) Income.--Subject to subsection (g), a Settlement Trust shall include in income the amount of any deduction allowed under this section in the taxable ***year*** in which the Settlement Trust actually receives such contribution. ``(4) Period.--The holding period under section 1223 of the Settlement Trust shall include the period the property was held by the Native Corporation. ``(5) Basis.--The basis that a Settlement Trust has for which a deduction is allowed under this section shall be equal to the lesser of-- ``(A) the adjusted basis of the Native Corporation in such property immediately before such contribution, or ``(B) the fair market value of the property immediately before such contribution. ``(6) Prohibition.--No deduction shall be allowed under this section with respect to any contributions made to a Settlement Trust which are in violation of subsection (a)(2) or (c)(2) of section 39 of the Alaska Native Claims Settlement Act (43 U.S.C 1629e). ``(g) Election by Settlement Trust to Defer Income Recognition.-- ``(1) In general.--In the case of a contribution which consists of property other than cash, a Settlement Trust may elect to defer recognition of any income related to such property until the sale or exchange of such property, in whole or in part, by the Settlement Trust. ``(2) Treatment.--In the case of property described in paragraph (1), any income or gain realized on the sale or exchange of such property shall be treated as-- ``(A) for such amount of the income or gain as is equal to or less than the amount of income which would be included in income at the time of contribution under subsection (f)(3) but for the taxpayer's election under this subsection, ordinary income, and ``(B) for any amounts of the income or gain which are in excess of the amount of income which would be included in income at the time of contribution under subsection (f)(3) but for the taxpayer's election under this subsection, having the same character as if this subsection did not apply. ``(3) Election.-- ``(A) In general.--For each taxable ***year***, a Settlement Trust may elect to apply this subsection for any property described in paragraph (1) which was contributed during such ***year***. Any property to which the election applies shall be identified and described with reasonable particularity on the income tax return or an amendment or supplement to the return of the Settlement Trust, with such election to have effect solely for such taxable ***year***. ``(B) Revocation.--Any election made by a Settlement Trust pursuant to this subsection may be revoked pursuant to a timely filed amendment or supplement to the income tax return of such Settlement Trust. ``(C) Certain dispositions.-- ``(i) In general.--In the case of any property for which an election is in effect under this subsection and which is disposed of within the first taxable ***year*** subsequent to the taxable ***year*** in which such property was contributed to the Settlement Trust-- ``(I) this section shall be applied as if the election under this subsection had not been made, ``(II) any income or gain which would have been included in the ***year*** of contribution under subsection (f)(3) but for the taxpayer's election under this subsection shall be included in income for the taxable ***year*** of such contribution, and ``(III) the Settlement Trust shall pay any increase in tax resulting from such inclusion, including any applicable interest, and increased by 10 percent of the amount of such increase with interest. [[Page H10294]] ``(ii) Assessment.--Notwithstanding section 6501(a), any amount described in subclause (III) of clause (i) may be assessed, or a proceeding in court with respect to such amount may be initiated without assessment, within 4 ***years*** after the date on which the return making the election under this subsection for such property was filed.''. (2) Conforming amendment.--The table of sections for part VIII of subchapter B of chapter 1 is amended by inserting before the item relating to section 248 the following new item: ``Sec. 247. Contributions to Alaska Native Settlement Trusts.''. (3) Effective date.-- (A) In general.--The amendments made by this subsection shall apply to taxable ***years*** for which the period of limitation on refund or credit under section 6511 of the Internal Revenue Code of 1986 has not expired. (B) One-***year*** waiver of statute of limitations.--If the period of limitation on a credit or refund resulting from the amendments made by paragraph (1) expires before the end of the 1-***year*** period beginning on the date of the enactment of this Act, refund or credit of such overpayment (to the extent attributable to such amendments) may, nevertheless, be made or allowed if claim therefor is filed before the close of such 1-***year*** period. (c) Information Reporting for Deductible Contributions to Alaska Native Settlement Trusts.-- (1) In general.--Section 6039H is amended-- (A) in the heading, by striking ``sponsoring'', and (B) by adding at the end the following new subsection: ``(e) Deductible Contributions by Native Corporations to Alaska Native Settlement Trusts.-- ``(1) In general.--Any Native Corporation (as defined in subsection (m) of section 3 of the Alaska Native Claims Settlement Act (43 U.S.C 1602(m))) which has made a contribution to a Settlement Trust (as defined in subsection (t) of such section) to which an election under subsection (e) of section 247 applies shall provide such Settlement Trust with a statement regarding such election not later than January 31 of the ***calendar*** ***year*** subsequent to the ***calendar*** ***year*** in which the contribution was made. ``(2) Content of statement.--The statement described in paragraph (1) shall include-- ``(A) the total amount of contributions to which the election under subsection (e) of section 247 applies, ``(B) for each contribution, whether such contribution was in cash, ``(C) for each contribution which consists of property other than cash, the date that such property was acquired by the Native Corporation and the adjusted basis and fair market value of such property on the date such property was contributed to the Settlement Trust, ``(D) the date on which each contribution was made to the Settlement Trust, and ``(E) such information as the Secretary determines to be necessary or appropriate for the identification of each contribution and the accurate inclusion of income relating to such contributions by the Settlement Trust.''. (2) Conforming amendment.--The item relating to section 6039H in the table of sections for subpart A of part III of subchapter A of chapter 61 is amended to read as follows: ``Sec. 6039H. Information With Respect to Alaska Native Settlement Trusts and Native Corporations.''. (3) Effective date.--The amendments made by this subsection shall apply to taxable ***years*** beginning after December 31, 2016. SEC. 13822. AMOUNTS PAID FOR AIRCRAFT MANAGEMENT SERVICES. (a) In General.--Subsection (e) of section 4261 is amended by adding at the end the following new paragraph: ``(5) Amounts paid for aircraft management services.-- ``(A) In general.--No tax shall be imposed by this section or section 4271 on any amounts paid by an aircraft owner for aircraft management services related to-- ``(i) maintenance and support of the aircraft owner's aircraft, or ``(ii) flights on the aircraft owner's aircraft. ``(B) Aircraft management services.--For purposes of subparagraph (A), the term `aircraft management services' includes-- ``(i) assisting an aircraft owner with administrative and support services, such as scheduling, flight planning, and weather forecasting, ``(ii) obtaining insurance, ``(iii) maintenance, storage and fueling of aircraft, ``(iv) hiring, training, and provision of pilots and crew, ``(v) establishing and complying with safety standards, and ``(vi) such other services as are necessary to support flights operated by an aircraft owner. ``(C) Lessee treated as aircraft owner.-- ``(i) In general.--For purposes of this paragraph, the term `aircraft owner' includes a person who leases the aircraft other than under a disqualified lease. ``(ii) Disqualified lease.--For purposes of clause (i), the term `disqualified lease' means a lease from a person providing aircraft management services with respect to such aircraft (or a related person (within the meaning of section 465(b)(3)(C)) to the person providing such services), if such lease is for a term of 31 days or less. ``(D) Pro rata allocation.--In the case of amounts paid to any person which (but for this subsection) are subject to the tax imposed by subsection (a), a portion of which consists of amounts described in subparagraph (A), this paragraph shall apply on a pro rata basis only to the portion which consists of amounts described in such subparagraph.''. (b) Effective Date.--The amendment made by this section shall apply to amounts paid after the date of the enactment of this Act. SEC. 13823. OPPORTUNITY ZONES. (a) In General.--Chapter 1 is amended by adding at the end the following: ``Subchapter Z--Opportunity Zones ``Sec. 1400Z-1. Designation. ``Sec. 1400Z-2. Special rules for capital gains invested in opportunity zones. ``SEC. 1400Z-1. DESIGNATION. ``(a) Qualified Opportunity Zone Defined.--For the purposes of this subchapter, the term `qualified opportunity zone' means a population census tract that is a low-income community that is designated as a qualified opportunity zone. ``(b) Designation.-- ``(1) In general.--For purposes of subsection (a), a population census tract that is a low-income community is designated as a qualified opportunity zone if-- ``(A) not later than the end of the determination period, the chief executive officer of the State in which the tract is located-- ``(i) nominates the tract for designation as a qualified opportunity zone, and ``(ii) notifies the Secretary in writing of such nomination, and ``(B) the Secretary certifies such nomination and designates such tract as a qualified opportunity zone before the end of the consideration period. ``(2) Extension of periods.--A chief executive officer of a State may request that the Secretary extend either the determination or consideration period, or both (determined without regard to this subparagraph), for an additional 30 days. ``(c) Other Definitions.--For purposes of this subsection-- ``(1) Low-income communities.--The term `low-income community' has the same meaning as when used in section 45D(e). ``(2) Definition of periods.-- ``(A) Consideration period.--The term `consideration period' means the 30-day period beginning on the date on which the Secretary receives notice under subsection (b)(1)(A)(ii), as extended under subsection (b)(2). ``(B) Determination period.--The term `determination period' means the 90-day period beginning on the date of the enactment of the Tax Cuts and Jobs Act, as extended under subsection (b)(2). ``(3) State.--For purposes of this section, the term `State' includes any possession of the United States. ``(d) Number of Designations.-- ``(1) In general.--Except as provided by paragraph (2), the number of population census tracts in a State that may be designated as qualified opportunity zones under this section may not exceed 25 percent of the number of low-income communities in the State. ``(2) Exception.--If the number of low-income communities in a State is less than 100, then a total of 25 of such tracts may be designated as qualified opportunity zones. ``(e) Designation of Tracts Contiguous With Low-income Communities.-- ``(1) In general.--A population census tract that is not a low-income community may be designated as a qualified opportunity zone under this section if-- ``(A) the tract is contiguous with the low-income community that is designated as a qualified opportunity zone, and ``(B) the median family income of the tract does not exceed 125 percent of the median family income of the low-income community with which the tract is contiguous. ``(2) Limitation.--Not more than 5 percent of the population census tracts designated in a State as a qualified opportunity zone may be designated under paragraph (1). ``(f) Period for Which Designation Is in Effect.--A designation as a qualified opportunity zone shall remain in effect for the period beginning on the date of the designation and ending at the close of the 10th ***calendar*** ***year*** beginning on or after such date of designation. ``SEC. 1400Z-2. SPECIAL RULES FOR CAPITAL GAINS INVESTED IN OPPORTUNITY ZONES. ``(a) In General.-- ``(1) Treatment of gains.--In the case of gain from the sale to, or exchange with, an unrelated person of any property held by the taxpayer, at the election of the taxpayer-- ``(A) gross income for the taxable ***year*** shall not include so much of such gain as does not exceed the aggregate amount invested by the taxpayer in a qualified opportunity fund during the 180-day period beginning on the date of such sale or exchange, ``(B) the amount of gain excluded by subparagraph (A) shall be included in gross income as provided by subsection (b), and ``(C) subsection (c) shall apply. ``(2) Election.--No election may be made under paragraph (1)-- ``(A) with respect to a sale or exchange if an election previously made with respect to such sale or exchange is in effect, or ``(B) with respect to any sale or exchange after December 31, 2026. ``(b) Deferral of Gain Invested in Opportunity Zone Property.-- ``(1) ***Year*** of inclusion.--Gain to which subsection (a)(1)(B) applies shall be included in income in the taxable ***year*** which includes the earlier of-- ``(A) the date on which such investment is sold or exchanged, or ``(B) December 31, 2026. ``(2) Amount includible.-- ``(A) In general.--The amount of gain included in gross income under subsection (a)(1)(A) shall be the excess of-- [[Page H10295]] ``(i) the lesser of the amount of gain excluded under paragraph (1) or the fair market value of the investment as determined as of the date described in paragraph (1), over ``(ii) the taxpayer's basis in the investment. ``(B) Determination of basis.-- ``(i) In general.--Except as otherwise provided in this clause or subsection (c), the taxpayer's basis in the investment shall be zero. ``(ii) Increase for gain recognized under subsection (a)(1)(B).--The basis in the investment shall be increased by the amount of gain recognized by reason of subsection (a)(1)(B) with respect to such property. ``(iii) Investments held for 5 ***years***.--In the case of any investment held for at least 5 ***years***, the basis of such investment shall be increased by an amount equal to 10 percent of the amount of gain deferred by reason of subsection (a)(1)(A). ``(iv) Investments held for 7 ***years***.--In the case of any investment held by the taxpayer for at least 7 ***years***, in addition to any adjustment made under clause (iii), the basis of such property shall be increased by an amount equal to 5 percent of the amount of gain deferred by reason of subsection (a)(1)(A). ``(c) Special Rule for Investments Held for at Least 10 ***Years***.--In the case of any investment held by the taxpayer for at least 10 ***years*** and with respect to which the taxpayer makes an election under this clause, the basis of such property shall be equal to the fair market value of such investment on the date that the investment is sold or exchanged. ``(d) Qualified Opportunity Fund.--For purposes of this section-- ``(1) In general.--The term `qualified opportunity fund' means any investment vehicle which is organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property (other than another qualified opportunity fund) that holds at least 90 percent of its assets in qualified opportunity zone property, determined by the average of the percentage of qualified opportunity zone property held in the fund as measured-- ``(A) on the last day of the first 6-month period of the taxable ***year*** of the fund, and ``(B) on the last day of the taxable ***year*** of the fund. ``(2) Qualified opportunity zone property.-- ``(A) In general.--The term `qualified opportunity zone property' means property which is-- ``(i) qualified opportunity zone stock, ``(ii) qualified opportunity zone partnership interest, or ``(iii) qualified opportunity zone business property. ``(B) Qualified opportunity zone stock.-- ``(i) In general.--Except as provided in clause (ii), the term `qualified opportunity zone stock' means any stock in a domestic corporation if-- ``(I) such stock is acquired by the qualified opportunity fund after December 31, 2017, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash, ``(II) as of the time such stock was issued, such corporation was a qualified opportunity zone business (or, in the case of a new corporation, such corporation was being organized for purposes of being a qualified opportunity zone business), and ``(III) during substantially all of the qualified opportunity fund's holding period for such stock, such corporation qualified as a qualified opportunity zone business. ``(ii) Redemptions.--A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this paragraph. ``(C) Qualified opportunity zone partnership interest.--The term `qualified opportunity zone partnership interest' means any capital or profits interest in a domestic partnership if-- ``(i) such interest is acquired by the qualified opportunity fund after December 31, 2017, from the partnership solely in exchange for cash, ``(ii) as of the time such interest was acquired, such partnership was a qualified opportunity zone business (or, in the case of a new partnership, such partnership was being organized for purposes of being a qualified opportunity zone business), and ``(iii) during substantially all of the qualified opportunity fund's holding period for such interest, such partnership qualified as a qualified opportunity zone business. ``(D) Qualified opportunity zone business property.-- ``(i) In general.--The term `qualified opportunity zone business property' means tangible property used in a trade or business of the qualified opportunity fund if-- ``(I) such property was acquired by the qualified opportunity fund by purchase (as defined in section 179(d)(2)) after December 31, 2017, ``(II) the original use of such property in the qualified opportunity zone commences with the qualified opportunity fund or the qualified opportunity fund substantially improves the property, and ``(III) during substantially all of the qualified opportunity fund's holding period for such property, substantially all of the use of such property was in a qualified opportunity zone. ``(ii) Substantial improvement.--For purposes of subparagraph (A)(ii), property shall be treated as substantially improved by the qualified opportunity fund only if, during any 30-month period beginning after the date of acquisition of such property, additions to basis with respect to such property in the hands of the qualified opportunity fund exceed an amount equal to the adjusted basis of such property at the beginning of such 30-month period in the hands of the qualified opportunity fund. ``(iii) Related party.--For purposes of subparagraph (A)(i), the related person rule of section 179(d)(2) shall be applied pursuant to paragraph (8) of this subsection in lieu of the application of such rule in section 179(d)(2)(A). ``(3) Qualified opportunity zone business.-- ``(A) In general.--The term `qualified opportunity zone business' means a trade or business-- ``(i) in which substantially all of the tangible property owned or leased by the taxpayer is qualified opportunity zone business property (determined by substituting `qualified opportunity zone business' for `qualified opportunity fund' each place it appears in paragraph (2)(D)), ``(ii) which satisfies the requirements of paragraphs (2), (4), and (8) of section 1397C(b), and ``(iii) which is not described in section 144(c)(6)(B). ``(B) Special rule.--For purposes of subparagraph (A), tangible property that ceases to be a qualified opportunity zone business property shall continue to be treated as a qualified opportunity zone business property for the lesser of-- ``(i) 5 ***years*** after the date on which such tangible property ceases to be so qualified, or ``(ii) the date on which such tangible property is no longer held by the qualified opportunity zone business. ``(e) Applicable Rules.-- ``(1) Treatment of investments with mixed funds.--In the case of any investment in a qualified opportunity fund only a portion of which consists of investments of gain to which an election under subsection (a) is in effect-- ``(A) such investment shall be treated as 2 separate investments, consisting of-- ``(i) one investment that only includes amounts to which the election under subsection (a) applies, and ``(ii) a separate investment consisting of other amounts, and ``(B) subsections (a), (b), and (c) shall only apply to the investment described in subparagraph (A)(i). ``(2) Related persons.--For purposes of this section, persons are related to each other if such persons are described in section 267(b) or 707(b)(1), determined by substituting `20 percent' for `50 percent' each place it occurs in such sections. ``(3) Decedents.--In the case of a decedent, amounts recognized under this section shall, if not properly includible in the gross income of the decedent, be includible in gross income as provided by section 691. ``(4) Regulations.--The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including-- ``(A) rules for the certification of qualified opportunity funds for the purposes of this section, ``(B) rules to ensure a qualified opportunity fund has a reasonable period of time to reinvest the return of capital from investments in qualified opportunity zone stock and qualified opportunity zone partnership interests, and to reinvest proceeds received from the sale or disposition of qualified opportunity zone property, and ``(C) rules to prevent abuse. ``(f) Failure of Qualified Opportunity Fund to Maintain Investment Standard.-- ``(1) In general.--If a qualified opportunity fund fails to meet the 90-percent requirement of subsection (c)(1), the qualified opportunity fund shall pay a penalty for each month it fails to meet the requirement in an amount equal to the product of-- ``(A) the excess of-- ``(i) the amount equal to 90 percent of its aggregate assets, over ``(ii) the aggregate amount of qualified opportunity zone property held by the fund, multiplied by ``(B) the underpayment rate established under section 6621(a)(2) for such month. ``(2) Special rule for partnerships.--In the case that the qualified opportunity fund is a partnership, the penalty imposed by paragraph (1) shall be taken into account proportionately as part of the distributive share of each partner of the partnership. ``(3) Reasonable cause exception.--No penalty shall be imposed under this subsection with respect to any failure if it is shown that such failure is due to reasonable cause.''. (b) Basis Adjustments.--Section 1016(a) is amended by striking ``and'' at the end of paragraph (36), by striking the period at the end of paragraph (37) and inserting ``, and'', and by inserting after paragraph (37) the following: ``(38) to the extent provided in subsections (b)(2) and (c) of section 1400Z-2.''. (c) Clerical Amendment.--The table of subchapters for chapter 1 is amended by adding at the end the following new item: ``subchapter z. opportunity zones''. (d) Effective Date.--The amendments made by this section shall take effect on the date of the enactment of this Act. Subtitle D--International Tax Provisions PART I--OUTBOUND TRANSACTIONS Subpart A--Establishment of Participation Exemption System for Taxation of Foreign Income SEC. 14101. DEDUCTION FOR FOREIGN-SOURCE PORTION OF DIVIDENDS RECEIVED BY DOMESTIC CORPORATIONS FROM SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS. (a) In General.--Part VIII of subchapter B of chapter 1 is amended by inserting after section 245 the following new section: ``SEC. 245A. DEDUCTION FOR FOREIGN SOURCE-PORTION OF DIVIDENDS RECEIVED BY DOMESTIC CORPORATIONS FROM SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS. ``(a) In General.--In the case of any dividend received from a specified 10-percent owned foreign corporation by a domestic corporation which is a United States shareholder with respect to such foreign corporation, there shall be [[Page H10296]] allowed as a deduction an amount equal to the foreign-source portion of such dividend. ``(b) Specified 10-percent Owned Foreign Corporation.--For purposes of this section-- ``(1) In general.--The term `specified 10-percent owned foreign corporation' means any foreign corporation with respect to which any domestic corporation is a United States shareholder with respect to such corporation. ``(2) Exclusion of passive foreign investment companies.-- Such term shall not include any corporation which is a passive foreign investment company (as defined in section 1297) with respect to the shareholder and which is not a controlled foreign corporation. ``(c) Foreign-source Portion.--For purposes of this section-- ``(1) In general.--The foreign-source portion of any dividend from a specified 10-percent owned foreign corporation is an amount which bears the same ratio to such dividend as-- ``(A) the undistributed foreign earnings of the specified 10-percent owned foreign corporation, bears to ``(B) the total undistributed earnings of such foreign corporation. ``(2) Undistributed earnings.--The term `undistributed earnings' means the amount of the earnings and profits of the specified 10-percent owned foreign corporation (computed in accordance with sections 964(a) and 986)-- ``(A) as of the close of the taxable ***year*** of the specified 10-percent owned foreign corporation in which the dividend is distributed, and ``(B) without diminution by reason of dividends distributed during such taxable ***year***. ``(3) Undistributed foreign earnings.--The term `undistributed foreign earnings' means the portion of the undistributed earnings which is attributable to neither-- ``(A) income described in subparagraph (A) of section 245(a)(5), nor ``(B) dividends described in subparagraph (B) of such section (determined without regard to section 245(a)(12)). ``(d) Disallowance of Foreign Tax Credit, etc.-- ``(1) In general.--No credit shall be allowed under section 901 for any taxes paid or accrued (or treated as paid or accrued) with respect to any dividend for which a deduction is allowed under this section. ``(2) Denial of deduction.--No deduction shall be allowed under this chapter for any tax for which credit is not allowable under section 901 by reason of paragraph (1) (determined by treating the taxpayer as having elected the benefits of subpart A of part III of subchapter N). ``(e) Special Rules for Hybrid Dividends.-- ``(1) In general.--Subsection (a) shall not apply to any dividend received by a United States shareholder from a controlled foreign corporation if the dividend is a hybrid dividend. ``(2) Hybrid dividends of tiered corporations.--If a controlled foreign corporation with respect to which a domestic corporation is a United States shareholder receives a hybrid dividend from any other controlled foreign corporation with respect to which such domestic corporation is also a United States shareholder, then, notwithstanding any other provision of this title-- ``(A) the hybrid dividend shall be treated for purposes of section 951(a)(1)(A) as subpart F income of the receiving controlled foreign corporation for the taxable ***year*** of the controlled foreign corporation in which the dividend was received, and ``(B) the United States shareholder shall include in gross income an amount equal to the shareholder's pro rata share (determined in the same manner as under section 951(a)(2)) of the subpart F income described in subparagraph (A). ``(3) Denial of foreign tax credit, etc.--The rules of subsection (d) shall apply to any hybrid dividend received by, or any amount included under paragraph (2) in the gross income of, a United States shareholder. ``(4) Hybrid dividend.--The term `hybrid dividend' means an amount received from a controlled foreign corporation-- ``(A) for which a deduction would be allowed under subsection (a) but for this subsection, and ``(B) for which the controlled foreign corporation received a deduction (or other tax benefit) with respect to any income, war profits, or excess profits taxes imposed by any foreign country or possession of the United States. ``(f) Special Rule for Purging Distributions of Passive Foreign Investment Companies.--Any amount which is treated as a dividend under section 1291(d)(2)(B) shall not be treated as a dividend for purposes of this section. ``(g) Regulations.--The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section, including regulations for the treatment of United States shareholders owning stock of a specified 10 percent owned foreign corporation through a partnership.''. (b) Application of Holding Period Requirement.--Subsection (c) of section 246 is amended-- (1) by striking ``or 245'' in paragraph (1) and inserting ``245, or 245A'', and (2) by adding at the end the following new paragraph: ``(5) Special rules for foreign source portion of dividends received from specified 10-percent owned foreign corporations.-- ``(A) 1-***year*** holding period requirement.--For purposes of section 245A-- ``(i) paragraph (1)(A) shall be applied-- ``(I) by substituting `365 days' for `45 days' each place it appears, and ``(II) by substituting `731-day period' for `91-day period', and ``(ii) paragraph (2) shall not apply. ``(B) Status must be maintained during holding period.--For purposes of applying paragraph (1) with respect to section 245A, the taxpayer shall be treated as holding the stock referred to in paragraph (1) for any period only if-- ``(i) the specified 10-percent owned foreign corporation referred to in section 245A(a) is a specified 10-percent owned foreign corporation at all times during such period, and ``(ii) the taxpayer is a United States shareholder with respect to such specified 10-percent owned foreign corporation at all times during such period.''. (c) Application of Rules Generally Applicable to Deductions for Dividends Received.-- (1) Treatment of dividends from certain corporations.-- Paragraph (1) of section 246(a) is amended by striking ``and 245'' and inserting ``245, and 245A''. (2) Coordination with section 1059.--Subparagraph (B) of section 1059(b)(2) is amended by striking ``or 245'' and inserting ``245, or 245A''. (d) Coordination With Foreign Tax Credit Limitation.-- Subsection (b) of section 904 is amended by adding at the end the following new paragraph: ``(5) Treatment of dividends for which deduction is allowed under section 245a.--For purposes of subsection (a), in the case of a domestic corporation which is a United States shareholder with respect to a specified 10-percent owned foreign corporation, such shareholder's taxable income from sources without the United States (and entire taxable income) shall be determined without regard to-- ``(A) the foreign-source portion of any dividend received from such foreign corporation, and ``(B) any deductions properly allocable or apportioned to-- ``(i) income (other than amounts includible under section 951(a)(1) or 951A(a)) with respect to stock of such specified 10-percent owned foreign corporation, or ``(ii) such stock to the extent income with respect to such stock is other than amounts includible under section 951(a)(1) or 951A(a). Any term which is used in section 245A and in this paragraph shall have the same meaning for purposes of this paragraph as when used in such section.''. (e) Conforming Amendments.-- (1) Subsection (b) of section 951 is amended by striking ``subpart'' and inserting ``title''. (2) Subsection (a) of section 957 is amended by striking ``subpart'' in the matter preceding paragraph (1) and inserting ``title''. (3) The table of sections for part VIII of subchapter B of chapter 1 is amended by inserting after the item relating to section 245 the following new item: ``Sec. 245A. Deduction for foreign source-portion of dividends received by domestic corporations from certain 10-percent owned foreign corporations.''. (f) Effective Date.--The amendments made by this section shall apply to distributions made after (and, in the case of the amendments made by subsection (d), deductions with respect to taxable ***years*** ending after) December 31, 2017. SEC. 14102. SPECIAL RULES RELATING TO SALES OR ***TRANSFERS*** INVOLVING SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS. (a) Sales by United States Persons of Stock.-- (1) In general.--Section 1248 is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection: ``(j) Coordination With Dividends Received Deduction.--In the case of the sale or exchange by a domestic corporation of stock in a foreign corporation held for 1 ***year*** or more, any amount received by the domestic corporation which is treated as a dividend by reason of this section shall be treated as a dividend for purposes of applying section 245A.''. (2) Effective date.--The amendments made by this subsection shall apply to sales or exchanges after December 31, 2017. (b) Basis in Specified 10-percent Owned Foreign Corporation Reduced by Nontaxed Portion of Dividend for Purposes of Determining Loss.-- (1) In general.--Section 961 is amended by adding at the end the following new subsection: ``(d) Basis in Specified 10-percent Owned Foreign Corporation Reduced by Nontaxed Portion of Dividend for Purposes of Determining Loss.--If a domestic corporation received a dividend from a specified 10-percent owned foreign corporation (as defined in section 245A) in any taxable ***year***, solely for purposes of determining loss on any disposition of stock of such foreign corporation in such taxable ***year*** or any subsequent taxable ***year***, the basis of such domestic corporation in such stock shall be reduced (but not below zero) by the amount of any deduction allowable to such domestic corporation under section 245A with respect to such stock except to the extent such basis was reduced under section 1059 by reason of a dividend for which such a deduction was allowable.''. (2) Effective date.--The amendments made by this subsection shall apply to distributions made after December 31, 2017. (c) Sale by a CFC of a Lower Tier CFC.-- (1) In general.--Section 964(e) is amended by adding at the end the following new paragraph: ``(4) Coordination with dividends received deduction.-- ``(A) In general.--If, for any taxable ***year*** of a controlled foreign corporation beginning after December 31, 2017, any amount is treated as a dividend under paragraph (1) by reason of a sale or exchange by the controlled foreign corporation of stock in another foreign corporation held for 1 ***year*** or more, then, notwithstanding any other provision of this title-- [[Page H10297]] ``(i) the foreign-source portion of such dividend shall be treated for purposes of section 951(a)(1)(A) as subpart F income of the selling controlled foreign corporation for such taxable ***year***, ``(ii) a United States shareholder with respect to the selling controlled foreign corporation shall include in gross income for the taxable ***year*** of the shareholder with or within which such taxable ***year*** of the controlled foreign corporation ends an amount equal to the shareholder's pro rata share (determined in the same manner as under section 951(a)(2)) of the amount treated as subpart F income under clause (i), and ``(iii) the deduction under section 245A(a) shall be allowable to the United States shareholder with respect to the subpart F income included in gross income under clause (ii) in the same manner as if such subpart F income were a dividend received by the shareholder from the selling controlled foreign corporation. ``(B) Application of basis or similar adjustment.--For purposes of this title, in the case of a sale or exchange by a controlled foreign corporation of stock in another foreign corporation in a taxable ***year*** of the selling controlled foreign corporation beginning after December 31, 2017, rules similar to the rules of section 961(d) shall apply. ``(C) Foreign-source portion.--For purposes of this paragraph, the foreign-source portion of any amount treated as a dividend under paragraph (1) shall be determined in the same manner as under section 245A(c).''. (2) Effective date.--The amendments made by this subsection shall apply to sales or exchanges after December 31, 2017. (d) Treatment of Foreign Branch Losses ***Transferred*** to Specified 10-percent Owned Foreign Corporations.-- (1) In general.--Part II of subchapter B of chapter 1 is amended by adding at the end the following new section: ``SEC. 91. CERTAIN FOREIGN BRANCH LOSSES ***TRANSFERRED*** TO SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS. ``(a) In General.--If a domestic corporation ***transfers*** substantially all of the assets of a foreign branch (within the meaning of section 367(a)(3)(C), as in effect before the date of the enactment of the Tax Cuts and Jobs Act) to a specified 10-percent owned foreign corporation (as defined in section 245A) with respect to which it is a United States shareholder after such ***transfer***, such domestic corporation shall include in gross income for the taxable ***year*** which includes such ***transfer*** an amount equal to the ***transferred*** loss amount with respect to such ***transfer***. ``(b) ***Transferred*** Loss Amount.--For purposes of this section, the term `***transferred*** loss amount' means, with respect to any ***transfer*** of substantially all of the assets of a foreign branch, the excess (if any) of-- ``(1) the sum of losses-- ``(A) which were incurred by the foreign branch after December 31, 2017, and before the ***transfer***, and ``(B) with respect to which a deduction was allowed to the taxpayer, over ``(2) the sum of-- ``(A) any taxable income of such branch for a taxable ***year*** after the taxable ***year*** in which the loss was incurred and through the close of the taxable ***year*** of the ***transfer***, and ``(B) any amount which is recognized under section 904(f)(3) on account of the ***transfer***. ``(c) Reduction for Recognized Gains.--The ***transferred*** loss amount shall be reduced (but not below zero) by the amount of gain recognized by the taxpayer on account of the ***transfer*** (other than amounts taken into account under subsection (b)(2)(B)). ``(d) Source of Income.--Amounts included in gross income under this section shall be treated as derived from sources within the United States. ``(e) Basis Adjustments.--Consistent with such regulations or other guidance as the Secretary shall prescribe, proper adjustments shall be made in the adjusted basis of the taxpayer's stock in the specified 10-percent owned foreign corporation to which the ***transfer*** is made, and in the transferee's adjusted basis in the property ***transferred***, to reflect amounts included in gross income under this section.''. (2) Clerical amendment.--The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end the following new item: ``Sec. 91. Certain foreign branch losses ***transferred*** to specified 10- percent owned foreign corporations.''. (3) Effective date.--The amendments made by this subsection shall apply to ***transfers*** after December 31, 2017. (4) Transition rule.--The amount of gain taken into account under section 91(c) of the Internal Revenue Code of 1986, as added by this subsection, shall be reduced by the amount of gain which would be recognized under section 367(a)(3)(C) (determined without regard to the amendments made by subsection (e)) with respect to losses incurred before January 1, 2018. (e) Repeal of Active Trade or Business Exception Under Section 367.-- (1) In general.--Section 367(a) is amended by striking paragraph (3) and redesignating paragraphs (4), (5), and (6) as paragraphs (3), (4), and (5), respectively. (2) Conforming amendments.--Section 367(a)(4), as redesignated by paragraph (1), is amended-- (A) by striking ``Paragraphs (2) and (3)'' and inserting ``Paragraph (2)'', and (B) by striking ``Paragraphs (2) and (3)'' in the heading and inserting ``Paragraph (2)''. (3) Effective date.--The amendments made by this subsection shall apply to ***transfers*** after December 31, 2017. SEC. 14103. TREATMENT OF DEFERRED FOREIGN INCOME UPON TRANSITION TO PARTICIPATION EXEMPTION SYSTEM OF TAXATION. (a) In General.--Section 965 is amended to read as follows: ``SEC. 965. TREATMENT OF DEFERRED FOREIGN INCOME UPON TRANSITION TO PARTICIPATION EXEMPTION SYSTEM OF TAXATION. ``(a) Treatment of Deferred Foreign Income as Subpart F Income.--In the case of the last taxable ***year*** of a deferred foreign income corporation which begins before January 1, 2018, the subpart F income of such foreign corporation (as otherwise determined for such taxable ***year*** under section 952) shall be increased by the greater of-- ``(1) the accumulated post-1986 deferred foreign income of such corporation determined as of November 2, 2017, or ``(2) the accumulated post-1986 deferred foreign income of such corporation determined as of December 31, 2017. ``(b) Reduction in Amounts Included in Gross Income of United States Shareholders of Specified Foreign Corporations With Deficits in Earnings and Profits.-- ``(1) In general.--In the case of a taxpayer which is a United States shareholder with respect to at least one deferred foreign income corporation and at least one E&P deficit foreign corporation, the amount which would (but for this subsection) be taken into account under section 951(a)(1) by reason of subsection (a) as such United States shareholder's pro rata share of the subpart F income of each deferred foreign income corporation shall be reduced by the amount of such United States shareholder's aggregate foreign E&P deficit which is allocated under paragraph (2) to such deferred foreign income corporation. ``(2) Allocation of aggregate foreign e&p deficit.--The aggregate foreign E&P deficit of any United States shareholder shall be allocated among the deferred foreign income corporations of such United States shareholder in an amount which bears the same proportion to such aggregate as-- ``(A) such United States shareholder's pro rata share of the accumulated post-1986 deferred foreign income of each such deferred foreign income corporation, bears to ``(B) the aggregate of such United States shareholder's pro rata share of the accumulated post-1986 deferred foreign income of all deferred foreign income corporations of such United States shareholder. ``(3) Definitions related to e&p deficits.--For purposes of this subsection-- ``(A) Aggregate foreign e&p deficit.-- ``(i) In general.--The term `aggregate foreign E&P deficit' means, with respect to any United States shareholder, the lesser of-- ``(I) the aggregate of such shareholder's pro rata shares of the specified E&P deficits of the E&P deficit foreign corporations of such shareholder, or ``(II) the amount determined under paragraph (2)(B). ``(ii) Allocation of deficit.--If the amount described in clause (i)(II) is less than the amount described in clause (i)(I), then the shareholder shall designate, in such form and manner as the Secretary determines-- ``(I) the amount of the specified E&P deficit which is to be taken into account for each E&P deficit corporation with respect to the taxpayer, and ``(II) in the case of an E&P deficit corporation which has a qualified deficit (as defined in section 952), the portion (if any) of the deficit taken into account under subclause (I) which is attributable to a qualified deficit, including the qualified activities to which such portion is attributable. ``(B) E&P deficit foreign corporation.--The term `E&P deficit foreign corporation' means, with respect to any taxpayer, any specified foreign corporation with respect to which such taxpayer is a United States shareholder, if, as of November 2, 2017-- ``(i) such specified foreign corporation has a deficit in post-1986 earnings and profits, ``(ii) such corporation was a specified foreign corporation, and ``(iii) such taxpayer was a United States shareholder of such corporation. ``(C) Specified e&p deficit.--The term `specified E&P deficit' means, with respect to any E&P deficit foreign corporation, the amount of the deficit referred to in subparagraph (B). ``(4) Treatment of earnings and profits in future ***years***.-- ``(A) Reduced earnings and profits treated as previously taxed income when distributed.--For purposes of applying section 959 in any taxable ***year*** beginning with the taxable ***year*** described in subsection (a), with respect to any United States shareholder of a deferred foreign income corporation, an amount equal to such shareholder's reduction under paragraph (1) which is allocated to such deferred foreign income corporation under this subsection shall be treated as an amount which was included in the gross income of such United States shareholder under section 951(a). ``(B) E&P deficits.--For purposes of this title, with respect to any taxable ***year*** beginning with the taxable ***year*** described in subsection (a), a United States shareholder's pro rata share of the earnings and profits of any E&P deficit foreign corporation under this subsection shall be increased by the amount of the specified E&P deficit of such corporation taken into account by such shareholder under paragraph (1), and, for purposes of section 952, such increase shall be attributable to the same activity to which the deficit so taken into account was attributable. ``(5) Netting among united states shareholders in same affiliated group.-- ``(A) In general.--In the case of any affiliated group which includes at least one E&P net [[Page H10298]] surplus shareholder and one E&P net deficit shareholder, the amount which would (but for this paragraph) be taken into account under section 951(a)(1) by reason of subsection (a) by each such E&P net surplus shareholder shall be reduced (but not below zero) by such shareholder's applicable share of the affiliated group's aggregate unused E&P deficit. ``(B) E&P net surplus shareholder.--For purposes of this paragraph, the term `E&P net surplus shareholder' means any United States shareholder which would (determined without regard to this paragraph) take into account an amount greater than zero under section 951(a)(1) by reason of subsection (a). ``(C) E&P net deficit shareholder.--For purposes of this paragraph, the term `E&P net deficit shareholder' means any United States shareholder if-- ``(i) the aggregate foreign E&P deficit with respect to such shareholder (as defined in paragraph (3)(A) without regard to clause (i)(II) thereof), exceeds ``(ii) the amount which would (but for this subsection) be taken into account by such shareholder under section 951(a)(1) by reason of subsection (a). ``(D) Aggregate unused e&p deficit.--For purposes of this paragraph-- ``(i) In general.--The term `aggregate unused E&P deficit' means, with respect to any affiliated group, the lesser of-- ``(I) the sum of the excesses described in subparagraph (C), determined with respect to each E&P net deficit shareholder in such group, or ``(II) the amount determined under subparagraph (E)(ii). ``(ii) Reduction with respect to e&p net deficit shareholders which are not wholly owned by the affiliated group.--If the group ownership percentage of any E&P net deficit shareholder is less than 100 percent, the amount of the excess described in subparagraph (C) which is taken into account under clause (i)(I) with respect to such E&P net deficit shareholder shall be such group ownership percentage of such amount. ``(E) Applicable share.--For purposes of this paragraph, the term `applicable share' means, with respect to any E&P net surplus shareholder in any affiliated group, the amount which bears the same proportion to such group's aggregate unused E&P deficit as-- ``(i) the product of-- ``(I) such shareholder's group ownership percentage, multiplied by ``(II) the amount which would (but for this paragraph) be taken into account under section 951(a)(1) by reason of subsection (a) by such shareholder, bears to ``(ii) the aggregate amount determined under clause (i) with respect to all E&P net surplus shareholders in such group. ``(F) Group ownership percentage.--For purposes of this paragraph, the term `group ownership percentage' means, with respect to any United States shareholder in any affiliated group, the percentage of the value of the stock of such United States shareholder which is held by other includible corporations in such affiliated group. Notwithstanding the preceding sentence, the group ownership percentage of the common parent of the affiliated group is 100 percent. Any term used in this subparagraph which is also used in section 1504 shall have the same meaning as when used in such section. ``(c) Application of Participation Exemption to Included Income.-- ``(1) In general.--In the case of a United States shareholder of a deferred foreign income corporation, there shall be allowed as a deduction for the taxable ***year*** in which an amount is included in the gross income of such United States shareholder under section 951(a)(1) by reason of this section an amount equal to the sum of-- ``(A) the United States shareholder's 8 percent rate equivalent percentage of the excess (if any) of-- ``(i) the amount so included as gross income, over ``(ii) the amount of such United States shareholder's aggregate foreign cash position, plus ``(B) the United States shareholder's 15.5 percent rate equivalent percentage of so much of the amount described in subparagraph (A)(ii) as does not exceed the amount described in subparagraph (A)(i). ``(2) 8 and 15.5 percent rate equivalent percentages.--For purposes of this subsection-- ``(A) 8 percent rate equivalent percentage.--The term `8 percent rate equivalent percentage' means, with respect to any United States shareholder for any taxable ***year***, the percentage which would result in the amount to which such percentage applies being subject to a 8 percent rate of tax determined by only taking into account a deduction equal to such percentage of such amount and the highest rate of tax specified in section 11 for such taxable ***year***. In the case of any taxable ***year*** of a United States shareholder to which section 15 applies, the highest rate of tax under section 11 before the effective date of the change in rates and the highest rate of tax under section 11 after the effective date of such change shall each be taken into account under the preceding sentence in the same proportions as the portion of such taxable ***year*** which is before and after such effective date, respectively. ``(B) 15.5 percent rate equivalent percentage.--The term `15.5 percent rate equivalent percentage' means, with respect to any United States shareholder for any taxable ***year***, the percentage determined under subparagraph (A) applied by substituting `15.5 percent rate of tax' for `8 percent rate of tax'. ``(3) Aggregate foreign cash position.--For purposes of this subsection-- ``(A) In general.--The term `aggregate foreign cash position' means, with respect to any United States shareholder, the greater of-- ``(i) the aggregate of such United States shareholder's pro rata share of the cash position of each specified foreign corporation of such United States shareholder determined as of the close of the last taxable ***year*** of such specified foreign corporation which begins before January 1, 2018, or ``(ii) one half of the sum of-- ``(I) the aggregate described in clause (i) determined as of the close of the last taxable ***year*** of each such specified foreign corporation which ends before November 2, 2017, plus ``(II) the aggregate described in clause (i) determined as of the close of the taxable ***year*** of each such specified foreign corporation which precedes the taxable ***year*** referred to in subclause (I). ``(B) Cash position.--For purposes of this paragraph, the cash position of any specified foreign corporation is the sum of-- ``(i) cash held by such foreign corporation, ``(ii) the net accounts receivable of such foreign corporation, plus ``(iii) the fair market value of the following assets held by such corporation: ``(I) Personal property which is of a type that is actively traded and for which there is an established financial market. ``(II) Commercial paper, certificates of deposit, the securities of the Federal government and of any State or foreign government. ``(III) Any foreign currency. ``(IV) Any obligation with a term of less than one ***year***. ``(V) Any asset which the Secretary identifies as being economically equivalent to any asset described in this subparagraph. ``(C) Net accounts receivable.--For purposes of this paragraph, the term `net accounts receivable' means, with respect to any specified foreign corporation, the excess (if any) of-- ``(i) such corporation's accounts receivable, over ``(ii) such corporation's accounts payable (determined consistent with the rules of section 461). ``(D) Prevention of double counting.--Cash positions of a specified foreign corporation described in clause (ii), (iii)(I), or (iii)(IV) of subparagraph (B) shall not be taken into account by a United States shareholder under subparagraph (A) to the extent that such United States shareholder demonstrates to the satisfaction of the Secretary that such amount is so taken into account by such United States shareholder with respect to another specified foreign corporation. ``(E) Cash positions of certain non-corporate entities taken into account.--An entity (other than a corporation) shall be treated as a specified foreign corporation of a United States shareholder for purposes of determining such United States shareholder's aggregate foreign cash position if any interest in such entity is held by a specified foreign corporation of such United States shareholder (determined after application of this subparagraph) and such entity would be a specified foreign corporation of such United States shareholder if such entity were a foreign corporation. ``(F) Anti-abuse.--If the Secretary determines that a principal purpose of any transaction was to reduce the aggregate foreign cash position taken into account under this subsection, such transaction shall be disregarded for purposes of this subsection. ``(d) Deferred Foreign Income Corporation; Accumulated Post-1986 Deferred Foreign Income.--For purposes of this section-- ``(1) Deferred foreign income corporation.--The term `deferred foreign income corporation' means, with respect to any United States shareholder, any specified foreign corporation of such United States shareholder which has accumulated post-1986 deferred foreign income (as of the date referred to in paragraph (1) or (2) of subsection (a)) greater than zero. ``(2) Accumulated post-1986 deferred foreign income.--The term `accumulated post-1986 deferred foreign income' means the post-1986 earnings and profits except to the extent such earnings-- ``(A) are attributable to income of the specified foreign corporation which is effectively connected with the conduct of a trade or business within the United States and subject to tax under this chapter, or ``(B) in the case of a controlled foreign corporation, if distributed, would be excluded from the gross income of a United States shareholder under section 959. To the extent provided in regulations or other guidance prescribed by the Secretary, in the case of any controlled foreign corporation which has shareholders which are not United States shareholders, accumulated post-1986 deferred foreign income shall be appropriately reduced by amounts which would be described in subparagraph (B) if such shareholders were United States shareholders. ``(3) Post-1986 earnings and profits.--The term `post-1986 earnings and profits' means the earnings and profits of the foreign corporation (computed in accordance with sections 964(a) and 986, and by only taking into account periods when the foreign corporation was a specified foreign corporation) accumulated in taxable ***years*** beginning after December 31, 1986, and determined-- ``(A) as of the date referred to in paragraph (1) or (2) of subsection (a), whichever is applicable with respect to such foreign corporation, and ``(B) without diminution by reason of dividends distributed during the taxable ***year*** described in subsection (a) other than dividends distributed to another specified foreign corporation. ``(e) Specified Foreign Corporation.-- ``(1) In general.--For purposes of this section, the term `specified foreign corporation' means-- ``(A) any controlled foreign corporation, and [[Page H10299]] ``(B) any foreign corporation with respect to which one or more domestic corporations is a United States shareholder. ``(2) Application to certain foreign corporations.--For purposes of sections 951 and 961, a foreign corporation described in paragraph (1)(B) shall be treated as a controlled foreign corporation solely for purposes of taking into account the subpart F income of such corporation under subsection (a) (and for purposes of applying subsection (f)). ``(3) Exclusion of passive foreign investment companies.-- Such term shall not include any corporation which is a passive foreign investment company (as defined in section 1297) with respect to the shareholder and which is not a controlled foreign corporation. ``(f) Determinations of Pro Rata Share.-- ``(1) In general.--For purposes of this section, the determination of any United States shareholder's pro rata share of any amount with respect to any specified foreign corporation shall be determined under rules similar to the rules of section 951(a)(2) by treating such amount in the same manner as subpart F income (and by treating such specified foreign corporation as a controlled foreign corporation). ``(2) Special rules.--The portion which is included in the income of a United States shareholder under section 951(a)(1) by reason of subsection (a) which is equal to the deduction allowed under subsection (c) by reason of such inclusion-- ``(A) shall be treated as income exempt from tax for purposes of sections 705(a)(1)(B) and 1367(a)(1)(A), and ``(B) shall not be treated as income exempt from tax for purposes of determining whether an adjustment shall be made to an accumulated adjustment account under section 1368(e)(1)(A). ``(g) Disallowance of Foreign Tax Credit, etc.-- ``(1) In general.--No credit shall be allowed under section 901 for the applicable percentage of any taxes paid or accrued (or treated as paid or accrued) with respect to any amount for which a deduction is allowed under this section. ``(2) Applicable percentage.--For purposes of this subsection, the term `applicable percentage' means the amount (expressed as a percentage) equal to the sum of-- ``(A) 0.771 multiplied by the ratio of-- ``(i) the excess to which subsection (c)(1)(A) applies, divided by ``(ii) the sum of such excess plus the amount to which subsection (c)(1)(B) applies, plus ``(B) 0.557 multiplied by the ratio of-- ``(i) the amount to which subsection (c)(1)(B) applies, divided by ``(ii) the sum described in subparagraph (A)(ii). ``(3) Denial of deduction.--No deduction shall be allowed under this chapter for any tax for which credit is not allowable under section 901 by reason of paragraph (1) (determined by treating the taxpayer as having elected the benefits of subpart A of part III of subchapter N). ``(4) Coordination with section 78.--With respect to the taxes treated as paid or accrued by a domestic corporation with respect to amounts which are includible in gross income of such domestic corporation by reason of this section, section 78 shall apply only to so much of such taxes as bears the same proportion to the amount of such taxes as-- ``(A) the excess of-- ``(i) the amounts which are includible in gross income of such domestic corporation by reason of this section, over ``(ii) the deduction allowable under subsection (c) with respect to such amounts, bears to ``(B) such amounts. ``(h) Election to Pay Liability in Installments.-- ``(1) In general.--In the case of a United States shareholder of a deferred foreign income corporation, such United States shareholder may elect to pay the net tax liability under this section in 8 installments of the following amounts: ``(A) 8 percent of the net tax liability in the case of each of the first 5 of such installments, ``(B) 15 percent of the net tax liability in the case of the 6th such installment, ``(C) 20 percent of the net tax liability in the case of the 7th such installment, and ``(D) 25 percent of the net tax liability in the case of the 8th such installment. ``(2) Date for ***payment*** of installments.--If an election is made under paragraph (1), the first installment shall be paid on the due date (determined without regard to any extension of time for filing the return) for the return of tax for the taxable ***year*** described in subsection (a) and each succeeding installment shall be paid on the due date (as so determined) for the return of tax for the taxable ***year*** following the taxable ***year*** with respect to which the preceding installment was made. ``(3) Acceleration of ***payment***.--If there is an addition to tax for failure to timely pay any installment required under this subsection, a liquidation or sale of substantially all the assets of the taxpayer (including in a title 11 or similar case), a cessation of business by the taxpayer, or any similar circumstance, then the unpaid portion of all remaining installments shall be due on the date of such event (or in the case of a title 11 or similar case, the day before the petition is filed). The preceding sentence shall not apply to the sale of substantially all the assets of a taxpayer to a buyer if such buyer enters into an agreement with the Secretary under which such buyer is liable for the remaining installments due under this subsection in the same manner as if such buyer were the taxpayer. ``(4) Proration of deficiency to installments.--If an election is made under paragraph (1) to pay the net tax liability under this section in installments and a deficiency has been assessed with respect to such net tax liability, the deficiency shall be prorated to the installments payable under paragraph (1). The part of the deficiency so prorated to any installment the date for ***payment*** of which has not arrived shall be collected at the same time as, and as a part of, such installment. The part of the deficiency so prorated to any installment the date for ***payment*** of which has arrived shall be paid upon notice and demand from the Secretary. This subsection shall not apply if the deficiency is due to negligence, to intentional disregard of rules and regulations, or to fraud with intent to evade tax. ``(5) Election.--Any election under paragraph (1) shall be made not later than the due date for the return of tax for the taxable ***year*** described in subsection (a) and shall be made in such manner as the Secretary shall provide. ``(6) Net tax liability under this section.--For purposes of this subsection-- ``(A) In general.--The net tax liability under this section with respect to any United States shareholder is the excess (if any) of-- ``(i) such taxpayer's net income tax for the taxable ***year*** in which an amount is included in the gross income of such United States shareholder under section 951(a)(1) by reason of this section, over ``(ii) such taxpayer's net income tax for such taxable ***year*** determined-- ``(I) without regard to this section, and ``(II) without regard to any income or deduction properly attributable to a dividend received by such United States shareholder from any deferred foreign income corporation. ``(B) Net income tax.--The term `net income tax' means the regular tax liability reduced by the credits allowed under subparts A, B, and D of part IV of subchapter A. ``(i) Special Rules for S Corporation Shareholders.-- ``(1) In general.--In the case of any S corporation which is a United States shareholder of a deferred foreign income corporation, each shareholder of such S corporation may elect to defer ***payment*** of such shareholder's net tax liability under this section with respect to such S corporation until the shareholder's taxable ***year*** which includes the triggering event with respect to such liability. Any net tax liability ***payment*** of which is deferred under the preceding sentence shall be assessed on the return of tax as an addition to tax in the shareholder's taxable ***year*** which includes such triggering event. ``(2) Triggering event.-- ``(A) In general.--In the case of any shareholder's net tax liability under this section with respect to any S corporation, the triggering event with respect to such liability is whichever of the following occurs first: ``(i) Such corporation ceases to be an S corporation (determined as of the first day of the first taxable ***year*** that such corporation is not an S corporation). ``(ii) A liquidation or sale of substantially all the assets of such S corporation (including in a title 11 or similar case), a cessation of business by such S corporation, such S corporation ceases to exist, or any similar circumstance. ``(iii) A ***transfer*** of any share of stock in such S corporation by the taxpayer (including by reason of death, or otherwise). ``(B) Partial ***transfers*** of stock.--In the case of a ***transfer*** of less than all of the taxpayer's shares of stock in the S corporation, such ***transfer*** shall only be a triggering event with respect to so much of the taxpayer's net tax liability under this section with respect to such S corporation as is properly allocable to such stock. ``(C) ***Transfer*** of liability.--A ***transfer*** described in clause (iii) of subparagraph (A) shall not be treated as a triggering event if the transferee enters into an agreement with the Secretary under which such transferee is liable for net tax liability with respect to such stock in the same manner as if such transferee were the taxpayer. ``(3) Net tax liability.--A shareholder's net tax liability under this section with respect to any S corporation is the net tax liability under this section which would be determined under subsection (h)(6) if the only subpart F income taken into account by such shareholder by reason of this section were allocations from such S corporation. ``(4) Election to pay deferred liability in installments.-- In the case of a taxpayer which elects to defer ***payment*** under paragraph (1)-- ``(A) subsection (h) shall be applied separately with respect to the liability to which such election applies, ``(B) an election under subsection (h) with respect to such liability shall be treated as timely made if made not later than the due date for the return of tax for the taxable ***year*** in which the triggering event with respect to such liability occurs, ``(C) the first installment under subsection (h) with respect to such liability shall be paid not later than such due date (but determined without regard to any extension of time for filing the return), and ``(D) if the triggering event with respect to any net tax liability is described in paragraph (2)(A)(ii), an election under subsection (h) with respect to such liability may be made only with the consent of the Secretary. ``(5) Joint and several liability of s corporation.--If any shareholder of an S corporation elects to defer ***payment*** under paragraph (1), such S corporation shall be jointly and severally liable for such ***payment*** and any penalty, addition to tax, or additional amount attributable thereto. ``(6) Extension of limitation on collection.--Any limitation on the time period for the collection of a liability deferred under this subsection shall not be treated as beginning before the date of the triggering event with respect to such liability. ``(7) Annual reporting of net tax liability.-- [[Page H10300]] ``(A) In general.--Any shareholder of an S corporation which makes an election under paragraph (1) shall report the amount of such shareholder's deferred net tax liability on such shareholder's return of tax for the taxable ***year*** for which such election is made and on the return of tax for each taxable ***year*** thereafter until such amount has been fully assessed on such returns. ``(B) Deferred net tax liability.--For purposes of this paragraph, the term `deferred net tax liability' means, with respect to any taxable ***year***, the amount of net tax liability ***payment*** of which has been deferred under paragraph (1) and which has not been assessed on a return of tax for any prior taxable ***year***. ``(C) Failure to report.--In the case of any failure to report any amount required to be reported under subparagraph (A) with respect to any taxable ***year*** before the due date for the return of tax for such taxable ***year***, there shall be assessed on such return as an addition to tax 5 percent of such amount. ``(8) Election.--Any election under paragraph (1)-- ``(A) shall be made by the shareholder of the S corporation not later than the due date for such shareholder's return of tax for the taxable ***year*** which includes the close of the taxable ***year*** of such S corporation in which the amount described in subsection (a) is taken into account, and ``(B) shall be made in such manner as the Secretary shall provide. ``(j) Reporting by S Corporation.--Each S corporation which is a United States shareholder of a specified foreign corporation shall report in its return of tax under section 6037(a) the amount includible in its gross income for such taxable ***year*** by reason of this section and the amount of the deduction allowable by subsection (c). Any copy provided to a shareholder under section 6037(b) shall include a statement of such shareholder's pro rata share of such amounts. ``(k) Extension of Limitation on Assessment.-- Notwithstanding section 6501, the limitation on the time period for the assessment of the net tax liability under this section (as defined in subsection (h)(6)) shall not expire before the date that is 6 ***years*** after the return for the taxable ***year*** described in such subsection was filed. ``(l) Recapture for Expatriated Entities.-- ``(1) In general.--If a deduction is allowed under subsection (c) to a United States shareholder and such shareholder first becomes an expatriated entity at any time during the 10-***year*** period beginning on the date of the enactment of the Tax Cuts and Jobs Act (with respect to a surrogate foreign corporation which first becomes a surrogate foreign corporation during such period), then-- ``(A) the tax imposed by this chapter shall be increased for the first taxable ***year*** in which such taxpayer becomes an expatriated entity by an amount equal to 35 percent of the amount of the deduction allowed under subsection (c), and ``(B) no credits shall be allowed against the increase in tax under subparagraph (A). ``(2) Expatriated entity.--For purposes of this subsection, the term `expatriated entity' has the same meaning given such term under section 7874(a)(2), except that such term shall not include an entity if the surrogate foreign corporation with respect to the entity is treated as a domestic corporation under section 7874(b). ``(3) Surrogate foreign corporation.--For purposes of this subsection, the term `surrogate foreign corporation' has the meaning given such term in section 7874(a)(2)(B). ``(m) Special Rules for United States Shareholders Which Are Real Estate Investment Trusts.-- ``(1) In general.--If a real estate investment trust is a United States shareholder in 1 or more deferred foreign income corporations-- ``(A) any amount required to be taken into account under section 951(a)(1) by reason of this section shall not be taken into account as gross income of the real estate investment trust for purposes of applying paragraphs (2) and (3) of section 856(c) to any taxable ***year*** for which such amount is taken into account under section 951(a)(1), and ``(B) if the real estate investment trust elects the application of this subparagraph, notwithstanding subsection (a), any amount required to be taken into account under section 951(a)(1) by reason of this section shall, in lieu of the taxable ***year*** in which it would otherwise be included in gross income (for purposes of the computation of real estate investment trust taxable income under section 857(b)), be included in gross income as follows: ``(i) 8 percent of such amount in the case of each of the taxable ***years*** in the 5-taxable ***year*** period beginning with the taxable ***year*** in which such amount would otherwise be included. ``(ii) 15 percent of such amount in the case of the 1st taxable ***year*** following such period. ``(iii) 20 percent of such amount in the case of the 2nd taxable ***year*** following such period. ``(iv) 25 percent of such amount in the case of the 3rd taxable ***year*** following such period. ``(2) Rules for trusts electing deferred inclusion.-- ``(A) Election.--Any election under paragraph (1)(B) shall be made not later than the due date for the first taxable ***year*** in the 5-taxable ***year*** period described in clause (i) of paragraph (1)(B) and shall be made in such manner as the Secretary shall provide. ``(B) Special rules.--If an election under paragraph (1)(B) is in effect with respect to any real estate investment trust, the following rules shall apply: ``(i) Application of participation exemption.--For purposes of subsection (c)(1)-- ``(I) the aggregate amount to which subparagraph (A) or (B) of subsection (c)(1) applies shall be determined without regard to the election, ``(II) each such aggregate amount shall be allocated to each taxable ***year*** described in paragraph (1)(B) in the same proportion as the amount included in the gross income of such United States shareholder under section 951(a)(1) by reason of this section is allocated to each such taxable ***year***. ``(III) No installment ***payments***.--The real estate investment trust may not make an election under subsection (g) for any taxable ***year*** described in paragraph (1)(B). ``(ii) Acceleration of inclusion.--If there is a liquidation or sale of substantially all the assets of the real estate investment trust (including in a title 11 or similar case), a cessation of business by such trust, or any similar circumstance, then any amount not yet included in gross income under paragraph (1)(B) shall be included in gross income as of the day before the date of the event and the unpaid portion of any tax liability with respect to such inclusion shall be due on the date of such event (or in the case of a title 11 or similar case, the day before the petition is filed). ``(n) Election Not to Apply Net Operating Loss Deduction.-- ``(1) In general.--If a United States shareholder of a deferred foreign income corporation elects the application of this subsection for the taxable ***year*** described in subsection (a), then the amount described in paragraph (2) shall not be taken into account-- ``(A) in determining the amount of the net operating loss deduction under section 172 of such shareholder for such taxable ***year***, or ``(B) in determining the amount of taxable income for such taxable ***year*** which may be reduced by net operating loss carryovers or carrybacks to such taxable ***year*** under section 172. ``(2) Amount described.--The amount described in this paragraph is the sum of-- ``(A) the amount required to be taken into account under section 951(a)(1) by reason of this section (determined after the application of subsection (c)), plus ``(B) in the case of a domestic corporation which chooses to have the benefits of subpart A of part III of subchapter N for the taxable ***year***, the taxes deemed to be paid by such corporation under subsections (a) and (b) of section 960 for such taxable ***year*** with respect to the amount described in subparagraph (A) which are treated as a dividends under section 78. ``(3) Election.--Any election under this subsection shall be made not later than the due date (including extensions) for filing the return of tax for the taxable ***year*** and shall be made in such manner as the Secretary shall prescribe. ``(o) Regulations.--The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section, including-- ``(1) regulations or other guidance to provide appropriate basis adjustments, and ``(2) regulations or other guidance to prevent the avoidance of the purposes of this section, including through a reduction in earnings and profits, through changes in entity classification or accounting methods, or otherwise.''. (b) Clerical Amendment.--The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by striking the item relating to section 965 and inserting the following: ``Sec. 965. Treatment of deferred foreign income upon transition to participation exemption system of taxation.''. Subpart B--Rules Related to Passive and Mobile Income CHAPTER 1--TAXATION OF FOREIGN-DERIVED INTANGIBLE INCOME AND GLOBAL INTANGIBLE LOW-TAXED INCOME SEC. 14201. CURRENT ***YEAR*** INCLUSION OF GLOBAL INTANGIBLE LOW- TAXED INCOME BY UNITED STATES SHAREHOLDERS. (a) In General.--Subpart F of part III of subchapter N of chapter 1 is amended by inserting after section 951 the following new section: ``SEC. 951A. GLOBAL INTANGIBLE LOW-TAXED INCOME INCLUDED IN GROSS INCOME OF UNITED STATES SHAREHOLDERS. ``(a) In General.--Each person who is a United States shareholder of any controlled foreign corporation for any taxable ***year*** of such United States shareholder shall include in gross income such shareholder's global intangible low- taxed income for such taxable ***year***. ``(b) Global Intangible Low-taxed Income.--For purposes of this section-- ``(1) In general.--The term `global intangible low-taxed income' means, with respect to any United States shareholder for any taxable ***year*** of such United States shareholder, the excess (if any) of-- ``(A) such shareholder's net CFC tested income for such taxable ***year***, over ``(B) such shareholder's net deemed tangible income return for such taxable ***year***. ``(2) Net deemed tangible income return.--The term `net deemed tangible income return' means, with respect to any United States shareholder for any taxable ***year***, the excess of-- ``(A) 10 percent of the aggregate of such shareholder's pro rata share of the qualified business asset investment of each controlled foreign corporation with respect to which such shareholder is a United States shareholder for such taxable ***year*** (determined for each taxable ***year*** of each such controlled foreign corporation which ends in or with such taxable ***year*** of such United States shareholder), over ``(B) the amount of interest expense taken into account under subsection (c)(2)(A)(ii) in determining the shareholder's net CFC tested income for the taxable ***year*** to the extent the interest income attributable to such expense is not taken into account in determining such shareholder's net CFC tested income. ``(c) Net CFC Tested Income.--For purposes of this section-- ``(1) In general.--The term `net CFC tested income' means, with respect to any United [[Page H10301]] States shareholder for any taxable ***year*** of such United States shareholder, the excess (if any) of-- ``(A) the aggregate of such shareholder's pro rata share of the tested income of each controlled foreign corporation with respect to which such shareholder is a United States shareholder for such taxable ***year*** of such United States shareholder (determined for each taxable ***year*** of such controlled foreign corporation which ends in or with such taxable ***year*** of such United States shareholder), over ``(B) the aggregate of such shareholder's pro rata share of the tested loss of each controlled foreign corporation with respect to which such shareholder is a United States shareholder for such taxable ***year*** of such United States shareholder (determined for each taxable ***year*** of such controlled foreign corporation which ends in or with such taxable ***year*** of such United States shareholder). ``(2) Tested income; tested loss.--For purposes of this section-- ``(A) Tested income.--The term `tested income' means, with respect to any controlled foreign corporation for any taxable ***year*** of such controlled foreign corporation, the excess (if any) of-- ``(i) the gross income of such corporation determined without regard to-- ``(I) any item of income described in section 952(b), ``(II) any gross income taken into account in determining the subpart F income of such corporation, ``(III) any gross income excluded from the foreign base company income (as defined in section 954) and the insurance income (as defined in section 953) of such corporation by reason of section 954(b)(4), ``(IV) any dividend received from a related person (as defined in section 954(d)(3)), and ``(V) any foreign oil and gas extraction income (as defined in section 907(c)(1)) of such corporation, over ``(ii) the deductions (including taxes) properly allocable to such gross income under rules similar to the rules of section 954(b)(5) (or to which such deductions would be allocable if there were such gross income). ``(B) Tested loss.-- ``(i) In general.--The term `tested loss' means, with respect to any controlled foreign corporation for any taxable ***year*** of such controlled foreign corporation, the excess (if any) of the amount described in subparagraph (A)(ii) over the amount described in subparagraph (A)(i). ``(ii) Coordination with subpart f to deny double benefit of losses.--Section 952(c)(1)(A) shall be applied by increasing the earnings and profits of the controlled foreign corporation by the tested loss of such corporation. ``(d) Qualified Business Asset Investment.--For purposes of this section-- ``(1) In general.--The term `qualified business asset investment' means, with respect to any controlled foreign corporation for any taxable ***year***, the average of such corporation's aggregate adjusted bases as of the close of each quarter of such taxable ***year*** in specified tangible property-- ``(A) used in a trade or business of the corporation, and ``(B) of a type with respect to which a deduction is allowable under section 167. ``(2) Specified tangible property.-- ``(A) In general.--The term `specified tangible property' means, except as provided in subparagraph (B), any tangible property used in the production of tested income. ``(B) Dual use property.--In the case of property used both in the production of tested income and income which is not tested income, such property shall be treated as specified tangible property in the same proportion that the gross income described in subsection (c)(1)(A) produced with respect to such property bears to the total gross income produced with respect to such property. ``(3) Determination of adjusted basis.--For purposes of this subsection, notwithstanding any provision of this title (or any other provision of law) which is enacted after the date of the enactment of this section, the adjusted basis in any property shall be determined-- ``(A) by using the alternative depreciation system under section 168(g), and ``(B) by allocating the depreciation deduction with respect to such property ratably to each day during the period in the taxable ***year*** to which such depreciation relates. ``(3) Partnership property.--For purposes of this subsection, if a controlled foreign corporation holds an interest in a partnership at the close of such taxable ***year*** of the controlled foreign corporation, such controlled foreign corporation shall take into account under paragraph (1) the controlled foreign corporation's distributive share of the aggregate of the partnership's adjusted bases (determined as of such date in the hands of the partnership) in tangible property held by such partnership to the extent such property-- ``(A) is used in the trade or business of the partnership, ``(B) is of a type with respect to which a deduction is allowable under section 167, and ``(C) is used in the production of tested income (determined with respect to such controlled foreign corporation's distributive share of income with respect to such property). For purposes of this paragraph, the controlled foreign corporation's distributive share of the adjusted basis of any property shall be the controlled foreign corporation's distributive share of income with respect to such property. ``(4) Regulations.--The Secretary shall issue such regulations or other guidance as the Secretary determines appropriate to prevent the avoidance of the purposes of this subsection, including regulations or other guidance which provide for the treatment of property if-- ``(A) such property is ***transferred***, or held, temporarily, or ``(B) the avoidance of the purposes of this paragraph is a factor in the ***transfer*** or holding of such property. ``(e) Determination of Pro Rata Share, etc.--For purposes of this section-- ``(1) In general.--The pro rata shares referred to in subsections (b), (c)(1)(A), and (c)(1)(B), respectively, shall be determined under the rules of section 951(a)(2) in the same manner as such section applies to subpart F income and shall be taken into account in the taxable ***year*** of the United States shareholder in which or with which the taxable ***year*** of the controlled foreign corporation ends. ``(2) Treatment as united states shareholder.--A person shall be treated as a United States shareholder of a controlled foreign corporation for any taxable ***year*** of such person only if such person owns (within the meaning of section 958(a)) stock in such foreign corporation on the last day in the taxable ***year*** of such foreign corporation on which such foreign corporation is a controlled foreign corporation. ``(3) Treatment as controlled foreign corporation.--A foreign corporation shall be treated as a controlled foreign corporation for any taxable ***year*** if such foreign corporation is a controlled foreign corporation at any time during such taxable ***year***. ``(f) Treatment as Subpart F Income for Certain Purposes.-- ``(1) In general.-- ``(A) Application.--Except as provided in subparagraph (B), any global intangible low-taxed income included in gross income under subsection (a) shall be treated in the same manner as an amount included under section 951(a)(1)(A) for purposes of applying sections 168(h)(2)(B), 535(b)(10), 851(b), 904(h)(1), 959, 961, 962, 993(a)(1)(E), 996(f)(1), 1248(b)(1), 1248(d)(1), 6501(e)(1)(C), 6654(d)(2)(D), and 6655(e)(4). ``(B) Exception.--The Secretary shall provide rules for the application of subparagraph (A) to other provisions of this title in any case in which the determination of subpart F income is required to be made at the level of the controlled foreign corporation. ``(2) Allocation of global intangible low-taxed income to controlled foreign corporations.--For purposes of the sections referred to in paragraph (1), with respect to any controlled foreign corporation any pro rata amount from which is taken into account in determining the global intangible low-taxed income included in gross income of a United States shareholder under subsection (a), the portion of such global intangible low-taxed income which is treated as being with respect to such controlled foreign corporation is-- ``(A) in the case of a controlled foreign corporation with no tested income, zero, and ``(B) in the case of a controlled foreign corporation with tested income, the portion of such global intangible low- taxed income which bears the same ratio to such global intangible low-taxed income as-- ``(i) such United States shareholder's pro rata amount of the tested income of such controlled foreign corporation, bears to ``(ii) the aggregate amount described in subsection (c)(1)(A) with respect to such United States shareholder.''. (b) Foreign Tax Credit.-- (1) Application of deemed paid foreign tax credit.--Section 960 is amended adding at the end the following new subsection: ``(d) Deemed Paid Credit for Taxes Properly Attributable to Tested Income.-- ``(1) In general.--For purposes of subpart A of this part, if any amount is includible in the gross income of a domestic corporation under section 951A, such domestic corporation shall be deemed to have paid foreign income taxes equal to 80 percent of the product of-- ``(A) such domestic corporation's inclusion percentage, multiplied by ``(B) the aggregate tested foreign income taxes paid or accrued by controlled foreign corporations. ``(2) Inclusion percentage.--For purposes of paragraph (1), the term `inclusion percentage' means, with respect to any domestic corporation, the ratio (expressed as a percentage) of-- ``(A) such corporation's global intangible low-taxed income (as defined in section 951A(b)), divided by ``(B) the aggregate amount described in section 951A(c)(1)(A) with respect to such corporation. ``(3) Tested foreign income taxes.--For purposes of paragraph (1), the term `tested foreign income taxes' means, with respect to any domestic corporation which is a United States shareholder of a controlled foreign corporation, the foreign income taxes paid or accrued by such foreign corporation which are properly attributable to the tested income of such foreign corporation taken into account by such domestic corporation under section 951A.''. (2) Application of foreign tax credit limitation.-- (A) Separate basket for global intangible low-taxed income.--Section 904(d)(1) is amended by redesignating subparagraphs (A) and (B) as subparagraphs (B) and (C), respectively, and by inserting before subparagraph (B) (as so redesignated) the following new subparagraph: ``(A) any amount includible in gross income under section 951A (other than passive category income),''. (B) Exclusion from general category income.--Section 904(d)(2)(A)(ii) is amended by inserting ``income described in paragraph (1)(A) and'' before ``passive category income''. (C) No carryover or carryback of excess taxes.--Section 904(c) is amended by adding at [[Page H10302]] the end the following: ``This subsection shall not apply to taxes paid or accrued with respect to amounts described in subsection (d)(1)(A).''. (c) Clerical Amendment.--The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by inserting after the item relating to section 951 the following new item: ``Sec. 951A. Global intangible low-taxed income included in gross income of United States shareholders.''. (d) Effective Date.--The amendments made by this section shall apply to taxable ***years*** of foreign corporations beginning after December 31, 2017, and to taxable ***years*** of United States shareholders in which or with which such taxable ***years*** of foreign corporations end. SEC. 14202. DEDUCTION FOR FOREIGN-DERIVED INTANGIBLE INCOME AND GLOBAL INTANGIBLE LOW-TAXED INCOME. (a) In General.--Part VIII of subchapter B of chapter 1 is amended by adding at the end the following new section: ``SEC. 250. FOREIGN-DERIVED INTANGIBLE INCOME AND GLOBAL INTANGIBLE LOW-TAXED INCOME. ``(a) Allowance of Deduction.-- ``(1) In general.--In the case of a domestic corporation for any taxable ***year***, there shall be allowed as a deduction an amount equal to the sum of-- ``(A) 37.5 percent of the foreign-derived intangible income of such domestic corporation for such taxable ***year***, plus ``(B) 50 percent of-- ``(i) the global intangible low-taxed income amount (if any) which is included in the gross income of such domestic corporation under section 951A for such taxable ***year***, and ``(ii) the amount treated as a dividend received by such corporation under section 78 which is attributable to the amount described in clause (i). ``(2) Limitation based on taxable income.-- ``(A) In general.--If, for any taxable ***year***-- ``(i) the sum of the foreign-derived intangible income and the global intangible low-taxed income amount otherwise taken into account by the domestic corporation under paragraph (1), exceeds ``(ii) the taxable income of the domestic corporation (determined without regard to this section), then the amount of the foreign-derived intangible income and the global intangible low-taxed income amount so taken into account shall be reduced as provided in subparagraph (B). ``(B) Reduction.--For purposes of subparagraph (A)-- ``(i) foreign-derived intangible income shall be reduced by an amount which bears the same ratio to the excess described in subparagraph (A) as such foreign-derived intangible income bears to the sum described in subparagraph (A)(i), and ``(ii) the global intangible low-taxed income amount shall be reduced by the remainder of such excess. ``(3) Reduction in deduction for taxable ***years*** after 2025.--In the case of any taxable ***year*** beginning after December 31, 2025, paragraph (1) shall be applied by substituting-- ``(A) `21.875 percent' for `37.5 percent' in subparagraph (A), and ``(B) `37.5 percent' for `50 percent' in subparagraph (B). ``(b) Foreign-derived Intangible Income.--For purposes of this section-- ``(1) In general.--The foreign-derived intangible income of any domestic corporation is the amount which bears the same ratio to the deemed intangible income of such corporation as-- ``(A) the foreign-derived deduction eligible income of such corporation, bears to ``(B) the deduction eligible income of such corporation. ``(2) Deemed intangible income.--For purposes of this subsection-- ``(A) In general.--The term `deemed intangible income' means the excess (if any) of-- ``(i) the deduction eligible income of the domestic corporation, over ``(ii) the deemed tangible income return of the corporation. ``(B) Deemed tangible income return.--The term `deemed tangible income return' means, with respect to any corporation, an amount equal to 10 percent of the corporation's qualified business asset investment (as defined in section 951A(d), determined by substituting `deduction eligible income' for `tested income' in paragraph (2) thereof and without regard to whether the corporation is a controlled foreign corporation). ``(3) Deduction eligible income.-- ``(A) In general.--The term `deduction eligible income' means, with respect to any domestic corporation, the excess (if any) of-- ``(i) gross income of such corporation determined without regard to-- ``(I) any amount included in the gross income of such corporation under section 951(a)(1), ``(II) the global intangible low-taxed income included in the gross income of such corporation under section 951A, ``(III) any financial services income (as defined in section 904(d)(2)(D)) of such corporation, ``(IV) any dividend received from a corporation which is a controlled foreign corporation of such domestic corporation, ``(V) any domestic oil and gas extraction income of such corporation, and ``(VI) any foreign branch income (as defined in section 904(d)(2)(J)), over ``(ii) the deductions (including taxes) properly allocable to such gross income. ``(B) Domestic oil and gas extraction income.--For purposes of subparagraph (A), the term `domestic oil and gas extraction income' means income described in section 907(c)(1), determined by substituting `within the United States' for `without the United States'. ``(4) Foreign-derived deduction eligible income.--The term `foreign-derived deduction eligible income' means, with respect to any taxpayer for any taxable ***year***, any deduction eligible income of such taxpayer which is derived in connection with-- ``(A) property-- ``(i) which is sold by the taxpayer to any person who is not a United States person, and ``(ii) which the taxpayer establishes to the satisfaction of the Secretary is for a foreign use, or ``(B) services provided by the taxpayer which the taxpayer establishes to the satisfaction of the Secretary are provided to any person, or with respect to property, not located within the United States. ``(5) Rules relating to foreign use property or services.-- For purposes of this subsection-- ``(A) Foreign use.--The term `foreign use' means any use, consumption, or disposition which is not within the United States. ``(B) Property or services provided to domestic intermediaries.-- ``(i) Property.--If a taxpayer sells property to another person (other than a related party) for further manufacture or other modification within the United States, such property shall not be treated as sold for a foreign use even if such other person subsequently uses such property for a foreign use. ``(ii) Services.--If a taxpayer provides services to another person (other than a related party) located within the United States, such services shall not be treated as described in paragraph (4)(B) even if such other person uses such services in providing services which are so described. ``(C) Special rules with respect to related party transactions.-- ``(i) Sales to related parties.--If property is sold to a related party who is not a United States person, such sale shall not be treated as for a foreign use unless-- ``(I) such property is ultimately sold by a related party, or used by a related party in connection with property which is sold or the provision of services, to another person who is an unrelated party who is not a United States person, and ``(II) the taxpayer establishes to the satisfaction of the Secretary that such property is for a foreign use. For purposes of this clause, a sale of property shall be treated as a sale of each of the components thereof. ``(ii) Service provided to related parties.--If a service is provided to a related party who is not located in the United States, such service shall not be treated described in subparagraph (A)(ii) unless the taxpayer established to the satisfaction of the Secretary that such service is not substantially similar to services provided by such related party to persons located within the United States. ``(D) Related party.--For purposes of this paragraph, the term `related party' means any member of an affiliated group as defined in section 1504(a), determined-- ``(i) by substituting `more than 50 percent' for `at least 80 percent' each place it appears, and ``(ii) without regard to paragraphs (2) and (3) of section 1504(b). Any person (other than a corporation) shall be treated as a member of such group if such person is controlled by members of such group (including any entity treated as a member of such group by reason of this sentence) or controls any such member. For purposes of the preceding sentence, control shall be determined under the rules of section 954(d)(3). ``(E) Sold.--For purposes of this subsection, the terms `sold', `sells', and `sale' shall include any lease, license, exchange, or other disposition. ``(c) Regulations.--The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section.''. (b) Conforming Amendments.-- (1) Section 172(d), as amended by this Act, is amended by adding at the end the following new paragraph: ``(9) Deduction for foreign-derived intangible income.--The deduction under section 250 shall not be allowed.''. (2) Section 246(b)(1) is amended-- (A) by striking ``and subsection (a) and (b) of section 245'' the first place it appears and inserting ``, subsection (a) and (b) of section 245, and section 250'', (B) by striking ``and subsection (a) and (b) of section 245'' the second place it appears and inserting ``subsection (a) and (b) of section 245, and 250''. (3) Section 469(i)(3)(F)(iii) is amended by striking ``and 222'' and inserting ``222, and 250''. (4) The table of sections for part VIII of subchapter B of chapter 1 is amended by adding at the end the following new item: ``Sec. 250. Foreign-derived intangible income and global intangible low-taxed income.''. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. CHAPTER 2--OTHER MODIFICATIONS OF SUBPART F PROVISIONS SEC. 14211. ELIMINATION OF INCLUSION OF FOREIGN BASE COMPANY OIL RELATED INCOME. (a) Repeal.--Subsection (a) of section 954 is amended-- (1) by inserting ``and'' at the end of paragraph (2), (2) by striking the comma at the end of paragraph (3) and inserting a period, and (3) by striking paragraph (5). (b) Conforming Amendments.-- [[Page H10303]] (1) Section 952(c)(1)(B)(iii) is amended by striking subclause (I) and redesignating subclauses (II) through (V) as subclauses (I) through (IV), respectively. (2) Section 954(b) is amended-- (A) by striking the second sentence of paragraph (4), (B) by striking ``the foreign base company services income, and the foreign base company oil related income'' in paragraph (5) and inserting ``and the foreign base company services income'', and (C) by striking paragraph (6). (3) Section 954 is amended by striking subsection (g). (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** of foreign corporations beginning after December 31, 2017, and to taxable ***years*** of United States shareholders with or within which such taxable ***years*** of foreign corporations end. SEC. 14212. REPEAL OF INCLUSION BASED ON WITHDRAWAL OF PREVIOUSLY EXCLUDED SUBPART F INCOME FROM QUALIFIED INVESTMENT. (a) In General.--Subpart F of part III of subchapter N of chapter 1 is amended by striking section 955. (b) Conforming Amendments.-- (1)(A) Section 951(a)(1)(A) is amended to read as follows: ``(A) his pro rata share (determined under paragraph (2)) of the corporation's subpart F income for such ***year***, and''. (B) Section 851(b) is amended by striking ``section 951(a)(1)(A)(i)'' in the flush language at the end and inserting ``section 951(a)(1)(A)''. (C) Section 952(c)(1)(B)(i) is amended by striking ``section 951(a)(1)(A)(i)'' and inserting ``section 951(a)(1)(A)''. (D) Section 953(c)(1)(C) is amended by striking ``section 951(a)(1)(A)(i)'' and inserting ``section 951(a)(1)(A)''. (2) Section 951(a) is amended by striking paragraph (3). (3) Section 953(d)(4)(B)(iv)(II) is amended by striking ``or amounts referred to in clause (ii) or (iii) of section 951(a)(1)(A)''. (4) Section 964(b) is amended by striking ``, 955,''. (5) Section 970 is amended by striking subsection (b). (6) The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by striking the item relating to section 955. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** of foreign corporations beginning after December 31, 2017, and to taxable ***years*** of United States shareholders in which or with which such taxable ***years*** of foreign corporations end. SEC. 14213. MODIFICATION OF STOCK ATTRIBUTION RULES FOR DETERMINING STATUS AS A CONTROLLED FOREIGN CORPORATION. (a) In General.--Section 958(b) is amended-- (1) by striking paragraph (4), and (2) by striking ``Paragraphs (1) and (4)'' in the last sentence and inserting ``Paragraph (1)''. (b) Effective Date.--The amendments made by this section shall apply to-- (1) the last taxable ***year*** of foreign corporations beginning before January 1, 2018, and each subsequent taxable ***year*** of such foreign corporations, and (2) taxable ***years*** of United States shareholders in which or with which such taxable ***years*** of foreign corporations end. SEC. 14214. MODIFICATION OF DEFINITION OF UNITED STATES SHAREHOLDER. (a) In General.--Section 951(b) is amended by inserting ``, or 10 percent or more of the total value of shares of all classes of stock of such foreign corporation'' after ``such foreign corporation''. (b) Effective Date.--The amendment made by this section shall apply to taxable ***years*** of foreign corporations beginning after December 31, 2017, and to taxable ***years*** of United States shareholders with or within which such taxable ***years*** of foreign corporations end. SEC. 14215. ELIMINATION OF REQUIREMENT THAT CORPORATION MUST BE CONTROLLED FOR 30 DAYS BEFORE SUBPART F INCLUSIONS APPLY. (a) In General.--Section 951(a)(1) is amended by striking ``for an uninterrupted period of 30 days or more'' and inserting ``at any time''. (b) Effective Date.--The amendment made by this section shall apply to taxable ***years*** of foreign corporations beginning after December 31, 2017, and to taxable ***years*** of United States shareholders with or within which such taxable ***years*** of foreign corporations end. CHAPTER 3--PREVENTION OF BASE EROSION SEC. 14221. LIMITATIONS ON INCOME SHIFTING THROUGH INTANGIBLE PROPERTY ***TRANSFERS***. (a) Definition of Intangible Asset.--Section 936(h)(3)(B) is amended-- (1) by striking ``or'' at the end of clause (v), (2) by striking clause (vi) and inserting the following: ``(vi) any goodwill, going concern value, or workforce in place (including its composition and terms and conditions (contractual or otherwise) of its employment); or ``(vii) any other item the value or potential value of which is not attributable to tangible property or the services of any individual.'', and (3) by striking the flush language after clause (vii), as added by paragraph (2). (b) Clarification of Allowable Valuation Methods.-- (1) Foreign corporations.--Section 367(d)(2) is amended by adding at the end the following new subparagraph: ``(D) Regulatory authority.--For purposes of the last sentence of subparagraph (A), the Secretary shall require-- ``(i) the valuation of ***transfers*** of intangible property, including intangible property ***transferred*** with other property or services, on an aggregate basis, or ``(ii) the valuation of such a ***transfer*** on the basis of the realistic alternatives to such a ***transfer***, if the Secretary determines that such basis is the most reliable means of valuation of such ***transfers***.''. (2) Allocation among taxpayers.--Section 482 is amended by adding at the end the following: ``For purposes of this section, the Secretary shall require the valuation of ***transfers*** of intangible property (including intangible property ***transferred*** with other property or services) on an aggregate basis or the valuation of such a ***transfer*** on the basis of the realistic alternatives to such a ***transfer***, if the Secretary determines that such basis is the most reliable means of valuation of such ***transfers***.''. (c) Effective Date.-- (1) In general.--The amendments made by this section shall apply to ***transfers*** in taxable ***years*** beginning after December 31, 2017. (2) No inference.--Nothing in the amendment made by subsection (a) shall be construed to create any inference with respect to the application of section 936(h)(3) of the Internal Revenue Code of 1986, or the authority of the Secretary of the Treasury to provide regulations for such application, with respect to taxable ***years*** beginning before January 1, 2018. SEC. 14222. CERTAIN RELATED PARTY AMOUNTS PAID OR ACCRUED IN HYBRID TRANSACTIONS OR WITH HYBRID ENTITIES. (a) In General.--Part IX of subchapter B of chapter 1 is amended by inserting after section 267 the following: ``SEC. 267A. CERTAIN RELATED PARTY AMOUNTS PAID OR ACCRUED IN HYBRID TRANSACTIONS OR WITH HYBRID ENTITIES. ``(a) In General.--No deduction shall be allowed under this chapter for any disqualified related party amount paid or accrued pursuant to a hybrid transaction or by, or to, a hybrid entity. ``(b) Disqualified Related Party Amount.--For purposes of this section-- ``(1) Disqualified related party amount.--The term `disqualified related party amount' means any interest or royalty paid or accrued to a related party to the extent that-- ``(A) such amount is not included in the income of such related party under the tax law of the country of which such related party is a resident for tax purposes or is subject to tax, or ``(B) such related party is allowed a deduction with respect to such amount under the tax law of such country. Such term shall not include any ***payment*** to the extent such ***payment*** is included in the gross income of a United States shareholder under section 951(a). ``(2) Related party.--The term `related party' means a related person as defined in section 954(d)(3), except that such section shall be applied with respect to the person making the ***payment*** described in paragraph (1) in lieu of the controlled foreign corporation otherwise referred to in such section. ``(c) Hybrid Transaction.--For purposes of this section, the term `hybrid transaction' means any transaction, series of transactions, agreement, or instrument one or more ***payments*** with respect to which are treated as interest or royalties for purposes of this chapter and which are not so treated for purposes the tax law of the foreign country of which the recipient of such ***payment*** is resident for tax purposes or is subject to tax. ``(d) Hybrid Entity.--For purposes of this section, the term `hybrid entity' means any entity which is either-- ``(1) treated as fiscally transparent for purposes of this chapter but not so treated for purposes of the tax law of the foreign country of which the entity is resident for tax purposes or is subject to tax, or ``(2) treated as fiscally transparent for purposes of such tax law but not so treated for purposes of this chapter. ``(e) Regulations.--The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance providing for-- ``(1) rules for treating certain conduit arrangements which involve a hybrid transaction or a hybrid entity as subject to subsection (a), ``(2) rules for the application of this section to branches or domestic entities, ``(3) rules for treating certain structured transactions as subject to subsection (a), ``(4) rules for treating a tax preference as an exclusion from income for purposes of applying subsection (b)(1) if such tax preference has the effect of reducing the generally applicable statutory rate by 25 percent or more, ``(5) rules for treating the entire amount of interest or royalty paid or accrued to a related party as a disqualified related party amount if such amount is subject to a participation exemption system or other system which provides for the exclusion or deduction of a substantial portion of such amount, ``(6) rules for determining the tax residence of a foreign entity if the entity is otherwise considered a resident of more than one country or of no country, ``(7) exceptions from subsection (a) with respect to-- ``(A) cases in which the disqualified related party amount is taxed under the laws of a foreign country other than the country of which the related party is a resident for tax purposes, and ``(B) other cases which the Secretary determines do not present a risk of eroding the Federal tax base, ``(8) requirements for record keeping and information reporting in addition to any requirements imposed by section 6038A.''. [[Page H10304]] (b) Conforming Amendment.--The table of sections for part IX of subchapter B of chapter 1 is amended by inserting after the item relating to section 267 the following new item: ``Sec. 267A. Certain related party amounts paid or accrued in hybrid transactions or with hybrid entities.''. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 14223. SHAREHOLDERS OF SURROGATE FOREIGN CORPORATIONS NOT ELIGIBLE FOR REDUCED RATE ON DIVIDENDS. (a) In General.--Section 1(h)(11)(C)(iii) is amended-- (1) by striking ``shall not include any foreign corporation'' and inserting ``shall not include-- ``(I) any foreign corporation'', (2) by striking the period at the end and inserting ``, and'', and (3) by adding at the end the following new subclause: ``(II) any corporation which first becomes a surrogate foreign corporation (as defined in section 7874(a)(2)(B)) after the date of the enactment of this subclause, other than a foreign corporation which is treated as a domestic corporation under section 7874(b).''. (b) Effective Date.--The amendments made by this section shall apply to dividends received after the date of the enactment of this Act. Subpart C--Modifications Related to Foreign Tax Credit System SEC. 14301. REPEAL OF SECTION 902 INDIRECT FOREIGN TAX CREDITS; DETERMINATION OF SECTION 960 CREDIT ON CURRENT ***YEAR*** BASIS. (a) Repeal of Section 902 Indirect Foreign Tax Credits.-- Subpart A of part III of subchapter N of chapter 1 is amended by striking section 902. (b) Determination of Section 960 Credit on Current ***Year*** Basis.--Section 960, as amended by section 14201, is amended-- (1) by striking subsection (c), by redesignating subsection (b) as subsection (c), by striking all that precedes subsection (c) (as so redesignated) and inserting the following: ``SEC. 960. DEEMED PAID CREDIT FOR SUBPART F INCLUSIONS. ``(a) In General.--For purposes of subpart A of this part, if there is included in the gross income of a domestic corporation any item of income under section 951(a)(1) with respect to any controlled foreign corporation with respect to which such domestic corporation is a United States shareholder, such domestic corporation shall be deemed to have paid so much of such foreign corporation's foreign income taxes as are properly attributable to such item of income. ``(b) Special Rules for Distributions From Previously Taxed Earnings and Profits.--For purposes of subpart A of this part-- ``(1) In general.--If any portion of a distribution from a controlled foreign corporation to a domestic corporation which is a United States shareholder with respect to such controlled foreign corporation is excluded from gross income under section 959(a), such domestic corporation shall be deemed to have paid so much of such foreign corporation's foreign income taxes as-- ``(A) are properly attributable to such portion, and ``(B) have not been deemed to have to been paid by such domestic corporation under this section for the taxable ***year*** or any prior taxable ***year***. ``(2) Tiered controlled foreign corporations.--If section 959(b) applies to any portion of a distribution from a controlled foreign corporation to another controlled foreign corporation, such controlled foreign corporation shall be deemed to have paid so much of such other controlled foreign corporation's foreign income taxes as-- ``(A) are properly attributable to such portion, and ``(B) have not been deemed to have been paid by a domestic corporation under this section for the taxable ***year*** or any prior taxable ***year***.'', (2) and by adding after subsection (d) (as added by section 14201) the following new subsections: ``(e) Foreign Income Taxes.--The term `foreign income taxes' means any income, war profits, or excess profits taxes paid or accrued to any foreign country or possession of the United States. ``(f) Regulations.--The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section.''. (c) Conforming Amendments.-- (1) Section 78 is amended to read as follows: ``SEC. 78. GROSS UP FOR DEEMED PAID FOREIGN TAX CREDIT. ``If a domestic corporation chooses to have the benefits of subpart A of part III of subchapter N (relating to foreign tax credit) for any taxable ***year***, an amount equal to the taxes deemed to be paid by such corporation under subsections (a), (b), and (d) of section 960 (determined without regard to the phrase `80 percent of' in subsection (d)(1) thereof) for such taxable ***year*** shall be treated for purposes of this title (other than sections 245 and 245A) as a dividend received by such domestic corporation from the foreign corporation.''. (2) Paragraph (4) of section 245(a) is amended to read as follows: ``(4) Post-1986 undistributed earnings.--The term `post- 1986 undistributed earnings' means the amount of the earnings and profits of the foreign corporation (computed in accordance with sections 964(a) and 986) accumulated in taxable ***years*** beginning after December 31, 1986-- ``(A) as of the close of the taxable ***year*** of the foreign corporation in which the dividend is distributed, and ``(B) without diminution by reason of dividends distributed during such taxable ***year***.''. (3) Section 245(a)(10)(C) is amended by striking ``902, 907, and 960'' and inserting ``907 and 960''. (4) Sections 535(b)(1) and 545(b)(1) are each amended by striking ``section 902(a) or 960(a)(1)'' and inserting ``section 960''. (5) Section 814(f)(1) is amended-- (A) by striking subparagraph (B), and (B) by striking all that precedes ``No income'' and inserting the following: ``(1) Treatment of foreign taxes.--''. (6) Section 865(h)(1)(B) is amended by striking ``902, 907,'' and inserting ``907''. (7) Section 901(a) is amended by striking ``sections 902 and 960'' and inserting ``section 960''. (8) Section 901(e)(2) is amended by striking ``but is not limited to--'' and all that follows through ``that portion'' and inserting ``but is not limited to that portion''. (9) Section 901(f) is amended by striking ``sections 902 and 960'' and inserting ``section 960''. (10) Section 901(j)(1)(A) is amended by striking ``902 or''. (11) Section 901(j)(1)(B) is amended by striking ``sections 902 and 960'' and inserting ``section 960''. (12) Section 901(k)(2) is amended by striking ``, 902,''. (13) Section 901(k)(6) is amended by striking ``902 or''. (14) Section 901(m)(1)(B) is amended to read as follows: ``(B) in the case of a foreign income tax paid by a foreign corporation, shall not be taken into account for purposes of section 960.''. (15) Section 904(d)(2)(E) is amended-- (A) by amending clause (i) to read as follows: ``(i) Noncontrolled 10-percent owned foreign corporation.-- The term `noncontrolled 10-percent owned foreign corporation' means any foreign corporation which is-- ``(I) a specified 10-percent owned foreign corporation (as defined in section 245A(b)), or ``(II) a passive foreign investment company (as defined in section 1297(a)) with respect to which the taxpayer meets the stock ownership requirements of section 902(a) (or, for purposes of applying paragraphs (3) and (4), the requirements of section 902(b)). A controlled foreign corporation shall not be treated as a noncontrolled 10-percent owned foreign corporation with respect to any distribution out of its earnings and profits for periods during which it was a controlled foreign corporation. Any reference to section 902 in this clause shall be treated as a reference to such section as in effect before its repeal.'', and (B) by striking ``non-controlled section 902 corporation'' in clause (ii) and inserting ``noncontrolled 10-percent owned foreign corporation''. (16) Section 904(d)(4) is amended-- (A) by striking ``noncontrolled section 902 corporation'' each place it appears and inserting ``noncontrolled 10- percent owned foreign corporation'', (B) by striking ``noncontrolled section 902 corporations'' in the heading thereof and inserting ``noncontrolled 10- percent owned foreign corporations''. (17) Section 904(d)(6)(A) is amended by striking ``902, 907,'' and inserting ``907''. (18) Section 904(h)(10)(A) is amended by striking ``sections 902, 907, and 960'' and inserting ``sections 907 and 960''. (19) Section 904(k) is amended to read as follows: ``(k) Cross References.--For increase of limitation under subsection (a) for taxes paid with respect to amounts received which were included in the gross income of the taxpayer for a prior taxable ***year*** as a United States shareholder with respect to a controlled foreign corporation, see section 960(c).''. (20) Section 905(c)(1) is amended by striking the last sentence. (21) Section 905(c)(2)(B)(i) is amended to read as follows: ``(i) shall be taken into account for the taxable ***year*** to which such taxes relate, and''. (22) Section 906(a) is amended by striking ``(or deemed, under section 902, paid or accrued during the taxable ***year***)''. (23) Section 906(b) is amended by striking paragraphs (4) and (5). (24) Section 907(b)(2)(B) is amended by striking ``902 or''. (25) Section 907(c)(3)(A) is amended-- (A) by striking subparagraph (A) and inserting the following: ``(A) interest, to the extent the category of income of such interest is determined under section 904(d)(3),'', and (B) by striking ``section 960(a)'' in subparagraph (B) and inserting ``section 960''. (26) Section 907(c)(5) is amended by striking ``902 or''. (27) Section 907(f)(2)(B)(i) is amended by striking ``902 or''. (28) Section 908(a) is amended by striking ``902 or''. (29) Section 909(b) is amended-- (A) by striking ``section 902 corporation'' in the matter preceding paragraph (1) and inserting ``specified 10-percent owned foreign corporation (as defined in section 245A(b) without regard to paragraph (2) thereof)'', (B) by striking ``902 or'' in paragraph (1), (C) by striking ``by such section 902 corporation'' and all that follows in the matter following paragraph (2) and inserting ``by such specified 10-percent owned foreign corporation or a domestic corporation which is a United States shareholder with respect to such specified 10-percent owned foreign corporation.'', and (D) by striking ``Section 902 Corporations'' in the heading thereof and inserting ``Specified 10-percent Owned Foreign Corporations''. (30) Section 909(d) is amended by striking paragraph (5). (31) Section 958(a)(1) is amended by striking ``960(a)(1)'' and inserting ``960''. [[Page H10305]] (32) Section 959(d) is amended by striking ``Except as provided in section 960(a)(3), any'' and inserting ``Any''. (33) Section 959(e) is amended by striking ``section 960(b)'' and inserting ``section 960(c)''. (34) Section 1291(g)(2)(A) is amended by striking ``any distribution--'' and all that follows through ``but only if'' and inserting ``any distribution, any withholding tax imposed with respect to such distribution, but only if''. (35) Section 1293(f) is amended by striking ``and'' at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting ``, and'', and by adding at the end the following new paragraph: ``(3) a domestic corporation which owns (or is treated under section 1298(a) as owning) stock of a qualified electing fund shall be treated in the same manner as a United States shareholder of a controlled foreign corporation (and such qualified electing fund shall be treated in the same manner as such controlled foreign corporation) if such domestic corporation meets the stock ownership requirements of subsection (a) or (b) of section 902 (as in effect before its repeal) with respect to such qualified electing fund.''. (36) Section 6038(c)(1)(B) is amended by striking ``sections 902 (relating to foreign tax credit for corporate stockholder in foreign corporation) and 960 (relating to special rules for foreign tax credit)'' and inserting ``section 960''. (37) Section 6038(c)(4) is amended by striking subparagraph (C). (38) The table of sections for subpart A of part III of subchapter N of chapter 1 is amended by striking the item relating to section 902. (39) The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by striking the item relating to section 960 and inserting the following: ``Sec. 960. Deemed paid credit for subpart F inclusions.''. (d) Effective Date.--The amendments made by this section shall apply to taxable ***years*** of foreign corporations beginning after December 31, 2017, and to taxable ***years*** of United States shareholders in which or with which such taxable ***years*** of foreign corporations end. SEC. 14302. SEPARATE FOREIGN TAX CREDIT LIMITATION BASKET FOR FOREIGN BRANCH INCOME. (a) In General.--Section 904(d)(1), as amended by section 14201, is amended by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting after subparagraph (A) the following new subparagraph: ``(B) foreign branch income,''. (b) Foreign Branch Income.-- (1) In general.--Section 904(d)(2) is amended by inserting after subparagraph (I) the following new subparagraph: ``(J) Foreign branch income.-- ``(i) In general.--The term `foreign branch income' means the business profits of such United States person which are attributable to 1 or more qualified business units (as defined in section 989(a)) in 1 or more foreign countries. For purposes of the preceding sentence, the amount of business profits attributable to a qualified business unit shall be determined under rules established by the Secretary. ``(ii) Exception.--Such term shall not include any income which is passive category income.''. (2) Conforming amendment.--Section 904(d)(2)(A)(ii), as amended by section 14201, is amended by striking ``income described in paragraph (1)(A) and'' and inserting ``income described in paragraph (1)(A), foreign branch income, and''. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 14303. SOURCE OF INCOME FROM SALES OF INVENTORY DETERMINED SOLELY ON BASIS OF PRODUCTION ACTIVITIES. (a) In General.--Section 863(b) is amended by adding at the end the following: ``Gains, profits, and income from the sale or exchange of inventory property described in paragraph (2) shall be allocated and apportioned between sources within and without the United States solely on the basis of the production activities with respect to the property.''. (b) Effective Date.--The amendment made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 14304. ELECTION TO INCREASE PERCENTAGE OF DOMESTIC TAXABLE INCOME OFFSET BY OVERALL DOMESTIC LOSS TREATED AS FOREIGN SOURCE. (a) In General.--Section 904(g) is amended by adding at the end the following new paragraph: ``(5) Election to increase percentage of taxable income treated as foreign source.-- ``(A) In general.--If any pre-2018 unused overall domestic loss is taken into account under paragraph (1) for any applicable taxable ***year***, the taxpayer may elect to have such paragraph applied to such loss by substituting a percentage greater than 50 percent (but not greater than 100 percent) for 50 percent in subparagraph (B) thereof. ``(B) Pre-2018 unused overall domestic loss.--For purposes of this paragraph, the term `pre-2018 unused overall domestic loss' means any overall domestic loss which-- ``(i) arises in a qualified taxable ***year*** beginning before January 1, 2018, and ``(ii) has not been used under paragraph (1) for any taxable ***year*** beginning before such date. ``(C) Applicable taxable ***year***.--For purposes of this paragraph, the term `applicable taxable ***year***' means any taxable ***year*** of the taxpayer beginning after December 31, 2017, and before January 1, 2028.''. (b) Effective Date.--The amendment made by this section shall apply to taxable ***years*** beginning after December 31, 2017. PART II--INBOUND TRANSACTIONS SEC. 14401. BASE EROSION AND ANTI-ABUSE TAX. (a) Imposition of Tax.--Subchapter A of chapter 1 is amended by adding at the end the following new part: ``PART VII--BASE EROSION AND ANTI-ABUSE TAX ``Sec. 59A. Tax on base erosion ***payments*** of taxpayers with substantial gross receipts. ``SEC. 59A. TAX ON BASE EROSION ***PAYMENTS*** OF TAXPAYERS WITH SUBSTANTIAL GROSS RECEIPTS. ``(a) Imposition of Tax.--There is hereby imposed on each applicable taxpayer for any taxable ***year*** a tax equal to the base erosion minimum tax amount for the taxable ***year***. Such tax shall be in addition to any other tax imposed by this subtitle. ``(b) Base Erosion Minimum Tax Amount.--For purposes of this section-- ``(1) In general.--Except as provided in paragraphs (2) and (3), the term `base erosion minimum tax amount' means, with respect to any applicable taxpayer for any taxable ***year***, the excess (if any) of-- ``(A) an amount equal to 10 percent (5 percent in the case of taxable ***years*** beginning in ***calendar*** ***year*** 2018) of the modified taxable income of such taxpayer for the taxable ***year***, over ``(B) an amount equal to the regular tax liability (as defined in section 26(b)) of the taxpayer for the taxable ***year***, reduced (but not below zero) by the excess (if any) of-- ``(i) the credits allowed under this chapter against such regular tax liability, over ``(ii) the sum of-- ``(I) the credit allowed under section 38 for the taxable ***year*** which is properly allocable to the research credit determined under section 41(a), plus ``(II) the portion of the applicable section 38 credits not in excess of 80 percent of the lesser of the amount of such credits or the base erosion minimum tax amount (determined without regard to this subclause). ``(2) Modifications for taxable ***years*** beginning after 2025.--In the case of any taxable ***year*** beginning after December 31, 2025, paragraph (1) shall be applied-- ``(A) by substituting `12.5 percent' for `10 percent' in subparagraph (A) thereof, and ``(B) by reducing (but not below zero) the regular tax liability (as defined in section 26(b)) for purposes of subparagraph (B) thereof by the aggregate amount of the credits allowed under this chapter against such regular tax liability rather than the excess described in such subparagraph. ``(3) Increased rate for certain banks and securities dealers.-- ``(A) In general.--In the case of a taxpayer described in subparagraph (B) who is an applicable taxpayer for any taxable ***year***, the percentage otherwise in effect under paragraphs (1)(A) and (2)(A) shall each be increased by one percentage point. ``(B) Taxpayer described.--A taxpayer is described in this subparagraph if such taxpayer is a member of an affiliated group (as defined in section 1504(a)(1)) which includes-- ``(i) a bank (as defined in section 581), or ``(ii) a registered securities dealer under section 15(a) of the Securities Exchange Act of 1934. ``(4) Applicable section 38 credits.--For purposes of paragraph (1)(B)(ii)(II), the term `applicable section 38 credits' means the credit allowed under section 38 for the taxable ***year*** which is properly allocable to-- ``(A) the low-income housing credit determined under section 42(a), ``(B) the renewable electricity production credit determined under section 45(a), and ``(C) the investment credit determined under section 46, but only to the extent properly allocable to the energy credit determined under section 48. ``(c) Modified Taxable Income.--For purposes of this section-- ``(1) In general.--The term `modified taxable income' means the taxable income of the taxpayer computed under this chapter for the taxable ***year***, determined without regard to-- ``(A) any base erosion tax benefit with respect to any base erosion ***payment***, or ``(B) the base erosion percentage of any net operating loss deduction allowed under section 172 for the taxable ***year***. ``(2) Base erosion tax benefit.-- ``(A) In general.--The term `base erosion tax benefit' means-- ``(i) any deduction described in subsection (d)(1) which is allowed under this chapter for the taxable ***year*** with respect to any base erosion ***payment***, ``(ii) in the case of a base erosion ***payment*** described in subsection (d)(2), any deduction allowed under this chapter for the taxable ***year*** for depreciation (or amortization in lieu of depreciation) with respect to the property acquired with such ***payment***, ``(iii) in the case of a base erosion ***payment*** described in subsection (d)(3)-- ``(I) any reduction under section 803(a)(1)(B) in the gross amount of premiums and other consideration on insurance and annuity contracts for premiums and other consideration arising out of indemnity insurance, and ``(II) any deduction under section 832(b)(4)(A) from the amount of gross premiums written on insurance contracts during the taxable ***year*** for premiums paid for reinsurance, and ``(iv) in the case of a base erosion ***payment*** described in subsection (d)(4), any reduction in gross receipts with respect to such ***payment*** in computing gross income of the taxpayer for the taxable ***year*** for purposes of this chapter. [[Page H10306]] ``(B) Tax benefits disregarded if tax withheld on base erosion ***payment***.-- ``(i) In general.--Except as provided in clause (ii), any base erosion tax benefit attributable to any base erosion ***payment***-- ``(I) on which tax is imposed by section 871 or 881, and ``(II) with respect to which tax has been deducted and withheld under section 1441 or 1442, shall not be taken into account in computing modified taxable income under paragraph (1)(A) or the base erosion percentage under paragraph (4). ``(ii) Exception.--The amount not taken into account in computing modified taxable income by reason of clause (i) shall be reduced under rules similar to the rules under section 163(j)(5)(B) (as in effect before the date of the enactment of the Tax Cuts and Jobs Act). ``(3) Special rules for determining interest for which deduction allowed.--For purposes of applying paragraph (1), in the case of a taxpayer to which section 163(j) applies for the taxable ***year***, the reduction in the amount of interest for which a deduction is allowed by reason of such subsection shall be treated as allocable first to interest paid or accrued to persons who are not related parties with respect to the taxpayer and then to such related parties. ``(4) Base erosion percentage.--For purposes of paragraph (1)(B)-- ``(A) In general.--The term `base erosion percentage' means, for any taxable ***year***, the percentage determined by dividing-- ``(i) the aggregate amount of base erosion tax benefits of the taxpayer for the taxable ***year***, by ``(ii) the sum of-- ``(I) the aggregate amount of the deductions (including deductions described in clauses (i) and (ii) of paragraph (2)(A)) allowable to the taxpayer under this chapter for the taxable ***year***, plus ``(II) the base erosion tax benefits described in clauses (iii) and (iv) of paragraph (2)(A) allowable to the taxpayer for the taxable ***year***. ``(B) Certain items not taken into account.--The amount under subparagraph (A)(ii) shall be determined by not taking into account-- ``(i) any deduction allowed under section 172, 245A, or 250 for the taxable ***year***, ``(ii) any deduction for amounts paid or accrued for services to which the exception under subsection (d)(5) applies, and ``(iii) any deduction for qualified derivative ***payments*** which are not treated as a base erosion ***payment*** by reason of subsection (h). ``(d) Base Erosion ***Payment***.--For purposes of this section-- ``(1) In general.--The term `base erosion ***payment***' means any amount paid or accrued by the taxpayer to a foreign person which is a related party of the taxpayer and with respect to which a deduction is allowable under this chapter. ``(2) Purchase of depreciable property.--Such term shall also include any amount paid or accrued by the taxpayer to a foreign person which is a related party of the taxpayer in connection with the acquisition by the taxpayer from such person of property of a character subject to the allowance for depreciation (or amortization in lieu of depreciation). ``(3) Reinsurance ***payments***.--Such term shall also include any premium or other consideration paid or accrued by the taxpayer to a foreign person which is a related party of the taxpayer for any reinsurance ***payments*** which are taken into account under sections 803(a)(1)(B) or 832(b)(4)(A). ``(4) Certain ***payments*** to expatriated entities.-- ``(A) In general.--Such term shall also include any amount paid or accrued by the taxpayer with respect to a person described in subparagraph (B) which results in a reduction of the gross receipts of the taxpayer. ``(B) Person described.--A person is described in this subparagraph if such person is a-- ``(i) surrogate foreign corporation which is a related party of the taxpayer, but only if such person first became a surrogate foreign corporation after November 9, 2017, or ``(ii) foreign person which is a member of the same expanded affiliated group as the surrogate foreign corporation. ``(C) Definitions.--For purposes of this paragraph-- ``(i) Surrogate foreign corporation.--The term `surrogate foreign corporation' has the meaning given such term by section 7874(a)(2)(B) but does not include a foreign corporation treated as a domestic corporation under section 7874(b). ``(ii) Expanded affiliated group.--The term `expanded affiliated group' has the meaning given such term by section 7874(c)(1). ``(5) Exception for certain amounts with respect to services.--Paragraph (1) shall not apply to any amount paid or accrued by a taxpayer for services if-- ``(A) such services are services which meet the requirements for eligibility for use of the services cost method under section 482 (determined without regard to the requirement that the services not contribute significantly to fundamental risks of business success or failure), and ``(B) such amount constitutes the total services cost with no markup component. ``(e) Applicable Taxpayer.--For purposes of this section-- ``(1) In general.--The term `applicable taxpayer' means, with respect to any taxable ***year***, a taxpayer-- ``(A) which is a corporation other than a regulated investment company, a real estate investment trust, or an S corporation, ``(B) the average annual gross receipts of which for the 3- taxable-***year*** period ending with the preceding taxable ***year*** are at least $500,000,000, and ``(C) the base erosion percentage (as determined under subsection (c)(4)) of which for the taxable ***year*** is 3 percent (2 percent in the case of a taxpayer described in subsection (b)(3)(B)) or higher. ``(2) Gross receipts.-- ``(A) Special rule for foreign persons.--In the case of a foreign person the gross receipts of which are taken into account for purposes of paragraph (1)(B), only gross receipts which are taken into account in determining income which is effectively connected with the conduct of a trade or business within the United States shall be taken into account. In the case of a taxpayer which is a foreign person, the preceding sentence shall not apply to the gross receipts of any United States person which are aggregated with the taxpayer's gross receipts by reason of paragraph (3). ``(B) Other rules made applicable.--Rules similar to the rules of subparagraphs (B), (C), and (D) of section 448(c)(3) shall apply in determining gross receipts for purposes of this section. ``(3) Aggregation rules.--All persons treated as a single employer under subsection (a) of section 52 shall be treated as 1 person for purposes of this subsection and subsection (c)(4), except that in applying section 1563 for purposes of section 52, the exception for foreign corporations under section 1563(b)(2)(C) shall be disregarded. ``(f) Foreign Person.--For purposes of this section, the term `foreign person' has the meaning given such term by section 6038A(c)(3). ``(g) Related Party.--For purposes of this section-- ``(1) In general.--The term `related party' means, with respect to any applicable taxpayer-- ``(A) any 25-percent owner of the taxpayer, ``(B) any person who is related (within the meaning of section 267(b) or 707(b)(1)) to the taxpayer or any 25- percent owner of the taxpayer, and ``(C) any other person who is related (within the meaning of section 482) to the taxpayer. ``(2) 25-percent owner.--The term `25-percent owner' means, with respect to any corporation, any person who owns at least 25 percent of-- ``(A) the total voting power of all classes of stock of a corporation entitled to vote, or ``(B) the total value of all classes of stock of such corporation. ``(3) Section 318 to apply.--Section 318 shall apply for purposes of paragraphs (1) and (2), except that-- ``(A) `10 percent' shall be substituted for `50 percent' in section 318(a)(2)(C), and ``(B) subparagraphs (A), (B), and (C) of section 318(a)(3) shall not be applied so as to consider a United States person as owning stock which is owned by a person who is not a United States person. ``(h) Exception for Certain ***Payments*** Made in the Ordinary Course of Trade or Business.--For purposes of this section-- ``(1) In general.--Except as provided in paragraph (3), any qualified derivative ***payment*** shall not be treated as a base erosion ***payment***. ``(2) Qualified derivative ***payment***.-- ``(A) In general.--The term `qualified derivative ***payment***' means any ***payment*** made by a taxpayer pursuant to a derivative with respect to which the taxpayer-- ``(i) recognizes gain or loss as if such derivative were sold for its fair market value on the last business day of the taxable ***year*** (and such additional times as required by this title or the taxpayer's method of accounting), ``(ii) treats any gain or loss so recognized as ordinary, and ``(iii) treats the character of all items of income, deduction, gain, or loss with respect to a ***payment*** pursuant to the derivative as ordinary. ``(B) Reporting requirement.--No ***payments*** shall be treated as qualified derivative ***payments*** under subparagraph (A) for any taxable ***year*** unless the taxpayer includes in the information required to be reported under section 6038B(b)(2) with respect to such taxable ***year*** such information as is necessary to identify the ***payments*** to be so treated and such other information as the Secretary determines necessary to carry out the provisions of this subsection. ``(3) Exceptions for ***payments*** otherwise treated as base erosion ***payments***.--This subsection shall not apply to any qualified derivative ***payment*** if-- ``(A) the ***payment*** would be treated as a base erosion ***payment*** if it were not made pursuant to a derivative, including any interest, royalty, or service ***payment***, or ``(B) in the case of a contract which has derivative and nonderivative components, the ***payment*** is properly allocable to the nonderivative component. ``(4) Derivative defined.--For purposes of this subsection-- ``(A) In general.--The term `derivative' means any contract (including any option, forward contract, futures contract, short position, swap, or similar contract) the value of which, or any ***payment*** or other ***transfer*** with respect to which, is (directly or indirectly) determined by reference to one or more of the following: ``(i) Any share of stock in a corporation. ``(ii) Any evidence of indebtedness. ``(iii) Any commodity which is actively traded. ``(iv) Any currency. ``(v) Any rate, price, amount, index, formula, or algorithm. Such term shall not include any item described in clauses (i) through (v). ``(B) Treatment of american depository receipts and similar instruments.--Except as otherwise provided by the Secretary, for purposes of this part, American depository receipts (and similar instruments) with respect to shares of stock in foreign corporations shall be treated as shares of stock in such foreign corporations. ``(C) Exception for certain contracts.--Such term shall not include any insurance, annuity, or endowment contract issued by an insurance company to which subchapter L applies [[Page H10307]] (or issued by any foreign corporation to which such subchapter would apply if such foreign corporation were a domestic corporation). ``(i) Regulations.--The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section, including regulations-- ``(1) providing for such adjustments to the application of this section as are necessary to prevent the avoidance of the purposes of this section, including through-- ``(A) the use of unrelated persons, conduit transactions, or other intermediaries, or ``(B) transactions or arrangements designed, in whole or in part-- ``(i) to characterize ***payments*** otherwise subject to this section as ***payments*** not subject to this section, or ``(ii) to substitute ***payments*** not subject to this section for ***payments*** otherwise subject to this section and ``(2) for the application of subsection (g), including rules to prevent the avoidance of the exceptions under subsection (g)(3).''. (b) Reporting Requirements and Penalties.-- (1) In general.--Subsection (b) of section 6038A is amended to read as follows: ``(b) Required Information.-- ``(1) In general.--For purposes of subsection (a), the information described in this subsection is such information as the Secretary prescribes by regulations relating to-- ``(A) the name, principal place of business, nature of business, and country or countries in which organized or resident, of each person which-- ``(i) is a related party to the reporting corporation, and ``(ii) had any transaction with the reporting corporation during its taxable ***year***, ``(B) the manner in which the reporting corporation is related to each person referred to in subparagraph (A), and ``(C) transactions between the reporting corporation and each foreign person which is a related party to the reporting corporation. ``(2) Additional information regarding base erosion ***payments***.--For purposes of subsection (a) and section 6038C, if the reporting corporation or the foreign corporation to whom section 6038C applies is an applicable taxpayer, the information described in this subsection shall include-- ``(A) such information as the Secretary determines necessary to determine the base erosion minimum tax amount, base erosion ***payments***, and base erosion tax benefits of the taxpayer for purposes of section 59A for the taxable ***year***, and ``(B) such other information as the Secretary determines necessary to carry out such section. For purposes of this paragraph, any term used in this paragraph which is also used in section 59A shall have the same meaning as when used in such section.''. (2) Increase in penalty.--Paragraphs (1) and (2) of section 6038A(d) are each amended by striking ``$10,000'' and inserting ``$25,000''. (c) Disallowance of Credits Against Base Erosion Tax.-- Paragraph (2) of section 26(b) is amended by inserting after subparagraph (A) the following new subparagraph: ``(B) section 59A (relating to base erosion and anti-abuse tax),''. (d) Conforming Amendments.-- (1) The table of parts for subchapter A of chapter 1 is amended by adding after the item relating to part VI the following new item: ``Part VII. Base Erosion and Anti-abuse Tax''. (2) Paragraph (1) of section 882(a), as amended by this Act, is amended by inserting `` or 59A,'' after ``section 11,''. (3) Subparagraph (A) of section 6425(c)(1), as amended by section 13001, is amended to read as follows: ``(A) the sum of-- ``(i) the tax imposed by section 11, or subchapter L of chapter 1, whichever is applicable, plus ``(ii) the tax imposed by section 59A, over''. (4)(A) Subparagraph (A) of section 6655(g)(1), as amended by sections 12001 and 13001, is amended by striking ``plus'' at the end of clause (i), by redesignating clause (ii) as clause (iii), and by inserting after clause (i) the following new clause: ``(ii) the tax imposed by section 59A, plus''. (B) Subparagraphs (A)(i) and (B)(i) of section 6655(e)(2), as amended by sections 12001 and 13001, are each amended by inserting ``and modified taxable income'' after ``taxable income''. (C) Subparagraph (B) of section 6655(e)(2) is amended by adding at the end the following new clause: ``(iii) Modified taxable income.--The term `modified taxable income' has the meaning given such term by section 59A(c)(1).''. (e) Effective Date.--The amendments made by this section shall apply to base erosion ***payments*** (as defined in section 59A(d) of the Internal Revenue Code of 1986, as added by this section) paid or accrued in taxable ***years*** beginning after December 31, 2017. PART III--OTHER PROVISIONS SEC. 14501. RESTRICTION ON INSURANCE BUSINESS EXCEPTION TO PASSIVE FOREIGN INVESTMENT COMPANY RULES. (a) In General.--Section 1297(b)(2)(B) is amended to read as follows: ``(B) derived in the active conduct of an insurance business by a qualifying insurance corporation (as defined in subsection (f)),''. (b) Qualifying Insurance Corporation Defined.--Section 1297 is amended by adding at the end the following new subsection: ``(f) Qualifying Insurance Corporation.--For purposes of subsection (b)(2)(B)-- ``(1) In general.--The term `qualifying insurance corporation' means, with respect to any taxable ***year***, a foreign corporation-- ``(A) which would be subject to tax under subchapter L if such corporation were a domestic corporation, and ``(B) the applicable insurance liabilities of which constitute more than 25 percent of its total assets, determined on the basis of such liabilities and assets as reported on the corporation's applicable financial statement for the last ***year*** ending with or within the taxable ***year***. ``(2) Alternative facts and circumstances test for certain corporations.--If a corporation fails to qualify as a qualified insurance corporation under paragraph (1) solely because the percentage determined under paragraph (1)(B) is 25 percent or less, a United States person that owns stock in such corporation may elect to treat such stock as stock of a qualifying insurance corporation if-- ``(A) the percentage so determined for the corporation is at least 10 percent, and ``(B) under regulations provided by the Secretary, based on the applicable facts and circumstances-- ``(i) the corporation is predominantly engaged in an insurance business, and ``(ii) such failure is due solely to runoff-related or rating-related circumstances involving such insurance business. ``(3) Applicable insurance liabilities.--For purposes of this subsection-- ``(A) In general.--The term `applicable insurance liabilities' means, with respect to any life or property and casualty insurance business-- ``(i) loss and loss adjustment expenses, and ``(ii) reserves (other than deficiency, contingency, or unearned premium reserves) for life and health insurance risks and life and health insurance claims with respect to contracts providing coverage for mortality or morbidity risks. ``(B) Limitations on amount of liabilities.--Any amount determined under clause (i) or (ii) of subparagraph (A) shall not exceed the lesser of such amount-- ``(i) as reported to the applicable insurance regulatory body in the applicable financial statement described in paragraph (4)(A) (or, if less, the amount required by applicable law or regulation), or ``(ii) as determined under regulations prescribed by the Secretary. ``(4) Other definitions and rules.--For purposes of this subsection-- ``(A) Applicable financial statement.--The term `applicable financial statement' means a statement for financial reporting purposes which-- ``(i) is made on the basis of generally accepted accounting principles, ``(ii) is made on the basis of international financial reporting standards, but only if there is no statement that meets the requirement of clause (i), or ``(iii) except as otherwise provided by the Secretary in regulations, is the annual statement which is required to be filed with the applicable insurance regulatory body, but only if there is no statement which meets the requirements of clause (i) or (ii). ``(B) Applicable insurance regulatory body.--The term `applicable insurance regulatory body' means, with respect to any insurance business, the entity established by law to license, authorize, or regulate such business and to which the statement described in subparagraph (A) is provided.''. (c) Effective Date.--The amendments made by this section shall apply to taxable ***years*** beginning after December 31, 2017. SEC. 14502. REPEAL OF FAIR MARKET VALUE METHOD OF INTEREST EXPENSE APPORTIONMENT. (a) In General.--Paragraph (2) of section 864(e) is amended to read as follows: ``(2) Gross income and fair market value methods may not be used for interest.--All allocations and apportionments of interest expense shall be determined using the adjusted bases of assets rather than on the basis of the fair market value of the assets or gross income.''. (b) Effective Date.--The amendment made by this section shall apply to taxable ***years*** beginning after December 31, 2017. TITLE II SEC. 20001. OIL AND GAS ***PROGRAM***. (a) Definitions.--In this section: (1) Coastal plain.--The term ``Coastal Plain'' means the area identified as the 1002 Area on the plates prepared by the United States Geological Survey entitled ``ANWR Map - Plate 1'' and ``ANWR Map - Plate 2'', dated October 24, 2017, and on file with the United States Geological Survey and the Office of the Solicitor of the Department of the Interior. (2) Secretary.--The term ``Secretary'' means the Secretary of the Interior, acting through the Bureau of Land Management. (b) Oil and Gas ***Program***.-- (1) In general.--Section 1003 of the Alaska National Interest Lands Conservation Act (16 U.S.C 3143) shall not apply to the Coastal Plain. (2) Establishment.-- (A) In general.--The Secretary shall establish and administer a competitive oil and gas ***program*** for the leasing, development, production, and transportation of oil and gas in and from the Coastal Plain. (B) Purposes.--Section 303(2)(B) of the Alaska National Interest Lands Conservation Act (Public Law 96-487; 94 Stat. 2390) is amended-- (i) in clause (iii), by striking ``and'' at the end; (ii) in clause (iv), by striking the period at the end and inserting ``; and''; and (iii) by adding at the end the following: ``(v) to provide for an oil and gas ***program*** on the Coastal Plain.''. [[Page H10308]] (3) Management.--Except as otherwise provided in this section, the Secretary shall manage the oil and gas ***program*** on the Coastal Plain in a manner similar to the administration of lease sales under the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C 6501 et seq.) (including regulations). (4) Royalties.--Notwithstanding the Mineral Leasing Act (30 U.S.C 181 et seq.), the royalty rate for leases issued pursuant to this section shall be 16.67 percent. (5) Receipts.--Notwithstanding the Mineral Leasing Act (30 U.S.C 181 et seq.), of the amount of adjusted bonus, rental, and royalty receipts derived from the oil and gas ***program*** and operations on Federal land authorized under this section-- (A) 50 percent shall be paid to the State of Alaska; and (B) the balance shall be deposited into the Treasury as miscellaneous receipts. (c) 2 Lease Sales Within 10 ***Years***.-- (1) Requirement.-- (A) In general.--Subject to subparagraph (B), the Secretary shall conduct not fewer than 2 lease sales area-wide under the oil and gas ***program*** under this section by not later than 10 ***years*** after the date of enactment of this Act. (B) Sale acreages; schedule.-- (i) Acreages.--The Secretary shall offer for lease under the oil and gas ***program*** under this section-- (I) not fewer than 400,000 acres area-wide in each lease sale; and (II) those areas that have the highest potential for the discovery of hydrocarbons. (ii) Schedule.--The Secretary shall offer-- (I) the initial lease sale under the oil and gas ***program*** under this section not later than 4 ***years*** after the date of enactment of this Act; and (II) a second lease sale under the oil and gas ***program*** under this section not later than 7 ***years*** after the date of enactment of this Act. (2) Rights-of-way.--The Secretary shall issue any rights- of-way or easements across the Coastal Plain for the exploration, development, production, or transportation necessary to carry out this section. (3) Surface development.--In administering this section, the Secretary shall authorize up to 2,000 surface acres of Federal land on the Coastal Plain to be covered by production and support facilities (including airstrips and any area covered by gravel berms or piers for support of pipelines) during the term of the leases under the oil and gas ***program*** under this section. SEC. 20002. LIMITATIONS ON AMOUNT OF DISTRIBUTED QUALIFIED OUTER CONTINENTAL SHELF REVENUES. Section 105(f)(1) of the Gulf of Mexico Energy Security Act of 2006 (43 U.S.C 1331 note; Public Law 109-432) is amended by striking ``exceed $500,000,000 for each of fiscal ***years*** 2016 through 2055.'' and inserting the following: ``exceed-- ``(A) $500,000,000 for each of fiscal ***years*** 2016 through 2019; ``(B) $650,000,000 for each of fiscal ***years*** 2020 and 2021; and ``(C) $500,000,000 for each of fiscal ***years*** 2022 through 2055.''. SEC. 20003. STRATEGIC PETROLEUM RESERVE DRAWDOWN AND SALE. (a) Drawdown and Sale.-- (1) In general.--Notwithstanding section 161 of the Energy Policy and Conservation Act (42 U.S.C 6241), except as provided in subsections (b) and (c), the Secretary of Energy shall draw down and sell from the Strategic Petroleum Reserve 7,000,000 barrels of crude oil during the period of fiscal ***years*** 2026 through 2027. (2) Deposit of amounts received from sale.--Amounts received from a sale under paragraph (1) shall be deposited in the general fund of the Treasury during the fiscal ***year*** in which the sale occurs. (b) Emergency Protection.--The Secretary of Energy shall not draw down and sell crude oil under subsection (a) in a quantity that would limit the authority to sell petroleum products under subsection (h) of section 161 of the Energy Policy and Conservation Act (42 U.S.C 6241) in the full quantity authorized by that subsection. (c) Limitation.--The Secretary of Energy shall not drawdown or conduct sales of crude oil under subsection (a) after the date on which a total of $600,000,000 has been deposited in the general fund of the Treasury from sales authorized under that subsection. Motion to Concur Mr. BRADY of Texas. Mr. Speaker, I have a motion at the desk. The SPEAKER pro tempore. The Clerk will designate the motion. The text of the motion is as follows: Mr. Brady of Texas moves that the House concur in the Senate amendment to H.R 1. The SPEAKER pro tempore. Pursuant to House Resolution 668, the gentleman from Texas (Mr. Brady) and the gentleman from Massachusetts (Mr. Neal) each will control 10 minutes. The Chair recognizes the gentleman from Texas. Mr. BRADY of Texas. Mr. Speaker, I yield myself such time as I may consume. Mr. Speaker, both the House and now the Senate have taken action on legislation to reform America's Tax Code for the first time in 31 ***years***. Unfortunately, two targeted provisions did not meet Senate rules and had to be removed. Today, the process continues to move forward, and, with this vote, it will be the House, the people's House, that officially sends this historic legislation to President Trump's desk. I know the American people are excited. More than that, I know they are feeling a sense of relief. They are relieved that, for the first time in ***years***, they are going to see more money in their paychecks that they can keep. Think about that middle-income family of four, earning $70,000 a ***year***. These are working families, and the tax cut of more than $2,000 they will see under this bill, that $2,000 is real money. It is real money these families worked hard to earn, but, until now, they have had to send it to Washington instead of being able to use it for their own needs, whether that is paying bills, saving for the future, or putting new tires on a car. Think about the relief our job creators and our workers will feel. For so long, Americans have barely seen any growth in their paychecks, yet they are going to their jobs every day, and they are working harder than ever. {time} 1200 With this bill, that hard work is finally going to be rewarded, and we are going to see the growth of jobs and paychecks like we haven't seen in ***years***. For our businesses, large and small, no matter if they are a small startup with just three workers or a large company with 3,000, they are finally going to have a Tax Code that works with them as they grow, innovate, and invest in our communities. They are going to see relief from complexity and high rates and the feeling they are always having to compete with one hand tied behind their back. For all these Americans, all the hardworking men, women, and families who bring life to our communities and to our economy, I think the major source of relief is knowing that, starting in the new ***year***, none of us has to accept this broken Tax Code and this slow-growth status in America any longer. With the new tax system we will deliver today, things will change for the better, and they will change immediately. This new Tax Code will be simple, it will be fair, and it will be focused on the needs of the American people, not on Washington's special interests. This new Tax Code will be modern. It will be competitive. It will create more good-paying jobs right here in our communities, not drive them overseas. Above all, this new Tax Code, America's Tax Code, will not belong to the special interests anymore. It will belong to the American people. It will help more Americans realize their own American Dream, whatever that may be. For all the Americans who struggle and who have been left behind under today's broken Tax Code, that has to be the biggest relief of all. Mr. Speaker, I reserve the balance of my time. Mr. NEAL. Mr. Speaker, I yield 1 minute to the gentlewoman from California (Ms. Pelosi), the distinguished leader of the Democratic Party. Ms. PELOSI. Mr. Speaker, I thank the gentleman for yielding me time, and, once again, I commend him for being a champion of middle class families. I want my colleagues all to hear the esteem in which we hold our Democratic members of the Ways and Means Committee. I thank you. Thank you very much, Mr. Neal, for being our ranking member and for your extraordinary leadership on behalf of America's middle class working families, and that includes millions of veterans. Thank you. Mr. Speaker, today is a very sad day in the history of America because we have, on the floor, probably the worst bill in recent time to come to the floor. That doesn't mean it doesn't have stiff competition from other legislation the Republicans have brought to the floor, but this is the worst because so many people are affected in such a negative way and because trillions of dollars of impact on our economy have been voted upon without any hearing, without any hearing from the people who will be most affected by it--no hearings, no experts, no listening to the American people. Yesterday, our Republican colleagues stood on this floor and voted for a GOP tax scam that the American people oppose 2 to 1. Our Republican colleagues stood on the floor and cheered. They [[Page H10309]] cheered a bill that will raise taxes on 86 million middle class families and hand a staggering 83 percent of its tax cuts to the wealthiest 1 percent. Shamefully, the Republicans were cheering against the children as they robbed from their future and ransacked the middle class to reward the rich. Today, the Republicans take their victory lap for successfully pillaging the American middle class to benefit the powerful and the privileged. I come to the floor with stories of men and women and children that Republicans shamefully cheered against yesterday. Yesterday, I wish the Republicans had heard, as we did, the story of Ady Barkan, 30 ***years*** old, father of a beautiful baby son, and Ady is suddenly stricken with ALS, 30 ***years*** old. From his wheelchair, with a strong but wavering voice, he begged Congress not to pass this bill. He pleaded with anyone who would listen not to vote for this tax scam that will raise his health benefits and condemn Medicaid to devastating cuts as the logical next step. He has been lobbying on Capitol Hill against this bill for a while. Ady said yesterday it would do so much damage. It would deprive me of the Medicaid I need to stay alive a little longer and see baby Carl learn to read and teach him how to play chess and watch him go to first grade. But Republicans didn't listen, said ``no,'' and cheered. Yesterday, we heard the story, and I wish our Republican friends could have heard it, of Laura Hatcher, mother of sweet and kind 11- ***year***-old Simon, one of the Little Lobbyists. Simon has a rare disease and cerebral palsy. His mother spoke of how their family watches the Muppet version of ``A Christmas Carol'' and how Simon sees himself in Tiny Tim, another kind boy with braces on his legs. Unfortunately, this story, as of today, does not have the same kind of happy ending as ``A Christmas Carol.'' But the story is not over, and like Tiny Tim, Simon and his family now find their future in danger because of the greed of those with power, the cruelty that is in the heart of the tax scam. As Simon's mother, Laura, said: Very soon I could, once again, be facing a future where I don't know how I will be able to care for my child. This is a thought I simply find too difficult to bear. Since you didn't hear yesterday, I will go on to say what she said. We parents of medically complex kids understand consequences. We know what will happen if this tax bill passes, if our country does not turn from this destructive and immoral path. But the Republicans didn't listen. They said ``no,'' and they cheered. They cheered against Simon because Republicans value the wishes of the special interest lobbyists over the Little Lobbyists, the voices of Little Lobbyists, sick children standing up for themselves and for their siblings, children standing with their siblings. Yesterday, we heard from faith leaders, too. They implored Congress to reject this bill that punishes working families and rewards the wealthiest 1 percent. I repeat: 83 percent of the benefits go to the top 1 percent; 86 million American working middle class families will have their taxes raised. Sister Simone said she wept for the fact that our Representatives are not weeping over the damage they are doing to families across America. They challenged us to honor our faith in this holy season, to remember that our first responsibility is to those who have the least, not to enrich those who are already privileged and powerful. They challenged us to heed not only the message of Christmas, but to remember the words of Jesus enshrined in the Gospel of Matthew. But Republicans didn't listen. They said ``no.'' They cheered. They cheered. They cheered against little Simon. They cheered against Ady Barkan. They cheered against people in need. The GOP tax scam is a monumental con job, but who got conned? President Trump will sign the bill whenever he signs it. I know it is supposed to be today, but I hear the special interests are weighing in for him to delay it for some reason or another. President Trump will sign a bill that betrays the promises he made in the campaign. President Trump promised to eliminate the carried interest loophole; yet the Republicans wrote a tax scam that not only continues this outrageous loophole, but it gives even more loopholes to the wealthy and well connected. President Trump promised to stop corporations from shipping jobs overseas, but Republicans wrote a tax scam that gives corporate America even bigger incentives to ship jobs overseas. President Trump promised tax reform focused on middle class families, tax breaks for middle class families. Republicans wrote a tax scam that raises taxes on 86 million middle class families in our country. President Trump promised he would protect Medicare, Medicaid, and Social Security, but Republicans wrote a tax plan to explode the deficit and use it as an excuse to cut Medicare and Medicaid. They have made no secret of their plans. They have even said this week, to raise the Social Security age. So who got conned? Did the people get conned by the promises? Did the President get conned by the Republicans? Is he signing a bill that betrays his promises to the American people? It is all about the Republicans in Congress. They have in their DNA trickle-down economics. Tax breaks for the rich, tax breaks for corporations, and the former Speaker even said: If trickle-down creates jobs, that would be good. If it doesn't, so be it. That is the free market. As Republicans head to the White House for their victory lap, hopefully they won't trip over the wheelchair of Ady Barkan and other Americans with preexisting conditions. I caution them not to trip over the wheelchair of Simon Hatcher and other children with severe medical needs. They will be in the path of your victory lap. Don't trip over the sisters and brothers and mothers and fathers who tend to the health and well-being of their sick children and their siblings and who will not stop fighting to protect them. I told you yesterday in a public forum: I caution you not to get in the way of a mother and father of a child with special needs and disabilities or extreme medical conditions. They will do anything to protect that child, and they notice what you are doing here. As you are on this victory lap, you will probably have to put on earphones so you can block out the pleas of faith leaders speaking up for hardworking American families. I know the Republicans want to talk so they can't hear the truth about their bill, but the American people won't forget the false representations you have made. They won't forget how loudly you cheered when you hurt their families, their children with special needs, their families struggling to attain some financial stability. And why? These people say to me: How could they be so cruel as to put the health provision in this bill that would possibly eliminate 13 million people from the rolls of health insurance? How could they do that? Why did they do that? Why? The answer is always the same: to give them room to give tax breaks to the wealthiest people in our country and to corporate America, unpaid for, permanently. Our distinguished colleague from Massachusetts will show his credit card again today. They are putting this bill on a credit card that our children are going to have to pay for, robbing from their future. This holiday they are talking about giving people a Christmas present? Well, Joe Sixpack, whom the President said he was there to help, and I hope that that is true, Joe Sixpack will be delivering the champagne to their parties. That is how this is. This isn't about anything better for working class families. This is about champagne glasses clinking and wealthy families across the country. I don't begrudge them their success or their wealth or their achievement. I just don't want to see it at the exploitation of America's working families. Shame on you for voting for this outrageous theft from the American middle class. Mr. Speaker, once again, I urge my colleagues to do the right thing in this people's House and vote ``no'' on behalf of the American people. The SPEAKER pro tempore. Members are reminded to direct their remarks to the Chair. [[Page H10310]] Mr. BRADY of Texas. Mr. Speaker, I yield myself such time as I may consume. Mr. Speaker, we hear a lot of false claims these days by opponents of tax reform. We hear that this isn't relief for the middle class, that people will see their taxes increase. But the Tax Policy Center, the most liberal economic group there is, just grudgingly admitted yesterday that 90 percent of Americans will see real tax cuts in this Tax Cuts and Jobs Act. In fact, the only ones who won't are the one- tenth of 1 percent who could. We hear today about betrayal. Well, let's talk about that. This tax reform bill doubles the child tax credit and expands it to nearly four times as many Americans, helping them with the expensive costs of childcare. Democrats oppose helping our parents raise their children. That is betrayal. {time} 1215 In this tax reform bill, we increase the amount of medical expenses Americans can write off--medical expenses driven up by ObamaCare. Democrats oppose helping families write off these costs. That is betrayal. Now we are expanding the number of Americans who can, and how much, give in charity to our churches and to their causes. Democrats oppose helping people give to the community and to the causes they believe in. That is betrayal. In this bill, we, for the first time, allow families who are saving for their kids' future to be able to use that and ***transfer*** it to the new ABLE accounts because their child has special needs and may need help throughout their life. Democrats oppose letting families save for their disabled children's future. That is betrayal. Then we hear over and over again how some stand for small business, our Main Street businesses. Republicans, for the first time ever, provide a 20 percent deduction for our Main Street and small businesses across America. Democrats oppose helping our Main Street businesses. That is betrayal. For too long, we have watched our jobs move overseas. This changes. This tax cut bill brings those jobs back and, more importantly, allows our companies, when they compete and win around the world, to bring those dollars back to be reinvested in our communities, in jobs, in manufacturing, and in research. Democrats oppose bringing jobs back to America and bringing those dollars back to reinvest in our community. Mr. Speaker, that is betrayal. At the end of the day, we have a choice. Do we give back to families, parents, small businesses, and to America the hope and opportunity of a new economy driven by what is important to them, not what is important to special interests in Washington, D.C ? That is what this bill is all about. Mr. Speaker, I reserve the balance of my time. Mr. NEAL. Mr. Speaker, I yield myself 1 minute. Mr. Speaker, the President just said in the last few minutes that the most important part of this legislation is the corporate tax cuts. Stop the nonsense that you are doing this for the middle class. In the 20 hours that have elapsed, Mr. Speaker, since we last had this debate, we were promised a number of things. The only thing they left out was that this tax bill was going to stem the tides, take us to Mars tomorrow, and the Cleveland Browns were going to win the Super Bowl. The certainty of what they are telling us--if the stockmarket goes up, then they did it. The stockmarket has been going up since March of 2009. They talk about economic growth. Economic growth has now proceeded for 88 straight months. They keep telling us the rocket is about to launch because of this tax bill. Do you know what is great about this, Mr. Speaker? Reporters outside are starting to ask: Are you going to help them out if all of these things don't occur in the way they have said they are going to occur? I said: After the appropriate period of review. Mr. Speaker, I reserve the balance of my time. Mr. BRADY of Texas. Mr. Speaker, I reserve the balance of my time. Mr. NEAL. Mr. Speaker, I yield 1 minute to the gentleman from Maryland (Mr. Hoyer), who is the Democratic whip. Mr. HOYER. Mr. Speaker, the other thing that the chairman did not say is that, after your last round of tax cuts, we had the deepest recession anybody in this body has experienced, starting in December 2007, when you had the Presidency, the House, and the Senate. You are at it again. Mr. Speaker, I rise in sadness and disappointment that the House passed such an irresponsible, dangerous, and debt-exploding legislation yesterday. We should be better than this. We should be more responsible than this. This bill gives 83 percent of its benefits to just 1 percent of the richest Americans. Why didn't we have it reversed and give 83 percent to the people you talk about, Mr. Chairman? It takes 13 million people off their health insurance coverage and it raises the deficit by $1.5 trillion. There can be little doubt that the majority party is fixated on cutting taxes for the richest in our country. Defeat this bill. Do right by the American people. Mr. BRADY of Texas. Mr. Speaker, I yield myself 1 minute. Mr. Speaker, let's talk deficits. Our Democrat opponents just hate the thought that we would give Americans back what they earned. In 2009, when President Obama lifted the national debt by $1.6 trillion--more than this tax bill--they cheered. In the next ***year***, when President Obama raised the national debt by almost $2 trillion in 1 ***year***, they cheered. Three more times, President Obama and Democrats raised our national debt more than $1 trillion every ***year***. And now-- now--they oppose it. Why? Because that was about Washington spending your money. This is about giving it back to the American people, and now, suddenly, you object. Two trillion dollars of deficit in 1 ***year***. Mr. Speaker, I reserve the balance of my time. Mr. NEAL. Mr. Speaker, I yield 30 seconds to the gentleman from Michigan (Mr. Levin), who is the longest-serving member of the Ways and Means Committee. Mr. LEVIN. Mr. Speaker, if you will listen, this bill is trickle-down at its worst. Except for the very wealthy trickle, it is, at best, a trickle; and for millions, not even that; and for the economy at large, a discredited theory. It is a deficit time bomb. The Speaker said to the middle class: Don't worry, the expiring tax cuts will surely be extended. That means the real deficit from this bill is $2.5 trillion, a humongous deficit wrapped in your hypocrisy--in your hypocrisy. The SPEAKER pro tempore. Members are again reminded that they should address their remarks to the Chair. Mr. BRADY of Texas. Mr. Speaker, I yield 1 minute to the gentleman from Kentucky (Mr. Barr). Mr. BARR. Mr. Speaker, I rise today to applaud the great work of the chairman of the Ways and Means Committee, my good friend from Texas (Mr. Brady) for his good work to overhaul America's Tax Code to deliver historic tax relief for workers, families, and job creators. I resent the rhetoric from some of my friends on the other side of the aisle who talk about this as hurting disabled families. I am the brother of a disabled sister, and I am voting for this bill because it helps families with loved ones with disabilities, like expanding the ABLE Act. I thank Chairman Brady for working with me and others to address a provision in the Tax Cuts and Jobs Act, which would negatively impact work-study colleges, such as Berea College in my district. The gentleman has fulfilled his commitment to me to fix this problem in the conference committee for work-study colleges and other small schools so that their endowments would be exempt from the excise tax on large college endowments. Regrettably, last night, Senate Democrats used procedural rules to insist that this exemption be stripped out of the final conference report. It is unfortunate that they put partisan politics ahead of ensuring that students--many of whom are low-income and [[Page H10311]] first-generation college students--at work-study colleges would continue to be able to receive a tuition-free education. The SPEAKER pro tempore. The time of the gentleman has expired. Mr. BRADY of Texas. Mr. Speaker, I yield an additional 30 seconds to the gentleman from Kentucky. Mr. BARR. Mr. Speaker, these are first-generation college students who receive a tuition-free education. I know that Chairman Brady shares my commitment and that of Chairman Rogers, Senator McConnell, and others to make sure that Berea College and other work-study colleges continue their important mission. Accordingly, I ask the gentleman's commitment to work with me to permanently exempt work-study colleges from the excise tax on endowment income in a timely manner, in the tax extenders, or another appropriate legislative vehicle as soon as possible. Mr. BRADY of Texas. Mr. Speaker, I yield myself such time as I may consume. Mr. Speaker, I thank Mr. Barr for his leadership. The gentleman is correct, Senate Democrats stripped this out. I am committed to working with the gentleman to find a permanent solution to this problem as soon as possible. Mr. Speaker, I reserve the balance of my time. Mr. NEAL. Mr. Speaker, I yield 30 seconds to the gentleman from Georgia (Mr. Lewis), who is an extraordinary man. Our friend is the ranking member of the Oversight Subcommittee. Mr. LEWIS of Georgia. Mr. Speaker, yesterday, taxpayers stood up and spoke out against Republicans lining the pockets of their donors by any means necessary. Did you hear their cries? Can you feel their pain? You did not, Mr. Speaker. You chose to turn a deaf ear and a blind eye to their hopes and their dreams. This bill is a shame and a disgrace. Mr. Speaker, I urge each of you to be on the side of the people, on the side of history, and to vote against this bill. Mr. BRADY of Texas. Mr. Speaker, I reserve the balance of my time. Mr. NEAL. Mr. Speaker, I yield 30 seconds to the gentleman from Texas (Mr. Doggett), who is a valued member of the Ways and Means Committee and the ranking member of the Tax Policy Subcommittee. Mr. DOGGETT. Mr. Speaker, we are here solely because of Republican blunders. Hardly the first blunder. Many more blunders will need correcting from this trumped-up partisan bill. If President Trump blunders into signing it today, it will trigger $25 billion in Medicare cuts. This sad bill is left without any name. Like other towers, this towering monstrosity should be called ``Trump''-the ``Trump Inequality Act,'' the ``Trump Family Enrichment Act,'' or perhaps just call it the ``Whopper'' because it is a lie wrapped in lies. The truth will eventually catch up with these lies. Mr. BRADY of Texas. Mr. Speaker, I reserve the balance of my time. Mr. NEAL. Mr. Speaker, I yield 30 seconds to the gentleman from California (Mr. Thompson), who is a Vietnam veteran and a distinguished member of the Ways and Means Committee. Mr. THOMPSON of California. Mr. Speaker, this is one of the most important bills that any of us will ever vote on--no hearings, no expert witnesses--and now we get 30 seconds on the floor to debate it. So let me just use my 30 seconds to say that this is a bad bill for working families. It is going to cause middle class working families to pay more in taxes. It is going to strap our citizens with $2.3 trillion more of national debt. I ask for a ``no'' vote. Mr. BRADY of Texas. Mr. Speaker, I reserve the balance of my time. Mr. NEAL. Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. Crowley), who is the chairman of the Democratic Caucus and a valued member of the Ways and Means Committee. Mr. CROWLEY. Mr. Speaker, a revote--a revote--within less than 24 hours of original passage. This proves that this bill is rotten to its core. But here is what the Republicans aren't going to fix: They didn't fix the fact that this bill won't provide economic security to hardworking families. They didn't fix the fact that this bill will subsidize mansions for the wealthy, not renters or first-time home buyers. They didn't fix the fact that it won't help families save for education or their retirement. They didn't fix the fact that it will saddle our grandchildren with $2 trillion of debt. Mr. Speaker, this bill is not an investment in hardworking men and women or Americans. In fact, it rips healthcare from 13 million Americans. It is an investment in the GOP's base--corporate special interests--the wealthiest among the wealthiest, and the entire Trump empire. This bill is a political calculation they think will get them a win on election day. But be warned: Americans are fed up and fired up. They know their cronies are laughing all the way to the bank. But the American people are organizing all the way to November. Mr. BRADY of Texas. Mr. Speaker, I reserve the balance of my time. Mr. NEAL. Mr. Speaker, I yield 30 seconds to the gentleman from Illinois (Mr. Danny K. Davis), who is a champion of any and all things Chicago. Mr. DANNY K. DAVIS of Illinois. Mr. Speaker, think of Robin Hood in reverse: take from the poor and give to the rich. When you take away social safety net ***programs*** and when you take away Medicare and Medicaid, then it reminds me of Marie Antoinette. When the people had no bread, she said: Let them eat cake. I was opposed to this before it was released, I was opposed yesterday, I will be opposed tomorrow, and I will be opposed next week. It is no good for the American people. Mr. BRADY of Texas. Mr. Speaker, I reserve the balance of my time. Mr. NEAL. Mr. Speaker, might I inquire as to how much time is remaining? The SPEAKER pro tempore. The gentleman from Massachusetts has 3\1/2\ minutes remaining. The gentleman from Texas has 1 minute remaining. Mr. NEAL. Mr. Speaker, I am prepared to close on this side, and I yield myself the balance of my time. Mr. Speaker, so in 1 month we have taken the entire revenue system of the United States without hearing from one expert witness, without having had one public hearing, without using any precedent, and we changed the entire tax system of the country, tilting it clearly to the people at the very top. {time} 1230 When they say, as they certainly will, ``We have been doing hearings for 5 ***years***,'' we never had one hearing on this legislation. Not one. We did not seek testimony from one witness in the conference committee. We got to offer opening statements and no amendments. There was no chance for any input on our side. More than anything else, this is a missed opportunity. This was a missed chance to take a system that we all know to have fallen into competitive failure across the globe. But instead, they decided to go it alone. So here is the way you want to think of this, for those of you who are following this debate: They are borrowing $2.3 trillion for the purpose of cutting the top tax bracket from 39.6 percent to 37 percent and calling that middle class tax relief; They are doubling the exemption on the estate tax to $22 million and calling that middle class tax relief; They are eliminating the alternative minimum tax for people at the very top and calling it middle class tax relief. By the 10th ***year*** of this tax proposal, 83 percent of the benefit accrues to the people at the very top of our economic system. That is not in dispute. They say things like: Well, in 5 ***years***, we are going to correct this measure. Then they talked about the idea that somehow this was about simplicity. When you get into the phase-ins and the phaseouts, you are all going to pass out from trying to read this tax proposal. The complexity they add to the system is unparalleled, all to secure a tax cut for people at the top. So here we are in the holiday season, and they are telling us, by the way, that if we just borrow this money, everything is going to be fine. What did they say about borrowing when Bill Clinton was President? What [[Page H10312]] did they say about borrowing when Barack Obama was President? They lectured us, day in and day out, in an unyielding manner, even though the economic performance of Clinton and Obama outweighed the two Republican Presidents in between. So here is the game plan for the holiday season. Do you know what the holiday hangover on your credit card is? People go out and use their credit cards, and they figure out all ***year*** how to try to pay for it. It is going to take you more than 10 ***years*** to try to pay for this, all upon the spurious notion that they guarantee economic growth, as the President said, by the way, that is going to exceed 6 percent. That is 6 percent. They are telling us that the stock market has gone up because of them, even though it has gone up since March of 2009. They are telling us now that this is going to spur unparalleled economic growth, even though the economy has been growing for 88 straight months, all on the credit card for the American people. Mr. Speaker, this is the worst piece of legislation that has come from the House in the 29 ***years*** that I have served here, and I yield back the balance of my time. Mr. BRADY of Texas. Mr. Speaker, I yield myself the balance of my time. Mr. Speaker, I say to my Democratic colleagues: The worst bill in 29 ***years***? With ObamaCare, don't sell yourselves short. Today, we have a choice to make. We can either stick with the status quo--we just heard it--or we can take bold action to overhaul this broken Tax Code and restore hope, opportunity, and prosperity to Americans. Our choice is clear, and I have made mine. I will vote to send this bill to President Trump's desk to get real tax reform done for the American people for the first time in 31 ***years***. We will deliver for the American people. Mr. Speaker, I encourage my colleagues to join me in support of this bill, and I yield back the balance of my time. The SPEAKER pro tempore. All time for debate has expired. Pursuant to House Resolution 668, the previous question is ordered on the motion to concur. The question is on the motion to concur by the gentleman from Texas (Mr. Brady). The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it. Mr. NEAL. Mr. Speaker, on that I demand the yeas and nays. The yeas and nays were ordered. The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, this 15- minute vote on the motion to concur will be followed by a 5-minute vote on suspending the rules and passing H.R 1159. The vote was taken by electronic device, and there were--yeas 224, nays 201, not voting 7, as follows: [Roll No. 699] YEAS--224 Abraham Aderholt Allen Amash Amodei Arrington Babin Bacon Banks (IN) Barletta Barr Barton Bergman Biggs Bilirakis Bishop (MI) Bishop (UT) Black Blackburn Blum Bost Brady (TX) Brat Bridenstine Brooks (IN) Buchanan Buck Bucshon Budd Burgess Byrne Calvert Carter (GA) Carter (TX) Chabot Cheney Coffman Cole Collins (GA) Collins (NY) Comer Comstock Conaway Cook Costello (PA) Cramer Crawford Culberson Curbelo (FL) Curtis Davidson Davis, Rodney Denham Dent DeSantis DesJarlais Diaz-Balart Duffy Duncan (SC) Duncan (TN) Dunn Emmer Estes (KS) Farenthold Ferguson Fitzpatrick Fleischmann Flores Fortenberry Foxx Gaetz Gallagher Garrett Gianforte Gibbs Gohmert Goodlatte Gosar Gowdy Granger Graves (GA) Graves (LA) Graves (MO) Griffith Grothman Guthrie Handel Harper Harris Hartzler Hensarling Herrera Beutler Hice, Jody B. Higgins (LA) Hill Holding Hollingsworth Hudson Huizenga Hultgren Hunter Hurd Jenkins (KS) Jenkins (WV) Johnson (LA) Johnson (OH) Johnson, Sam Jordan Joyce (OH) Katko Kelly (MS) Kelly (PA) King (IA) Kinzinger Knight Kustoff (TN) Labrador LaHood LaMalfa Lamborn Latta Lewis (MN) Long Loudermilk Love Lucas Luetkemeyer MacArthur Marchant Marino Marshall Massie Mast McCarthy McCaul McClintock McHenry McKinley McMorris Rodgers McSally Meadows Meehan Messer Mitchell Moolenaar Mooney (WV) Mullin Newhouse Noem Norman Nunes Olson Palazzo Palmer Paulsen Pearce Perry Pittenger Poe (TX) Poliquin Posey Ratcliffe Reed Reichert Rice (SC) Roby Roe (TN) Rogers (AL) Rogers (KY) Rokita Rooney, Francis Rooney, Thomas J. Ros-Lehtinen Roskam Ross Rothfus Rouzer Royce (CA) Russell Rutherford Ryan (WI) Sanford Scalise Schweikert Scott, Austin Sensenbrenner Sessions Shimkus Shuster Simpson Smith (MO) Smith (NE) Smucker Stewart Stivers Taylor Tenney Thompson (PA) Thornberry Tiberi Tipton Trott Turner Upton Valadao Wagner Walberg Walden Walker Walorski Walters, Mimi Weber (TX) Webster (FL) Wenstrup Westerman Williams Wilson (SC) Wittman Womack Woodall Yoder Yoho Young (AK) Young (IA) NAYS--201 Adams Aguilar Barragan Bass Beatty Bera Beyer Bishop (GA) Blumenauer Blunt Rochester Bonamici Boyle, Brendan F. Brady (PA) Brown (MD) Brownley (CA) Bustos Butterfield Capuano Carbajal Cardenas Carson (IN) Cartwright Castor (FL) Castro (TX) Chu, Judy Cicilline Clark (MA) Clarke (NY) Clay Cleaver Clyburn Cohen Connolly Cooper Correa Costa Courtney Crist Crowley Cuellar Cummings Davis (CA) Davis, Danny DeFazio DeGette Delaney DeLauro DelBene Demings DeSaulnier Deutch Dingell Doggett Donovan Doyle, Michael F. Ellison Engel Eshoo Espaillat Esty (CT) Evans Faso Foster Frankel (FL) Frelinghuysen Fudge Gabbard Gallego Garamendi Gomez Gonzalez (TX) Gottheimer Green, Al Green, Gene Grijalva Gutierrez Hanabusa Hastings Heck Higgins (NY) Himes Hoyer Huffman Issa Jackson Lee Jayapal Jeffries Johnson (GA) Johnson, E. B. Jones Kaptur Keating Kelly (IL) Khanna Kihuen Kildee Kilmer Kind King (NY) Krishnamoorthi Kuster (NH) Lance Langevin Larsen (WA) Larson (CT) Lawrence Lawson (FL) Lee Levin Lewis (GA) Lieu, Ted Lipinski LoBiondo Loebsack Lofgren Lowenthal Lowey Lujan Grisham, M. Lujan, Ben Ray Lynch Maloney, Carolyn B. Maloney, Sean Matsui McCollum McEachin McGovern McNerney Meeks Meng Moore Moulton Murphy (FL) Nadler Neal Nolan Norcross O'Halleran O'Rourke Pallone Panetta Pascrell Payne Pelosi Perlmutter Peters Peterson Pingree Polis Price (NC) Quigley Raskin Rice (NY) Richmond Rohrabacher Rosen Roybal-Allard Ruiz Ruppersberger Rush Ryan (OH) Sanchez Sarbanes Schakowsky Schiff Schneider Schrader Scott (VA) Scott, David Serrano Sewell (AL) Shea-Porter Sherman Sinema Sires Slaughter Smith (NJ) Smith (WA) Soto Speier Stefanik Suozzi Swalwell (CA) Takano Thompson (CA) Titus Tonko Torres Tsongas Vargas Veasey Vela Velazquez Visclosky Walz Wasserman Schultz Waters, Maxine Watson Coleman Welch Wilson (FL) Yarmuth Zeldin NOT VOTING--7 Brooks (AL) Kennedy Napolitano Pocan Renacci Smith (TX) Thompson (MS) {time} 1255 Mr. COSTELLO of Pennsylvania changed his vote from ``nay'' to ``yea.'' So the motion to concur was agreed to. The result of the vote was announced as above recorded. A motion to reconsider was laid on the table. Stated against: Mrs. NAPOLITANO. Mr. Speaker, I was absent during rollcall vote No. 699 due to the death of my spouse. Had I been present, I would have voted ``Nay'' on the Motion to Concur in the Senate Amendment to H.R 1, the Tax Cuts and Jobs Act.

**Load-Date:** December 22, 2017

**End of Document**



[***Global Bio-Chem 2018 First Half Revenue Increased By 45.5% to HK$2,933.9 Million, Gross Profit Down by 52.9% with Increased Corn Cost***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T57-SHF1-F19S-P1BT-00000-00&context=1516831)

InPR

August 31, 2018 Friday 3:08 PM EEST

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**Length:** 1483 words

**Byline:** SeeNews

**Body**

Global Bio-chem Technology Group Company Limited ("Global Bio-chem" or "the Company", stock code: 00809) together with its subsidiaries (the "Group") reported a 45.5 per cent ***year***-on-***year*** increase in revenue for the six months ended 30 June 2018 (the "Period") to HK$2,933.9 million. However, due to changes in the ***agricultural*** subsidy policy of the provincial governments and increase in the price of corn kernels, the Group's gross profit and gross profit margin decreased by 52.9 per cent and 12.0 percentage points to approximately HK$168.1 million and 5.7 per cent. This coupled with low utilisation rate of the Xinglongshan site and high debt level of the Group, the Group recorded a net loss of HK$768.4 million as compared to HK$333.0 million for the same period of 2017 and a LBITDA of HK$197.7 million as compared to an EBITDA of HK$85.0 million during the same period of 2017.

The board of directors of Global Bio-chem does not recommend the ***payment*** of any interim dividend for the Period.

The increase in the Group's revenue during the Period was mainly attributable to a substantial increase in the sales volume as a result of the resumption of its Harbin upstream production facilities since the end of 2017 and the completion and commencement of the sweeteners production facilities in the Xinglongshan site.

During the Period, the revenue of the Group's upstream business increased by 87.9 per cent to approximately HK$1,269.4 million as a result of the resumption of the Harbin production facilities. However, changes in provincial corn procurement subsidies ***programme*** had led to substantial increase in the Group's cost of sale for this business segment. As a result, the gross profit of the Group's upstream business for the Period was squeezed to approximately HK$1.9 million as compared to HK$90.5 million for the same period of 2017.

The amino acids segment recorded a revenue of approximately HK$1,092.0 million (2017: HK$1,006.0 million) during the Period. While the sales volume of amino acids for the Period was maintained at a level similar to that of the corresponding period of 2017, the increased corn cost had exerted pressure on the profit margins of this business segment. In addition, the poor sentiment of husbandry industry and the soft hog prices during the Period has posed pressure on the price of lysine products. As a result, the gross profit of the amino acids segment dropped to approximately HK$81.3 million from HK$208.5 million of the same period of 2017, while the gross profit margin decreased by 13.3 percentage points ***year***-on-***year*** to 7.4 per cent during the Period. During the Period, the cost advantage of corn sweeteners over cane sugar in China, coupled with the completion and commencement of the sweetener production facilities in the Xinglongshan site, contributed to a significant increase of 45.3 per cent in the sales volume of corn sweeteners, with revenue surging by 68.8 per cent to approximately HK$561.9 million and gross profit up by 51.5 per cent to approximately HK$83.5 million.

During the Period, export sales accounted for 23.6 per cent of the Group's total revenue. The export sales of upstream products, amino acids, and corn sweeteners increased by 32.2 per cent, 12.7 per cent and 10,073.4 per cent respectively to approximately HK$147.0 million, HK$518.1 million, and HK$26.8 million respectively during the Period.

On 4 May 2018, a capital increase agreement (the "Capital Increase Agreement) was entered into between two subsidiaries of the Company, namely Changchun Dacheng Bio-tech Development

Co., Ltd. (長春大成生物科技開發有限公司) ("Dacheng Bio-tech") and Changchun Dacheng Industrial Group Co., Ltd. (長春大成實業集團有限公司) ("Dacheng Industrial"), and Jilin Province

Modern ***Agricultural*** Industry Fund Limited (吉林省現代農業產業基金有限公司) ("GP"). Pursuant to the Capital Increase Agreement, Dacheng Bio-tech, Dacheng Industrial and GP shall make further

contribution of RMB77,950,000, RMB10,050,000 and RMB60,000,000 respectively to Changchun Hongcheng Biotechnology Development Co., Ltd. (長春鴻成生物化工材料技術開發有限公司) ("JV

Company"), which is currently wholly-owned by Dacheng Bio-tech. Upon completion of the relevant capital contribution, the JV Company shall be owned as to 53.3 per cent by Dacheng Bio-tech, 6.7 per cent by Dacheng Industrial and 40.0 per cent by GP. The JV Company is principally engaged in the biomass processing, fermentation and research and development of bio-chemical technology equipment, technology ***transfer***, engineering consulting and technical services, pilot production, manufacturing and sales of food additives and chemicals. The aforesaid capital increase will raise proceeds for the further development and construction of production facilities of these products. The Capital Increase Agreement was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 3 July 2018.

During the Period, a subsidiary of the Company, Bio-chem Technology (HK) Limited ("Bio-chem (HK)") entered into a provisional agreement for sale and purchase ("Provisional Agreement"),

pursuant to which Bio-chem (HK) agreed to sell the Group's office in Hong Kong ("Property") at the consideration of HK$184,849,800. The proceeds from the disposal will provide additional fund for

the Group's operation. The disposal was approved by the shareholders of the Company at an extraordinary general meeting of the Company held on 26 July 2018.

With respect to the disposal of land and buildings in the Group's production site in Luyuan District, Changchun, while the discussion with Potential Purchaser continued during the Period, the Group

has received an official document dated 28 April 2018 from the Changchun Safeguard Housing Project Leading Group （長春市保障性安居工程領導小組） in which the Relevant Properties have

been confirmed as part of the subject properties for redevelopment under the PRC's Slum Redevelopment Policy. Such policy is expected to speed up the process of the disposal of the

Relevant Properties through shortened procedures and exemption of certain taxes. If the disposal of the Relevant Properties is materialised, the Group will have additional funds to finance its

operations and the capital expenditure for relocation of its production facilities in Changchun.

Looking ahead, Mr Kong Zhanpeng, the Chief Executive Officer of Global Bio-chem, said: "The disposal of the Group's Hong Kong office enabled the Group to capitalise on the appreciated value

of the property. On the other hand, as the Relevant Properties in Luyuan District have been confirmed as part of the subject properties under the PRC's Slum Redevelopment Policy, the

disposal of land and buildings in Luyuan District is expected to speed up, which in turn will provide additional funds to finance the Group's operation and CapEx for relocation. In light of the current

challenging operating environment and the uncertainty added by the global trade war, the Group will strive to consolidate its market position, diversify its product range and enhance its capability

in developing high value-added products and new applications through in-house research and development efforts and strategic business alliance with prominent international market leaders.

With respect to improving financial performance and financial position, the management will focus its efforts in accelerating the relocation of the production facilities from Luyuan District, Changchun

to the Xinglongshan site in order to free up the land for disposal and to optimise operation efficiency in the Xinglongshan site; actively negotiating with banks on the debt-equity swap

proposal and other alternatives to lower the debt level of the Group; and securing a stable supply of corn kernels by entering into corn procurement contracts through the connections of Nongtou."

About Global Bio-chem

Global Bio-chem (stock code: 00809.HK) has been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 2001. The Group is principally engaged in the manufacture

and sale, research and development of corn-based biochemical products in the People's Republic of China ("PRC"). Headquartered in Hong Kong and with its production facilities based in various

provinces in the PRC, Global Bio-chem is one of the leading corn-based biochemical product manufacturers worldwide. Global Bio-chem is also the parent company of Global Sweeteners

Holdings Limited (stock code: 03889.HK), one of the largest corn sweeteners producers in the PRC, which is also listed on the Main Board of The Stock Exchange of Hong Kong Limited.

- End -

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**Load-Date:** August 31, 2018

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[***India Enters the Era of Sanatan Socialism***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5V7P-NTX1-JB5M-W0JY-00000-00&context=1516831)

Fair Observer

February 9, 2018 Friday 6:30 AM EST

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**Byline:** Atul Singh

**Body**

The Indian government's latest budget courts the poor with an indigenous brand of socialism that relies on financial ***transfers*** and private provision of services in an election ***year***.

In an article for the BBC, Vivek Kaul has damned the most recent Indian budget as "full of vague promises" that "sells dreams for votes." In contrast, Shyamal Mukherjee, the chairman of PricewaterhouseCoopers (PwC) India, has hailed the government for approaching "development holistically."

The budget deserves neither Kaul's condemnation nor Mukherjee's genuflection. Instead, a cold look at the budget's proclamations and numbers reveal that this is a budget of both promise and peril. If the government can follow through on its proposals, it will improve the lives of hundreds of millions. If it fails or falters in its implementation, a surge in inflation, unemployment and debt is inevitable.

**STATE OF THE ECONOMY**

To analyze the budget, we have to examine the state of the economy, and the government of India's Economic Survey 2017-18 is the best place to start. The Indian economy decelerated in the first half of the ***year*** before rebounding sharply in the second half. Apparently, the slowdown in the first six months was because of demonetization, teething difficulties in the new goods and services tax, rising real interest rates, companies struggling to meet interest ***payments***, bad debts on the books of banks, and sharp falls in certain food prices that impacted ***agricultural*** incomes. From July 2017 onward, the global economic recovery boosted exports. Because of government reforms, India jumped 30 spots on the World Bank's Ease of Doing Business rankings from 130 to 100.

Yet, as Economic Survey 2017-18 acknowledged, anxieties remain. In its words, "fiscal deficits, the current account, and inflation were all higher than expected, albeit not threateningly so, reflecting in part higher international oil prices-India's historic macroeconomic vulnerability." While pointing out that India had risen 30 spots in one of the World Bank's rankings, the survey failed to note that, out of 190 countries, India still ranks 156 when it comes to starting a business, 164 in enforcing contracts and 181 when dealing with construction permits. The rankings reveal that India's infamous red tape, notorious corruption and dysfunctional judiciary continue to hinder its economic potential.

Newspaper headlines tend to focus on growth alone. However, Indians must pay attention to three pertinent facts.

First, private investment in India has collapsed from a high of 27.2% of GDP in 2011 to about 21.9% of GDP in 2015. The Economic Survey 2017-18 observes that Indian corporates have modest investment plans despite the low levels of the cost of equity, thanks to booming stock markets.

Second, exports of goods and services fell from 25.4% of GDP in 2013 to 19.2% in 2016. Alarmingly, "the only two truly sustainable engines" of rapid economic growth are not quite firing on full throttle.

Third, unemployment and underemployment in India continues to remain a huge challenge. ***Year*** after ***year***, even doctors of philosophy continue to apply for positions of peons. The lack of "good, high productivity jobs" threatens to make India's much-heralded demographic dividend a demographic disaster.

**GROWING TAX BASE**

Tellingly, the Economic Survey 2017-18 reveals an important fact. The number of unique indirect taxpayers in India has gone up by 50% since the government implemented the Goods and Services Tax (GST) Act in July 2017. The income tax net has widened too. Now, an additional 1.8 million are paying income tax, taking the figure to around 10 million payees. This number is still miniscule in a country of over 1.3 billion people, but the government has made significant progress in its goal to formalize the Indian economy.

Even as the central government in New Delhi is casting a wider net, the 29 state governments do a terrible job in collecting taxes. The Economic Survey 2017-18 reveals that Indian states collect less than 10% of their total revenue from direct taxes. The corresponding figures for their counterparts in Brazil and Germany are nearly 20% and over 40% respectively.

India's tax figures reveal an important fact. The informal or "black" economy in India has been humongous for decades. Neither Jawaharlal Nehru's socialism nor Narasimha Rao's liberalization were able to shine the light on this black economy. Indians found innumerable ways to work around their government's interminable red tape, and avoiding tax was a national sport in a manner uncannily similar to Italy. Prime Minister Narendra Modi's government has made progress on its long-term goal of the formalization of the Indian economy.

**TACKLING TWIN BALANCE SHEET PROBLEM**

In March 2017, The Economist analyzed India's Twin Balance Sheet (TBS) problem. During former Prime Minister Manmohan Singh's second term when Raghuram Rajan was the governor of the Reserve Bank of India (RBI), companies invested on over optimistic assumptions and banks lent without due diligence. As a result, many companies are near-bankrupt and are struggling to repay their debt. This puts the balance sheets of both companies and banks in "parlous states" because non-performing assets throttle investment. Since most banks are owned by the government, the risk of an acute crisis is low. Having said that, bad debts are causing a "chronic malaise" in the economy.

Rajan is the man responsible for this malaise. Interestingly, Business Insider prides itself on calling Rajan the "James Bond of Dalal Street." This New York-based publication was not alone in letting Rajan off the hook for India's TBS problem. Like Alan Greenspan, Rajan presided over an "irrational exuberance" that led to banks lending merrily to the likes of Vijay Mallya, who alone racked up over $1 billion. Mallya, the "King of Good Times," has since fled to the United Kingdom and been charged with money-laundering. Rajan might have been Bond for the stock market, but this US-based son of an intelligence official left a trail of carcasses in India's banking sector.

Such is the scale of the TBS problem that India's non-performing assets ratio is among the highest in the world. Only Greece, Italy, Portugal and Ireland have worse ratios. In December 2017, RBI published the Financial Stability Report (FSR), a biannual publication. As per the FSR, non-performing assets in the banking sector may rise from 10.2% of the total loans in September 2017 to 10.8% in March 2018 and further to 11.1% by September 2018.

To be fair to the Modi government, it is finally addressing TBS through, what the Economic Survey 2017-18 called, the four Rs strategy involving "recognition, resolution, recapitalization and reforms." It has also brought in a new Indian Bankruptcy Code (IBC) to provide a resolution framework for companies to clean up their balance sheets and reduce their debts. Furthermore, the government has announced a large recapitalization package of about 1.2% of India's GDP to strengthen the balance sheets of public sector banks.

**BUDGET HIGHLIGHTS**

Finance Minister Arun Jaitley trumpeted Modi's vision of "minimum government and maximum governance" in paragraph seven of his budget speech. In the next paragraph, he talked about improving "ease of living" not just "ease of doing business," especially for the poor and middle classes. He declared that good governance involves minimum interference by the government in the life of common people of the country. If we are to derive the philosophical underpinnings of the budget, they like in paragraph eight of the finance minister's speech. The government aims to ameliorate the lives of the people but intervene minimally in the process.

The #NewIndiaBudget is farmer friendly, common citizen friendly, business environment friendly and development friendly. It goes beyond 'Ease of Doing Business' and focuses on 'Ease of Living. [*https://t.co/Wqmo4teqXD*](https://t.co/Wqmo4teqXD)

- Narendra Modi (@narendramodi) February 1, 2018

To improve this ease of living, the budget raised the Minimum Support Price (MSP) for a large number of crops by one and a half times. The government's goal is to raise incomes for farmers. However, the budget does not contain an analysis of how the rise in MSP might impact inflation, cropping patterns or the budget deficit. It does focus on strengthening rural markets, though, and sets an ambitious target of upgrading 22,000 of them. The budget also announced 500,000 Wi-Fi hotspots that hold the promise of connecting millions of villagers to high-speed internet. It focuses on rural infrastructure, announcing 1.7 million kilometers of new roads, 5.1 million new homes, 19 million new toilets and 17.5 million new household electricity connections for India's villages.

More importantly, the budget announced two major initiatives as part of the Ayushman Bharat ***program*** that, in the words of Jaitley, aims to make "path breaking interventions to address health holistically, in primary, secondary and tertiary care system covering both prevention and health promotion." First, 150,000 health and wellness centers are to "provide comprehensive health care, including for non-communicable diseases and maternal and child health services." They are also supposed to dispense "free essential drugs and diagnostic services." Second, "a flagship National Health Protection Scheme" is to cover over 100 million poor and vulnerable families, providing coverage of up to $7,800 per family per ***year*** for secondary and tertiary care hospitalization. This is four times the country's real per capita income. With an estimated 500 million beneficiaries, this scheme "will be the world's largest government funded health care ***program***."

The budget recognized that "Medium, Small and Micro Enterprises (MSMEs) are a major engine of growth and employment in the country." Jaitley observed that demonetization and GST were causing the formalization of MSMEs. He announced more than $590 million for MSMEs as "credit support, capital and interest subsidy and innovations." The slashing of corporate income tax is more significant measure for MSMEs. Companies with a turnover of up to approximately $39 million will pay tax at 25%. This will benefit 667,000 companies that employ 110 million Indians and comprise 37% of India's GDP. Thus, 96% of the total number of companies filing tax returns will benefit from this measure. The assumption behind this move is that it will strengthen the MSMEs sector and boost employment.

On the taxation front, the budget introduced the long-term capital gains tax on return on investment from equity. As per the finance minister, buoyant stock markets have largely benefited corporates and limited liability partnerships. Besides, as the Economic Survey 2017-18 observed, this stock market surge has coincided with deceleration in economic growth. India's corporate earnings to GDP ratio has fallen to just 3.5%, while the corresponding figure in the United States has remained a healthy 9%. As per Jaitley, this has created "a bias against manufacturing" and some say even capital investment. This measure is intended to even the playing field apart from getting some coins for India's coffers.

Finally, the budget increases the existing health and education cess by 1%. This will net the government a little over $1.7 billion and go to the Consolidated Fund of India but, unlike the GST, not be shared with the states.

**READING THE CHARTS: THE GOOD, THE BAD AND THE UGLY**

Prima facie, the health insurance scheme is a bold move that could ameliorate the lives of hundreds of millions. Recently, the World Health Organization and the World Bank published Tracking Universal Health Coverage: 2017 Global Monitoring Report, as per which India did not fare too well. About 16% of Indian households spend over 10% of their income on health care in case of crises. Nearly 4% spend as high as 25% when emergency strikes, in contrast to South Africa and Russia where merely 0.1% and 0.6% households spend a similar amount. As per two different poverty lines, 4.2% or 4.6% of households end up impoverished because of excessive spending on health care. The above percentages imply that of the 240 million households in India, 50 million are ruined by costs of health care. In theory, insurance could save these borderline cases - people who are often pushed over the edge by simple diseases such as malaria and diarrhea.

Health insurance could also create a parallel health care system that provides for the poor. India's public health delivery system is on the verge of collapse. Government hospitals lack doctors, nurses, equipment and medicines. Employees fail to show up, wards are dirty and patients die waiting. Furthermore, of a total of 628,708 government beds, only 196,182 are in rural areas. India does not have enough doctors and most do not go to rural areas. This leaves villagers highly vulnerable because simple conditions can deteriorate rapidly into life threatening ones.

The budget's health insurance scheme could bring about dramatic change if executed well. However, after the shambolic implementation of demonetization and the multiple gaffes over GST, the government's ability to execute is in question. Health care and public health professionals point out that the budget has given up on the provision of health care by the government. Since this model has failed for decades, it is opting for the insurance-based solution. However, this runs risks of inflation as the American experience demonstrates. In the US, an insurance-driven system now consumes over 17% of an over $18 trillion GDP and achieves rather poor outcomes.

Furthermore, the budget's health insurance scheme took everyone by surprise. It was reminiscent of the government's earlier announcement to impose demonetization. While it may be a product of original thinking by government, the fact that the scheme was utterly unflagged is reflective of a secretive nature of functioning. It appears that a close coterie comes up with ideas but does not bother to run it by subject matter experts or those responsible for implementing this project.

There is another minor matter. In India, private health care providers are arguably at least as rapacious as in the US. They notoriously provide shoddy treatment at high prices. Worryingly, they provide "kickbacks for referrals, irrational drug prescribing and unnecessary interventions," profiting from the sick in a most unseemly fashion. Such is the state of affairs that an estimated 40% of private care is provided by unqualified providers. Even reputed corporate hospitals are guilty of running rackets. If implemented poorly, the budget's insurance scheme would profit from these private hospitals far more than poor villagers. Besides, the budget does not reveal how much this scheme will cost, where the money would come from and who would administer this scheme.

Similarly, neither MSP nor rural markets might end up benefiting farmers much. State governments are in-charge of ***agriculture***, and their ability to implement policies or schemes are suspect. Besides, the budget is unclear as to the cost of increased MSP or its impact on inflation, deficit and the environment. If farmers are assured of MSP on rice, what stops them from growing this water guzzling crop in semi-arid areas such as Haryana and Punjab?

Despite potential pitfalls, the focus on issues such as health and rural infrastructure is indicative of a socialist bent of mind. At a time when US President Donald Trump is cutting taxes, the supposedly market-friendly Narendra Modi is courting the poor and the marginalized. He is cutting expenditure in defense and education while continuing subsidies and dispensing goodies. Unlike the Fabian Socialism of Nehru, this is Sanatan Socialism of Modi. Just like Sanatan Dharma, this is an ingenious and indigenous form of socialism. A party long identified with the priestly and trading classes is now focusing on India's impoverished millions. However, instead of entrusting India's bumbling bureaucrats with the commanding heights of the economy, Modi's government is relying on formalization and financialization to deliver benefits to the people.

In the pursuit of formalization, the government is bringing an increasing number of individuals and companies into the tax ambit. To achieve its goal of financialization, over 310 million new bank accounts have opened under the prime minister's Jan Dhan Yojana. These accounts are linked to their unique identification numbers known as Aadhaar and to their mobile numbers. This linking of accounts, Aadhaar and mobile numbers allows the government to deliver financial subsidies directly to citizens, eliminating intermediaries, inefficiencies and leakages. Of course, financialization carries risks too. If Indian banks go the Americano way and invest in toxic assets, they might drag down depositors in the same way.

Finally, the political ramifications of this budget are the elephant in the room. This ***year***, 10 different states will face elections. Many expect an early national general election by the end of the ***year***. Some anticipate direct cash ***transfers*** to new bank accounts as a last-ditch effort to win votes.

India is now fairly and squarely in the midst of election season and all political parties are striving to win over voters. Yet even as the government has showered rural and marginalized voters with goodies, it has left the urban middle classes high and dry. These classes are traditional supporters of the Bharatiya Janata Party and are seething with rage. It is too early to tell if they will vote for the opposition, but they no longer love Modi as they did in 2014. If Sanatan Socialism does not seduce India's poor and needy, the next elections might prove just a tad tricky for the man with the self-proclaimed 56-inch chest.

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**Load-Date:** January 21, 2019

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[***Aberdeen Latin American Inc Fd Ltd Replacement Annual Financial Report***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TR5-81K1-JCXB-24RF-00000-00&context=1516831)

London Stock Exchange Aggregated Regulatory News Service (ARNS)

November 13, 2018 Tuesday 4:30 PM GMT

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**Body**

RNS Number : 2168H

Aberdeen Latin American Inc Fd Ltd

13 November 2018

AMENDMENT

Please note that the announcement released on 25 October 2018 at 07:00hrs (RNS No: 0977F) showed, in the Strategic Report - Chairman's Statement, incorrect figures of 18.8% and 10.9% for the NAV total return and return of the composite benchmark. This should have read -18.8% and -10.9%, respectively as correctly shown in the Company Overview, Results page and opening paragraph of the Chairman's Statement.

The correct figures are shown below and in the updated announcement.

All other information remains unchanged.

Results and Dividends

The Company's NAV total return was -18.8% for the ***year*** ended 31 August 2018, behind the -10.9% of the composite benchmark's return. On a total return basis the Ordinary share price fell by 18.5% to 60.8p reflecting a widening in the level of discount to NAV per share which moved from 13.3% to 13.6% at the ***year*** end.

ABERDEEN LATIN AMERICAN INCOME FUND LIMITED

ANNUAL FINANCIAL REPORT FOR THE ***YEAR*** ENDED 31 AUGUST 2018

Legal Entity Identifier (LEI): 549300DN623WEGE2MY04

STRATEGIC REPORT - COMPANY SUMMARY AND FINANCIAL HIGHLIGHTS

Investment Objective

The investment objective of the Company is to provide Ordinary Shareholders with a total return, with an above average yield, primarily through investing in Latin American securities.

Gearing

The Board considers that returns to Ordinary Shareholders can be enhanced by the judicious use of borrowing. The Board is responsible for the level of gearing in the Company and reviews the position on a regular basis. Pursuant to the level of gearing set by the Board, the Company may borrow up to an amount equal to 20% of its net assets. The Company will not have any fixed, long-term borrowings.

Risk Diversification

The Company has a diversified portfolio consisting primarily of equities, equity-related and fixed income investments, with at least 25% of its gross assets invested in equity and equity-related investments and at least 25% of its gross assets invested in fixed income investments. The Company's investment policy is flexible, enabling it to invest in all types of securities, including (but not limited to) equities, preference shares, debt, convertible securities, warrants, depositary receipts and other equity-related securities.

Management

The Company is managed by Aberdeen Private Wealth Management Limited ("APWML"), which is registered with the Jersey Financial Services Commission ("JFSC") for the conduct of fund services business. The investment management of the Company has been delegated by APWML to Aberdeen Asset Managers Limited ("AAM"). APWML and AAM are both wholly owned subsidiaries of Standard Life Aberdeen plc, formed by the merger of Aberdeen Asset Management PLC and Standard Life plc on 14 August 2017. Aberdeen Standard Investments is a brand of the investment businesses of the merged entity.

References throughout this document to Aberdeen Standard Investments refer to both APWML and AAM and their responsibilities as Manager and Investment Manager respectively to the Company.

Financial Highlights

Ordinary share price total return{A} Earnings per Ordinary share

(revenue)

-18.5% 3.78p

2017 +23.7% 2017 4.77p

Net asset value total return{A} Dividends per Ordinary share

-18.8% 3.50p

2017 +25.1% 2017 3.50p

Benchmark total return Discount to net asset

value per Ordinary

share {A}

-10.9% 13.6%

2017 +21.4% 2017 13.3%

{A} Considered to be an Alternative Performance Measure. Total

return represents the capital return plus dividends reinvested.

Source: AAML, Morningstar, Russell Mellon, Lipper & JPMorgan

STRATEGIC REPORT - CHAIRMAN'S STATEMENT

Overview

Latin American countries, like the rest of their emerging-market peers, faced an onslaught of bad news over the course of the ***year*** under review. These ranged from problems in the broader developing world, such as Turkey's political missteps and fresh sanctions on Russia, to issues particular to Latin America, such as the Argentinian Peso's tailspin and the Brazilian government's mishandling of the truckers' strike. Unsurprisingly, fears of contagion gripped investors, who sold off their assets rather indiscriminately. Against this backdrop, your Company's net asset value (NAV) retreated by 18.8% in sterling terms, lagging its benchmark's loss of 10.9%.

One of the key reasons for the region's weakness over the period is the liquidity squeeze on the US Dollar. This stemmed from the US tax reforms that encouraged American companies to repatriate cash back home, as well as the Federal Reserve's tightening stance, both quantitatively and via its interest-rate policy. The Dollar strengthened as a result, putting additional pressure on vulnerable economies with substantial foreign debt used to finance their fiscal deficits. Bearing the brunt of the sell-off was Argentina, where equity market gains on optimism surrounding President Mauricio Macri's good showing in the mid-term election and his overhaul of the social security system, were erased. To stem the Peso's decline, the central bank raised interest rates to a record 60% and President Macri sought an accelerated US$50 billion bail-out ***programme*** with the IMF.

Another key worry weighing on sentiment was global trade tensions, resulting from tough policies emanating from the White House, which saw US President Trump aggressively taking on all of the country's major trading allies. His rhetoric on trade hit emerging markets hardest, with Latin America suffering from the fallout as Mexico and Brazil were subjected to 25% tariffs on their steel exports to the US. In response, Mexico imposed levies on American ***agricultural*** and industrial products, particularly those of political significance to President Trump.

Commodity prices also came under pressure from these trade woes, but remained elevated. Notably, Colombia benefited from Brent crude's solid recovery on the back of OPEC's pledge to curb production, the resumption of US sanctions on Iran, and several supply disruptions elsewhere. China's resilient economy continued to support both iron ore and copper prices, boosting the portfolio's mining holding in Brazil. Meanwhile, emerging technology trends in autonomous vehicles underpin growing demand for battery-manufacturing inputs, such as nickel and lithium.

Within the South American continent, politics have occupied centre stage in key markets, such as Mexico, Brazil and Chile. After a prolonged period of sluggish growth and muted investment activity, impeded by natural disasters and uncertainty surrounding the NAFTA talks, Mexican stocks and the Peso rebounded in the lead-up to Lopez Obrador's resounding presidential election victory. Concerns over the reversal of Mexico's energy reform and roll-back of public contracts have subsided, as the left-leaning populist softened his tone towards the private sector and affirmed his willingness to adopt orthodox economic policies. The mood was similarly upbeat in Chile and Colombia, where pro-market candidates Sebastian Pinera and Ivan Duque came into power, promising to unlock investment opportunities through tax reform and other incentives for businesses. In contrast, Brazilian markets were impacted by continuing disappointment with the current government and the increasing prospects of a polarised run-off between leading far-right candidate Jair Bolsonaro and leftist Fernando Haddad - former president Lula da Silva's replacement candidate for the Workers' Party.

Results and Dividends

The Company's NAV total return was -18.8% for the ***year*** ended 31 August 2018, behind the -10.9% of the composite benchmark's return. On a total return basis the Ordinary share price fell by 18.5% to 60.8p reflecting a widening in the level of discount to NAV per share which moved from 13.3% to 13.6% at the ***year*** end.

The earnings per Ordinary share for the ***year*** ended 31 August 2018 were 3.8p (2017: 4.8p). The Company has maintained four interim dividends of 0.875p per Ordinary share in respect of the ***year*** bringing the total level of dividends for the ***year*** to 3.5p (2017: 3.5p). Allowing for the ***payment*** of the four dividends GBP170,000 has been ***transferred*** to the carried forward revenue reserve. The Company has no current plans to alter the level of the dividends payable to shareholders.

As previously indicated, the Board is pleased to have secured agreement from the Manager to ensure that the Company's ongoing charges ratio ("OCR") will not exceed 2.0% when calculated annually as at 31 August. Until further notice, to the extent that the OCR exceeds 2.0% the Manager will rebate part of its fees in order to bring that ratio down to 2.0%. Subsequent to the ***year*** end a sum of GBP22,318 has been repaid by the Manager in order to maintain the OCR at 2.0% for the ***year***.

Portfolio

During the ***year*** the allocation between equities and bonds was further adjusted with the portfolio being 52.5% equities and 47.5% bonds at the period end, as the Investment Manager continued to seek to exploit market opportunities (2017: 50% equities 50% bonds). The Board and Manager will continue to keep the split under regular review.

Share Capital Management

**Load-Date:** November 13, 2018

**End of Document**



[***Trade Finance Survey 2019: Asia finds a block in blockchain***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5V66-TX71-JD1P-T20W-00000-00&context=1516831)

Euromoney

December 2018

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**Length:** 4235 words

**Byline:** Chris Wright

**Highlight:** After much talk and little action, the use of blockchain in trade finance is picking up, and Asia-Pacific is at the heart of that change "" but despite progress, the many different consortia need to agree on some common ground to get things moving.

**Body**

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| IN ADDITION |
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| Banks look beyond the blockchain |
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Trade finance is supposed to be the low-hanging fruit, where blockchain finds its easiest opportunity to prove itself as a transformative technology.A global, arcane system beset by paper and stamps and faxes, it is riper for disruption than any other area of banking. It is made to be shaken up by the possibilities of distributed-ledger systems.But until very recently, there's been a lot of talk and not much action.There has been no shortage of visible effort, from consortia such as Marco Polo and Voltron to regulators such as the Hong Kong Monetary Authority and the Monetary Authority of Singapore; there have been demonstration projects from Cargill and others; but nothing that has looked ready to be truly scale-able and, therefore, viable.In the last few months, however, there have been signs of progress, both in terms of blockchain-based solutions and other forms of innovation that have nothing to do with distributed ledger.Much of the action is happening in Asia-Pacific "" and the possibilities are exciting.For example, one of the most important events at the annual Sibos conference in Sydney in October was the formal launch of the Voltron blockchain platform to digitize trade finance documents, which will operate on R3's blockchain-based Corda network from 2019.The initiative brings together an esoteric cast of characters: multinationals BNP Paribas, HSBC, ING and Standard Chartered; Asian banks Bangkok Bank from Thailand and CTBC Holding from Taiwan; Scandinavia's SEB and the UK's Natwest. They want more partners alongside them "" the Sibos launch was, in some sense, a pitch for them "" and collectively they want to bring efficiencies to transacting letters of credit."Today's trade finance solutions were built in silos, adding significant risk, operational inefficiencies and costs into the process," says David Rutter, chief executive of R3. Voltron, he says, helps to fix that.Guinea pigThe guinea pig for Voltron was Cargill, which used the system to execute a blockchain-based letter of credit in May between HSBC and ING. Cargill made a shipment of soybeans from Argentina to Malaysia through its Geneva and Singapore subsidiaries, using a letter of credit completed digitally on the R3 Corda blockchain platform.

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| John Laurens, DBS |

At the time, the trade was billed as being "set to revolutionize trade": the first end-to-end trade finance transaction on a scale-able blockchain platform.It demonstrated, its backers say, that blockchain was commercially and operationally viable as a solution for trade digitization, reducing the paper-based exchange times to 24 hours when in the past, they used to take as long as 10 days.But it was important to note that this was a trade between Cargill and Cargill, so, while a signifier, it was a long way from being a true demonstration of something that was ready to revolutionize trade.In that respect, a second Voltron/Corda transaction that took place about a week after Sibos is more important. In this transaction, a polymers shipment was made between two different companies: from Reliance Industries in India to Tricon Energy in Peru, with HSBC India serving as the advising and negotiating bank for Reliance Industries, and ING issuing the letter of credit for Tricon.The transaction was even more important because it also enabled the digital ***transfer*** of title of the goods on the blockchain, which it did by integrating with Bolero's electronic bill of lading platform. With this incorporated, one can say that the underlying trade was fully digitized "" a first.And the corporate customer was happy with the result, which also cut the time involved."The use of blockchain offers significant potential to reduce the timelines involved in exchange of export documentation from the extant seven to 10 days to less than a day," says Srikanth Venkatachari, joint chief financial officer at Reliance Industries."When adopted at scale, it helps in significant optimization of working capital."He says it also helps with transparency and security.The exchange of documents took place in a day, with a further two days to close the transaction including ***payment***.A couple of days later, HSBC was involved in another Voltron/Corda/Bolero trade, again for Cargill, but this time with Rio Tinto on the other end.Rio Tinto sold a bulk shipment of iron ore from Australia to China for Cargill, with BNP Paribas issuing a letter of credit on Cargill's behalf, over the blockchain, to HSBC Singapore. This time the LC issuance took less than two hours. As in the Reliance trade, the transaction included digital ***transfer*** of title with an electronic bill of lading. SpeedThe importance of steps such as these is that they increase the number of counterparties involved, demonstrate the savings in time and efficiency and, eventually, they become commonplace, which is the whole idea.And speed has knock-on effects of its own."If Cargill was selling to a third-party buyer, they would normally have a credit limit on that buyer," explains Ajay Sharma, Asia-Pacific head of trade and receivables finance at HSBC. "Until that buyer agrees to pay, Cargill is effectively unable to sell more, and if that takes five to 10 days, their turnover is impaired."If it concludes in 24 hours, they can put more goods on the ship and keep selling. This is why commodity guys are so keenly driving this space: it's not just about a paperless operation, it's the ability to accelerate trade."The next step involves further testing of Voltron by all the member banks, while hopefully getting more banks to commit to the platform. But bringing the whole solution into production will probably take another ***year***. And getting it to scale will take longer still."This is not going to be a six-month journey to scale up," says Sharma. "It will take three to five ***years***."And what does scaling up constitute?"We think that when it covers 15% to 20% of letters of credit, that's a tipping point," he says.For that to happen, it is incumbent upon bigger players to assist smaller ones to be part of the enterprise."A small local or regional bank may not have the ability to spend millions of dollars to enjoy these platforms," says Sharma. "They need a toolkit. What R3 is doing is developing toolkits to help banks join the platform, and customers."Luckily there is no need to reinvent the wheel."One important learning has been that there are already frameworks and rule books out there: UCP [Uniform Customs and Practice for Documentary Credits] exists to cover rules around trade, there is a registry rulebook about bill of lading," he says."The strong feedback was: do not change these things. Leverage what already exists." ConsortiaIf there is a problem, it's that there are so many consortia out there attempting to do largely the same thing: digitize trade finance.ING, instrumental in Voltron, is also a member of the komgo consortium announced in September, whose other founder members include Citi, Crédit Agricole, BNP Paribas, ABN Amro, Macquarie, MUFG, SocGen, Rabobank, Natixis and non-banks such as Shell. This one aims to digitalize commodities trade in particular.ING is also a member of Marco Polo, launched by TradeIX and R3 with a dozen financial institutions, including BNP Paribas, Commerzbank, Natwest, BBVA, Standard Chartered, SMBC and RBS. This, like Voltron, runs on the Corda distributed-ledger technology (DLT).ING is not in we.trade, another consortium, but plenty of others are, among them HSBC, Deutsche Bank, UBS and UniCredit. And it's not in Batavia either, but UBS and Commerzbank are, among others. R3 underpins both Voltron and Marco Polo; IBM is the tech partner of Batavia and we.trade.In August, Standard Chartered announced a project to create an end-to-end smart guarantees service for trade finance, digitized using blockchain technology, billed as the first blockchain client pilot that fully digitizes the process of a trade finance guarantee. This project, with Siemens Financial Services and the digital trade provider TradeIX, originates from the United Arab Emirates and the Dubai Smart City initiative, but if successful will be rolled out in Asia too.Then there is JPMorgan's Interbank Information Network, which has now expanded to more than 100 banks, 21 of them in Asia, including ANZ, China Citic Bank, ICICI, Kasikornbank, KEB Hana, Mizuho, Bank Central Asia, Shinhan, SMBC, Union Bank of the Philippines and Woori.But some developments have nothing to do with the bank consortia.For example, DBS "" which is, in most respects, a tech leader "" does not appear in these big assemblies. The DBS approach has not been characterized by joining consortia of other banks, but by producing integrated solutions for individual clients, by harnessing DBS's technological capabilities to address their particular needs. The potential is very big for Asia to drive technological innovation -Olivier Guillaumond, ING CRaof Latiff, group head of digital and GTS product management at DBS, says the best way for the bank to be relevant in the supply chain and add value is "to build APIs [application ***programming*** interfaces] which know how to study the nodes in the blockchain, and extract the information you need in order to be able to do what you need to do. You pull data related to invoices, dates, transactions, counterparties, and digitize the supply chain process."Latiff continues: "There are lots of instances where the bank is in the consortium but the end-customer only gets limited incremental value. That's not what we wanted to do."He argues that the better way to be differentiated is to use internal tech infrastructure to develop solutions for specific client needs, "to help our clients' businesses achieve their objectives not just for today, but for a long time to come."For example, DBS announced on December 1 that it had enabled an end-to-end cross-border blockchain trade platform for a commodity supply chain network, made up of farmers, exporters, traders and end customers, but not any other banks.DBS put this together with Agrocorp International, the global agri-commodity trading company, and with Distributed Ledger Technologies, a blockchain provider.Among other things, it offers participants in the supply chain real-time updates on commodity prices and delivery information, as well as trade financing approval for orders coming in.DBS says it cuts Agrocorp's average working capital cycle by about 20 days.At the start, the solution focuses on Australia, where about 4,500 farmers in the Agrocorp network will be connected to end-customers such as supermarkets and restaurants.Using it, customers can get access to real-time pricing and supply information, and can carry out live transactions, tracking delivery of orders.On the ***payment*** side, once a trigger event is reached "" such as confirmation that goods have been shipped "" the blockchain platform triggers instructions to DBS to request financing for Agrocorp, or to release ***payment*** to the farmer. There is little manual intervention, making it faster.What problems does this solve for Agrocorp?"There's a few challenges," says Vishal Vijay, head of business development at Agrocorp."Firstly, we're relying on an antiquated system that was developed a few hundred ***years*** ago by the Dutch trading houses: a system of bills of lading and letters of credit, all paper documents."Digitizing that process brings not only convenience but "security to all the given participants in a supply chain, from the farmers to the processors to the shippers to the end-customers, that the goods are being transacted and the ***payments*** are being made."Second, Vijay says, is traceability."More and more in this environment, our customers want to know exactly where their product is coming from," he says. "They want to be able to trace it all the way back to the farm. That's something we are solving with this."So it enables sustainable practices, and the monitoring of that sustainability.And the third is time "" which begets business."Paper documents take time to be generated, as well as to be sent across from one part of the world to another, and time is money," Vijay says.Generating documents in real time and enacting ***payments*** faster mean a reduction in the working capital cycle of five to 10 days. That translates into more business, as well as interest savings.The plan is for Agrocorp to broaden its blockchain platform from Australia to other key origination markets including Canada, Myanmar, Ivory Coast and Ukraine.The range of commodities traded on it will grow too, from pulses such as mung beans and chickpeas, to cereals, cotton, edible nuts and oilseeds. RegulatorsAlongside all of these private-sector initiatives, regulators have been busy too, most notably the HKMA in Hong Kong and the MAS in Singapore."Government-sponsored activity is essential, as government initiatives typically drive effective collaboration from market participants," says John Laurens, group head of global transaction services at DBS. "That impetus is clearly valuable in getting broad-based engagement and traction."There is a sense that Asia, thanks to these regulators and their proactive attitude to fintech development, can be a driver of trade finance technological innovation. ING has just set up a lab in Singapore focused on trade."The potential is very big for Asia to drive this," says Olivier Guillaumond, global head of fintech at ING.In July, the HKMA announced the launch of a project it had been instrumental in developing: a new trade finance blockchain platform in Hong Kong.

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| Olivier Guillaumond, |
| ING |

The project, led by the Hong Kong Trade Finance Platform Company, includes as launch partners ANZ, Bank of China (Hong Kong), the Bank of East Asia, DBS, Hang Seng Bank, HSBC and Standard Chartered.The platform seeks to digitize trade documents and automate trade finance processes using the blockchain. Ping An OneConnect Financial Technology is the technological provider, with Deloitte as consultant.On October 31, Ping An announced delivery of the platform, by now called eTradeConnect, initially connecting 12 joining banks (the original seven, plus BNP Paribas and the Hong Kong arms of ***Agricultural*** Bank of China, Bank of Communications, ICBC and Shanghai Commercial Bank) and some trade finance pilot clients to share trade information using blockchain technology.First in line in any link-up with Hong Kong will probably be Singapore, which has been setting about its own trade finance innovations using the blockchain.The main drive here has been something called Project Ubin, which started out in November 2016 as an industry collaboration to use distributed ledger technologies for the clearing and settlement of ***payments*** and securities. Phase one focused on producing a digital representation of the Singapore dollar for interbank settlement, and making the MAS's electronic ***payment*** system interoperable with distributed ledger methods; phase two focused on inter-bank ***payments***.The most important step in terms of trade finance came in October, when Singapore's minister of finance, Heng Swee Keat, formally launched the Networked Trade Platform, designed to be a one-stop digital trade ecosystem.Heng calls it a "transformational platform which will take us from a traditional national single window which gives traders a one-stop interface for all trade related regulatory transactions, to a one-stop interface that will enable them to interact with all business partners, stakeholders and regulators on trade related transactions."More has followed. In November, MAS announced with the SGX that it had developed delivery-versus-***payment*** capabilities for the settlement of tokenized assets across different blockchain platforms, which will help to simplify post-trade processes and shorten settlement cycles. That's perhaps more of a markets initiative than a trade finance one, but it all helps. You are seeing new functionality coming with new protocols. What do you place your investment into? It could become redundant very quickly - John Laurens, DBS Connectivity between the HKMA and the MAS was formalized in a memorandum of understanding signed in Singapore in November 2017, called the Global Trade Connectivity Network. The goal is to build cross-border infrastructure between the two to digitalize trade and trade finance, and from there, to expand into the region. A working committee features the two regulators plus the National Trade Platform Office (Singapore) and Hong Kong Interbank Clearing.It is intended that a joint trade platform will go live in 2019, with existing domestic platforms feeding into it; if that works, the hope is that Japan, South China (through Shenzhen) and perhaps Thailand will follow. All of this, though, requires common ground among regulators; while it is easy to see Hong Kong and Singapore agreeing on principles, any further expansion naturally becomes more complicated."It's no surprise that Singapore and Hong Kong are the first cabs off the rank," says Laurens. "It's not so much about trade to or from those markets, it's the trade conducted through them. It's therefore very important for both to ensure that their role as global trade hubs is maintained."China has its own initiatives, both at the state and the private-sector level. One is a blockchain-based trade finance platform in Shenzhen, backed by the People's Bank of China and planned to include the Greater Bay Area that embraces Hong Kong, Guangdong and Macau. The architecture underpinning it is believed to have been built by Ping An.Then at the corporate level, the automotive parts group Wanxiang has set up a range of blockchain initiatives, including not only services for its own industry but a consultancy, accelerator and conference business around blockchain."You have huge national distribution activity going on, with vehicles being shipped right across the country with long physical domestic supply chains through to small outlets," says Laurens.Blockchain technology allows the tracking of components, and availability of financing."The value here is transportation traditionally has struggled to find sources of financing, in large part due to a lack of information," Laurens says. "The provision of contracts and information through blockchain makes sense, because you are de-fragmenting what's happening nationally." DirectionThe range of what's happening can be bewildering, and would benefit from some unity of direction and purpose."The classic blockchain use is for the dematerialization of trade," says Laurens. "Everyone sees the potential of that, but I personally think it'll be a slow burn. Some of the mystique of the early days is behind us now, but the problem is, there is now a plethora of protocols and options. Is there going to be some orientation around a single blockchain protocol, around which the market congregates and creates a network effect? A lot of that is going to have to wash out over time."You are seeing new functionality coming with new protocols. What do you place your investment into? It could become redundant very quickly."There is widespread agreement that blockchain, in and of itself, is not a magic bullet that fixes everything."The way we think about distributed ledger and blockchain is: the technology is already there," says Geoffrey Brady, head of global trade and supply chain finance at Bank of America Merrill Lynch, speaking to Asiamoney at Sibos. "The question is implementation, not tech."And that's not a BAML question, it's an industry question. The industry needs to decide what the standards will be so that we are all operating within the same ecosystem."But DLT and trade finance are still the best possible match out there."No one debates that DLT is really the answer in trade finance," says Guillaumond. "It unites everything that DLT is for in one place: lack of transparency, lack of trust, too much paper, the number of parties, geographical reach, too long a cycle "" all in one place."I'm not a big believer in DLT as a solution for all the problems of the world" he adds, "but trade finance? This is the place. And we believe that things will scale up even more in 2019."After all, there is plenty to do.One trade finance banker recalls being in a meeting on a high floor of a Singapore tower, looking out at one of the city-state's signature sights: hundreds of ships moored off the island's south coast, waiting for their turn to get into the port."The reason they are all here is the duration of the process," he says. "And this is a problem we need to solve. The most visible result of Marco Polo working would be if most of those ships have disappeared in two ***years***."Banks look beyond the blockchain

While blockchain continues to dominate discussion of innovation in trade finance, it's not the whole story. At October's Sibos event in Sydney, it was striking that one of the most important press conferences of the whole event had absolutely nothing to do with blockchain. In it, seven banks "" ANZ, Banco Santander, BNP Paribas, Citi, Deutsche Bank, HSBC and Standard Chartered "" pledged to build a digital platform called the Trade Information Network by the end of 2018.

This is the latest iteration of something that used to be called Project Wilson, and it is billed as being the first inclusive global multi-corporate network in trade finance. It focuses very specifically on the pre-financing need in the supply chain, by making it easy for corporates to communicate trade information directly with banks through a new platform, in the process developing a new widely adopted industry standard. The intention is for it to grow beyond its already formidable suite of backers "" at launch more than 20 additional banks were involved in developing the network, and many corporates had committed to take part in pilots. Specifically, corporates will be able to submit and verify purchase orders and invoices to request trade financing from the banks of their choice.

The network, in providing this access, avoids the risk of double financing, makes it harder for fraudulent trade information to be passed, and so improves risk assessment, hopefully leading to an earlier provision of trade financing in the supply chain. That, in turn, makes life easier for corporates, particularly small and medium-sized enterprises. It is an open architecture system using a governance model similar to Swift, and corporates will always own their own data "" which makes the whole thing easier to get off the ground, since very little of what it does is under the purview of regulators (since no money actually changes hands on the platform, nor any ***transfer*** in ownership of data). But where is blockchain here?

"We didn't not do distributed-ledge technology (DLT) to cut a corner; we strongly believe that what we set out to do doesn't require blockchain today to do it," says David Cooperman, global product head for treasury and trade solutions at Citi, speaking at the Sibos launch. "It wasn't required." It might well follow down the track, but the bankers found it simpler to solve the problem without resorting to blockchain.

"We saw the needs and requirements of our corporate clients," says Daniel Schmand, global head of trade finance at Deutsche Bank. "We could run to whatever cloud-based or intergalactic solution, but you could end up forgetting the needs of the clients. That was specifically not the point here. The point was to look at the pain points the corporate clients had and to solve them."

Simplicity of design is perhaps just as important a theme in trade finance as blockchain technology. "One of the key early realizations was that when you look at initiatives in the industry that have failed, they have done so because they needed everyone to change," says Michael Vrontamitis, head of trade, Europe and Americas, at Standard Chartered. "The moment you ask a large corporate to change, you fall to the bottom of the queue," he adds. "What you need is a network that doesn't require the corporate to change anything: it fits into their existing processes. There needs to be a positive outcome for everyone on it: suppliers, buyers and banks."

And that, at this stage, does not mean an automatic requirement for blockchain. This is far from the only example of new trade finance initiatives developing with no connection to blockchain. Another example in Asia would be Calista, launched by PSA International "" the Singapore port operator that runs 40 terminals worldwide, and is state-owned but run on commercial terms "" and Global eTrade Services, with DBS centrally involved in providing financial and banking technology services. Calista stands for "~cargo logistics, inventory streamlining and trade aggregation', and the idea is that it helps facilitate trade by shipping. It is a global supply chain platform, intended to bring together all the processes, documents and data "" and their systems "" that exist in trade finance supply chains today.

"We are seeing more and more of this co-creation activity," says Laurens, "working with commercial platform development, where we provide the digital financing and settlement components. "Calista isn't blockchain, but is very API [application ***programming*** interface] intensive. It is a bespoke integration. It delivers end-to-end completeness of data, without employing blockchain."

**Load-Date:** January 14, 2019

**End of Document**



[***Transcript of Asia and Pacfic Department Press Briefing***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S5P-8Y01-JDG9-Y51X-00000-00&context=1516831)

Impact News Service

April 23, 2018 Monday

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**Length:** 6095 words

**Body**

Washington, D.C: International Monetary Fund has issued the following news release:

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P R O C E E D I N G S

(8:00 a.m )

MS. YAN: Good morning everyone and good evening to those who are watching us online from Asia. Welcome to this IMF press conference on the Asia Pacific Region. My name is Ting Yan. I am the press officer of the IMF. Here with me today I am glad to introduce sitting in the middle is Mr. Changyoung Rhee, director of the Asian pacific department of the IMF. And we have three deputy directors here. Mr. Markus Rodlauer, Mr. Odd Per Brekk and Mr. Ken Kan. With that let me turn to Mr. Changyong Rhee for opening remarks and then we will take your questions after that.

MR. RHEE: Thank you, Ting. Good morning. And good evening in Asia again. I am very pleased to share with you the main economy outlook for Asia based on the, our forthcoming publication, Asia and Pacific Regional Economy Outlook which will be launched on May 9 in Hong Kong. So let's start with our key messages.

First, the Asia region remains the main engine of growth of the global economy, accounting for more than 60 percent of the global growth. Regional output is projected to grow by 5.6 percent in 2018 and 2019. That is about 4.1 percent percentage point higher than we expected in October. This over the region was supported by external demand as well as accommodative financial conditions.

Second, risk around the forecast broadly are balanced for now but over the medium term, downside risks dominate, including from a tightening of global financial conditions, a shift toward inward looking policies and an increase in geopolitical tensions. And over the longer term, Asia faces number of important challenges from population aging, slowing productivity growth, and the digital revolution which of course bring large opportunities along with risk.

Third, Asia has enjoyed relatively subdued inflation even the growth has been picking up. But policymakers should not be complacent. We find that, you know, Asia's inflation rate has been explained very much by the global forces and then this global forces could easily well divorce.

First, the strong economic outlook provides a valuable opportunity to -- opportunities to focus medium term macroeconomic policies on building many buffers we need to increase resilience and pushing ahead with the structural reform to address longer term challenges.

As MD several times emphasized in this spring meetings, when sun is shining it is time to fix the roof. So let me expand on these points before we turn to your questions.

For most Asian countries, we've revised our growth forecast upward in the next two ***years*** relative to our growth October forecast. In China, growth is expected to moderate to 6.6 percent in 2018 or .1 percentage point higher than expected in October as financial, housing and fiscal tightening measures take effect.

In Japan, growth has been above potential for eight consecutive quarters and is expected to remain strong 1.2 percent this ***year***. Actually today this ***year***'s 1.2 percent growth rate is 1/2 percent higher than we expected in October.

In India, growth is forecast up to 7.4 percent in fiscal ***year*** 2018 and 2019 as the economy recovers from temporary disruptions related to the currency exchange initiative and the rollout of the new Goods and Service Tax.

Growth in most other countries in the region include Asian countries and small state and pacific island countries, the growth is expected to be strong.

So let's move on to the risk factors. In the short term, the global recovery could gain -- global recovery could prove stronger than expected amid strong consumer and business confidence and still lose financial conditions. But on the downside, Asia remains vulnerable to tightening and global financial conditions while continued easy financial conditions could risk a further buildup of vulnerabilities. More inward-looking trade policies as highlighted by recent tariff actions and announcements would certainly affect the Asia largely because Asia is more open than compared to other regions. And geopolitical tensions could have serious repercussions on financial market and on the real economy.

As for the long-term challenges, Asia's long term growth prospects are impacted by demographics, slowing productivity growth and the rise of the digital economy. Asia risks becoming old before becoming rich. Asia also experiences a significant productivity growth slowdown since the global financial crisis.

Finally, Asia is embracing the digital revolution and while some recent advances could be truly transformative, they also bring challenges including with regard to future of work.

Despite the strong growth, we find that the inflation in Asia has remained relatively low as in other regions and indeed, the gaps between headline inflation and the inflation targets are generally larger in Asia than in other regions. So why the inflation is not picking up despite the growth is more puzzling in Asia compared with other regions.

We have a good analysis on this issue and our analysis suggests that this low inflation has been driven mainly be temporary and global forces in Asia including imported inflation but as you know these global and the temporary factors could of course reverse.

Moreover, the inflation process in Asia has become more backward looking - that means stickier- suggesting that if inflation rises in the future, it may persist.

And finally, we have some evidence that the Philips Curve has flattened which means the sensitivity of inflation the economy slack has decreased. That suggests that if inflation rises, the output cost of reducing it will be larger. So there are plenty of reasons why the policymaker has to pay attention to the possibility of rising inflation in the future.

Let me move to the policy recommendations. Against this backdrop, policy should aim to strengthen buffers, increase resilience and ensure sustainability. With output gap closing in much of the region, fiscal policy while it is growth friendly should generally be geared toward strengthening buffers and safeguarding sustainability.

Subdued inflation provides scope for accommodative monetary policy stance in much of Asia. But given our research findings on inflation, policymakers should be vigilant toward any incipient signs of inflationary pressure. Strengthening monetary policy frameworks and central bank communications can better anchor expectations and exchange rate flexibility can help to insulate economies from imported inflation.

Finally, macroprudential polices remain an important part of policy tool to handle excessive credit growth. The current growth momentum provides an opportunity to pursue fiscal, financial and structural reforms, including those to promote inclusive growth and allow economies to reap the full benefit of digital revolution.

So let me reiterate our key message before concluding. First, the economic outlook for Asia and the Pacific remains strong and the region continues to be the main growth engine of the global economy.

Second, risk around the forecast of broadly balanced in the short term but downside risks dominate over the medium term. And the region faces serious structural challenges over the longer term.

Third, Asia has been in a sweet spot of strong growth and benign inflation but inflation may rise and the policymakers must be, remain vigilant. Fourth, the strong economic outlook provides a valuable opportunity to fix the roof by building buffers and implementing reforms.

In a nutshell, Asian economies continue to perform well and strongly but there are considerable risks and challenges ahead. And policy making should be prudent and focus on increasing resilience. Thank you. Now let's turn to your questions.

MS. YAN: Thank you. Please identify yourself before you ask questions and we will take a few questions together.

QUESTIONER: Thank you, sir. I have two questions. IMF raised the World Economic Outlook projection to 3.9 percent this ***year*** and next ***year***. That is 0.2 percent higher than that of October. While the Asia Pacific regional output projection is just 0.1 percent higher than expected in October. So would you elaborate more on this? Is Asia region sort of losing momentum at this moment?

And also how do you think the current tension between China and the U.S may bring changes to the global supply chain and will this affect your economic projection in Asia Pacific region? Thank you.

MS. YAN: Thank you. Let's take a couple more.

QUESTIONER: Thank you. Do you get any sense in this building that the reforms in India will take a back seat because of elections? Why does this kind of thinking happen, can you explain a little bit?

And India being a major economy, what role it can play in the development and growth of the Indo-Pacific region?

And finally, in south Asia, Bangladesh is the second fastest growing economy. Can you give us any sense what your impression about the Bangladesh economy, given that they are having a major Rohingya crisis? Thank you.

MS. YAN: Thank you.

MR. RHEE:

Yes you are right that the global outlook was revised over by 0.2 percent while emerging Asia's growth revision was zero at this time.

First, you know, the major reason for the growth revision from October was due to the U.S tax policy and then also the strong performance in Europe. So I can say that the growth pick-up from October to now is mostly due to the, mostly for the advanced economies including Japan in Asia.

So Asia as a whole growth outlook was also revised upward by over 0.1 percent. But that doesn’t not necessarily mean that emerging Asia's growth rate momentum is going down. Actually if you look at China, the growth rate in 2017 was 6.9 percent. In 2018 we believe it's going to be 6.6 percent but I think it's a natural, you know, path on a more sustainable growth path and that during the, you know, as a part of the catching up period. So we and so India's growth rate has picked up too.

So overall, I think that, we can say there is a very positive sign that now finally advanced economies which have suffered a lot with the slow growth in the last couple of ***years*** now finally trying to move onto the recovery path, so now the whole world is now the growth pole has now become a multipolar and the advanced economies as or as the emerging Asia which has led the growth. So I will think it is a very positive development.

MR. RODLAUER: I think the question was whether trade tensions would affect global supply chains, and obviously trade has brought so many benefits and a large part of those benefits even though not all of them but many of them have derived from the efficiency gains that have revolutionized global manufacturing production through the integration of production over many countries in multilateral supply chains. That has benefited incomes both in those producing countries but also consumers in consumption countries.

The recent study in the U.S has shown that consumers have benefited a lot from these supply chains, especially poor consumers. So it is critical and the IMF is on the record many times during these meetings and as well these, the statements by all the members that have come here say it quite clearly that an open multilateral trading system based on strong institution is very important and we support that otherwise supply chains of course would be affected if it were not the case.

MR. RHEE: Before we ask, you know, Ken to answer India questions, since our surprise is the actually very big growth revision for Japan so let me ask Odd Per to especially a background of why we revised Japan's growth rate by a large margin to 0.5 percent.

MR. BREKK: Thank you very much and good morning. So in a sense Japan has actually been a bright spot in the global economy over the last couple of ***years***. And so if the question is, is Asia losing momentum, that's certainly not the case in Japan. The Japanese economy has grown above potential for two ***years***, more than two ***years*** now, and we are projecting some slowdown, that's natural given the underlying forces, given demographics, but it grew by something like 1.7 percent last ***year*** and we are projecting 1.2 this ***year***. That's a lot higher than what we expected before because of external demand as well as some more fiscal stimulus than we expected. But we are expecting a further gradual decline to .9 percent growth next ***year***. But, again, this is a natural evolution. The surprise was actually on the up side.

The growth drivers in 2018 in Japan include private investment, which is expected to increase, also due to the Olympics in 2020. And, as I said, a favorable external environment will also likely continue to underpin solid export growth with spillovers to investment and imports.

Thank you.

MR. KANG: Just on your question about reforms in India, I think in recent ***years*** India has made very impressive progress in reforms. Just to highlight a few, the recent implementation of the national Goods and Services tax is a major reform of the India tax system. It will enhance the efficiency of intra Indian movements of goods and services, help create a common national market, as well as help boost jobs and growth. The second major achievement I would highlight is introduction of flexible inflation targeting and of a statutory monetary policy which has helped to strengthen the monetary policy framework. And, lastly, the government has recently announced a major recapitalization plan for the public-sector banks in order to accelerate the work out of nonperforming loans, as well as made some important legal improvements through a new insolvency and bankruptcy law.

And so I think we expect and hope that the reform momentum continues. But you are right, looking ahead there are important policy priorities. And here I would just highlight a few. One is to continue improvements in product and labor market reforms with a focus on increasing formal female labor participation, to improve the business environment, and reduce complex regulations, but also to address supply bottlenecks, particularly in the ***agricultural*** sector and distribution networks.

On your second question about the role of India in the region, I think given our robust growth forecast where we see India's growth rising from 7.4 percent in '17-'18 to 7.8 percent in 2019, we do expect India's role in the region to continue to expand. That being said, India does have room to expand its export orientation and to reduce further trade and non-trade barriers. The statutory tariff rate in India is relatively high at about 15 percent, and higher than those in the rest of the region. So there is room to do more on trade reform.

I think your last question was on the outlook for Bangladesh. I think you're right that we continue to have a very favorable outlook for growth in Bangladesh at around 7 percent in fiscal ***year*** '17, driven by robust growth in private consumption and investment. The current account deficit is projected to widen somewhat to 2 percent and inflation has picked up to close to 6 percent. So looking ahead, the priority should be take advantage of the cyclical upswing to implement needed structural reforms, and in particular to address the weaknesses in the banking sector, the NPL situation with the public sector banks, but also the profitability of the private ones. But also to put in place comprehensive tax reforms in order to generate the needed resources to enhance spending on health, education, and the infrastructure.

MR. RHEE: Let me clarify one thing. We are not saying that India's structural reform speed will slow down because of elections. What we are saying is that the growth momentum and the structural reform momentum should continue despite the election period. So there is something misquoted.

MS. YAN: Thank you. Let's take a few more questions. The lady in the front row.

QUESTIONER: I have two questions. So the first one is I want to know what are some downside risks in the near and middle-term of China's economy. And, second, can you make some comments in terms of China's debt control and also China's ability to confront the spillovers of the tightening of global financial conditions?

Thank you.

MS. YAN: And the gentleman in the second row here.

QUESTIONER: Thank you. I want to ask about how the adherence and performance of Mongolia in regard to the current Extended Fund Facility been perceived by the IMF? And while Mongolian authorities have been given some credit for the recovery, some critics have said that it is mainly due to higher commodity prices and demand. So how accurate is this assessment?

And my second question has to do with the commodity market. Much has been said about the potential boom of the copper market due to higher consumption of electronics, and especially electronic vehicles. So on the other end of the spectrum is the coal market, which is expected to be pushed out in favor of renewable energy. So how as the IMF viewed both the near and the long-term prospects of these two markets, especially in regard to the Asia Pacific Market?

Thank you.

QUESTIONER: Good morning, Mr. Rhee. As you know, government of Indonesia does a lot of the thing to push our economic growth, such as tax information, reforms on the subsidies policy, and then pushes the infrastructure spending. My question is, how about the forecast of IMF of Indonesia?

The second is does the IMF have any recommendation to push our economic growth, because next ***year*** we do election period and then a lot of other things that we should do.

Thank you.

MS. YAN: Thank you.

MR. RODLAUER: Okay. One of the main downside risks for China, first we see the near-term outlook for China very benign and positive. China has done very well in 2017. We've forecast a small decline of growth this ***year*** to 6.6 mainly because the contribution of the external sector will not be as large as it was in 2017, but domestic demand continues to be robust for the second half of the ***year***, with a focus and slowdown both because of real estate and because of investment. But overall the future for the Chinese economy continues to be bright in our review. There is room for further catch up and productivity gains. And the rebalancing will continue as many people move from the less productive rural economy into urban economy. So the medium-term growth outlook and potential for China also in the private sector, which as you all know is very dynamic, the digital economy of China is very strong. So we see a lot of upside there.

On the downside there are obvious risks both from the global economy. If policies turn inward globally, that would affect China because it is a very open economy already and quite dependent on exports. The main risks in China really are medium-term. It relates to the reforms that are on the agenda. We all know that China is working hard to reduce its debt burden and the risks that stem from financial sector imbalances and the very rapid growth of the financial sector. These reforms are under way. They cannot be done in one or two ***years***, they require a sustained long-term effort to address these risks. But overall we are quite optimistic that the authorities will again find a way through these challenges.

What's the risk of the spillovers from global financial tightening to China? We see those risks as relatively limited because China's financial markets are not yet very integrated with the global financial markets. Capital controls are in place and have proven to be quite effective. So the risks from global financial tightening as such are not seen to be that large for China.

Mongolia ***program*** is now one ***year*** old. It was approved almost exactly a ***year*** ago. As you know, the macroeconomic results of the ***program*** have been anything short of phenomenal. We really have beaten everybody's expectations, both on the growth side, on the real side, which is of real importance, very, very rapid recovery of the economy, tremendous fiscal adjustment by 15 percentage points of GDP. I don't know our records, but it must be very high up in terms of how fast the fiscal has been corrected, balance of ***payments*** has improved. So the short-term macroeconomic stabilization is really very dramatic and very strong, and we see the government committed to continue with that path.

Of course, a ***program*** like that is a live animal. It always has to respond to different circumstances and domestic pressures and so forth. So, you know, the authorities will have to continue to navigate carefully, make sure that they stick with the macro adjustment, and make sure that the key reforms that are there are implemented. The next step of the banking reform is a big step. You know, we have done the asset quality review, the ***program*** has done that, the results are out. Now, the task is to put this into action, to make sure the banks that need capital get the capital and that the financial supervision reforms are undertaken as in the ***program***.

So there are lots of challenges ahead, but we do see a government fully committed to continue with the ***programs***. I think it's overall a good story.

How dependent is Mongolia on the commodity outlook? Obviously they are very dependent. I think the outlook there is also quite good even though commodity markets have proven very volatile, so it's very hard to forecast. But structurally, coal is also a good story in Mongolia because of China's move away from dirty coal to more cleaner coal, where Mongolia has a comparative advantage. So you have seen the coal market already benefit quite a lot from that and we feel that this is set to continue over the medium-term. And also copper, I think, given the -- you know, it's very dependent of course on China, but given the strong construction demands from China I think it's also a relatively sanguine outlook with a lot of volatility around us, which is why the ***program*** tries to build very big buffers in reserves in the fiscal accounts so that the economy can withstand this global volatility of the commodity markets without being derailed.

MR. KANG: On Indonesia, I think the economy continues to perform well, supported by sound macro policies and continued structural reforms. We project growth will remain strong, rising from 5.3 percent this ***year*** to 5.5 percent next ***year***, driven by higher exports and investment. Inflation is seen to be manageable at around 3 percent and with the current account deficit below 2 percent of GDP.

Notwithstanding this positive outlook, we do see the balance of risk tilted to the downside, mainly external. They include a reversal in capital flows, slower growth in China, and of course a shift to inward looking policies globally. Domestic risks include tax revenue shortfalls and tighter global financial conditions should the normalization of monetary policy in advanced economies spill over to raise domestic interest rates.

Given the favorable economic outlook, now is the time to enact fiscal and structural reforms in order to maintain the growth momentum. I think fiscal policy is appropriately geared toward rebuilding fiscal buffers. And here we would welcome the measures in the budget to rebalance spending away from untargeted subsidies and unproductive spending toward social spending and infrastructure. At the same time, there is a critical need to put in palce a medium-term revenue strategy to raise Indonesia's low tax to GDP ratio at about 10 percent of GDP in order to generate the resources to expand spending in health, education, and infrastructure.

And, finally, on structural reforms, here we put the priority on labor market reforms to expand employment opportunity for a young and growing labor force, the need to improve the business environment by streamlining and harmonizing complex regulation, and product market reforms to enhance Indonesia's transition away from being a commodity exporter to a more service oriented and innovation drive economy.

MS. YAN: Thank you. Gentleman in the first row.

QUESTIONER: Thank you. A question for Odd Per Brekk, please. Odd Per, the political scandals in Japan, does that alter your view for the trajectory of the economy, of do you think it might impact in the coming months?

Thank you.

QUESTIONER: Thank you. My question is on the geopolitical factor. As you know, there was a big progress between South and North Korea on the denuclearization. They started their talks under the water. How is the progress of -- the denuclearization progress?

And I have two questions on that. First, do you have any plan to -- same kind of plan to help and organize some task force to help North Korea? And, then, if so, what kind of progress will that be -- even though North Korea is not a member of the IMF. If you wanted to help in North Korea, North Korea maybe have to submit materials to the IMF economic data. It is very critical to North Korea maybe. What kind of policy do you have? Thank you.

MS. YAN: Thank you. Let’s take one more. The lady in the fourth row here, thank you.

QUESTIONER: Thank you. IMF upgraded the US economic outlook mainly because of tax reform. I was just wondering what is the spillover of the U.S tax reform on other Asian economies and especially on larger economies like China and Japan. My second question is about the U.S restricting Chinese investment especially in the tech area recently. What are your thoughts on this? Thank you.

MS. YAN: Thank you.

MR. BREKK: Okay thank you. While we have no comments on political issues. In terms of economic policies though, Japan needs to continue with its appropriate fiscal monetary policies and supporting the structure reforms. But maybe I can take this opportunity to comment a bit more broadly on Abenomics because it is at the five-***year*** mark so it might be an opportune time to do that.

I think on that, we want to make three points on Abenomics at the five-***year*** mark. First of all, we think it remains and appropriate strategy for Japan to address Japan’s longstanding problems of low growth and inflation, high public debt and demographic headwinds. The second point, the strategy has clearly delivered results in terms of incomes and employment including higher labor force participation of women and elderly workers, the strongest growth in employment record for the last two decades, if not more. Now, of course, it is true that the recent targets were not met within the ambitious timeframe, and this is true for inflation especially, but we see forward momentum now. The inflation numbers for March came out today. They are in line with the gradual increase that we have been seeing in inflation over the last ***year*** or so. This is happening despite the entrenched expectations and structural rigidities. I think when you look at Japan, you have to realize this was never going to be a sprint given Japan’s decades long stagnation, but rather a sustained effort to change mindsets and practices. So the second point is Abenomics has been delivering results.

The third point, with this in mind, a continuation and intensification of the current strategy is the way forward. Here we have stressed that Japan needs a mutually reinforcing package of one accelerated structural reforms with a particular focus on labor market reforms. Here the government’s work-style reform that was launched in March last ***year*** is a very important step in the right direction. We’re now looking forward to the legislation being passed in the Diet. Second element, coordinated demand and the income policies. Third element, strengthen economic policy frameworks and here, particularly important, is a clearly defined medium-term fiscal adjustment strategy. In that regard, we look forward to the outcome of the ongoing fiscal review. We should expect to see by the middle of this ***year***. Final point, and has financial sector policy so that financial sector can play its role in channeling resources to productive uses. Thank you.

MR. RODLAUER: When we talk about the outlook for the region and globally, we always mention geopolitical risks as a key downside risk. Obviously the North Korean situation was one of those risks. Therefore, the Fund as others are on the record to say that peaceful resolution of that risk is very important and would be very helpful to the outlook. Still it is premature to talk about economic plans or assistance in that context at the IMF.

MR. RHEE: More specifications about what IMF can be doing. Our major stakeholders have an agreement that there are many ways that we can be engaged. I think as Markus said, at this point, it is a little premature to discuss that possibility. We really hope that situation improves and our main stakeholders can approach us to discuss what kind of options we can do.

As for the impact to U.S tax policy to the Asian region, we can think about that issue through various channels. One is the growth impact in the short term and medium term, and then also the possibility of tax competition, and also the impact of the repatriation of the U.S profit abroad. As for the growth impact, actually we did some simulations. Our result shows that the current U.S tax reform package will increase the level of GDP in Asia by 0.1 or 0.2 percent depending on the countries for the next three ***years*** accumulatively. So level of the GDP increase by 0.2 percent on average in the next three ***years***. That is kind of not very big, but it is also not very small, and that increase was already incorporated in our baseline growth forecast that we just released. It is already incorporated.

In the longer term, because we are projecting the U.S fiscal deficit, it may increase a higher interest rate and it has an impact on the FX rate. That may increase medium vulnerability but that has to be taken into consideration in the future. Definitely, now the U.S nominal tax rate is reduced to 21 percent. It has moved back to the average OECD countries and actually that is very close to the average of corporate income tax rate in Asia too. On the other hand, the U.S has its own state tax around 6 percent. So considering both federal tax rate and the state tax rate, still, I think, by the level itself is still higher than the average corporate income tax rate in Asia. Having said that, because you have movement from the U.S worldwide system to the territorial system that can definitely cause a tax competition among Asian countries and Asian countries with other countries in the region.

As for the repatriation of the U.S profits on growth, I think Asia has gained a significant corporate profit that U.S companies of about 6 percent in their own profit growth. Europe has more than half, Asia is around 16 percent and 20 percent. We don’t have data but there is some evidence that those profits are already invested in U.S assets and also that definitely departed to major financial sectors. Also, this unrepatriated profit can be repatriated during the next eight ***years***. Overall, we believe that impact on the financial market and the exchange rate should be limited given the size and given the period they can repatriate.

Overall, if I summarize, U.S tax reform has a very positive impact in Asia in the short term but we have to look at the medium risk through the financial market.

MS. YAN: Thank you. Let me turn to our online media center. We’ve got many questions. Let me take one here. This is a question on Nepal. Nepal is observing slowdown in remittent growth while the country has not attracted much FDI whereas the input bill is rising at an alarming rate. Balance of ***payment*** is slipping into deficit. Growth likely through average in 2018. What needs to be done to improve?

MR. KANG: On the question on Nepal, growth did rebound in 2016/2017 to about 7.5 percent following the impact of the earthquake and trade disruptions. Inflation has risen to about 5 percent in February but mainly driven by food price inflation.

That being said, looking ahead, growth is expected to moderate in our forecast to around 5 percent. With the medium-term outlook very much dependent on the needed reforms in order to strengthen key institutions and promote investment and social inclusion. The risks that we see are mainly on the downside and they relate to the implementation of the new framework for federal fiscal relations as well as vulnerabilities in the banking sector.

So in terms of what needs to be done in order to restore robust growth in Nepal, the include strengthening the key institutions and administrative capacity of the government to address its chronic under-implementation of the budget. This should be done through careful planning, prioritization and improvements to remove impediments to capital spending. To implement fully, the fiscal decentralization plan through intergovernmental fiscal arrangements as well as to effectively implement the new interest rate corridor for monetary policy. Finally, we highlight the need to accelerate financial sector reforms through stronger supervision in an upgrade of banks risk management.

MS. YAN: Let’s conclude the press conference by taking one more last question here in the room, if we have any.

QUESTIONER: Thank you. Once again, let me ask a question about trade. A lot of people are talking about tension between the United States and China. My question is, WEO actually says its trade tensions intensifies if Europe and Asia do not take actions. So what kind of recommendations do you suggest for Asian countries, particularly we have a lot of trade surplus. On the other hand, as an aging society, we don’t expect much to consumptions. What kind of concrete proposal would you like to make. Thank you.

MR. RHEE: I think this week we have repeated our messages. I think it is trade tension need to be resolved through multilateralism and rule-based system that we already have. Resorting to the bilateral mechanism, there will be no winners in this so-called trade war. Having said that, I think we have a very specific recommendation to Asian countries which has endured surplus. Because Asia has benefited a lot by global trading system. In some sense, Asia also has to contribute to protecting and upgrading the current trade system, multilateralism especially. The recommendations are quite specific to each country. For example, several countries can use more kind of fiscal policies if they have room to engage in fiscal policies, so increase domestic demand. So yes, the policy objective should not be just for the external sector but at the end when there is an output gap and there is room for the fiscal resources. They can rely on the fiscal resources to enhance the quality of growth together with addressing these external issues too.

Relying on the more flexible exchange rate system is another recommendation. Also, depending on each country’s circumstance -- there can be many trade distortions still we have. It is not just to rebalance the trade surplus or deficit, for their own medium-term growth, I think the opening trade sectors can actually improve their productivity. Also if you look at many Asian countries, especially goods sectors, trade of goods has improved a lot in the last 20 ***years***. But if you look at the service sector market, Asia is much more tightly closed compared with other regions. The service sector is a new engine of growth given this digital economy and the technology changes. So there are many reasons for Asian economies to focus more on the opening of the service sector market.

There are other investment considerations such as protecting the intellectual property right and investment protection and the technology ***transfer*** regime. There is a lot of room where Asia can improve by showing the example and by more proactively engaging those activities, Asia can show that they really protect in a multilateral regime which benefits the growth in the last couple of decades. I believe that there are many policies and many reforms that Asian countries can do it depending on their own circumstances. That can actually contribute to this kind of trade tension globally.

MS. YAN: Thank you. So I would like to remind you again, as ChangYong said, we will be launching the 2018 Asia and Pacific Regional Economic Outlook on May 9th in Hong Kong SAR. Please stay tuned and with that, let me conclude this press conference. Thank you very much for your time. Have a nice day.

**Load-Date:** April 24, 2018

**End of Document**



[***Guide for applicants: Water Environment Grant (Up Dated 14-05-2018)***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SBK-P4X1-F0YC-N1N2-00000-00&context=1516831)

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**Length:** 6310 words

**Body**

London: UK Government has issued the following news release:

1. About the scheme

The Water Environment Grant (WEG) scheme provides funding to improve the water environment in rural England, which includes:

* rivers and their estuaries

1. lakes
2. canals
3. wetlands
4. groundwaters
5. coastal waters

The scheme closed at 5pm on 11 May 2018. TheWEGteam will not consider late applications.

TheWEGTeam (‘the team’) will manage the scheme. The team comprises representatives of the Environment Agency (EA) and Natural England (NE). The team decides which projects get a grant offer (called ‘an agreement’) based on the scheme’s rules and priorities. The Rural ***Payments*** Agency (RPA) will make ***payments*** to successful applicants.

Funding comes from the European ***Agricultural*** Fund for Rural Development (EAFRD) and is part of the Rural Development ***Programme*** for England (RDPE).

2. Objectives

Project proposals must help to achieve one or both of the objectives of:

* the River Basin Management Plans (RBMPs) written in compliance with the Water Framework Directive (WFD) that protect inland surface waters, estuaries, coastal waters and groundwater

1. sites that are designated to protect their water habitat, referred to as ‘water- dependent designated sites’ in this guide

Use Appendix A: using geographic databases to find out more on:

* water bodies on the Catchment Data Explorer (CDE) database

1. designated sites on the Magic map system

3. Criteria

Project proposals must meet these criteria.

* Meet one or both of the scheme’s objectives (section 2: objectives).

1. Benefit the rural environment.
2. Carry out an eligible activity (section 7: what it can fund).
3. Be eligible to apply (section 5: who can apply).

4. How it works

The team will only assess your application if your proposal meets the scheme’s criteria (section 3: criteria).

The scheme is competitive. The team will apply a score to eligible applications against how well your proposal meets the scheme’s priorities. The scheme will aim to achieve improvements:

* anywhere in England

1. to all types of water-dependent habitats under all types of pressure

If you meet more of the scheme’s priorities (section 10: scheme priorities and scoring), you’ll score more points and strengthen your application. Only the highest scoring applications will be successful and get a grant offer. The team will try to balance improvement across habitats and geography.

5. Who can apply

You’re eligible to apply for a grant if you’re a:

* charity, including a not-for-profit organisation

1. land manager (farmer, forester, tenant, landlord or licensor)
2. public body (local authority, parish council, national park authority)

You must have the authority to carry out all activities in your proposal, so that you can deliver your project.

As a tenant of land under public body control, you must get a representative of the public body to countersign your application.

5.1 When you need written consent to apply

You must get consent for the entire period of the agreement and 5 ***years*** after if you’re awarded a grant. You must get written consent to apply from all relevant parties with shared control of the land if you don’t have full authority to carry out the activities in your proposal.

Partnerships

Partnerships, such as the Catchment Partnerships, can apply for a grant. All partners must sign the declaration form (section 7 of the application form). One person should act as the partnership representative. As the representative, you must register with the Rural ***Payments*** service (section 11.2: register with the Rural ***Payments*** service) and use your single business identifier number (SBI) and email address on the application form.

Licensors and charities

As a licensor you can apply for a grant, but it’s your responsibility to tell your licensee, and to make sure they don’t breach the terms of aWEGagreement. You should include details about theWEGin their licence agreement.

Charities

You must get written consent from all parties who manage the land included in your application.

Tenants

If you’re a tenant, you must make sure:

* you’re not breaching your tenancy rules by applying

1. you have your landlord’s permission to apply
2. your tenure is secure for the entire period of a grant agreement, or you’ll need your landlord to countersign your application

A tenant of an ineligible body (section 6: who can’t apply) can apply for a grant, but your proposed activity must not be a condition of your tenancy agreement. You must have a tenancy agreement for the full term of your agreement. Ineligible bodies can’t countersign your application.

You must get written consent to allow access for works from the landowner, or legal controller of the land in the proposal. You must get consent for works and for 5 ***years*** from completion.

Landlords

If you’re a landlord, you can apply for a grant, but you must:

* give your tenant a copy of the agreement

1. make sure your tenant doesn’t breach the terms of the agreement

If you want to carry on with your tenant’sWEGagreement when their tenure ends, you must not belong to an ineligible body (section 6: who can’t apply).

5.2 Provide evidence

You must provide proof that you’re eligible to apply for a grant, such as:

* a charity registration number

1. your organisation’s constitution or statement of terms
2. you’re a Basic ***Payment*** Scheme (BPS) claimant
3. your tenancy agreement
4. business accounts showing ***agricultural*** trading
5. public body terms of reference

The team will check all applications against an insolvency register. If your project is not financially viable, you may not get a grant.

6. Who can’t apply

The following bodies are not allowed to apply for a grant:

* the Ministry of Defence

1. Historic England
2. Forestry Commission
3. non-departmental public bodies (NDPBs), such as Natural England and the Environment Agency

See the summary table on eligibility for public bodies.

| **Landowner** | **Eligible to apply** | **Comments** |
| --- | --- | --- |
| Government departments, executive agencies, NDPBs | Not eligible |  |
| Other public bodies (such as, local authorities, National Park Authorities, public corporations) | Eligible | Your application can?t include work that forms part of your obligations as a public body. |
| Parish councils | Eligible | Your application can?t include work that forms part of your obligations. |
| Tenants of eligible public bodies | Eligible | Your application can?t include activities included in your tenancy agreement. You must get a countersignature from a representative of the public body if you don?t have a secure tenure. |
| Tenants of ineligible public bodies | Eligible | Your application can?t include activities included in your tenancy agreement. You must have a secure tenure for the whole agreement period. Ineligible public bodies can?t countersign your application. |

7. What it can fund

The grant can pay for activities that meet the scheme’s objectives (section 2: objectives). These include:

* creation and restoration of water-dependent habitats, for example a watercourse, lake or wetland

1. restoring ecosystems in water-dependent habitats
2. removing barriers to fish movement
3. construction of a fish pass, bypass channel, or fish easement to restore fish migration
4. managing the source of water pollution, especially diffuse pollution in rural areas
5. removing or reducing the presence of non-native species, where they’re a problem
6. sustainable use of water resources
7. support for activities or events that help change ***agricultural*** practices to improve the water environment
8. carrying out feasibility studies for activities to tackle environmental problems in water-dependent habitats
9. buying machinery or equipment to carry out any of the above activities for your project

7.1 Urban projects, coastal water bodies, or transitional waters

Your proposal may be in an urban area, but it must show how it benefits a rural area. For example, it could be an urban river restoration project that allows fish to migrate upstream to a rural area to spawn.

Your project proposal may be in either of the following, but it must show how it benefits a rural area:

* a coastal water body (coastal waters with a seaward boundary that’s 1 nautical mile out to sea)

1. transitional water body (surface water at a river mouth that’s freshwater mixed with saline water)

Use the MAGIC map to find out if your project area is in an urban or rural area. See Appendix A: using geographic databases to help you.

7.2 Project management overheads

Up to 15% of the grant can pay towards:

* project manager salary costs

1. rent or hire of site offices and compound, including utilities such as gas, water and electricity
2. communication and postage costs

7.3 Employees of the project

You must justify the cost of all eligible employees working on aWEGproject. You must provide copies of:

* employees’ payslips showing their salary before deductions

1. your bank statement showing ***payment*** of salaries each month
2. a breakdown of any ***payment***, including the amount paid to the individual(s) shown on the payslip (from a third party system where possible)
3. timesheets showing time spent on the project (for part time employees only)
4. National Insurance, tax and pension contributions

If it’s not clear from the documents how much time an employee has spent on the project, you must explain it separately.

7.4 Project costs

Scheme costs will be paid net of Value Added Tax (VAT). If you’re not VAT- registered, you may be able to reclaim VAT subject to provision of evidence of non-VAT registration.

8. What it can’t fund

You can’t carry out any activity that will give you commercial gain or profit. There are certain costs that the grant won’t pay for.

8.1 Statutory activities

You can’t get funding for activities that you must lawfully carry out or that are a statutory duty. This includes:

* conditions of any planning permission

1. duties towards designated sites (includes public bodies which have a statutory obligation under Section 28G of the Wildlife and Countryside Act 1981 to help achieve the conservation and enhancement of a SSSI)
2. any other form of legally binding obligation
3. farming rules for water in force from April 2018
4. applying for permits or consents

8.2 Other funding (including Countryside Stewardship (

CS

))

You can’t apply for a grant if your project includes activities which are already being funded.

The scheme doesn’t intend to compete with other schemes, so you should apply for the most relevantRDPEscheme you’re eligible for.

SomeCSactivities are similar to this scheme, such as riverbank fencing or tree planting. If you’re not eligible for aCSgrant, you may still be eligible forWEG. Funding for similar activities inWEGare paid at the same rate asCS.

8.3 Management costs

You can’t get funding for:

* day-to-day running costs

1. insurance
2. legal and other professional charges
3. routine accommodation or related costs
4. financial management
5. human resources (redundancy, unless it’s a fixed term contract on the project, or pensions)
6. company business
7. gifts or entertaining

8.4 Research and training

You can’t get funding for:

* scientific research

1. attendee allowance at demonstration or knowledge events
2. non-project related training
3. subscription costs

8.5 Fines and charges

You can’t include:

* interest or other finance charges

1. costs resulting from the deferral of ***payments*** to creditors
2. recoverable VAT and other tax (except PAYE)
3. statutory fines and penalties
4. criminal fines and damages
5. service charges on finance leases
6. hire purchase and credit costs

8.6 Other costs

You can’t include costs for:

* purchase of land

1. asset depreciation

9.

WEG

principles

Funding is divided between projects that meet either of the scheme’s objectives (section 2: objectives). The projects which score most (section 10: scheme priorities and scoring) will get funding. The team will try to balance out improvement across habitats and geography so that there’s no bias to funding.

You can apply if your project lasts longer than a ***year***, but it must start by March 2019 and end by March 2021. There are no plans for future application windows.

There’s no minimum value for a grant. You can apply for a maximum grant of £2 million for your project.

Your application can be ambitious and innovative, but it must:

* meet the scheme’s criteria (section 3: criteria)

1. show it offers excellent value for taxpayers’ money

The team will assess projects based on expected outputs and costs.

A grant will cover up to 100% of the eligible costs (section 7: what it can fund) of a discrete project which delivers specific improvement to the water environment.

9.1 Other funding sources

You can’t use other sources ofRDPEfunding to pay for the same activity in aWEGproject (known as ‘double funding’).

You can use other funding for complementary work in the same water catchment. You’re more likely to get a grant if you can show how your project will complement wider environmental investment in the same catchment.

Your application may be successful, but you will not get the full amount you ask for if:

* you include ineligible costs or activities (section 8: what it can’t fund) in your application

1. you include elements that could be funded under another RDPE scheme at a lower rate, such as CS
2. costs don’t represent good value for money
3. state aid rules apply

If you get a reduced grant, you may use another source of relevant funding to supplement costs.

9.2 Dual use of the project land

In some limited cases, you can apply for a grant on land that’s used to claimBPSorCSby someone else at the same time. This is known as ‘dual use’. It’s allowed if:

* you’re eligible to apply (section 5: who can apply) and have management control of the land

1. a BPS or CS claimant can show they have the same land ‘at their disposal’ under the BPS or CS rules (and meet BPS or CS eligibility rules)

For example, a landlord may have management control of the land forWEGpurposes, whilst their tenant has the same land at their disposal to claimBPS.

A person may have an agreement with another party who will use the land to apply for ***payment***. This does not mean that a person has the land at their disposal. It is the rights and responsibilities held in relation to the land, and how they operate in practice, which determine this.

If you’re applying for aWEGon the same land that another farmer or land manager is using to claimBPSorCS, you must have a written record which shows the respective rights and responsibilities of both of you.

This written record should set out:

* how you have management control for a WEG

1. how the other party meets the BPS or CS rules, including having the land ‘at their disposal’

You must state you’ve given a copy of theWEGterms and conditions to the other party and that they will meet them (unless you can show that you are carrying out the required activities).

This written record could be a tenancy agreement, a letter or both containing the required information. Both parties must sign and date the record in advance ofBPSorCSapplication deadlines.

The team or anRPAinspector may ask to see a copy of this. You may want to get independent professional advice relating to your circumstances, especially if you’ve only had a verbal agreement with the other party.

9.3 Rural Development ***Programme*** and State Aid funding

WEGpayments under theRDPEare made in accordance with Rural Development Regulations and State Aid notifications SA41673 and SA41676.

This allows for up to:

* 100% grant funding where there’s a non-productive investment on an ***agricultural*** holding that’s linked to the achievement of agri-environment climate objectives

1. 80% grant funding is allowed where the investment is off an ***agricultural*** holding
2. 100% grant funding can still be allowed where an applicant can demonstrate that the project investment will generate no, or limited income, or for any other reason the activity is deemed not to meet state aid criteria

See Defra’s document: ‘Impact of EU State Aid rules on the 2014-20 Rural Development ***Programme*** for England (RDPE)’ for more details.

Contact the team by [*emailWEG@naturalengland.org.uk*](mailto:emailWEG@naturalengland.org.uk) if you need more information.

9.4 Financial health and viability checks

The team will carry out checks to make sure you’re able to undertake the financial commitment of the project.

Applications including more than £50,000 of capital items

You must submit a statement from a chartered accountant confirming that the business orSBIhas the resources from trading profits, reserves or loans to undertake the works according to the proposed agreement schedule.

Applications including more than £500,000 of capital items

In addition to the above requirement, the team will review 3 ***years*** of relevant business accounts or other checks to confirm that you have the administrative, financial and operational capacity to fulfil the agreement requirements.

9.5 Consents and permissions

Your grant agreement does not replace the need for consents or permissions you may need for your project. It’s your responsibility to apply, maintain and comply with any consents or permissions you need.

You should, where possible, have all necessary permissions or consents in place before you submit your application. You’ll not get paid for works before you can show evidence that all permissions or consents are in place.

9.6 Woodland consent

You may need consent from the Forestry Commission (FC) if your project proposes to:

* remove more than 1 hectare of woodland, or any woodland in sensitive areas, or national parks and AONBs (see ‘Environmental impact assessments (EIA) for deforestation’ for more details)

1. create more than 2 hectares of woodland, or any woodland in SSSIs and scheduled monuments (see ‘EIA for afforestation’ for more details)
2. fell more than 5 cubic metres of timber within a 3 month period that’s not covered by planning permission (see ‘Felling licences for more details)
3. create woodland in a special area of conservation (SAC), or in an area which may affect a SAC (requires a Habitats Assessment)

You should contact theFCfor advice with your application if your project:

* plans to create forest roads and quarries

1. includes any of the activities that require consent in the bulleted list

All woodland creation must comply with the UK Forestry Standard for sustainable forest management. TheFCuses this standard to assess any requests for consent.

You should have a woodland management plan (WMP) for works within an existing woodland. See ‘Creating a woodland management plan’ for more information.

9.7 Environmental permits and licences

Your project may need an environmental permit or a licence, such as:

* an abstraction licence from the EA to take water from one source and move it to another

1. environmental permits and flood risk activity permits from the EA
2. flood defence and drainage consents from the local flood authority
3. a protected species licence from Natural England if your activity affects them
4. consent for works on a SSSI
5. landowner consent (for the duration of the project and for requirements after work has been completed) - this includes projects on common land

You must contact theWEGteam by email [*weg@naturalengland.org.uk*](mailto:weg@naturalengland.org.uk) about your plans on land under an existing scheme, such asCSorBPS, or aSSSIdesignation to get consent. Other agreement holders may be in breach of their agreement if your project damages land in their agreement.

9.8 Planning permission

Your project may need planning permission. Your local planning authority can give you informal advice. You should include evidence of awarded permissions or pre-application discussions with your application form. You must comply with:

* updated Building Regulations 2010

1. Construction, Design and Management Regulations 2015
2. Health and Safety at Work Act 1974
3. English law and local byelaws

10. Scheme priorities and scoring

To be competitive and score more highly, your application should describe:

* what you plan to do

1. what you expect to achieve
2. how you plan to meet the scheme’s priorities

You should include supporting information with your application form to justify how your project will support the priorities.

Your application is scored against the scheme’s criteria (section 3: criteria). You’ll need to reach a minimum score, which the team will set once they’ve received and assessed all applications.

The scheme aims to deliver a balanced ***programme*** of improvements across England. The team will try to balance improvement across all habitats and geography.

10.1 Improve protected sites and areas

You must explain how your project proposal:

* addresses a condition threat

1. progresses a remedy
2. supports the objectives of a designated site or protected area plan

Eligible protected sites are water-dependent designated sites andWFDprotected areas and include:

* special areas of conservation

1. special protection areas (SPA)
2. Ramsar sites
3. marine conservation zones (MCZ)
4. sites of special scientific interest (SSSI)
5. bathing waters and shellfish waters
6. drinking water protected areas

See Appendix A: using geographic databases for more information on these protected sites and areas.

A project can score against one of the following 4 categories:

| **Category** | **Score** |
| --- | --- |
| Complete delivery of an SAC, SPA or Ramsar condition threat action, or remedy on a relevant SSSI unit | 24 |
| Complete delivery of SSSI or MCZ condition threat action, or remedy on a relevant SSSI unit, or complete delivery of WFD protected area action or remedy | 20 |
| Partial delivery of SAC, SPA, Ramsar condition threat action or remedy | 18 |
| Partial delivery of SSSI or MCZ condition threat action or remedy, or partial delivery of WFD protected area action or remedy | 15 |
| Project covers large area or wide scope | optional extra 6 |

10.2 Meet the

WFD

objectives

You must show how your project proposal will help to meet the objectives ofWFDand improve a waterbody. You should say:

* which failing WFD water body or water bodies the project will improve

1. which failing WFD element(s) the project will improve
2. if there’ll be a change in WFD status for the element(s) the project will improve

The team will assessWFDimprovements against ‘Reasons for Not Achieving Good Status’ (RNAG) or ‘Reasons for Deterioration’ (RFD). See Appendix A: using geographic databases for more information on water body and element status, RNAG and RFD. A project can score against one of the following 4 categories:

| **Category** | **Score** |
| --- | --- |
| Reversal of water body deterioration which has deteriorated from Good Status (based on either 1st or 2nd Cycle RBMP classifications) | 24 |
| Reversal of water body deterioration which has deteriorated from Moderate or Poor (based on either 1st or 2nd Cycle RBMP classifications), or failing water body meets its 2027 status objective as per the 2nd Cycle RBMP (ie: water body to Good Status) | 20 |
| A failing element meets its 2027 status objective as per the RBMP | 18 |
| Supporting improvements within water body or element status | 15 |
| Project covers large area or wide scope | optional extra 6 |

10.3 Supports a catchment approach

You should show how your project contributes to a formal management plan, such as a:

* catchment partnership catchment plan

1. peatland restoration plan
2. non-native invasive species initiative
3. river, lake or wetland restoration strategy
4. nature improvement area plan
5. diffuse water pollution plan
6. nutrient management plan
7. water level management plan
8. shoreline management plan
9. woodland management plan

You’ll score 8 points if your project supports any of these plans.

Contact theWEGTeam [*weg@naturalengland.org.uk*](mailto:weg@naturalengland.org.uk) for more information.

10.4 Provide wider benefits

You can strengthen your application if your project provides wider benefits to the environment and local community, by:

* creating a new habitat

1. putting natural flood risk management measures in place
2. managing non-native invasive species
3. supporting water-dependent priority species or habitats
4. improving recreational opportunities or public access to the environment
5. increasing education and involvement with the natural environment
6. improving the evidence on environmental pressures

You should include supporting evidence of these benefits with your application. A project can score against one of the following 4 categories:

| **Category** | **Score** |
| --- | --- |
| Project delivers 5 or more benefits | 16 |
| Project delivers 4 benefits | 12 |
| Project delivers 3 benefits | 8 |
| Project delivers 2 benefits | 4 |

10.5 If your project’s ready to start

You should describe:

* how ready you are to start work

1. what permissions, consents, designs, and other plans or agreements you have in place
2. what permissions you’ll need before your project can begin

You should include evidence with your application of:

* permissions or consents in place

1. pre-application discussions
2. agreed designs
3. a list of contractors

A project can score against one of the following 3 categories:

| **Category** | **Score** |
| --- | --- |
| Fully developed: your project has all permissions and consents in place, confirmed landowner permissions, detailed design complete, a preferred contractor identified and ready to start | 15 |
| Outline development: your project is completing a feasibility study and/or outline design, permissions and consents scoped out, in principle landowner approvals, contractor expressions of interest | 10 |
| Partial development: concept developed and agreed with stakeholders and project lead, permissions and consents scoped out and landowners approached | 5 |

10.6 Restore an ecosystem

You’ll score points if your project demonstrates that it restores ecosystem functions to provide these long-term and sustainable benefits:

* species composition

1. habitat quantity and quality
2. hydrological processes
3. water quality
4. erosion and sediment processes

A project can score against one of the following 4 categories:

| **Category** | **Score** |
| --- | --- |
| Significant improvements to all ecosystem functions | 12 |
| Significant improvements to 4 ecosystem functions | 9 |
| Significant improvements to 3 ecosystem functions | 6 |
| Significant improvements to 2 ecosystem functions | 3 |

10.7 Support from others

You’ll score points if your project has written support from other organisations which says:

* they’re happy for the project to go ahead

1. why they’re supporting it

A project can score against one of the following 3 categories:

| **Category** | **Score** |
| --- | --- |
| Support from formal Catchment Partnership, Nature Improvement Area Partnership, Non-Native Invasive Species Partnership, Peatland Partnership, or Local Nature Partnership | 9 |
| Support from 3 or more organisations (not listed above) | 6 |
| Support from 2 organisations (not listed above) | 3 |

10.8 Links to other improvements

Your project can complement existing investments to improve the water environment. You should describe how your project links to separate but related investment in the environment. A project can score against one of the following 3 categories:

| **Category** | **Score** |
| --- | --- |
| Funding to other investment has a ratio above 1:2 | 10 |
| Funding to other investment has a ratio from 1:0.5 to 1:2 | 6 |
| Funding to other investment has a ratio from 1:0.1 to 1:0.5 | 3 |

10.9 Show value for money

You must include accurate project costs in your application. You must show that costs are reasonable by including evidence. This should include:

* 3 like-for-like quotations for the costs for each project activity

1. comparisons of costs of similar works
2. your procurement agreement

You must show your procurement process of labour and materials:

* is open and transparent

1. demonstrates value for money
2. awards the most economical bid
3. is competitive and went out to tender
4. is within the scope of your procurement agreement

If you don’t choose the lowest quote, the team will normally only approve ***payment*** to the value of the lowest priced quote.

In limited circumstances the team may offer a grant for a higher quote. You must provide justification for why the lowest quote was not selected. The following reasons are not justified:

* location of the supplier

1. service or maintenance of equipment the contractor could provide in the future

You’ll not score points from this priority, but the team will decide if your project shows good value for money, and may offer you a grant. They’ll use the evidence you provide to make a decision. You could get a reduced grant if the team decides your project doesn’t show good value for money.

11. Before you apply

It’s important to fill in your application accurately and include supporting documents. The details you provide will form part of your grant agreement if you’re successful. If you don’t do this, the team:

* can’t score it

1. may reject it

Use the following guidance to help you prepare your application.

11.1 Consult the team

You can [*emailWEG@naturalengland.org.uk*](mailto:emailWEG@naturalengland.org.uk) if you:

* don’t know your local contact

1. need to consult with either Natural England or the Environment Agency

You’ll be put in touch with the most relevant person to discuss your application.

11.2 Register with the Rural ***Payments*** service

If you’re not registered, you must register with theRPA’s Rural ***Payments*** service to get a single business identifier (SBI) number. You must have this number to apply for a grant.

You must use the same email address to register that you plan to use to apply for a grant.

11.3 Using an agent

You can apply for a grant by yourself or you can use an agent to act on your behalf. Your agent must register with the Rural ***Payments*** service if you choose this option. Read the section: ‘Give someone else permission to act on your behalf’ to check you’re using an agent authorised to act on your behalf.

11.4 Prepare supporting information and evidence

The team may reject your application if you don’t include this information:

* financial accounts from the most recent 3 ***years*** of trading or most recent tax return for new businesses

1. 3 like-for-like quotes for each project activity, catalogue listings or reasonable evidence of project costs
2. management or a statement of income and expenses from your accountant if you’re self employed or a new business
3. written statement of your VAT status from an independent chartered accountant
4. proof you’re eligible to apply
5. written approval to apply (section 5.1: when you need written consent to apply)

The team may score you lower if you don’t provide evidence of how you meet the scheme’s priorities, such as:

* permissions you have in place, in principle agreements, or pre-application discussions

1. agreed or outline designs
2. contractor arrangements
3. other related investment in the local environment
4. wider benefits that your project will bring

You must supply copies (not originals) of all supporting information and evidence. The team can’t return these. You should write your name,SBInumber and project name on each document.

12. How to apply

The scheme closed at 5pm on 11 May 2018. The team will not consider late applications.

13. What you’ll get back

You’ll get an automated email to the email address you provided to say your submission has been received. The team will contact you or your agent by email if there’s missing information. You’ll have 10 working days from the date of the email to send missing information, or your application will be rejected. Check your email regularly to make sure you don’t miss this deadline.

14. Successful applicants

The team will assess all applications and score them in order of how well each project meets the scheme’s priorities (section 10: scheme priorities and scoring). You’ll find out if you’re successful by email. The team aims to make grant offers to successful applicants as soon as possible after the deadline date.

14.1 What to do next

If you’re successful, you’ll be sent a grant agreement to consider. You’ll get:

* a grant offer letter

1. your terms and conditions
2. a reference to the WEG handbooks and guidance, which you must follow
3. any relevant updates in relation to your application

You should read your grant agreement carefully. It sets out the terms and conditions of your grant offer and any specific conditions that apply, including:

* the start and end date of your agreement

1. the amount of your grant
2. your ***payment*** schedule
3. expected outputs
4. the evidence you must provide to justify ***payment*** claims, such as photos of work completed, timesheets, invoices or designs and reports
5. what will happen if you don’t meet the terms and conditions of your grant

You, or an authorised person, must accept or reject the offer and sign the agreement in pen and return it toNE ODwithin 30 ***calendar*** days.

If your project changes or costs increase, you could have your grant offer withdrawn or reduced.

14.2 When you may get an update letter

In some cases, the team may ask for more information to make sure they’re confident that your project meets the information you gave in your application. You’ll get 60 days to provide more information.

If the extra information you’re asked to provide is acceptable, you’ll receive a grant offer. You’ll have 30 ***calendar*** days from the date on the grant letter to sign and return it.

If the team thinks your additional information doesn’t meet the scheme criteria, they can reject your application.

15. Appeal against a decision

The team may reject your application if it doesn’t meet the scheme’s criteria or rank highly enough against other applications. You’ll be told in writing if you’re unsuccessful.

You have the right to appeal. You must send your appeal in writing within 60 days of the decision letter. You should write to theWEGteam [*weg@naturalengland.org.uk*](mailto:weg@naturalengland.org.uk) saying why you disagree with their decision. You must only use the following reasons:

* the decision was based on an error of fact

1. the decision was wrong in law
2. the delivery body made a procedural error

The team will make sure your case is properly investigated and follows the 4-stage appeals process. You can appeal against decisions taken at each of the stages to progress to the next stage.

15.1 First stage appeal

The team will check if:

* information is correct

1. guidance has been followed
2. no calculation errors have been made

First stage appeals will be dealt with within 20 working days of receipt.

15.2 Second stage appeal

Where Natural England has made a decision, a Team Leader fromNEwill examine the case and look in detail at the decision and howWEGrules have been applied.

Where the Environment Agency has made a decision, a Team Leader from theEAwill examine the case and look in detail at the decision and howWEGrules have been applied.

15.3 Third stage appeal

Natural England or the Environment Agency will appoint a Senior Manager who has had no previous contact with the case to make an objective review of theNEorEAdecision and howWEGrules have been applied.

15.4 Final stage appeal

The team will convene a hearing in front of an Independent ***Agricultural*** Appeals Panel, a panel of 3 independent ***agricultural*** professionals selected from the Public Appointments Register, and you have the opportunity to appear before the Panel. The Panel’s recommendation is passed to the appropriate Defra Minister, who’ll make the final decision.

16. Complaints about service

You can make a complaint if you’re unhappy with the level of service or the way you’ve been treated. You should use the appropriate organisation’s complaints procedure:

* Environment Agency

1. Natural England
2. Rural ***Payments*** Agency

17. EU publicity rules

For all projects with grant funding, you must use the EU logo on:

* websites and other electronic communication, such as project blogs

1. printed publications and leaflets
2. materials for events, seminars and workshops
3. media and public relations communication

For projects that get more than €50,000 (Euros) (or pound sterling (£) equivalent), you must put up an A3 poster or plaque at the project site.

For projects that get more than €500,000 (or £ equivalent), you must put up a permanent sign at the project site.

Information on posters, plaques or permanent signs must take up at least 25% of its area and must show:

* the name of the project

1. funding is from the European ***Agricultural*** Fund for Rural Development (EAFRD)
2. a short description of the activity supported by the project
3. the EU funding logo

18. How we use your information

Your information is stored and processed in accordance with the Data Protection Act 1998. This Act gives individuals the right to know what data the team holds, how the team uses it, with whom the team shares it, and how the team ensures that it is accurate.

The team will use the data for administering and assessing applications, agreements and claims underWEG. The team will circulate and discuss it, in confidence, with those persons or organisations that help us to assess and monitor applications, agreements and claims. Some information will be shared with other grant distribution bodies and government departments, to enable them to detect fraudulent applications, agreements and claims and to coordinate the processing of complementary applications, agreements and claims. To do this, the team may have to discuss applications, agreements and claims with third parties or disclose information about funding decisions.

The team is required to make certain information aboutWEGapplications, agreements and claims publicly available to meet requirements set out in the European Regulations governing ***payment*** of these grants. The team will do this by publishing information proactively or on request.

Details disclosed may include, but are not limited to:

* project name

1. applicant name
2. postal town or parish
3. the first part of the postcode
4. the ***payments*** received

The team is also subject to transparency obligations under the Freedom of Information

Act 2000 and Environmental Information Regulations 2004. Participation inWEGinvolves expenditure of public money and is therefore a matter of public interest. The team will respect personal privacy while complying with access to information requests to the extent necessary to enable the team to comply with its statutory obligations under this legislation. Information disclosed under these obligations includes:

* grid references or location of project activities

1. the total area under agreement
2. details of inspections by Defra or its agents

19. Source of

WEG

funding

WEGfunding consists of funds made available from the Rural Development ***Programme*** for England (RDPE), which is governed by Regulations 1303/2013, 1305/2013, and 1306/2013, and the delegated and implementing acts made under them (including Regulations 807/2014, 808/2014, 809/2014 and 640/2014) and Regulation 2014/3263.

TheRDPEcontribution is made under Sub-Measure 7.6 of 2014-20 Rural Development ***Programme*** for England, providing “support for maintenance, restoration and upgrading of the cultural and natural heritage”. Accordingly the activity needs to fulfil the requirements of the 2014-20RDPE, including section 8.2.6.3.4 and 8.2.11.3.5 of the ***Programme*** Document and the Regulations set out in the paragraph above.

**Load-Date:** May 17, 2018

**End of Document**



[***Unanimously Adopting Resolution 2444 (2018), Security Council Lifts Sanctions on Eritrea, Renews Arms Embargo against Somalia***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TRN-8HB1-JDG9-Y0W5-00000-00&context=1516831)

Impact News Service

November 15, 2018 Thursday

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**Length:** 6780 words

**Body**

New York: United Nations has issued the following press release:

Hailing the recent and historic rapprochements in the Horn of Africa, the Security Council today decided to lift the arms embargo, travel ban, assets freeze and targeted sanctions previously imposed on Eritrea, while simultaneously renewing its sanctions imposed against neighbouring Somalia.

Unanimously adopting resolution 2444 (2018) under Chapter VII of the Charter of the United Nations, the 15‑member Council terminated those measures imposed on Eritrea by its resolutions 1907 (2009), 2023 (2011), 2060 (2012) and 2111 (2013).  It further decided to terminate the mandate of its Somalia and Eritrea Monitoring Group — effective 16 December — and to replace it with a Panel of Experts on Somalia tasked with overseeing the remaining sanctions on that country.

By the terms of the text, the Council welcomed a recent meeting between a representative of the Government of Eritrea and the Chair of the Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea, as well a meeting between a representative of the Government of Eritrea and the Coordinator of the Somalia and Eritrea Monitoring Group.

It also welcomed a September meeting between the Presidents of Djibouti and Eritrea; underlined the importance of continuing efforts towards the normalization of relations between the countries; and urged them to continue efforts to settle their border dispute peacefully in line with international law through conciliation, arbitration, judicial settlement or other pacific means laid out in Article 33 of the United Nations Charter.

Recalling that over the course of its current and four previous mandates the Monitoring Group had not found conclusive evidence that Eritrea supports the Al‑Shabaab terrorist group, the Council also expressed its satisfaction that funds derived from Eritrea’s mining sector are not contributing to violations of resolutions 1844 (2008), 1862 (2009), 1907 (2009) or 2023 (2011).  In that regard, it decided that, from today’s date forward, States are no longer required to undertake the measures set out in paragraph 13 of resolution 2023 (2011) related to firms in their territory or jurisdiction that are active in Eritrea’s mining sector.

With regards to Somalia, the Council — renewing the arms embargo imposed by paragraph 5 of resolution 733 (1992), further elaborated upon in paragraphs 1 and 2 of resolution 1425 (2002) and modified in various subsequent resolutions —decided to renew the provisions set out in paragraph 2 of resolution 2142 (2014) until 15 November 2019.  Those provided sanction exemptions for deliveries of weapons, ammunition or military equipment or the provision of advice, assistance or training intended solely for the development of the Security Forces of the Federal Government of Somalia to provide security for the Somali people.

The Council also decided that the newly established Panel of Experts on Somalia will continue the investigations started by the Somalia and Eritrea Monitoring Group related to the export to Somalia of various chemicals that may be used as oxidisers in the manufacture of improvised explosive devices.  Condemning Al‑Shabaab’s increased revenue from natural resources and expressing concern about the group’s involvement in the illicit charcoal trade, it requested the Federal Government of Somalia to cooperate with the Panel of Experts to facilitate interviews of suspected members of Al‑Shabaab and Islamic State in Iraq and the Levant (ISIL/Da’esh) held in Government custody in order to assist the Panel with its investigations.

Expressing concern about continued reports of corruption and the diversion of public resources in Somalia, the Council also underlined that individuals engaged in acts that threaten the country’s peace and reconciliation process may be listed for targeted measures.  It further reaffirmed its decision regarding the ban on the import and export of Somali charcoal — as set out in paragraph 22 of resolution 2036 (2012) — and urged Member States to continue their efforts to ensure its full implementation while reiterating that individuals and entities in violation may also be listed for targeted measures.

By other terms, the Council decided that until 15 November 2019 and without prejudice to humanitarian assistance ***programmes*** conducted elsewhere, the measures imposed by paragraph 3 of resolution 1844 (2008) — namely, an assets freeze — will not apply to the ***payment*** of funds, other financial assets or economic resources necessary to ensure the timely delivery of urgently needed humanitarian assistance in Somalia.  It also decided to expand the targeted sanctions on Somalia to include the planning, directing or commission of acts involving sexual and gender‑based violence.

Following the adoption, Council members took the floor to hail a “new era of peaceful cooperation” in the Horn of Africa.  Some speakers, welcoming the rapprochement between Eritrea and Djibouti, expressed hope that while the world remains a chaotic place, some “winds of hope are blowing”.  Several delegates emphasized that the lifting of sanctions does not relieve the Security Council from its responsibility to closely monitor the situation, citing remaining security challenges, a not‑yet‑resolved border dispute between Eritrea and Djibouti and the overall fragility of the peace between those two countries.  Others underlined the importance of maintaining pressure on any spoilers in Somalia — including through the newly reconstituted Panel of Experts — and strongly condemned deadly the Al‑Shabaab bomb attacks that killed more than 50 civilians in Mogadishu last week.

Karen Pierce (United Kingdom), whose delegation sponsored today’s resolution, said the text recognizes recent positive developments in the Horn of Africa while committing the Council to support the ongoing normalization of relations between the subregion’s nations.  Among other things, she stressed that the text sends an important message that if the right progress is made sanctions can be lifted by the Council in good time.

Taye Atske Selassie Amde (Ethiopia), welcoming the adoption of the balanced and properly negotiated text, said his subregion’s trajectory has changed dramatically in recent ***years***.  Citing major historic developments, including the recent rapprochement between Eritrea and Djibouti, he stressed that the easing of tensions is “changing the landscape of the Horn of Africa and beyond”.  It is critical for the Security Council to take such important decisions when countries are turning a new page, he said, adding that its decision today will help countries usher in a new era of friendship.

Vassily A. Nebenzia (Russian Federation), joining others in welcoming the resolution’s adoption, underscored that his delegation has long favoured the lifting of outdated sanctions imposed against Eritrea.  He also voiced concern about the decision to add the crimes of sexual and gender‑based violence to the listing criteria for targeted sanctions against individuals and entities in Somalia, warning that it will result in reducing those measures’ effectiveness.  “This particular issue is not our remit,” he stressed, noting that the Human Rights Council and the Commission on the Status of Women, among others, are the proper forums to address such matters.

“The long overdue call for justice is finally answered,” said Amanuel Giorgio (Eritrea), emphasizing that the lifting of sanctions marks an end to a difficult period for his country and the region.  Voicing regret over sanctions’ harmful consequences across the entire Horn of Africa, he commended his people for enduring that hardship, adding that they will now work to build a peaceful, prosperous and confident country.  Thanking Ethiopia and Somalia for their courageous position in calling for the immediate lifting of sanctions, he also welcomed the Council’s support for efforts to usher in a new era.  “The region now needs understanding and the policy space to chart its own future, based on shared history, culture and interest of the people of the region,” he said.

Mohamed Siad Doualeh (Djibouti), welcoming the lifting of sanctions on Eritrea, as well as the Council’s concern over his country’s security, expressed support for calls to accelerate the regional roadmap and extend the mandate of the African Union Mission in Somalia (AMISOM).  However, Al‑Shabab remains a danger that must be faced and all unresolved differences on boundaries and other issues must not be allowed to linger.  His Government remains committed to deepening dialogue with Eritrea for those purposes and to ensure the release of 13 remaining prisoners of war.  Among other things, he urged Council members to ensure that the current momentum be maintained in order to transform the region for the better.

Abukar Dahir Osman (Somalia) congratulated Eritrea for withstanding the hardship of decades of sanctions and hailed the normalization of relations in the subregion.  Reiterating his request that sanctions against his own country be lifted, he said those flawed and outdated measures violate Somalia’s sovereignty and prevent it from building an effective national army.  Al‑Shabaab continues to strike within Somalia and while nations around the globe offer their condolences, they fail to recognize that their sanctions do not effectively target that dangerous terrorist group.  Al‑Shabaab continues to receive weapons and support from abroad and the impact of the war in Yemen — just across the Gulf of Aden — is particular acute, as Somalia remains unable to properly protect its coastline.  “What is the purpose of the sanctions if violations by Member States are not addressed by the Council?” he asked.

Also speaking were representatives of Sweden, Kazakhstan, United States, France, Poland, Netherlands, Equatorial Guinea, Bolivia, Peru, Kuwait and China.

The meeting began at 10:05 a.m and ended at 11:10 a.m

Resolution

The full text of resolution 2444 (2018) reads as follows:

“The Security Council,

“Recalling all its previous resolutions and statements of its President on the situation in Somalia and Eritrea, in particular resolutions 733 (1992), 1844 (2008), 1907 (2009), 2023 (2011), 2036 (2012), 2093 (2013), 2111 (2013), 2124 (2013), 2125 (2013), 2142 (2014), 2182 (2014), 2244 (2015), 2317 (2016) and 2385 (2017),

“Taking note of the final reports of the Somalia and Eritrea Monitoring Group (the SEMG) on Somalia (S/2018/1002) and Eritrea (S/2018/1003) and their conclusions on the situations in Somalia and Eritrea,

“Reaffirming its respect for the sovereignty, territorial integrity, political independence and unity of Somalia, Djibouti and Eritrea, and underscoring the importance of working to prevent destabilising effects of regional crises and disputes from spilling over into Somalia,

“Condemning Al‑Shabaab attacks in Somalia and beyond, expressing concern that Al‑Shabaab continues to pose a serious threat to the peace and stability of Somalia and the region, and further expressing concern at the presence of affiliates linked to Islamic State in Iraq and the Levant (ISIL, also known as Da’esh) and the security implications of the situation in Yemen for Somalia,

“Reaffirming the need to combat by all means, in accordance with the Charter of the United Nations and international law, including applicable international human rights law, international refugee law, and international humanitarian law, threats to international peace and security caused by terrorist acts,

“Underlining its support for the efforts of the Somali authorities to deliver stability and security in Somalia and to reduce the threats to peace and security posed by Al-Shabaab and affiliates linked to ISIL (also known as Da’esh),

“Condemning any flows of weapons and ammunition supplies to and through Somalia in violation of the arms embargo on Somalia, including when they result in supplies to Al-Shabaab and affiliates linked to ISIL (also known as Da’esh) and when they undermine the sovereignty and territorial integrity of Somalia, as a serious threat to peace and stability in the region, and expressing concern at reports of increased illegal flows of weapons and ammunition supplies from Yemen to Somalia,

“Welcoming the cooperation between the Federal Government of Somalia (FGS), the Federal Member States (FMSs), and the SEMG, and underlining the importance of these relationships improving further and strengthening in the future,

“Welcoming the development of a conditions-based transition plan with clear target dates for the progressive ***transfer*** of security responsibilities from the African Union Mission in Somalia (AMISOM) to the Somali security institutions and forces, calling for its swift and coordinated implementation with full participation from all stakeholders, and recalling the critical importance of accelerating the implementation of the National Security Architecture agreement between the FGS and the FMSs, including decisions to define the composition and roles of Somalia’s security forces and to integrate and provide federal support to regional forces, in order to provide the foundation for a successful transition to Somali‑led security,

“Taking note of the efforts of the FGS to improve its notifications to the Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea (“the Committee”), urging further progress in this regard, and recalling that improved arms and ammunition management in Somalia is a fundamental component of greater peace and stability for the region,

“Commending the efforts of the FGS to restore key economic and financial institutions, increase domestic revenue and implement financial governance and structural reforms, welcoming the continued progress on building a track record of reforms under the International Monetary Fund Staff‑Monitored ***Programme***, together with progress on the anti-corruption bill, and highlighting the importance of continual progress in these areas,

“Welcoming the FGS’s efforts to implement the Anti-Money Laundering and Countering the Financing of Terrorism Act (2015) and the National Communications Act (2017), underlining the importance of compliance with the counter‑terrorism and national security provisions in this legislation, and further welcoming the establishment of a Financial Reporting Centre to serve as Somalia’s financial intelligence unit,

“Underlining the importance of financial propriety in contributing to stability and prosperity, welcoming the efforts of the FGS to address corruption, and stressing the need for a zero‑tolerance approach to corruption to promote transparency and increase mutual accountability in Somalia,

“Expressing serious concern at reports of illegal, unreported and unregulated fishing in waters where Somalia has jurisdiction, underlining the importance of refraining from illegal, unreported and unregulated fishing, welcoming further reporting on the matter, and encouraging the FGS, with the support of the international community, to ensure that fishing licenses are issued in a responsible manner and in line with the appropriate Somali legal framework,

“Expressing serious concern at the ongoing difficulties in delivering humanitarian aid in Somalia, and condemning in the strongest terms any party obstructing the safe delivery of humanitarian assistance, any misappropriation or diversion of any humanitarian funds or supplies, and acts of violence against and harassment of humanitarian workers,

“Recalling that the FGS has the primary responsibility to protect its population, and recognising the FGS’s responsibility, working with the FMSs, to build the capacity of its own national security forces, as a matter of priority,

“Welcoming the FGS’s efforts to address sexual- and gender‑based violence, encouraging strengthened reporting mechanisms to facilitate prosecutions, and further encouraging the FGS to continue to implement its National Action Plan on Ending Sexual Violence in Conflict through training, accountability, victim support and oversight of the security sector,

“Commending efforts towards peace, stability and reconciliation in the region, including the signing of the Joint Declaration of Peace and Friendship between Eritrea and Ethiopia on 9 July 2018, the signing of the Joint Declaration on Comprehensive Cooperation between Ethiopia, Somalia and Eritrea on 5 September 2018, and the signing of the Agreement on Peace, Friendship and Comprehensive Cooperation between Eritrea and Ethiopia on 16 September 2018,

“Taking note of the decision of the Secretary‑General to appoint a new Special Envoy for the Horn of Africa who will, inter alia, work with the Intergovernmental Authority on Development (IGAD) and other relevant subregional and regional organisations in consolidating recent gains in peace and security in the region, and carry out good offices on behalf of the Secretary‑General,

“Regretting that the SEMG has not been able to visit Eritrea since 2011 and fully discharge its mandate, and welcoming the meeting on 5 October 2018 between the representative of the Government of Eritrea and the Coordinator of the SEMG,

“Welcoming that in recent months several armed groups in the region have declared that they will cease hostilities and engage peacefully in efforts to pursue reconciliation in the region,

“Expressing concern at ongoing reports of Djiboutian combatants missing in action since the clashes in 2008, calling on Eritrea and Djibouti to continue to engage in resolving the issues of combatants, and urging Eritrea to share any further available detailed information pertaining to the combatants,

“Taking note of increased engagement between Eritrea and Djibouti, strongly encouraging further efforts towards normalisation of relations and good neighbourhood between Djibouti and Eritrea, including cooperation in accordance with international law to resolve any disputes regarding their shared border, and reaffirming its readiness to continue to assist the parties in the peaceful settlement of any prolonged disputes,

“Determining that the situation in Somalia continues to constitute a threat to international peace and security in the region,

“Acting under Chapter VII of the Charter of the United Nations,

Lifting of arms embargoes, travel bans, asset freezes and targeted sanctions on Eritrea

“1.   Recalls paragraphs 16 and 17 of resolution 1907 (2009) and recognises that during the course of its current and four previous mandates the SEMG has not found conclusive evidence that Eritrea supports Al-Shabaab;

“2.   Welcomes the meeting on 25 September 2018 between the representative of the Government of Eritrea and the Chair of the Committee, and further welcomes the meeting on 5 October 2018 between the representative of the Government of Eritrea and the Coordinator of the SEMG, with the participation of the Chair of the Committee;

“3.   Welcomes the meeting between the President of Djibouti and the President of Eritrea in Jeddah on 17 September 2018, underlines the importance of continuing efforts towards the normalisation of relations between Eritrea and Djibouti for regional peace, stability and reconciliation, and encourages Member States, international, regional and subregional organisations and other parties to continue to support these efforts including through their good offices;

“4.   Decides to lift from the date of adoption of this resolution the arms embargoes, travel bans, asset freezes and targeted sanctions imposed on Eritrea by the Security Council in its resolutions 1907 (2009), 2023 (2011), 2060 (2012) and 2111 (2013);

“5.   Expresses its satisfaction that funds derived from the mining sector of Eritrea are not contributing to violations of resolutions 1844 (2008), 1862 (2009), 1907 (2009) or 2023 (2011), and decides that from the date of adoption of this resolution, States are no longer required to undertake the measures set out in paragraph 13 of resolution 2023 (2011);

“6.   Urges Eritrea and Djibouti to engage on the issue of the Djiboutian combatants missing in action including through the mediation of any relevant party of their own choosing, and further urges Eritrea to make available any further detailed information;

“7.   Urges the two parties to continue efforts to settle their border dispute peacefully in a manner consistent with international law by conciliation, arbitration or judicial settlement, or by any other means of pacific dispute settlement identified in Article 33 of the Charter upon which they agree;

“8.   Affirms that it will continue to follow developments towards the normalisation of relations between Eritrea and Djibouti and will support the two countries in the resolution of these matters in good faith;

Committee

“9.   Decides that the mandate of the Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea, hereafter to be known as the Committee pursuant to resolution 751 (1992) concerning Somalia (“the Committee”), shall include the tasks as set out in paragraph 11 of resolution 751 (1992), paragraph 11 of resolution 1844 (2008), and paragraph 23 of resolution 2036 (2012), and requests that the Committee amends its guidelines, its implementation assistance notices and its website accordingly;

Somalia and Eritrea Monitoring Group

“10.  Decides to terminate the mandate of the Somalia and Eritrea Monitoring Group (SEMG), with effect from 16 December 2018;

Panel of Experts on Somalia

“11.  Decides to establish, with effect from the date of adoption of this resolution, until 15 December 2019, the Panel of Experts on Somalia, further decides that the mandate of the Panel of Experts shall include the tasks as set out in paragraph 13 of resolution 2060 (2012) and updated in paragraph 41 of resolution 2093 (2013), paragraph 15 of resolution 2182 (2014), paragraph 23 of resolution 2036 (2012) and paragraph 29 of this resolution as they relate to Somalia, and expresses its intention to review the mandate and take appropriate action regarding any extensions of the mandate of the Panel of Experts no later than 15 November 2019;

“12.  Requests the Secretary‑General to take the necessary administrative measures as expeditiously as possible to establish the Panel of Experts, consisting of six members and to be based in Nairobi, in consultation with the Committee, until 15 December 2019, drawing, as appropriate, on the expertise of the members of the SEMG established pursuant to previous resolutions, and further requests the Panel of Experts to include the necessary gender expertise, in line with paragraph 6 of resolution 2242 (2015);

Somalia Arms embargo

“13.  Reaffirms the arms embargo on Somalia, imposed by paragraph 5 of resolution 733 (1992) and further elaborated upon in paragraphs 1 and 2 of resolution 1425 (2002) and modified by paragraphs 33 to 38 of resolution 2093 (2013) and paragraphs 4 to 17 of resolution 2111 (2013), paragraph 14 of resolution 2125 (2013), paragraph 2 of resolution 2142 (2014), paragraph 2 of resolution 2244 (2015), paragraph 2 of resolution 2317 (2016) and paragraph 2 of resolution 2385 (2017) (hereafter referred to as “the arms embargo on Somalia”);

“14.  Decides to renew the provisions set out in paragraph 2 of resolution 2142 (2014) until 15 November 2019, and in that context reiterates that the arms embargo on Somalia shall not apply to deliveries of weapons, ammunition or military equipment or the provision of advice, assistance or training, intended solely for the development of the Somali National Security Forces, to provide security for the Somali people, except in relation to deliveries of the items set out in the annex of resolution 2111 (2013);

“15.  Reaffirms its decision that the entry into Somali ports for temporary visits of vessels carrying arms and related materiel for defensive purposes does not amount to a delivery of such items in violation of the arms embargo on Somalia, provided that such items remain at all times aboard such vessels;

“16.  Reiterates its decision that weapons or military equipment sold or supplied solely for the development of the Somali National Security Forces may not be resold to, ***transferred*** to, or made available for use by, any individual or entity not in the service of the Somali National Security Forces, and underlines the responsibility of the FGS and the FMSs to ensure the safe and effective management, storage and security of their stockpiles;

“17.  Welcomes in this regard the improvements made by the FGS in weapons registration, recording and marking procedures and encourages further improvements, expresses concern at reports of continued weapons diversion from within the FGS and FMSs, notes that further improved weapons and ammunition management is vital in order to prevent the diversion of weapons and ammunition, and reiterates that the Security Council is committed to monitoring and assessing improvements in order to review the arms embargo when all conditions as set out in Security Council resolutions are met;

“18.  Calls upon the FGS to facilitate access for the Panel of Experts, on the basis of written requests to the FGS by the Panel of Experts submitted at least ten days in advance, to all FGS armouries in Mogadishu, all FGS imported weapons and ammunition prior to distribution, all FGS military storage facilitates in Somalia National Army (SNA) sectors and all captured weaponry in FGS custody, and to allow photographs of weapons and ammunition in FGS custody and access to all FGS logbooks and distribution records, in order to enable the Security Council to monitor and assess progress in this area;

“19.  Welcomes the ongoing efforts of the FGS to develop detailed Standard Operating Procedures for weapons and ammunition management including an issue and receipt system to track all weapons post distribution, further welcomes the development of a mechanism to distribute weapons and ammunition to regional forces, consistent with the requirements of this resolution including paragraph 16, encourages that such a mechanism be expanded to include other military equipment and supplies, consistent with the requirements of this resolution including paragraph 16, and urges the FGS to finalise and implement these procedures as soon as possible;

“20.  Welcomes the establishment of the Joint Verification Team (JVT) and urges Member States to support improved weapons and ammunition management to improve the capacity of the FGS to manage weapons and ammunition;

“21.  Takes notes of FGS reporting to the Security Council pursuant to paragraph 9 of resolution 2182 (2014) and as requested in paragraph 7 of resolution 2244 (2015), calls on the FGS and FMSs to accelerate the implementation of the National Security Architecture agreement, the Security Pact, and the transition plan in order to provide Somali‑led security and protection to the people of Somalia, and requests the FGS to report to the Security Council in accordance with paragraph 9 of resolution 2182 (2014) and as requested in paragraph 7 of resolution 2244 (2015), by 15 March 2019 and then by 15 September 2019, on the structure, composition, strength and disposition of its Security Forces, including the status of regional and militia forces, and to include as annexes the reports of the JVT requested in paragraph 7 of resolution 2182 (2014);

“22.  Recalls that the FGS has the primary responsibility to notify the Committee of any deliveries of weapons, ammunition or military equipment or the provision of advice, assistance or training to its Security Forces, pursuant to paragraphs 3 to 8 of resolution 2142 (2014), and calls upon the FGS to improve its notifications to the Committee;

“23.  Calls upon the FGS to continue to improve the timeliness and content of notifications regarding the completion of deliveries, as set out in paragraph 6 of resolution 2142 (2014);

“24.  Requests the FGS to incorporate the notifications regarding the destination unit in the Somali National Security Forces upon distribution of imported arms and ammunition, detailed in paragraph 7 of resolution 2142 (2014), into the regular FGS reporting to the Security Council requested in paragraph 20;

“25.  Stresses Member States’ obligations pursuant to the notification procedures set out in paragraph 11 (a) of resolution 2111 (2013), urges Member States to strictly follow the notification procedures for providing assistance to develop Somali security sector institutions, and encourages Member States to consider Implementation Assistance Notice No.2 of the Committee as a guide;

“26.  Recalls paragraph 2 of resolution 2142 (2014) and notes that support for the development of the Somali National Security Forces may include, inter alia, building infrastructure and provision of salaries and stipends solely provided to the Somali National Security Forces;

“27.  Urges increased cooperation by the FGS, FMSs and AMISOM, as set out in paragraph 6 of resolution 2182 (2014), to document and register all military equipment captured as part of offensive operations or in the course of carrying out their mandates;

“28.  Calls upon the FGS and FMSs to enhance civilian oversight of their security forces, to continue to adopt and implement appropriate vetting procedures of all defence and security personnel, including human rights vetting, and to investigate and as appropriate prosecute individuals responsible for violations of international law, including international humanitarian law and human rights law, and in this context recalls the importance of the Secretary‑General’s Human Rights and Due Diligence Policy in relation to the support provided by the United Nations to Somali security forces;

“29.  Decides that the Panel of Experts will continue the investigations started by the SEMG related to the export to Somalia of chemicals that may be used as oxidisers in the manufacture of improvised explosive devices, such as the precursors ammonium nitrate, potassium chlorate, potassium nitrate and sodium chlorate with a view to considering further action, and calls on Members States and the FGS to cooperate with the Panel of Experts in this regard;

“30.  Underlines the importance of timely and predictable ***payment*** of salaries to the Somali security forces and calls on the FGS to continue to implement systems to improve the timeliness and accountability of ***payments*** and supply of provisions to the Somali security forces, and welcomes the progress made to date on biometric registration;

“31.  Recalls the need to build the capacities of the Somali National Security Forces, in particular the provision of equipment, training and mentoring, in order to develop credible, professional and representative security forces to enable the gradual handing over of security responsibilities from AMISOM to the Somali security forces in line with the transition plan, and encourages further donor support and coordination as set out in the Security Pact;

“32.  Requests the Secretary‑General to conduct a technical assessment regarding the arms embargo, with options and recommendations for improving implementation, by 15 May 2019;

Threats to peace and security in Somalia

“33.  Condemns Al-Shabaab’s increased revenue from natural resources including the taxing of the illicit sugar trade, ***agricultural*** production and livestock, further expresses concern at the group’s involvement in the illicit charcoal trade, and welcomes the Panel of Experts’ reporting on these issues;

“34.  Requests the FGS to cooperate with the Panel of Experts to facilitate interviews of suspected members of Al‑Shabaab and ISIL (also known as D’aesh) held in FGS custody, in order to assist the Panel of Experts with its investigations;

“35.  Welcomes the efforts that the FGS has made to improve its financial management procedures including the successful completion of two International Monetary Fund (IMF) Staff-Monitoring ***programmes*** and the commitments to further reform made under the third Staff-Monitored ***programme***, encourages the FGS and FMSs to maintain the pace of reform to increase transparency, accountability, comprehensiveness and predictability in revenue collection and budget allocations, and expresses concern at the generation and distribution of counterfeit Somali currency;

“36.  Expresses concern at the continued reports of corruption and diversion of public resources, including reports of alleged financial impropriety involving members of the FGS, FMSs, Federal Parliament and Somali opposition groups which pose a risk to state-building efforts, and in this context strongly welcomes the steps taken by the FGS to address cases of corruption and to develop anti‑corruption legislation;

“37.  Underlines that individuals engaged in acts that threaten the peace and reconciliation process in Somalia may be listed for targeted measures;

“38.  Recognises that addressing outstanding constitutional issues around power and resource sharing between the FGS and FMSs is crucial for Somalia’s stability, calls upon the FGS and the FMSs to work constructively together to address these issues in an inclusive manner, and encourages the FGS and FMSs to implement the outstanding elements of the National Security Architecture agreement, including decisions around the make‑up, distribution and command and control of the security forces and resource‑sharing;

“39.  Reaffirms Somalia’s sovereignty over its natural resources;

“40.  Reiterates its serious concern that the petroleum sector in Somalia could be a driver for increased conflict, welcomes the political agreement on petroleum and mineral resource-sharing reached by the FGS and the FMSs in June 2018, and underlines the vital importance of the FGS and FMSs putting in place, without undue delay, resource-sharing arrangements and credible legal frameworks to ensure that the petroleum sector in Somalia does not become a source of increased tension;

Somalia Charcoal ban

“41.  Reaffirms its decision regarding the ban on the import and export of Somali charcoal, as set out in paragraph 22 of resolution 2036 (2012) (“the charcoal ban”), welcomes efforts of Member States to prevent the import of charcoal of Somali origin, reiterates that the FGS and FMSs shall take the necessary measures to prevent the export of charcoal from Somalia, urges Member States to continue their efforts to ensure full implementation of the ban, and further reiterates that individuals and entities engaged in acts which violate the charcoal ban may be listed for targeted measures;

“42.  Reiterates its requests in paragraph 18 of resolution 2111 (2013) and paragraph 16 of resolution 2431 (2018) that AMISOM support and assist the FGS and FMSs in implementing the total ban on the export of charcoal from Somalia, and calls upon AMISOM to facilitate regular access for the Panel of Experts to charcoal exporting ports;

“43.  Welcomes the efforts of the Combined Maritime Forces (CMF) to disrupt the export and import of charcoal to and from Somalia, and further welcomes the cooperation between the Panel of Experts and CMF in keeping the Committee informed on the charcoal trade;

“44.  Expresses concern that the charcoal trade provides significant funding for Al‑Shabaab, and in that context reiterates paragraphs 11 to 21 of resolution 2182 (2014), and further decides to renew the provisions set out in paragraph 15 of resolution 2182 (2014) until 15 November 2019;

“45.  Condemns the ongoing export of charcoal from Somalia, in violation of the total ban on the export of charcoal, calls on Member States to share information with the Panel of Experts, requests the Panel of Experts to continue to focus on this in their next report and propose further measures, taking account of human rights concerns, and expresses its intention to consider further measures if violations continue;

“46.  Encourages the United Nations Office on Drugs and Crime to continue its work with the FGS, within its current mandate, under the Indian Ocean Forum on Maritime Crime to bring together relevant Member States and international organisations to develop strategies to disrupt the trade in Somali charcoal;

Humanitarian access in Somalia

“47.  Expresses grave concern at the ongoing humanitarian situation in Somalia and its impact on the people of Somalia, commends the efforts of the United Nations humanitarian agencies and other humanitarian actors to deliver life-saving assistance to vulnerable populations, condemns in the strongest terms attacks against humanitarian actors and any misuse of donor assistance and the obstruction of the delivery of humanitarian aid, reiterates its demand that all parties allow and facilitate full, safe and unhindered access for the timely delivery of aid to persons in need across Somalia, and encourages the FGS to improve the regulatory environment for aid donors;

“48.  Decides that until 15 November 2019 and without prejudice to humanitarian assistance ***programmes*** conducted elsewhere, the measures imposed by paragraph 3 of resolution 1844 (2008) shall not apply to the ***payment*** of funds, other financial assets or economic resources necessary to ensure the timely delivery of urgently needed humanitarian assistance in Somalia, by the United Nations, its specialised agencies or ***programmes***, humanitarian organisations having observer status with the United Nations General Assembly that provide humanitarian assistance, and their implementing partners including bilaterally or multilaterally funded non-governmental organisations participating in the United Nations Humanitarian Response Plan for Somalia;

“49.  Requests the Emergency Relief Coordinator to report to the Security Council by 15 October 2019 on the delivery of humanitarian assistance in Somalia and on any impediments to the delivery of humanitarian assistance in Somalia, and requests relevant United Nations agencies and humanitarian organisations having observer status with the United Nations General Assembly and their implementing partners that provide humanitarian assistance in Somalia to increase their cooperation and willingness to share information with the United Nations;

Targeted sanctions in Somalia

“50.  Recalls its decisions in resolution 1844 (2008) which imposed targeted sanctions and resolutions 2002 (2011) and 2093 (2013) which expanded the listing criteria, notes one of the listing criteria under resolution 1844 (2008) is engaging in or providing support for acts that threaten the peace, security or stability of Somalia, and decides that such acts may also include but are not limited to planning, directing or committing acts involving sexual and gender‑based violence;

“51.  Reiterates its willingness to adopt targeted measures against individuals and entities on the basis of the above-mentioned criteria;

“52.  Recalls paragraph 2 (c) of resolution 2060 (2012) and emphasises that certain misappropriation of financial resources is a criterion for designation and applies to misappropriation at all levels;

“53.  Reiterates its request for Member States to assist the Panel of Experts in its investigations, and further requests the FGS, FMSs and AMISOM to share information with the Panel of Experts regarding Al‑Shabaab activities;

Reporting

“54.  Requests the Panel of Experts to provide monthly updates to the Committee pursuant to resolution 751 (1992), and a comprehensive midterm update, as well as to submit, for the Security Council’s consideration, through the Committee, a final report by 15 October 2019;

“55.  Requests the Committee, in accordance with its mandate and in consultation with the Panel of Experts and other relevant United Nations entities, to consider the recommendations contained in the reports of the Panel of Experts and recommend to the Security Council ways to improve the implementation of and compliance with the Somalia arms embargo, the measures regarding the import and export of charcoal from Somalia, as well as implementation of the measures imposed by paragraphs 1, 3 and 7 of resolutions 1844 (2008) in response to continuing violations;

“56.  Requests the Committee to consider, where and when appropriate, visits to selected countries by the Chair and/or Committee members to enhance the full and effective implementation of the measures above, with a view to encouraging States to comply fully with this resolution;

“57.  Requests the Secretary‑General to keep the Security Council informed of developments towards the normalisation of relations between Eritrea and Djibouti and to report to the Security Council no later than 15 February 2019 and every six months thereafter, and expresses its intention to keep this request under review in light of developments;

**Load-Date:** November 16, 2018

**End of Document**



[***M and A Navigator: Deal pipeline ""25 June***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SN3-M2T1-F0K1-N1K9-00000-00&context=1516831)

FinancialWire

June 25, 2018 Monday

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**Length:** 3705 words

**Body**

The following is a list of deals covered in detail by M and A Navigator this week:

-PAYPAL TO ACQUIRE SIMILITY TO EXPAND MERCHANTS FRAUD PREVENTION, RISK MANAGEMENT OFFERING

US-based digital ***payments*** company PayPal Holdings, Inc. (NASDAQ: PYPL) has agreed to acquire fraud prevention and risk management platform Simility for a purchase price of USD 120m in cash, the company said.

PayPal said the acquisition of Simility will enhance its ability to deliver fraud prevention and risk management solutions to merchants globally. Following the close of the transaction, merchants on the PayPal platform will gain access to best-in-class fraud tools that can be customized to reflect the nuances of their businesses through their existing account management dashboard.

Status: Agreed

-CVB FINANCIAL, COMMUNITY BANK WIN SHAREHOLDER NODS FOR USD 878M MERGER

Shareholders of California, US-based bank holding company CVB Financial Corp. (NASDAQ: CVBF) and California-based Community Bank (OTC: CYHT) have approved the companies' plan of reorganisation and merger agreement under which Community will merge with and into Citizens in a stock and cash transaction valued at approximately USD 878.3m, the companies said.

Subject to the receipt of the required regulatory approvals and the satisfaction of other conditions to closing, the parties expect to close the merger in 3Q18. Under the agreement, based on CVBF's closing stock price of USD 23.37 per share, the merger will increase Citizens' total assets to approximately USD 12.0bn on a pro forma basis as of December 31, 2017.

Status: Agreed

-OPENGATE CAPITAL CLOSES SALE OF NORPAPER GROUP TO GEMAYEL FRERES, CHAOUL INDUSTRIAL GROUP

US-based private equity firm OpenGate Capital has completed the sale of one of its legacy, pre-fund investments, French recycled paper products manufacturer NorPaper Group, to Lebanon-based packaging business Gemayel Freres and Chaoui Industriel Group, the firm said.

OpenGate Capital acquired NorPaper from Canadian paper conglomerate, Cascades, in 2011. NorPaper is a producer of white top testliner paper that is sold to European packaging manufacturers.

Status: Closed

-NICE EXTENDS TENDER OFFER FOR MATTERSIGHT SHARES

New Jersey, US-based software solutions provider NICE (NASDAQ: NICE) has extended the expiration of its tender offer to acquire all of the outstanding shares of Chicago, US-based cloud-based analytics provider Mattersight Corp.'s (NASDAQ: MATR) common stock and 7% series B convertible preferred stock, the company said.

NICE said the tender offer is being extended to allow additional time for the satisfaction of the conditions to the offer. The parties have not yet received the clearance of the Committee on Foreign Investment in the United States (CFIUS), which is a condition to the offer.

Status: Agreed

-PRAXAIR, LINDE MERGER CLEARS MEXICO ANTITRUST HURDLE

The proposed business combination between US-based industrial gas company Praxair, Inc. (NYSE: PX) and Germany's Linde AG (Xetra: LIN) has received unconditional antitrust clearance in Mexico, satisfying a closing condition (Regulatory Condition Mexico), the companies said.

Linde plc is a public limited company formed on 18 April 2017, that will become the parent company of Praxair, Inc. and Linde AG upon the completion of the business combination. Completion of the business combination remains subject to timely approval by requisite governmental regulators and authorities under applicable competition laws.

Status: Agreed

-LILLY CLOSES USD 1.6BN ACQUISITION OF IMMUNO-ONCOLOGY SPECIALIST ARMO BIOSCIENCES

US-based drugmake Eli Lilly and Company (NYSE: LLY) has closed the acquisition of Armo BioSciences, Inc. (NASDAQ: ARMO) for USD 50 per share, or approximately USD 1.6bn, in an all-cash transaction, the company said.

Armo BioSciences is a late-stage immuno-oncology company that is developing a pipeline of novel, proprietary product candidates designed to activate the immune system of cancer patients to recognize and eradicate tumors.

Status: Closed

-KROGER, HOME CHEF CLOSE MERGER TO EXPAND MEAL KIT DELIVERY SERVICES

Ohio, US-based grocery store chain The Kroger Co. (NYSE: KR) and Chicago, US-based private meal kit company Home Chef have closed a merger agreement to accelerate the availability of meal kits and position the combined company to revolutionise how families shop for, prep and cook meals, the companies said.

The initial transaction price is USD 200m and future earnout ***payments*** of up to USD 500m over five ***years*** are contingent on achieving certain milestones, including significant growth of in-store and online meal kit sales.

Status: Closed

-MYSQUAR ACQUIRES ***PAYMENTS*** AND REMITTANCE BUSINESS MYPAY MYANMAR

Myanmar-language social media, entertainment and ***payments*** platform MySQUAR has acquired the entire share capital of MyPay Myanmar Ltd. from MyPay Ltd., the company said. MPM is a company incorporated in Myanmar in 2016 to establish a ***payments*** and remittance business and is in the process of applying to the Central Bank of Myanmar for a ***payments*** license.

The acquisition will streamline the company's development of smartphone ***payments*** systems, which are anticipated to provide substantial revenues going forward.

Status: Closed

-UK COMPETITION AND MARKETS AUTHORITY CLEARS TRINITY MORROR'S CLOSED ACQUISITION OF NORTHERN AND SHELL'S PUBLISHING ASSETS

The UK Competition and Markets Authority has cleared the completed acquisition by UK-based newspaper publisher Trinity Mirror plc (LSE: TNI) of certain assets of Northern and Shell Media Group Ltd, the CMA said. Trinity Mirror acquired Northern and Shell's publishing assets for a total purchase price of GBP 126.7m (USD 174.34m).

These comprise Northern and Shell Network Ltd., a subsidiary of Northern and Shell Media Group Ltd. containing the publishing assets of Northern and Shell and its subsidiaries, International Distribution 2018 Ltd. and a 50% equity interest in Independent Star Ltd.

Status: Closed

-SCHRODER EUROPEAN REAL ESTATE INVESTMENT TRUST TO ACQUIRE FRENCH LOGISTICS PROPERTY

UK-based property investor Schroder European Real Estate Investment Trust plc (LSE: SERE) has exchanged contracts to purchase a freehold logistics property in Rumilly, southern-eastern France, for EUR 8.6m (USD 10.03m), reflecting a net initial yield of 7%, the company said. The 16,700 sqm warehouse is fully let to a strong covenant, a subsidiary of the global food and drink manufacturer Nestlé, with an unexpired lease term of around 7.5 ***years***.

In line with the company's winning centres strategy, it is located in a region that is forecast to grow faster than the national average1 and is leased off affordable / sustainable rents, in an area where there is limited supply.

Status: Agreed

-ARENA EVENTS GROUP ACQUIRES UK BARRIER AND FENCING SPECIALIST EVENTS SOLUTION

UK-based temporary physical structures, seating, ice rinks, furniture and interiors provider Arena Events Group plc (AIM: ARE) has further expanded its UK product portfolio with the acquisition of specialist barrier and fencing company Events Solution Ltd., the company said.

The acquisition, with total consideration of GBP 2.5m (USD 3.32m), will see the Worksop-based company integrated into Arena's current UK business. Events Solution's core product range includes pedestrian barriers, Heras fencing, front of stage and Metropolitan Police barriers, as well as gantries and staging.

Status: Closed

-RESIDENTIAL SECURE INCOME ACQUIRES FREEHOLD RESIDENTIAL BUILDING

UK social housing investor Residential Secure Income plc (LSE: RESI) has exchanged contracts to acquire for a total consideration of GBP 21.3m (USD 28.26m) a freehold residential building benefitting from a lease to a local authority and used to provide housing under the local authority's statutory obligations.

The acquisition is due to complete on or before 29 June 2018, from when it will immediately be income producing to ReSI. This building has recently undergone a full refurbishment, completed in 2016, and contains 134 self-contained residential flats.

Status: Agreed

-UK COMPETITION AND MARKETS AUTHORITY CALLS FOR COMMENT IN PROBE OF CLOSED RESTORE/TNT DEAL

The UK Competition and Markets Authority is inviting comments on its probe of the closed deal under which UK office services provider Restore plc (LSE: RST) acquired certain businesses of TNT UK Ltd., the CMA said.

The CMA made initial steps in its probe into the deal back in May, by serving an initial enforcement order under section 72(2) of the Enterprise Act 2002 on Restore. In March, Restore entered into an agreement to acquire UK-based express delivery company TNT UK Ltd's records management business, TNT Business Solutions, for a total consideration of GBP 88m (USD 125.22m.

Status: Closed

-AUGEAN SELLS ASSETS OF UK INDUSTRIAL SERVICES PROVIDER COLT

UK-based specialist waste management businesses Augean plc (LSE: AUG), as part of its ongoing ***programme*** to optimise business units and turn around those that are underperforming, has sold industrial services provider Colt, the company said.

This ***programme*** led to the announcement on 16 May that it had been decided to consult with staff to reduce costs through the potential closure of the Colt site (an industrial services provider to a range of customers including major industrial companies, oil refineries, rail and utilities) and disposal of unwanted assets.

Status: Closed

-KATORO GOLD ACQUIRES TANZANIAN NICKEL PROJECT

UK-based, Tanzanian focused exploration and development company Katoro Gold plc (AIM: KAT) has entered into a conditional agreement to acquire Kibo Nickel Ltd. and its wholly owned subsidiary, Eagle Exploration Ltd., from the company's majority shareholder, Kibo Mining plc, which is the 100% owner of the polymetallic Haneti Nickel Project in Tanzania, Katoro said.

Additionally, the company announces that it has raised GBP 325,000 via a placing of 25m new ordinary shares of GBP 0.01 each in the company at a price of 1.30 pence.

Status: Agreed

-ITALIAN FINANCIAL AUTHORITY APPROVES PLAYTECH OFFER FOR SNAITECH SHARES

Consob, the supervisory authority for the Italian financial market, has approved the offering document relating to UK-based gambling and financial trading software developer Playtech's (LSE: PTEC) mandatory takeover offer for the remaining shares of Italian betting and gaming firm Snaitech not owned by the group, Playtech said.

Playtech holds almost 81% of the issued share capital of Snaitech, as a result of the acquisition of approximately 70.6% plus market purchases of approximately 10.3%.

Status: Agreed

-JOHN LAING ENVIRONMENTAL ASSETS MAKES FURTHER INVESTMENT IN VULCAN RENEWABLES ANAEROBIC DIGESTION PLANT

UK-based environmental infrastructure fund John Laing Environmental Assets Group Ltd (LON: JLEN) has made a further investment in the UK-based Vulcan Renewables anaerobic digestion plant, the company said. The investment consists of provision of funding of around GBP 8.5m (USD 11.27m) to significantly expand the AD plant's biomethane generating capacity.

Vulcan Renewables Ltd was acquired by the company in August 2017. The AD plant is located in Hatfield Woodhouse, nine miles north east of Doncaster, South Yorkshire and was commissioned in October 2013.

Status: Closed

-SEALAND CAPITAL COMPLETES DISPOSAL OF SECURECOM MEDIA HOLDING

Cayman Islands-based IT and social media group Sealand Capital Galaxy Ltd. has closed the sale of its entire holding in SecureCom Media Holdings Ltd. to Creative Alpha Ltd., the group said.

The total consideration for the disposal is GBP 10,000 (USD 13,258). Sealand Capital Galaxy Ltd. (LSE: SCGL) is engaged in the investment and acquisition of IT and social media businesses in the Asia and Pacific APAC region with high growth potential.

Status: Closed

-SCOTGOLD RESOURCES SALE OF FRENCH SUBSIDIARY DELAYED

Australian mining company Scotgold Resources' Ltd (ASX: SGZ) planned sale of all of its shares in its wholly owned subsidiary SGZ France SAS which holds the French exploration licence, Vendrennes, has been delayed, the company said.

The sale is conditional upon the parties receiving satisfactory acknowledgement from the Minerals Resources Office of the Ministry for Economy and Finance of France, that the ***transfer*** of shares is acceptable.

Status: Agreed

-B RILEY FINANCIAL ASSISTS VINTAGE CAPITAL IN PENDING ACQUISITION OF RENT-A-CENTER

B. Riley Financial to provide debt and equity commitments in support of the transaction which is valued at approximately USD 1.365bn. B. Riley to partner with Vintage Capital as an investor in the acquisition vehicle

US-based financial and business advisory services provider B. Riley Financial, Inc. (NASDAQ: RILY) has agreed to provide financial support to Vintage Capital Management, LLC in its affiliate's acquisition of Texas, US-based rent-to-own specialist Rent-A-Center, Inc. (NASDAQ: RCII), the firm said.

Status: Agreed

-KNOTEL CONTINUES EUROPEAN EXPANSION WITH ACQUISITION OF AHOY!BERLIN

New York, US-based agile workspace platform Knotel has acquired Germany based workspace operator Ahoy!Berlin, marking Knotel's latest step in its European expansion, the company said. The acquisition provides Knotel with a central base on which to scale rapidly in this market, which has seen overall funding for startups increase by 88% to USD 5.2bn last ***year***.

Knotel is in the office market with its Agile HQ Platform. Knotel designs, builds, and operates custom spaces for established and growing brands.

Status: Closed

-VELOCITY SOLUTIONS FINALISES ACQUISITION OF AKOUBA LENDING PLATFORM FOR SMBS

A subsidiary of Florida, US-based revenue enhancement solutions provider Velocity Solutions, LLC has completed the acquisition of substantially all the assets of Chicago, US-based SaaS-based digital lending platform Akouba Inc. to improve customer satisfaction lenders for SMBs in competition with large marketplace lenders, the company said.

The acquisition gives Akouba the financial strength needed to support banks' third party due diligence requirements.

Status: Closed

-VERRA MOBILITY, GORES HOLDINGS II TO MERGE IN CASH/STOCK DEAL

Arizona, US-based smart transportation solutions provider Verra Mobility has entered into an agreement to merge with California, US-based acquisition company Gores Holdings II, Inc. (NASDAQ: GSHT) (NASDAQ: GSHTU) (NASDAQ: GSHTW), the company said.

The consideration payable to the stockholders of Verra Mobility will consist of a combination of cash and shares of Gores Holdings II common stock. In addition to the USD 400m of cash held in Gores Holdings II's trust account, additional investors have committed to participate in the transaction through a USD 400m private placement.

Status: Agreed

-ANJU SOFTWARE ACQUIRES MDCPARTNERS TO EXPAND LIFE SCIENCE SOFTWARE/DATA

New York, US-based life sciences software platform Anju Software Inc. has acquired Belgium-based business intelligence data solutions MDCPartners, the company said. Anju Software said MDCPartners will enable Anju to provide additional value added solutions to pharmaceutical, biotech and medical device companies.

This acquisition strengthens Anju's current product portfolio and can now provide up-to-date comprehensive data for medical expert engagement and clinical trial optimisation.

Status: Closed

-BLUARC ACQUIRES ABOUT COMMUNICATIONS TO EXPAND SERVICES FOR SMBS

Canada-based hosted phone and Internet services provider bluArc has acquired Canada-based phone company About Communications, the company said.

For customers of About Communications, the acquisition brings with it a multitude of benefits including a more robust support organisation, as well as new next generation Unified Communications features and functions including video conferencing, presence and chat capabilities, mobile integration and more.

Status: Closed

-EUROFINS DIGITAL ACQUIRES NETHERLANDS-BASED INSITE SECURITY TO STRENGTHEN CYBERSECURITY PORTFOLIO

Belgium-based testing services company Eurofins Digital Testing has acquired Netherlands-based information security services Insite Security to reinforce its portfolio of cybersecurity services offered to companies around the globe, the company said.

Eurofins Digital Testing International said Insite Security is known for providing superior IT security services, and the company plans to extend its capabilities across the globe, offering cyber security solutions to protect the connected systems and data of clients.

Status: Closed

-AMVAC CHEMICAL ACQUIRES BROMACIL HERBICIDE BUSINESS ASSETS FROM BAYER CROP SCIENCE

California, US-based chemical company American Vanguard Corp's (NYSE: AVD) AMVAC Chemical Corp subsidiary has acquired the US and Canadian Bromacil herbicide business from ***agricultural*** product supplier Bayer Crop Science, the company said.

The assets being purchased include the Bromacil trademarks and product registrations for sale of Hyvar and Krovar in the USA and Canada. Bayer will continue to market and provide customer support for these products until the end of September 2018.

Status: Closed

-LOXAM ACQUIRES ITALY-BASED RENTAL SPECIALIST NO-VE

France-based equipment rental company Loxam Group has acquired Italian powered access rental company No.Ve. S.r.l. from Haulotte Group S.A., the company said.

Following the acquisition of Nacanco last ***year***, this transaction enables Loxam to consolidate its position in the Italian powered access rental market. Loxam said it is joining forces with No.Ve to provide customers with the best service through an expanded network, and build a reference company in the Italian equipment rental market. The company had an unaudited proforma consolidated revenue of EUR 1,435m (USD 1,675m) in 2017 and approximately 7,900 employees.

Status: Closed

-ENEL TO ACQUIRE 21% OF LATIN AMERICAN FIBRE OPTIC NETWORK OPERATOR UFINET INTERNATIONAL

Italian power utility and integrated electricity and gas operator Enel has agreed to buy a 21% stake in Latin American fibre optic network operator Ufinet International for EUR 150m, the group said.

Under the deal, Enel S.p.A., acting through Enel X International S.r.l., has signed an agreement with a holding company controlled by the Sixth Cinven Fund, which is managed by international private equity firm Cinven, to acquire, for EUR 150m, about 21% of the share capital of a vehicle company to which 100% of Ufinet International will be ***transferred***.

Status: Agreed

-DIAGEO TO LAUNCH TENDER OFFER FOR CHINESE LIQUOR FIRM SICHUAN SHUIJINFANG

UK-based alcoholic beverages company Diageo plc (NYSE: DEOP) has approached the board of directors of Chinese liquor company Sichuan Shuijingfang Company Ltd. with a proposal for a partial tender offer to increase its aggregate equity stake in SJF (through its wholly-owned subsidiaries) from approximately 39.71% to up to 60% at an offer price of RMB 62 per share, the group said.

SJF has made an announcement in respect of such proposal on the website of the Shanghai Stock Exchange. The announcement of the proposal outlined above, does not constitute the announcement of an offer and creates no obligation on Diageo and/or any Diageo subsidiary to make an offer.

Status: Bidding

-JCDECAUX CONTINUES BUYOUT TALKS WITH AUSTRALIA'S APN OUTDOOR

French outdoor advertising company JCDecaux SA (Euronext Paris: DEC) continues to be in discussions with Australian outdoor ad group APN Outdoor Group Ltd., the company said. APN has offered to buy 100% of JCDecaux in a deal worth USD 810m.

Until a transaction is agreed between the parties, there is no certainty that the proposal will result in any transaction. JCDecaux said it will continue to update the market in relation to the proposal.

Status: Talks

-HOMETOWN AUSTRALIA SWEETENS OFFER FOR GATEWAY LIFESTYLE GROUP

Australian retirement community operator Gateway Lifestyle Group has received a revised confidential, indicative and non-binding proposal from Hometown Australia Holdings Pty Ltd and Hometown America Communities Ltd. Partnership to acquire 100% of the issued stapled securities of Gateway Lifestyle at an indicative price of AUD 2.35 per security by way of schemes of arrangement, the group said.

This new offer is worth around AUD 713m (USD 531m). It comes as Hometown Australia faces new competition in its bid for Gateway Lifestyle.

Status: Bidding

-XERIUM TECHNOLOGIES AGREES TO USD 833M ANDRITZ AG BUYOUT

US-based industrial consumable products and services company Xerium Technologies, Inc. (NYSE: XRM) and Austrian engineering group Andritz AG (WBAG: ANDR) have entered into a definitive merger agreement under which Andritz will acquire Xerium for USD 13.50 per share in an all-cash transaction, the company said.

The deal is worth USD 833m. This price per share represents a premium of 146.8% to the unaffected share price prior to the announcement by Xerium of a review of strategic alternatives on March 19, 2018.

Status: Agreed

-AT AND T TO ACQUIRE ADVERTISING MARKETPLACE APPNEXUS

US-based communications company AT and T (NYSE: T) has entered into a definitive agreement to acquire Internet technology company AppNexus, the company said. Reports put the deal at between USD 1.6bn and USD 2bn. The firm will become a part of AT and T advertising and analytics, led by Brian Lesser, CEO.

AppNexus operates a global advertising marketplace and provides enterprise products for digital advertising serving publishers, agencies and marketers. With its proposed acquisition of AppNexus, AT and T is investing to accelerate the growth of its advertising platform and strengthen its leadership in advanced TV advertising.

Status: Agreed

-BLACKSTONE'S BREIT TO ACQUIRE USD 1.2BN EDR STUDENT HOUSING PORTFOLIO IN JV WITH GREYSTAR

US-based commercial property investor Blackstone Real Estate Income Trust, Inc. has inked an agreement to acquire the EdR Student Housing Portfolio, with 10,500 beds across 20 assets, for USD 1.2bn, in a 95%/5% BREIT-led joint venture with Greystar Real Estate Partners, the company said.

The transaction will be completed in conjunction with Greystar's previously reported USD 4.6bn acquisition of Education Realty Trust (NYSE: EDR), one of the largest owners, developers and managers of collegiate housing in the United States with approximately 45,000 beds serving 47 universities in 26 states.

Status: Agreed

(Distributed by M2 Communications ([*www.m2.com*](http://www.m2.com)))

**Load-Date:** June 25, 2018

**End of Document**



[***Unanimously Adopting Resolution 2444 (2018), Security Council Lifts Sanctions on Eritrea, Renews Arms Embargo against Somalia***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TRN-7T21-JDG9-Y289-00000-00&context=1516831)

Impact News Service

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**Length:** 6780 words

**Body**

New York: United Nations has issued the following press release:

Hailing the recent and historic rapprochements in the Horn of Africa, the Security Council today decided to lift the arms embargo, travel ban, assets freeze and targeted sanctions previously imposed on Eritrea, while simultaneously renewing its sanctions imposed against neighbouring Somalia.

Unanimously adopting resolution 2444 (2018) under Chapter VII of the Charter of the United Nations, the 15‑member Council terminated those measures imposed on Eritrea by its resolutions 1907 (2009), 2023 (2011), 2060 (2012) and 2111 (2013).  It further decided to terminate the mandate of its Somalia and Eritrea Monitoring Group — effective 16 December — and to replace it with a Panel of Experts on Somalia tasked with overseeing the remaining sanctions on that country.

By the terms of the text, the Council welcomed a recent meeting between a representative of the Government of Eritrea and the Chair of the Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea, as well a meeting between a representative of the Government of Eritrea and the Coordinator of the Somalia and Eritrea Monitoring Group.

It also welcomed a September meeting between the Presidents of Djibouti and Eritrea; underlined the importance of continuing efforts towards the normalization of relations between the countries; and urged them to continue efforts to settle their border dispute peacefully in line with international law through conciliation, arbitration, judicial settlement or other pacific means laid out in Article 33 of the United Nations Charter.

Recalling that over the course of its current and four previous mandates the Monitoring Group had not found conclusive evidence that Eritrea supports the Al‑Shabaab terrorist group, the Council also expressed its satisfaction that funds derived from Eritrea’s mining sector are not contributing to violations of resolutions 1844 (2008), 1862 (2009), 1907 (2009) or 2023 (2011).  In that regard, it decided that, from today’s date forward, States are no longer required to undertake the measures set out in paragraph 13 of resolution 2023 (2011) related to firms in their territory or jurisdiction that are active in Eritrea’s mining sector.

With regards to Somalia, the Council — renewing the arms embargo imposed by paragraph 5 of resolution 733 (1992), further elaborated upon in paragraphs 1 and 2 of resolution 1425 (2002) and modified in various subsequent resolutions —decided to renew the provisions set out in paragraph 2 of resolution 2142 (2014) until 15 November 2019.  Those provided sanction exemptions for deliveries of weapons, ammunition or military equipment or the provision of advice, assistance or training intended solely for the development of the Security Forces of the Federal Government of Somalia to provide security for the Somali people.

The Council also decided that the newly established Panel of Experts on Somalia will continue the investigations started by the Somalia and Eritrea Monitoring Group related to the export to Somalia of various chemicals that may be used as oxidisers in the manufacture of improvised explosive devices.  Condemning Al‑Shabaab’s increased revenue from natural resources and expressing concern about the group’s involvement in the illicit charcoal trade, it requested the Federal Government of Somalia to cooperate with the Panel of Experts to facilitate interviews of suspected members of Al‑Shabaab and Islamic State in Iraq and the Levant (ISIL/Da’esh) held in Government custody in order to assist the Panel with its investigations.

Expressing concern about continued reports of corruption and the diversion of public resources in Somalia, the Council also underlined that individuals engaged in acts that threaten the country’s peace and reconciliation process may be listed for targeted measures.  It further reaffirmed its decision regarding the ban on the import and export of Somali charcoal — as set out in paragraph 22 of resolution 2036 (2012) — and urged Member States to continue their efforts to ensure its full implementation while reiterating that individuals and entities in violation may also be listed for targeted measures.

By other terms, the Council decided that until 15 November 2019 and without prejudice to humanitarian assistance ***programmes*** conducted elsewhere, the measures imposed by paragraph 3 of resolution 1844 (2008) — namely, an assets freeze — will not apply to the ***payment*** of funds, other financial assets or economic resources necessary to ensure the timely delivery of urgently needed humanitarian assistance in Somalia.  It also decided to expand the targeted sanctions on Somalia to include the planning, directing or commission of acts involving sexual and gender‑based violence.

Following the adoption, Council members took the floor to hail a “new era of peaceful cooperation” in the Horn of Africa.  Some speakers, welcoming the rapprochement between Eritrea and Djibouti, expressed hope that while the world remains a chaotic place, some “winds of hope are blowing”.  Several delegates emphasized that the lifting of sanctions does not relieve the Security Council from its responsibility to closely monitor the situation, citing remaining security challenges, a not‑yet‑resolved border dispute between Eritrea and Djibouti and the overall fragility of the peace between those two countries.  Others underlined the importance of maintaining pressure on any spoilers in Somalia — including through the newly reconstituted Panel of Experts — and strongly condemned deadly the Al‑Shabaab bomb attacks that killed more than 50 civilians in Mogadishu last week.

Karen Pierce (United Kingdom), whose delegation sponsored today’s resolution, said the text recognizes recent positive developments in the Horn of Africa while committing the Council to support the ongoing normalization of relations between the subregion’s nations.  Among other things, she stressed that the text sends an important message that if the right progress is made sanctions can be lifted by the Council in good time.

Taye Atske Selassie Amde (Ethiopia), welcoming the adoption of the balanced and properly negotiated text, said his subregion’s trajectory has changed dramatically in recent ***years***.  Citing major historic developments, including the recent rapprochement between Eritrea and Djibouti, he stressed that the easing of tensions is “changing the landscape of the Horn of Africa and beyond”.  It is critical for the Security Council to take such important decisions when countries are turning a new page, he said, adding that its decision today will help countries usher in a new era of friendship.

Vassily A. Nebenzia (Russian Federation), joining others in welcoming the resolution’s adoption, underscored that his delegation has long favoured the lifting of outdated sanctions imposed against Eritrea.  He also voiced concern about the decision to add the crimes of sexual and gender‑based violence to the listing criteria for targeted sanctions against individuals and entities in Somalia, warning that it will result in reducing those measures’ effectiveness.  “This particular issue is not our remit,” he stressed, noting that the Human Rights Council and the Commission on the Status of Women, among others, are the proper forums to address such matters.

“The long overdue call for justice is finally answered,” said Amanuel Giorgio (Eritrea), emphasizing that the lifting of sanctions marks an end to a difficult period for his country and the region.  Voicing regret over sanctions’ harmful consequences across the entire Horn of Africa, he commended his people for enduring that hardship, adding that they will now work to build a peaceful, prosperous and confident country.  Thanking Ethiopia and Somalia for their courageous position in calling for the immediate lifting of sanctions, he also welcomed the Council’s support for efforts to usher in a new era.  “The region now needs understanding and the policy space to chart its own future, based on shared history, culture and interest of the people of the region,” he said.

Mohamed Siad Doualeh (Djibouti), welcoming the lifting of sanctions on Eritrea, as well as the Council’s concern over his country’s security, expressed support for calls to accelerate the regional roadmap and extend the mandate of the African Union Mission in Somalia (AMISOM).  However, Al‑Shabab remains a danger that must be faced and all unresolved differences on boundaries and other issues must not be allowed to linger.  His Government remains committed to deepening dialogue with Eritrea for those purposes and to ensure the release of 13 remaining prisoners of war.  Among other things, he urged Council members to ensure that the current momentum be maintained in order to transform the region for the better.

Abukar Dahir Osman (Somalia) congratulated Eritrea for withstanding the hardship of decades of sanctions and hailed the normalization of relations in the subregion.  Reiterating his request that sanctions against his own country be lifted, he said those flawed and outdated measures violate Somalia’s sovereignty and prevent it from building an effective national army.  Al‑Shabaab continues to strike within Somalia and while nations around the globe offer their condolences, they fail to recognize that their sanctions do not effectively target that dangerous terrorist group.  Al‑Shabaab continues to receive weapons and support from abroad and the impact of the war in Yemen — just across the Gulf of Aden — is particular acute, as Somalia remains unable to properly protect its coastline.  “What is the purpose of the sanctions if violations by Member States are not addressed by the Council?” he asked.

Also speaking were representatives of Sweden, Kazakhstan, United States, France, Poland, Netherlands, Equatorial Guinea, Bolivia, Peru, Kuwait and China.

The meeting began at 10:05 a.m and ended at 11:10 a.m

Resolution

The full text of resolution 2444 (2018) reads as follows:

“The Security Council,

“Recalling all its previous resolutions and statements of its President on the situation in Somalia and Eritrea, in particular resolutions 733 (1992), 1844 (2008), 1907 (2009), 2023 (2011), 2036 (2012), 2093 (2013), 2111 (2013), 2124 (2013), 2125 (2013), 2142 (2014), 2182 (2014), 2244 (2015), 2317 (2016) and 2385 (2017),

“Taking note of the final reports of the Somalia and Eritrea Monitoring Group (the SEMG) on Somalia (S/2018/1002) and Eritrea (S/2018/1003) and their conclusions on the situations in Somalia and Eritrea,

“Reaffirming its respect for the sovereignty, territorial integrity, political independence and unity of Somalia, Djibouti and Eritrea, and underscoring the importance of working to prevent destabilising effects of regional crises and disputes from spilling over into Somalia,

“Condemning Al‑Shabaab attacks in Somalia and beyond, expressing concern that Al‑Shabaab continues to pose a serious threat to the peace and stability of Somalia and the region, and further expressing concern at the presence of affiliates linked to Islamic State in Iraq and the Levant (ISIL, also known as Da’esh) and the security implications of the situation in Yemen for Somalia,

“Reaffirming the need to combat by all means, in accordance with the Charter of the United Nations and international law, including applicable international human rights law, international refugee law, and international humanitarian law, threats to international peace and security caused by terrorist acts,

“Underlining its support for the efforts of the Somali authorities to deliver stability and security in Somalia and to reduce the threats to peace and security posed by Al-Shabaab and affiliates linked to ISIL (also known as Da’esh),

“Condemning any flows of weapons and ammunition supplies to and through Somalia in violation of the arms embargo on Somalia, including when they result in supplies to Al-Shabaab and affiliates linked to ISIL (also known as Da’esh) and when they undermine the sovereignty and territorial integrity of Somalia, as a serious threat to peace and stability in the region, and expressing concern at reports of increased illegal flows of weapons and ammunition supplies from Yemen to Somalia,

“Welcoming the cooperation between the Federal Government of Somalia (FGS), the Federal Member States (FMSs), and the SEMG, and underlining the importance of these relationships improving further and strengthening in the future,

“Welcoming the development of a conditions-based transition plan with clear target dates for the progressive ***transfer*** of security responsibilities from the African Union Mission in Somalia (AMISOM) to the Somali security institutions and forces, calling for its swift and coordinated implementation with full participation from all stakeholders, and recalling the critical importance of accelerating the implementation of the National Security Architecture agreement between the FGS and the FMSs, including decisions to define the composition and roles of Somalia’s security forces and to integrate and provide federal support to regional forces, in order to provide the foundation for a successful transition to Somali‑led security,

“Taking note of the efforts of the FGS to improve its notifications to the Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea (“the Committee”), urging further progress in this regard, and recalling that improved arms and ammunition management in Somalia is a fundamental component of greater peace and stability for the region,

“Commending the efforts of the FGS to restore key economic and financial institutions, increase domestic revenue and implement financial governance and structural reforms, welcoming the continued progress on building a track record of reforms under the International Monetary Fund Staff‑Monitored ***Programme***, together with progress on the anti-corruption bill, and highlighting the importance of continual progress in these areas,

“Welcoming the FGS’s efforts to implement the Anti-Money Laundering and Countering the Financing of Terrorism Act (2015) and the National Communications Act (2017), underlining the importance of compliance with the counter‑terrorism and national security provisions in this legislation, and further welcoming the establishment of a Financial Reporting Centre to serve as Somalia’s financial intelligence unit,

“Underlining the importance of financial propriety in contributing to stability and prosperity, welcoming the efforts of the FGS to address corruption, and stressing the need for a zero‑tolerance approach to corruption to promote transparency and increase mutual accountability in Somalia,

“Expressing serious concern at reports of illegal, unreported and unregulated fishing in waters where Somalia has jurisdiction, underlining the importance of refraining from illegal, unreported and unregulated fishing, welcoming further reporting on the matter, and encouraging the FGS, with the support of the international community, to ensure that fishing licenses are issued in a responsible manner and in line with the appropriate Somali legal framework,

“Expressing serious concern at the ongoing difficulties in delivering humanitarian aid in Somalia, and condemning in the strongest terms any party obstructing the safe delivery of humanitarian assistance, any misappropriation or diversion of any humanitarian funds or supplies, and acts of violence against and harassment of humanitarian workers,

“Recalling that the FGS has the primary responsibility to protect its population, and recognising the FGS’s responsibility, working with the FMSs, to build the capacity of its own national security forces, as a matter of priority,

“Welcoming the FGS’s efforts to address sexual- and gender‑based violence, encouraging strengthened reporting mechanisms to facilitate prosecutions, and further encouraging the FGS to continue to implement its National Action Plan on Ending Sexual Violence in Conflict through training, accountability, victim support and oversight of the security sector,

“Commending efforts towards peace, stability and reconciliation in the region, including the signing of the Joint Declaration of Peace and Friendship between Eritrea and Ethiopia on 9 July 2018, the signing of the Joint Declaration on Comprehensive Cooperation between Ethiopia, Somalia and Eritrea on 5 September 2018, and the signing of the Agreement on Peace, Friendship and Comprehensive Cooperation between Eritrea and Ethiopia on 16 September 2018,

“Taking note of the decision of the Secretary‑General to appoint a new Special Envoy for the Horn of Africa who will, inter alia, work with the Intergovernmental Authority on Development (IGAD) and other relevant subregional and regional organisations in consolidating recent gains in peace and security in the region, and carry out good offices on behalf of the Secretary‑General,

“Regretting that the SEMG has not been able to visit Eritrea since 2011 and fully discharge its mandate, and welcoming the meeting on 5 October 2018 between the representative of the Government of Eritrea and the Coordinator of the SEMG,

“Welcoming that in recent months several armed groups in the region have declared that they will cease hostilities and engage peacefully in efforts to pursue reconciliation in the region,

“Expressing concern at ongoing reports of Djiboutian combatants missing in action since the clashes in 2008, calling on Eritrea and Djibouti to continue to engage in resolving the issues of combatants, and urging Eritrea to share any further available detailed information pertaining to the combatants,

“Taking note of increased engagement between Eritrea and Djibouti, strongly encouraging further efforts towards normalisation of relations and good neighbourhood between Djibouti and Eritrea, including cooperation in accordance with international law to resolve any disputes regarding their shared border, and reaffirming its readiness to continue to assist the parties in the peaceful settlement of any prolonged disputes,

“Determining that the situation in Somalia continues to constitute a threat to international peace and security in the region,

“Acting under Chapter VII of the Charter of the United Nations,

Lifting of arms embargoes, travel bans, asset freezes and targeted sanctions on Eritrea

“1.   Recalls paragraphs 16 and 17 of resolution 1907 (2009) and recognises that during the course of its current and four previous mandates the SEMG has not found conclusive evidence that Eritrea supports Al-Shabaab;

“2.   Welcomes the meeting on 25 September 2018 between the representative of the Government of Eritrea and the Chair of the Committee, and further welcomes the meeting on 5 October 2018 between the representative of the Government of Eritrea and the Coordinator of the SEMG, with the participation of the Chair of the Committee;

“3.   Welcomes the meeting between the President of Djibouti and the President of Eritrea in Jeddah on 17 September 2018, underlines the importance of continuing efforts towards the normalisation of relations between Eritrea and Djibouti for regional peace, stability and reconciliation, and encourages Member States, international, regional and subregional organisations and other parties to continue to support these efforts including through their good offices;

“4.   Decides to lift from the date of adoption of this resolution the arms embargoes, travel bans, asset freezes and targeted sanctions imposed on Eritrea by the Security Council in its resolutions 1907 (2009), 2023 (2011), 2060 (2012) and 2111 (2013);

“5.   Expresses its satisfaction that funds derived from the mining sector of Eritrea are not contributing to violations of resolutions 1844 (2008), 1862 (2009), 1907 (2009) or 2023 (2011), and decides that from the date of adoption of this resolution, States are no longer required to undertake the measures set out in paragraph 13 of resolution 2023 (2011);

“6.   Urges Eritrea and Djibouti to engage on the issue of the Djiboutian combatants missing in action including through the mediation of any relevant party of their own choosing, and further urges Eritrea to make available any further detailed information;

“7.   Urges the two parties to continue efforts to settle their border dispute peacefully in a manner consistent with international law by conciliation, arbitration or judicial settlement, or by any other means of pacific dispute settlement identified in Article 33 of the Charter upon which they agree;

“8.   Affirms that it will continue to follow developments towards the normalisation of relations between Eritrea and Djibouti and will support the two countries in the resolution of these matters in good faith;

Committee

“9.   Decides that the mandate of the Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea, hereafter to be known as the Committee pursuant to resolution 751 (1992) concerning Somalia (“the Committee”), shall include the tasks as set out in paragraph 11 of resolution 751 (1992), paragraph 11 of resolution 1844 (2008), and paragraph 23 of resolution 2036 (2012), and requests that the Committee amends its guidelines, its implementation assistance notices and its website accordingly;

Somalia and Eritrea Monitoring Group

“10.  Decides to terminate the mandate of the Somalia and Eritrea Monitoring Group (SEMG), with effect from 16 December 2018;

Panel of Experts on Somalia

“11.  Decides to establish, with effect from the date of adoption of this resolution, until 15 December 2019, the Panel of Experts on Somalia, further decides that the mandate of the Panel of Experts shall include the tasks as set out in paragraph 13 of resolution 2060 (2012) and updated in paragraph 41 of resolution 2093 (2013), paragraph 15 of resolution 2182 (2014), paragraph 23 of resolution 2036 (2012) and paragraph 29 of this resolution as they relate to Somalia, and expresses its intention to review the mandate and take appropriate action regarding any extensions of the mandate of the Panel of Experts no later than 15 November 2019;

“12.  Requests the Secretary‑General to take the necessary administrative measures as expeditiously as possible to establish the Panel of Experts, consisting of six members and to be based in Nairobi, in consultation with the Committee, until 15 December 2019, drawing, as appropriate, on the expertise of the members of the SEMG established pursuant to previous resolutions, and further requests the Panel of Experts to include the necessary gender expertise, in line with paragraph 6 of resolution 2242 (2015);

Somalia Arms embargo

“13.  Reaffirms the arms embargo on Somalia, imposed by paragraph 5 of resolution 733 (1992) and further elaborated upon in paragraphs 1 and 2 of resolution 1425 (2002) and modified by paragraphs 33 to 38 of resolution 2093 (2013) and paragraphs 4 to 17 of resolution 2111 (2013), paragraph 14 of resolution 2125 (2013), paragraph 2 of resolution 2142 (2014), paragraph 2 of resolution 2244 (2015), paragraph 2 of resolution 2317 (2016) and paragraph 2 of resolution 2385 (2017) (hereafter referred to as “the arms embargo on Somalia”);

“14.  Decides to renew the provisions set out in paragraph 2 of resolution 2142 (2014) until 15 November 2019, and in that context reiterates that the arms embargo on Somalia shall not apply to deliveries of weapons, ammunition or military equipment or the provision of advice, assistance or training, intended solely for the development of the Somali National Security Forces, to provide security for the Somali people, except in relation to deliveries of the items set out in the annex of resolution 2111 (2013);

“15.  Reaffirms its decision that the entry into Somali ports for temporary visits of vessels carrying arms and related materiel for defensive purposes does not amount to a delivery of such items in violation of the arms embargo on Somalia, provided that such items remain at all times aboard such vessels;

“16.  Reiterates its decision that weapons or military equipment sold or supplied solely for the development of the Somali National Security Forces may not be resold to, ***transferred*** to, or made available for use by, any individual or entity not in the service of the Somali National Security Forces, and underlines the responsibility of the FGS and the FMSs to ensure the safe and effective management, storage and security of their stockpiles;

“17.  Welcomes in this regard the improvements made by the FGS in weapons registration, recording and marking procedures and encourages further improvements, expresses concern at reports of continued weapons diversion from within the FGS and FMSs, notes that further improved weapons and ammunition management is vital in order to prevent the diversion of weapons and ammunition, and reiterates that the Security Council is committed to monitoring and assessing improvements in order to review the arms embargo when all conditions as set out in Security Council resolutions are met;

“18.  Calls upon the FGS to facilitate access for the Panel of Experts, on the basis of written requests to the FGS by the Panel of Experts submitted at least ten days in advance, to all FGS armouries in Mogadishu, all FGS imported weapons and ammunition prior to distribution, all FGS military storage facilitates in Somalia National Army (SNA) sectors and all captured weaponry in FGS custody, and to allow photographs of weapons and ammunition in FGS custody and access to all FGS logbooks and distribution records, in order to enable the Security Council to monitor and assess progress in this area;

“19.  Welcomes the ongoing efforts of the FGS to develop detailed Standard Operating Procedures for weapons and ammunition management including an issue and receipt system to track all weapons post distribution, further welcomes the development of a mechanism to distribute weapons and ammunition to regional forces, consistent with the requirements of this resolution including paragraph 16, encourages that such a mechanism be expanded to include other military equipment and supplies, consistent with the requirements of this resolution including paragraph 16, and urges the FGS to finalise and implement these procedures as soon as possible;

“20.  Welcomes the establishment of the Joint Verification Team (JVT) and urges Member States to support improved weapons and ammunition management to improve the capacity of the FGS to manage weapons and ammunition;

“21.  Takes notes of FGS reporting to the Security Council pursuant to paragraph 9 of resolution 2182 (2014) and as requested in paragraph 7 of resolution 2244 (2015), calls on the FGS and FMSs to accelerate the implementation of the National Security Architecture agreement, the Security Pact, and the transition plan in order to provide Somali‑led security and protection to the people of Somalia, and requests the FGS to report to the Security Council in accordance with paragraph 9 of resolution 2182 (2014) and as requested in paragraph 7 of resolution 2244 (2015), by 15 March 2019 and then by 15 September 2019, on the structure, composition, strength and disposition of its Security Forces, including the status of regional and militia forces, and to include as annexes the reports of the JVT requested in paragraph 7 of resolution 2182 (2014);

“22.  Recalls that the FGS has the primary responsibility to notify the Committee of any deliveries of weapons, ammunition or military equipment or the provision of advice, assistance or training to its Security Forces, pursuant to paragraphs 3 to 8 of resolution 2142 (2014), and calls upon the FGS to improve its notifications to the Committee;

“23.  Calls upon the FGS to continue to improve the timeliness and content of notifications regarding the completion of deliveries, as set out in paragraph 6 of resolution 2142 (2014);

“24.  Requests the FGS to incorporate the notifications regarding the destination unit in the Somali National Security Forces upon distribution of imported arms and ammunition, detailed in paragraph 7 of resolution 2142 (2014), into the regular FGS reporting to the Security Council requested in paragraph 20;

“25.  Stresses Member States’ obligations pursuant to the notification procedures set out in paragraph 11 (a) of resolution 2111 (2013), urges Member States to strictly follow the notification procedures for providing assistance to develop Somali security sector institutions, and encourages Member States to consider Implementation Assistance Notice No.2 of the Committee as a guide;

“26.  Recalls paragraph 2 of resolution 2142 (2014) and notes that support for the development of the Somali National Security Forces may include, inter alia, building infrastructure and provision of salaries and stipends solely provided to the Somali National Security Forces;

“27.  Urges increased cooperation by the FGS, FMSs and AMISOM, as set out in paragraph 6 of resolution 2182 (2014), to document and register all military equipment captured as part of offensive operations or in the course of carrying out their mandates;

“28.  Calls upon the FGS and FMSs to enhance civilian oversight of their security forces, to continue to adopt and implement appropriate vetting procedures of all defence and security personnel, including human rights vetting, and to investigate and as appropriate prosecute individuals responsible for violations of international law, including international humanitarian law and human rights law, and in this context recalls the importance of the Secretary‑General’s Human Rights and Due Diligence Policy in relation to the support provided by the United Nations to Somali security forces;

“29.  Decides that the Panel of Experts will continue the investigations started by the SEMG related to the export to Somalia of chemicals that may be used as oxidisers in the manufacture of improvised explosive devices, such as the precursors ammonium nitrate, potassium chlorate, potassium nitrate and sodium chlorate with a view to considering further action, and calls on Members States and the FGS to cooperate with the Panel of Experts in this regard;

“30.  Underlines the importance of timely and predictable ***payment*** of salaries to the Somali security forces and calls on the FGS to continue to implement systems to improve the timeliness and accountability of ***payments*** and supply of provisions to the Somali security forces, and welcomes the progress made to date on biometric registration;

“31.  Recalls the need to build the capacities of the Somali National Security Forces, in particular the provision of equipment, training and mentoring, in order to develop credible, professional and representative security forces to enable the gradual handing over of security responsibilities from AMISOM to the Somali security forces in line with the transition plan, and encourages further donor support and coordination as set out in the Security Pact;

“32.  Requests the Secretary‑General to conduct a technical assessment regarding the arms embargo, with options and recommendations for improving implementation, by 15 May 2019;

Threats to peace and security in Somalia

“33.  Condemns Al-Shabaab’s increased revenue from natural resources including the taxing of the illicit sugar trade, ***agricultural*** production and livestock, further expresses concern at the group’s involvement in the illicit charcoal trade, and welcomes the Panel of Experts’ reporting on these issues;

“34.  Requests the FGS to cooperate with the Panel of Experts to facilitate interviews of suspected members of Al‑Shabaab and ISIL (also known as D’aesh) held in FGS custody, in order to assist the Panel of Experts with its investigations;

“35.  Welcomes the efforts that the FGS has made to improve its financial management procedures including the successful completion of two International Monetary Fund (IMF) Staff-Monitoring ***programmes*** and the commitments to further reform made under the third Staff-Monitored ***programme***, encourages the FGS and FMSs to maintain the pace of reform to increase transparency, accountability, comprehensiveness and predictability in revenue collection and budget allocations, and expresses concern at the generation and distribution of counterfeit Somali currency;

“36.  Expresses concern at the continued reports of corruption and diversion of public resources, including reports of alleged financial impropriety involving members of the FGS, FMSs, Federal Parliament and Somali opposition groups which pose a risk to state-building efforts, and in this context strongly welcomes the steps taken by the FGS to address cases of corruption and to develop anti‑corruption legislation;

“37.  Underlines that individuals engaged in acts that threaten the peace and reconciliation process in Somalia may be listed for targeted measures;

“38.  Recognises that addressing outstanding constitutional issues around power and resource sharing between the FGS and FMSs is crucial for Somalia’s stability, calls upon the FGS and the FMSs to work constructively together to address these issues in an inclusive manner, and encourages the FGS and FMSs to implement the outstanding elements of the National Security Architecture agreement, including decisions around the make‑up, distribution and command and control of the security forces and resource‑sharing;

“39.  Reaffirms Somalia’s sovereignty over its natural resources;

“40.  Reiterates its serious concern that the petroleum sector in Somalia could be a driver for increased conflict, welcomes the political agreement on petroleum and mineral resource-sharing reached by the FGS and the FMSs in June 2018, and underlines the vital importance of the FGS and FMSs putting in place, without undue delay, resource-sharing arrangements and credible legal frameworks to ensure that the petroleum sector in Somalia does not become a source of increased tension;

Somalia Charcoal ban

“41.  Reaffirms its decision regarding the ban on the import and export of Somali charcoal, as set out in paragraph 22 of resolution 2036 (2012) (“the charcoal ban”), welcomes efforts of Member States to prevent the import of charcoal of Somali origin, reiterates that the FGS and FMSs shall take the necessary measures to prevent the export of charcoal from Somalia, urges Member States to continue their efforts to ensure full implementation of the ban, and further reiterates that individuals and entities engaged in acts which violate the charcoal ban may be listed for targeted measures;

“42.  Reiterates its requests in paragraph 18 of resolution 2111 (2013) and paragraph 16 of resolution 2431 (2018) that AMISOM support and assist the FGS and FMSs in implementing the total ban on the export of charcoal from Somalia, and calls upon AMISOM to facilitate regular access for the Panel of Experts to charcoal exporting ports;

“43.  Welcomes the efforts of the Combined Maritime Forces (CMF) to disrupt the export and import of charcoal to and from Somalia, and further welcomes the cooperation between the Panel of Experts and CMF in keeping the Committee informed on the charcoal trade;

“44.  Expresses concern that the charcoal trade provides significant funding for Al‑Shabaab, and in that context reiterates paragraphs 11 to 21 of resolution 2182 (2014), and further decides to renew the provisions set out in paragraph 15 of resolution 2182 (2014) until 15 November 2019;

“45.  Condemns the ongoing export of charcoal from Somalia, in violation of the total ban on the export of charcoal, calls on Member States to share information with the Panel of Experts, requests the Panel of Experts to continue to focus on this in their next report and propose further measures, taking account of human rights concerns, and expresses its intention to consider further measures if violations continue;

“46.  Encourages the United Nations Office on Drugs and Crime to continue its work with the FGS, within its current mandate, under the Indian Ocean Forum on Maritime Crime to bring together relevant Member States and international organisations to develop strategies to disrupt the trade in Somali charcoal;

Humanitarian access in Somalia

“47.  Expresses grave concern at the ongoing humanitarian situation in Somalia and its impact on the people of Somalia, commends the efforts of the United Nations humanitarian agencies and other humanitarian actors to deliver life-saving assistance to vulnerable populations, condemns in the strongest terms attacks against humanitarian actors and any misuse of donor assistance and the obstruction of the delivery of humanitarian aid, reiterates its demand that all parties allow and facilitate full, safe and unhindered access for the timely delivery of aid to persons in need across Somalia, and encourages the FGS to improve the regulatory environment for aid donors;

“48.  Decides that until 15 November 2019 and without prejudice to humanitarian assistance ***programmes*** conducted elsewhere, the measures imposed by paragraph 3 of resolution 1844 (2008) shall not apply to the ***payment*** of funds, other financial assets or economic resources necessary to ensure the timely delivery of urgently needed humanitarian assistance in Somalia, by the United Nations, its specialised agencies or ***programmes***, humanitarian organisations having observer status with the United Nations General Assembly that provide humanitarian assistance, and their implementing partners including bilaterally or multilaterally funded non-governmental organisations participating in the United Nations Humanitarian Response Plan for Somalia;

“49.  Requests the Emergency Relief Coordinator to report to the Security Council by 15 October 2019 on the delivery of humanitarian assistance in Somalia and on any impediments to the delivery of humanitarian assistance in Somalia, and requests relevant United Nations agencies and humanitarian organisations having observer status with the United Nations General Assembly and their implementing partners that provide humanitarian assistance in Somalia to increase their cooperation and willingness to share information with the United Nations;

Targeted sanctions in Somalia

“50.  Recalls its decisions in resolution 1844 (2008) which imposed targeted sanctions and resolutions 2002 (2011) and 2093 (2013) which expanded the listing criteria, notes one of the listing criteria under resolution 1844 (2008) is engaging in or providing support for acts that threaten the peace, security or stability of Somalia, and decides that such acts may also include but are not limited to planning, directing or committing acts involving sexual and gender‑based violence;

“51.  Reiterates its willingness to adopt targeted measures against individuals and entities on the basis of the above-mentioned criteria;

“52.  Recalls paragraph 2 (c) of resolution 2060 (2012) and emphasises that certain misappropriation of financial resources is a criterion for designation and applies to misappropriation at all levels;

“53.  Reiterates its request for Member States to assist the Panel of Experts in its investigations, and further requests the FGS, FMSs and AMISOM to share information with the Panel of Experts regarding Al‑Shabaab activities;

Reporting

“54.  Requests the Panel of Experts to provide monthly updates to the Committee pursuant to resolution 751 (1992), and a comprehensive midterm update, as well as to submit, for the Security Council’s consideration, through the Committee, a final report by 15 October 2019;

“55.  Requests the Committee, in accordance with its mandate and in consultation with the Panel of Experts and other relevant United Nations entities, to consider the recommendations contained in the reports of the Panel of Experts and recommend to the Security Council ways to improve the implementation of and compliance with the Somalia arms embargo, the measures regarding the import and export of charcoal from Somalia, as well as implementation of the measures imposed by paragraphs 1, 3 and 7 of resolutions 1844 (2008) in response to continuing violations;

“56.  Requests the Committee to consider, where and when appropriate, visits to selected countries by the Chair and/or Committee members to enhance the full and effective implementation of the measures above, with a view to encouraging States to comply fully with this resolution;

“57.  Requests the Secretary‑General to keep the Security Council informed of developments towards the normalisation of relations between Eritrea and Djibouti and to report to the Security Council no later than 15 February 2019 and every six months thereafter, and expresses its intention to keep this request under review in light of developments;

**Load-Date:** November 16, 2018

**End of Document**



[***Bisichi reports financial results for year ended December 31, 2017***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S5S-7K01-DYG0-71V7-00000-00&context=1516831)

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**Section:** METALS AND MINING; Energy & Utilities

**Length:** 16953 words

**Highlight:** Bisichi Mining has provided Financial Results for the ***year*** ended 31 December 2017

**Body**

Annual Financial ReportImproved performance in the second half of the ***year*** from Black Wattle, the group's South African coal mining operation.Investment in significant infrastructure improvements allowed Black Wattle to mine at a sustainably higher rate of production and achieve an increased yield from its washing plant.Black Wattle was able to benefit from the significantly improved coal prices during the second half of the ***year***.UK property portfolio continues to perform well with average rental yields for the portfolio remaining stable during the ***year***.In light of the strong results achieved for the ***year***, a special dividend of 1p (2016: Nil) per share proposed in addition to a final dividend of 3p (2016: 3p) taking full ***year*** dividend to 5p (2016: 4p) per share.Dividend yield of 7.1% at ***year*** end share price.Chairman, Sir Michael Heller, comments:"The permanent infrastructure improvements at Black Wattle will have a positive impact on the returns achievable from our existing coal reserves and should open up new opportunities to mine similar coal reserves in the surrounding area. Accordingly, we remain confident about the ability of our South African coal mining operations to continue to contribute to our group earnings and cash generation for the foreseeable future."ANNUAL REPORT 2017Building on success at Black WattleEarnings before interest, tax, depreciation and amortisation(EBITDA) of Â£3.7million (2016: Â£2.4 million)Operating profit before depreciation, fairvalue adjustments and exchange movements (Adjusted EBITDA) of Â£5.8million (2016: Â£1.5 million)Dividend yield of 7.1% at ***year*** end share price.Strategic reportThe directors present the Strategic Report of the company for the ***year*** ending 31 December 2017. The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the company for the collective benefit of shareholders.Chairman's StatementFor the ***year*** ended 31 December 2017, we are very pleased to report that your company achieved earnings before interest, tax, depreciation and amortisation (EBITDA) of Â£3.7million (2016: Â£2.4 million) and operating profit before depreciation, fair value adjustments and exchange movements (Adjusted EBITDA) of Â£5.8million (2016: Â£1.5million).These results can be attributed mainly to an improved performance in the second half of the ***year*** from Black Wattle, our South African coal mining operation.

The decision by your management in the first half of the ***year*** to invest in significant infrastructure improvements to the mine's washing plant has allowed Black Wattle to mine at a higher rate of production and achieve an increased yield. In addition, the mine was able to benefit from significantly improved coal prices during the second half of the ***year***. The permanent infrastructure improvements at Black Wattle will have a positive impact on the returns achievable from our existing coal reserves and should open up new opportunities to mine similar coal reserves in the surrounding area. Accordingly, we remain confident about the ability of our South African coal mining operations to continue to contribute to our group earnings and cash generation for the foreseeable future.In other mining news, we are pleased to announce the appointment of Millicent Zvarayi to the Board of Black Wattle Colliery (Pty) Ltd. Since 2012, Ms Zvarayi has had a major role in the management of Black Wattle's export sales via Richards Bay Coal Terminal under the Quattro ***programme***. As a member of its Board, we look forward to Ms Zvarayi's direct contribution to the development of Black Wattle's long term strategy.A fuller explanation on the performance of our mining operations for the ***year*** can be found within the Mining Review and Financial & Performance Review sections of this report.The company's UK retail property portfolio, which underpins the group and which is managed actively by London & Associated Properties Plc, continues to perform well, with average rental yields for the portfolio remaining stable during the ***year***. A fuller explanation of the portfolio's valuation results and financial position are discussed in the Financial & Performance Review and Directors report.Looking forward, management is currently investigating other major investment opportunities in both the mining sector and the domestic property sector and is conserving the group's cash reserves accordingly. This is in line with the company's stated strategy of balancing the high risk of our mining operations with a dependable cash flow from our UK property investment operations.Finally, in light of the strong results achieved for the ***year***, your directors recommend a special dividend of 1p (2016: Nil) per share in addition to a final dividend of 3p (2016: 3p). Both dividends will be payable on Friday 27 July 2018 to shareholders registered at the close of business on 6 July 2018. This takes the total dividends per share for the ***year*** to 5p (2016: 4p). Based on the 2017 ***year*** end share price, this represents a7.1% yield.On behalf of the Board and shareholders, Iwould like to thank all of our staff for their hardwork during the course of the ***year***.Principal activity, strategy & business modelThe company carries on business as a mining company and its principal activity is coal mining in South Africa. The company's strategy is to create and deliver long term sustainable value to all our stakeholders through our business model which can be broken down into three key areasIn addition to the three key areas outlined above, we seek to balance the high risk of our mining operations with a dependable cash flow from our UK property investment operations. The company invests in retail property across the UK. The UK property portfolio is managed by London & Associated Properties PLC whose responsibility is to actively manage the portfolio to improve rental income and thus enhance the value of the portfolio over time.Mining ReviewThe strong performance of Black Wattle, our South African coal mining operation, can be attributed to increased mining production from our opencast reserves and the successful completion of coal infrastructure improvements to our washing plant. This allowed the group to benefit from the higher prices achievable for our coal, particularly in the second half of the ***year***.Production and operationsFor the first half of 2017 production at Black Wattle was impacted by higher than expected seasonal rains as well as ongoing stone contamination issues at our opencast areas. Overall, the mine achieved mining production of 582,000 metric tonnes (2016 H1: 795,000 metric tonnes) during the first half of the ***year***. The stone contamination issues affected both yield and mining production through the washing plant, thus impacting on sales volumes and earnings in the first half of the ***year***.During the second half of the ***year***, further development of our opencast areas and the successful completion of infrastructure improvements to our washing plant allowed the mine to increase mining production to 714,000 metric tonnes (2016 H2: 465,000 tonnes) during the period. In addition, the completion of infrastructure improvements assisted in reducing the stone contamination through the washing plant and increasing our overall yield.As a result of the higher production in the second half of the ***year***, overall mining production from Black Wattle increased in 2017, with total mining production for the ***year*** of 1.30million metric tonnes (2016: 1.26million metric tonnes). As part of Black Wattle's mining plan, the opencast areas that were mined in 2017 will continue to be mined throughout 2018. We expect mining production levels achieved in the second half of 2017 to be maintained in 2018.As mentioned in the Chairman's statement, the infrastructure improvements completed at Black Wattle in 2017 will continue to have a positive impact on the returns achievable from our remaining reserves. In addition, the new machinery will allow Black Wattle to mine or buy in coal from similar reserves within the area that may be affected by stone contamination issues thus broadening the scope of new opportunities for the group to extend the life of mine of our mining operations in South Africa.Main trends/marketsDuring 2017 management continued to sell coal into both the export and domestic market. Black Wattle's export sales were via Richards Bay Coal Terminal and primarily under the Quattro ***programme***, which allows junior black-economic empowerment coal producers direct access to the coal export market via Richards Bay Coal Terminal. We would like tothank Vunani Limited, our black economic empowered shareholders at Black Wattle, for managing and developing this opportunity.Although International coal prices fell in the first half of 2017, a surge in the international price in the second half of the ***year*** ensured an overall improvement in prices achievable for our coal for the ***year***. At the beginning of 2017, the average weekly price of Free on Board (FOB) Coal from Richards Bay Coal Terminal (API4) was $85. During the ***year*** the API4 price steadily decreased to around $70 by May 2017 before rebounding and steadily increasing to $95 by the end of the ***year***. A less volatile South African Rand against the US Dollar ensured that the movements in the Rand prices achievable for our export coal as a result of exchange movements remained limited. Overall, the group achieved an average Rand price of R773 per tonne of export coal sold in 2017 from the mine compared to R632 in 2016.In the domestic market, a continued high demand impacted positively on prices achievable for our coal in 2017. In the last quarter of 2016, the average Rand price achievable per tonne of coal sold was R276 increasing to R390 by the second quarter of 2017 and over R400 by the last quarter of 2017. Overall, the group achieved an average price of R397 per tonne of domestic coal sold in 2017 compared to R279 in 2016. Looking forward, domestic prices are expected to remain stable as long as the shortage of coal in the domestic market continues.Overall, the increase in group revenue, compared to the prior ***year***, can mainly be attributed to the higher volume of coal sold at Black Wattle as well as the higher prices achieved for our coal.Looking forward into 2018, both the export and domestic coal prices have continued to remain stable at these higher levels and we continue to see strong demand for our coal in both markets.Sustainable developmentBlack Wattle continues to strive to conduct business in a safe, environmentally and socially responsible manner. Some highlights of our Health, Safety and Environment performance in 2017:Black Wattle Colliery recorded one Lost TimeInjury during 2017 (2016: One).No cases of Occupational Diseases wererecorded.Zero claims for the Compensation for Occupational Diseases were submitted.We continue to adhere and make progress in terms of our Social and Labour Plan and our various BEE initiatives. A fuller explanation of these can be found in our Sustainable Development Report on page 8.ProspectsLooking forward to 2018, management will focus on maintaining production at the higher levels achieved in the second half of 2017 and increasing our life of mine through the acquisition of additional reserves. With strong demand and improved prices achievable for our coal, we believe the group is in a strong position to achieve significant value from our South African mining operations in 2018.Sustainable developmentThe group is fully committed to ensuring the sustainability of both our UK and South African mining operations and delivering long term value to all our stakeholders.Health, Safety & Environment (HSE)Black Wattle is committed to creating a safe and healthy working environment for its employees and the health and safety of our employees is of the utmost importance.HSE performance in 2017:No cases of Occupational Diseases were recorded.Zero claims for the Compensation for Occupational Diseases were submitted.No machines operating at Black Wattle exceeded the regulatory noise level.Black Wattle Colliery recorded one Lost time Injury during 2017.In addition to the required personnel appointments and assignment of direct health and safety responsibilities on the mine, a system of Hazard Identification and Risk Assessments has been designed, implemented and maintained at Black Wattle.Health and Safety training is conducted on an on going basis. We are pleased to report all relevant employees to date have received training in hazard identification and risk assessment in their work areas.A medical surveillance system is also in place which provides management with information used in determining measures to eliminate, control and minimise employee health risks and hazards and all Occupational Health hazards are monitored on an on going basis.Various systems to enhance the current HSE strategy have been introduced as follows:In order to improve hazard identification before the commencing of tasks, mini risk assessment booklets have been distributed to all mine employees and long term contractors on the mine.Dover testing is conducted for all operators. Dover testing is a risk detection and accident reduction tool which identifies employees' problematic areas in their fundamental skills in order to receive appropriate training.On going basic rigging training is being conducted for all washing plant personnel.A Job Safety Analysis form is utilised to ensure effective identification of hazards in the workplace.In order to capture and record investigation findings from incidents, an incident recording sheet is utilised by line management and contractors.Black Wattle Colliery utilises ICAM (Incident Cause Analysis Method).On going training on conveyor belt operation is being conducted with all employees involved with this discipline.Black wattle colliery social and labour plan (slp) progressBlack Wattle Colliery is committed to true transformation and empowerment as well as poverty eradication within the surrounding and labour providing communities.Black Wattle is committed to providing opportunities for the sustainable socio-economic development of its stakeholders, such as:Employees and their families, through Skills Development, Education Development, Human Resource Development, Empowerment and Progression ***Programmes***.Surrounding and labour sending communities, through Local Economic Development, Rural and Community Development, Enterprise Development and Procurement ***Programmes***.Empowering partners, through Broad-Based Black Economic Empowerment (BBBEE) and Joint Ventures with Historically Disadvantaged South African (HDSA) new mining entrants and enterprises.The company engages in on going consultation with its stakeholders to develop strong company-employee relationships, strong company-community relationships and strong company-HDSA enterprise relationships.The key focus areas in terms of the detailed SLP ***programmes*** were updated as follows:Implementation of new action plans, projects, targets and budgets were established through regular workshops with all stakeholders.A comprehensive desktop socio-economic assessment was undertaken on baseline data of the Steve Tshwete Local Municipality (STLM) and Nkangala District Municipality (NDM).Black Wattle has drawn up a new SLP Plan for the next five ***years*** (2017 2021).The current Black Wattle Colliery Local Economic Development (LED) ***programmes*** were upgraded, and new LED projects were selected in consultation with the key stakeholders from the STLM.An appropriate forum was established on the mine and a process initiated for the consultation, empowerment and participation of the employee representatives in the Black Wattle Colliery SLP process.Included within the new SLP Plan is a new LED project which includes the upgrading of Phumelele Secondary School in the Rockdale Township. The primary focus is to build additional facilities, including classrooms to cater for the growing population in the area.Black Wattle Colliery has concluded extensive work on various ***Agricultural*** projects as well as the E-Bag Recycling projects. The E-Bag Recycling project aims to minimize the environmental impact of post-consumer Polyethylene Terephthalate plastic (PET) on the South African landscape. The project was awarded the PET Entrepreneur award for 2013. To date in 2017, the E-Bag recycling project has initiated up to 70 local community jobs in the region. Black Wattle Colliery has entered into a joint venture project with Enviroserve Waste Management to further develop and ensure the future sustainability of this project.Various upgrades were initiated at the Evergreen School nearby to Black Wattle including the erection of new toilet facilities for the boys and girls, which formed part of the mines portable skills development ***programme*** for our employees.Social, community and human rights issuesThe group believes that it is in the shareholders' interests to consider social and human rights issues when conducting business activities both in the UK and South Africa.Environment & Environment Management ProgrammeSouth AfricaUnder the terms of the mine's Environmental Management ***Programme*** approved by the Department of Mineral Resource ("DMR"), BlackWattle undertakes a host of environmental protection activities to ensure that the approved Environmental Management Plan is fully implemented. In addition to these routine activities, Black Wattle regularly carries out environmental monitoring activities on and around the mine, including evaluation of ground water quality, air quality, noise and lighting levels, ground vibrations, air blast monitoring, and assessment of visual impacts. In addition to this Black Wattle also does quarterly monitoring of all boreholes around the mine to ensure that no contaminated water filters through to the surrounding communities.Black Wattle is fully compliant with the regulatory requirements of the Department of Water Affairs and Forestry and has an approved water use licence.Black Wattle Colliery has substantially improved its water management by erecting and upgrading all its pollution control dams in consultation with the Department of Water Affairs and Forestry.A performance assessment audit was conducted to verify compliance to our Environmental Management ***Programme*** and no significant deviations were found.United KingdomThe group's UK activities are principally property investment whereby we provide premises which are rented to retail businesses. We seek to provide those tenants with good quality premises from which they can operate in an efficient and environmentally sound manner.ProcurementBlack Wattle is a level 7 contributor to B-BBEE and has achieved a 50% BEE procurement recognition level. In compliance with the Mining Charter and the Mineral and Petroleum Resource Development Act, Black Wattle has implemented a BBBEE-focussed procurement policy which strongly encourages our suppliers to establish and maintain BBBEE credentials. At present, BBBEE companies provide approximately 88 percent of Black Wattle's equipment andservices.We closely monitor our monthly expenditure and welcome potential BBBEE suppliers to compete for equipment and service contracts at BlackWattle.EmploymentAs part of Black Wattle's commitment to the South African government Mining Charter, thecompany seeks to:Expand opportunities for historically disadvantaged South Africans (HDSAs), including women, to enter the mining and minerals industry and benefit from the extraction and processing of the country's resources;Utilise the existing skills base for the empowerment of HDSAs; andExpand the skills base of HDSAs in order toserve the community.In addition Black Wattle is committed to achieving the goals of the South African Employment Equity Act and is pleased to report the following:Black Wattle Colliery has exceeded the 10 percent women in management and core mining target.Black Wattle Colliery has achieved 12 percent women in core mining.94 percent of the women at Black Wattle Colliery are HDSA females.Black Wattle Colliery has successfully submitted their annual Employment Equity Report to the Department of Labour.In terms of staff training some highlights for 2017 were:11 employees were trained in ABET (Adult Basic Educational Training) on various levels;An additional 5 disabled women continued their training on ABET level one and two.2 HDSA Females have completed and qualified in their respective apprenticeships at the mine.Black Wattle had several of the staff of Silver Solutions CC, a black owned private contractor on the mine, trained to become competent to perform plastic pipe welding. The mine makes extensive use of their services in this area.Employment terms and conditions for our employees based at our UK office and at our South African mining operations are regulated by and are operated in compliance with all relevant prevailing national and local legislation. Employment terms and conditions provided to mining staff meet or exceed the national average. The group's mining operations and coal washing plant facility are labour intensive and unionised. During the ***year*** no labour disputes, strikes or wage negotiations disrupted production or had a significant impact on earnings. The group's relations to date with labour representatives and labour related unions continue to remain strong.In terms of directors, employees and gender representation, at the ***year*** end the group had 6directors (6 male, 0 female), 7 senior managers (6 male, 1 female) and 196 employees (143 male, 53 female). Green House Gas reportingWe have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations.The group has employed the Operational Control boundary definition to outline our carbon footprint boundary. Included within that boundary are Scope 1 & 2 emissions from coal extraction and onsite mining processes for Black Wattle Colliery. We have not measured and reported on our Scope 3 emissions sources. Excluded from the footprint boundary are emission sources considered non material by the group, including refrigerant use onsite.We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and a methodology adapted from the Intergovernmental Panel on Climate Change (2006) to calculate fugitive emissions from surface coal mining activities. Further emission factors were used from UK Government's GHG Conversion Factors for company Reporting 2017.The group's carbon footprint: 2017 CO2e Tonnes 2016 CO2e Tonnes Emissions source: Scope 1 Combustion of fuel & operation of facilities 15,575 11,860 Scope 1 Emissions from coal mining activities 22,683 22,171 Scope 2 Electricity, heat, steam and cooling purchased for own use 11,210 8,530 Total 49,468 42,561 Intensity: Intensity 1 Tonnes of CO2 per pound sterling of revenue 0.0013 0.0019 Intensity 2 Tonnes of CO2 per tonne of coal produced 0.038 0.034 Principal risks &uncertainties PRINCIPAL RISK PERFORMANCE AND MANAGEMENT OF THE RISK COAL PRICE RISK The group is exposed to coal price risk as its future revenues will be derived based on contracts or agreements with physical off-take partners at prices that will be determined by reference to market prices of coal at delivery date. The group's South African mining operational earnings are significantly dependent on movements in both the export and domestic coal price. The price of export sales is derived from a US Dollar-denominated export coal price and therefore the price achievable in South African Rands can be influenced by movements in exchange rates and overall global demand andsupply. The domestic market coal prices are denominated in South African Rand and are primarily dependant on local demand and supply. The group primarily focuses on managing its underlying production costs to mitigate coal price volatility as well as from time to time entering into forward sales contracts with the goal of preserving future revenue streams. The group has not entered into any such contracts in 2017 and 2016. The group's export and domestic sales are determined based on the ability to deliver the quality of coal required by each market and Quattro ***programme*** quotas, together with the market factors set out opposite. Volumes of export sales achieved during the ***year*** were primarily dependent on the mine's ability to produce the higher quality of coal required for export as well as allowable quotas under the Quattro ***programme*** and overall global demand. The volume of domestic market sales achieved during the ***year*** were primarily dependant on local demand and supply as well as the mine's ability to produce the lower overall quality of coal required. MINING RISK As with many mining operations, the reserve that is mined has the risk of not having the qualities and accessibility expected from geological and environmental analysis. This can have a negative impact on revenue and earnings as the quality and quantity of coal mined and sold by our mining operations may be lower than expected. This risk is managed by engaging independent geological experts, referred to in the industry as the "Competent Person", to determine the estimated reserves and their technical and commercial feasibility for extraction. In addition, management engage Competent Persons to assist management in the production of detailed life of mine plans as well as in the monitoring of actual mining results versus expected performance and management's response to variances. The group continued to engage an independent Competent Person in the current ***year***. Refer to page 6 for details of mining performance. CURRENCY RISK The group's operations are sensitive to currency movements, especially those between the South African Rand, US Dollar and British Pound. These movements can have a negative impact on the group's mining operations revenue as noted above, as well as operational earnings. The group is exposed to currency risk in regard to the Sterling value of inter-company trading balances with its South African operations. It arises as a result of the retranslation of Rand denominated inter-company trade receivable balances into Sterling that are held within the UK and which are payable by South African Rand functional currency subsidiaries. The group is exposed to currency risk in regard to the retranslation of the group's South African functional currency net assets to the Sterling reporting functional currency of the group. A weakening of the South African Rand against Sterling can have a negative impact on the financial position and net asset values reported by the group. Export sales within the group's South African operations are derived from a US Dollar-denominated export coal price. A weakening of the US Dollar can have a negative impact on the South African Rand prices achievable for coal sold by the group's South African mining operations. This in turn can have a negative impact on the group's mining operations revenue as well as operational earnings as the group's mining operating costs are Rand denominated. In order to mitigate this, the group may enter into forward sales contracts in local currencies with the goal of preserving future revenue streams. The group has not entered into any such contracts in 2017 and 2016. Although it is not the group's policy to obtain forward contracts to mitigate foreign exchange risk on inter-company trading balances or on the retranslation of the group's South African functional currency net assets, management regularly review the requirement to do so in light of any increased risk of future volatility. Refer to the 'Financial Review' for details of significant currency movement impacts in the ***year***. NEW RESERVES AND MINING PERMISSIONS The life of the mine, acquisition of additional reserves, permissions to mine (including ongoing and once-off permissions) and new mining opportunities in South Africa generally are contingent on a number of factors outside of the group's control such as approval by the Department of Mineral Resources, the Department of Water Affairs and Forestry and other regulatory or state owned entities. In addition, the group's South African operations are subject to the government Mining Charter. Any regulatory changes to the Mining Charter, or failure to meet existing targets, could adversely affect the mine's ability to retain its mining rights in South Africa. The maintenance of compliance with permits includes factors such as environmental management, health and safety, labour laws and Black Empowerment legislation; as failure to maintain appropriate controls and compliance may in turn result in the withdrawal of the necessary permissions to mine. The management of these regulatory risks and performance in the ***year*** is noted on page 17 under the headings environmental risk, health & safety risk and labour risk. Additionally, in order to mitigate this risk, the group strives to provide adequate resources to this area including the employment of adequate personnel and the utilisation of third party consultants competent in regulatory compliance related to mining rights and mining permissions The group also continues to actively seek new opportunities to expand it mining operations in South Africa through the acquisition of additional coal reserves and new commercial arrangements with existing mining right holders. POWER SUPPLY RISK The current utility provider for power supply in South Africa is the government run Eskom. Eskom continues to undergo capacity problems resulting in power cuts and lack of provision of power supply to new projects. Any power cuts or lack of provision of power supply to the group's mining operations may disrupt mining production and impact on earnings. The group's mining operations have to date not been affected by power cuts. However the group manages this risk through regular monitoring of Eskom's performance and ongoing ability to meet power requirements. In addition, the group continues to assess the ability to utilise diesel generators as an alternative means of securing power in the event of power outages. PRINCIPAL RISK PERFORMANCE AND MANAGEMENT OF THE RISK FLOODING RISK The group's mining operations are susceptible to seasonal flooding which could disrupt mining production and impact on earnings. Management monitors water levels on an ongoing basis and various projects have been completed, including the construction of additional dams, to minimise the impact of this risk as far as possible. ENVIRONMENTAL RISK The group's South African mining operations are required to adhere to local environmental regulations. Any failure to adhere to local environmental regulations, could adversely affect the mine's ability to mine under its mining right in South Africa. In line with all South African mining companies, the management of this risk is based on compliance with the Environment Management Plan. In order to ensure compliance, the group strives to provide adequate resources to this area including the employment of personnel and the utilisation of third party consultants competent in regulatory compliance related to environmental management. To date, Black Wattle is fully compliant with the regulatory requirements of the Department of Water Affairs and Forestry and has an approved water use licence. Further details of the group's Environment Management ***Programme*** are disclosed in the Sustainable development report on page 9. HEALTH & SAFETY RISK Attached to mining there are inherent health and safety risks. Any such safety incidents disrupt operations, and can slow or even stop production. In addition, the group's South African mining operations are required to adhere to local Health and Safety regulations. The group has a comprehensive Health and Safety ***programme*** in place to mitigate this risk. Management strive to create an environment where Health and safety of our employees is of the utmost importance. Our Health & Safety ***programme*** provides clear guidance on the standards our mining operation is expected to achieve. In addition, management receive regular updates on how our mining operations are performing. Further details of the group's Health and Safety ***Programme*** are disclosed in the Sustainable development report on page 8. LABOUR RISK The group's mining operations and coal washing plant facility are labour intensive and unionised. Any labour disputes, strikes or wage negotiations may disrupt production and impact earnings. In order to mitigate this risk, the group strives to ensure open and transparent dialogue with employees across all levels. In addition, appropriate channels of communication are provided to all employment unions at Black Wattle to ensure effective and early engagement on employment matters, in particular wage negotiations and disputes. Refer to the 'Employment' section on page 12 for further details. CASHFLOW RISK Commodity price risk, currency volatility and the uncertainties inherent in mining may result in favourable or unfavourable cashflows. In order to mitigate this, we seek to balance the high risk of our mining operations with a dependable cash flow from our UK property investment operations which are actively managed by London & Associated Properties PLC. Due to the long term nature of the leases, the effect on cash flows from property investment activities are expected to remain stable as long as tenants remain in operation. Refer to page 22 for details of the property portfolio performance. PROPERTY VALUATION RISK Fluctuations in property values, which are reflected in the Consolidated Income Statement and Balance Sheet, are dependent on an annual valuation of commercial properties. A fall in UK commercial property can have a marked effect on the profitability and the net asset value of the group as well as impact on covenants and other loan agreement obligations. The economic performance of the United Kingdom, including the potential impact of the United Kingdom leaving the European Union ("Brexit"), may impact the level of rental income, yields and associated property valuations of the group's UK property assets. The group utilises the services of London & Associated Properties PLC whose responsibility is to actively manage the portfolio to improve rental income and thus enhance the value of the portfolio over time. In addition, management regularly monitor banking covenants and other loan agreement obligations as well as the performance of our property assets in relation to the overall market over time. Management continue to monitor and evaluate the impact of Brexit on the future performance of the Group's existing UK portfolio. In addition, the group assesses on an ongoing basis the impact of Brexit on the group's banking covenants, loan obligations and future investment decisions. Refer to page 22 for details of the property portfolio performance. Financial & performance reviewThe movement in the Group's Adjusted EBITDA from Â£1.5million in 2016 to Â£5.8million in 2017 can mainly be attributed to the higher prices achieved for our coal and increased mining production at Black Wattle offsetting the impact of higher mining and washing costs. As we continue into 2018, the group's financial position remains strong and we expect to achieve significant value from our existing mining operations as noted in the Mining Review.EBITDA, adjusted EBITDA and mining production are used as key performance indicators for the group and its mining activities as the group has a strategic focus on the long term development of its existing mining reserves and the acquisition of additional mining reserves in order to realise shareholder value. Mining production can be defined as the coal quantity in metric tonnes extracted from our reserves during the period and held by the mine before any processing through the washing plant. Whilst profit/(loss) before tax is considered as one of the key performance indicators of the group, the profitability of the group and the group's mining activities can be impacted by the volatile and capital intensive nature of the mining sector. Accordingly, EBITDA and adjusted EBITDA are primarily used as key performance indicators as they are indicative of the value associated with the group's mining assets expected to be realised over the long term life of the group's mining reserves. In addition, for the group's property investment operations, the net property valuation and net property revenue are utilised as key performance indicators as the group's substantial property portfolio reduces the risk profile for shareholders by providing stable cash generative UK assets and access to capital appreciation. Key performance indicators The key performance indicators for the group are: 2017 Â£'000 2016 Â£'000 For the group: Operating profit before depreciation, fair value adjustments and exchange movements (adjusted EBITDA) 5,819 1,516 EBITDA 3,734 2,415 Profit/(loss) before tax 1,485 346 For our property investment operations: Net property valuation (excluding joint ventures) 13,245 13,245 Net property revenue (excluding joint ventures) 1,125 1,084 For our mining activities: Operating profit before depreciation, fair value adjustments and exchange movements (adjusted EBITDA) 4,894 755 EBITDA 2,811 1,204 Tonnes '000 Tonnes '000 Mining production 1,296 1,260 The key performance indicators of the group can be reconciled as follows: Mining Â£'000 Property Â£'000 Other Â£'000 2017 Â£'000 Revenue 36,300 1,125 34 37,459 Mining and washing costs (25,664) - - (25,664) Other operating costs excluding depreciation (5,742) (228) (6) (5,976) Operating profit before depreciation, fair value adjustments and exchange movements (adjusted EBITDA) 4,894 897 28 5,819 Exchange movements (256) - - (256) Fair value adjustments - (13) - (13) Gain on disposal of other investments - - 3 3 Operating profit excluding depreciation 4,638 884 31 5,553 Share of (loss)/profit and write off's in joint venture (1,827) 8 - (1,819) EBITDA 2,811 892 31 3,734 Net interest movement (459) Depreciation (1,790) Profit/(loss) before tax 1,485 The key performance indicators of the group can be reconciled as follows: Mining Â£'000 Property Â£'000 Other Â£'000 2016 Â£'000 Revenue 21,703 1,084 28 22,815 Mining and washing costs (16,184) - - (16,184) Other operating costs excluding depreciation (4,764) (348) (3) (5,115) Operating profit before depreciation, fair value adjustments and exchange movements (adjusted EBITDA) 755 736 25 1,516 Exchange movements 449 - - 449 Fair value adjustments - 445 12 457 Operating profit excluding depreciation 1,204 1,181 37 2,422 Share of (loss)/profit in joint venture - (7) - (7) EBITDA 1,204 1,174 37 2,415 Net interest movement (284) Depreciation (1,785) Profit/(loss) before tax 346Adjusted EBITDA is used as a key indicator of the trading performance of the group and its operating segments representing operating profit before the impact of depreciation, fair value adjustments, gains/(losses) on disposal of other investments and foreign exchange movements. The group's operating segments include its South African mining operations and UK property investments. The performance of these two operating segments are discussed in more detail below.The group achieved EBITDA for the ***year*** of Â£3.7 million (2016: Â£2.4million). The movement compared to the prior ***year*** can mainly be attributed to increased operating profits before depreciation from our mining activities of Â£4.9million (2016: Â£1.2million) offset by the group's share of losses in joint venture mining assets of Â£1.8million (2016: Â£nil). The share of losses in joint ventures can be attributed to the write off of our joint venture mining investment in Ezimbokodweni Mining (Pty) LTD of Â£1.8million which is discussed in further detail below.Depreciation for the ***year***, related to our mining operations, remained stable at Â£1.8million (2016: Â£1.8million) with the group reporting an overall profit before tax of Â£1.5million (2016: Â£0.3million). SOUTH AFRICAN MINING OPERATIONSPerformance The key performance indicators of the group's South African mining operationsarepresented in South African Rand and UK Sterling as follows: South African Rand UK Sterling 2017 R'000 2016 R'000 2017 Â£'000 2016 Â£'000 Revenue 622,691 432,481 36,300 21,703 Mining and washing costs (440,241) (322,505) (25,664) (16,184) Operating profit before other operating costs and depreciation 182,450 109,976 10,636 5,519 Other operating costs (excluding depreciation) (5,742) (4,764) Operating profit before depreciation, fair value adjustments and exchange movements (adjusted EBITDA) 4,894 755 Exchange movements (256) 449 Share of loss in joint ventures (1,827) - EBITDA 2,811 1,204 2017 '000 2016 '000 Mining production in tonnes 1,296 1,260 2017 R 2016 R Revenue per tonne of mining production 480 343 Mining and washing costs per tonne of mining production (340) (256) Operating profit per tonne of mining production before other operating costs and depreciation 140 87 A breakdown of the quantity of coal sold and revenue of the group's South African mining operations are presented in metric tonnes and South African Rand as follows: Domestic '000 Export '000 2017 '000 Domestic '000 Export '000 2016 '000 Quantity of coal sold in tonnes 1,267 155 1,422 1,219 147 1,366 Domestic R'000 Export R'000 2017 R'000 Domestic R'000 Export R'000 2016 R'000 Total Revenue 502,818 119,873 622,691 339,611 92,870 432,481 R R R R R R Revenue per tonne of coal sold 397 773 438 279 632 317The quantity of coal sold can be defined as the quantity of coal sold in metric tonnes from the mine in any given period. Revenue per tonne of coal sold can be defined as the net revenue price achieved per metric tonne of coal sold. Total revenue for the group's mining operations increased for the ***year*** from R317 per tonne of coal sold in 2016 to R438 in 2017, attributable to the average price increases achieved in both the domestic and export market. As a result of the overall higher mining production, the quantity of coal sold for the ***year*** increased to 1.422million tonnes (2016: 1.366million tonnes). Overall, the revenue for the group's South African mining operations increased in the ***year*** to R622.7million (2016: R432.5 million).The overall increase in cost per tonne from R256 per tonne to R340 per tonne can mainly be attributed to the movement of mining operations to new opencast reserves at Black Wattle which have higher inherent mining costs. As a result of the higher mining cost per tonne and the increase in total mining production, total mining and washing costs for the group increased from R322.5million in 2016 to R440.2million in 2017.Other operating costs (excluding depreciation) of Â£5.7million (2016: Â£4.8million) include general administrative costs as well as administrative salaries and wages related to our South African mining operations that are incurred both in South Africa and in the UK. These costs are not significantly impacted by movements in mining production and the increase during the ***year*** can mainly be attributed to exchange movements on the translation of South African Rand costs into Sterling. Overall costs were in line with management's expectations and local inflation.Overall, the group's South African mining operations achieved an adjusted EBITDA of Â£4.9million (2016: Â£0.8million) attributable to the increase in mining production for the ***year*** and higher prices achievable for our coal offsetting the higher mining cost per tonne of our new opencast reserves.The group's EBITDA for mining activities of Â£2.8million (2016: Â£1.2million) for the ***year***, in comparison to the result achieved for adjusted EBITDA were negatively impacted by the share of loss in joint ventures of Â£1.8million (2016: Â£nil) related to the write off of our investment in Ezimbokodweni Mining (Pty) Ltd as well as an exchange rate loss of Â£0.3million in the current ***year*** compared to an exchange rate gain of Â£0.4million incurred during the prior ***year***. These exchange movements can mainly be attributable to the retranslation of Rand denominated inter-company trade receivable balances with our South African mining operations that are held within the UK.A further explanation of the mines operational performance can be found in the Mining Review on page 6.Other mining InvestmentsDuring the ***year*** the group wrote off its Â£1.8million investment in Ezimbokodweni Mining (Pty) Limited ("Ezimbokodweni") made up of a Â£1.4million loan (2016: Â£1.4million) and a Â£0.4million (2016: Â£0.4million) joint venture investment.The carrying value of the investment was dependent upon the completion of the acquisition of the Pegasus coal project ("the project") in South Africa. Although a proposed sale and purchase agreement had been negotiated and a deposit paid for the project, the conclusion of the transaction had been delayed pending the commercial ***transfer*** of the prospecting right from the current owners of the project to Ezimbokodweni. Although the group has always remained committed to completing the transaction, previous negotiations to complete the commercial acquisition of the project had been beset by various delays outside of its control and at the beginning of 2017, the current owners of the project notified Ezimbokodweni that they no longer wished to divest the project. More recently, the group was notified that an agreement was reached between the current owners of the project and the directors of Ezimbokodweni for the deposit for the project to be returned and any further negotiations with Ezimbokodweni to acquire the project to be terminated. Although, a legal claim by the group has been issued against Ezimbokodweni and its representatives, in order for the group to recover some of the investment, the Board has considered it to be appropriate to write off the investment in full in the 2017 ***year*** end.Uk property investmentPerformanceThe group's portfolio is managed actively by London & Associated properties plc and continues to perform well with net property revenue (excluding joint ventures) across the portfolio increasing marginally during the ***year*** to Â£1.125million (2016: Â£1.084million). The property portfolio was externally valued at 31 December 2017 and the value of UK investment properties attributable to the group at ***year*** end remained unchanged at Â£13.25 million (2016: Â£13.25million).Joint venture property investmentsThe group holds a Â£0.9million (2016: Â£0.9million) joint venture investment in Dragon Retail Properties Limited, a UK property investment company. The open market value of the company's share of investment properties included within its joint venture investment in Dragon Retail Properties remained unchanged at Â£1.3million (2016: Â£1.3million).Overall, the group achieved net property revenue of Â£1.21million (2016: Â£1.17million) for the ***year*** which includes the company's share of net property revenue from its investment in joint ventures of Â£83,000 (2016: Â£86,000).LoansSouth AfricaIn July 2017, the group increased its South African structured trade finance facility with Absa Bank Limited from R80million (South African Rand) to R100million. The facility is renewable annually at 30 June and is secured against inventory, debtors and cash that are held in the group's South African operations. This facility comprises of a R80million revolving facility to cover the fluctuating working capital requirements of the group's South African operations, and a fully drawn R20million loan facility to cover guarantee requirements related to the group's South African mining operations. The Board anticipate the facility will be renewed again this ***year***.United KingdomIn December 2014, the group signed a Â£6 million term loan facility with Santander. The Loan is secured against the group's UK retail property portfolio. The facility has a five ***year*** term, and is repayable at the end of the term. The interest cost of the loan is 2.35% above LIBOR. No covenants were breached during the ***year***. Cashflow & financial position The following table summarises the main components of the consolidated cashflow for the ***year***: ***Year*** ended 31 December 2017 Â£'000 ***Year*** ended 31 December 2016 Â£'000 Cash flow generated from operations before working capital and other items 5,819 1,625 Cash flow from operating activities 7,270 2,614 Cash flow from investing activities (1,936) (1,691) Cash flow from financing activities (429) (521) Net (decrease) / increase in cash and cash equivalents 4,905 402 Cash and cash equivalents at 1 January (890) (626) Exchange adjustment 50 (666) Cash and cash equivalents at 31 December 4,065 (890) Cash and cash equivalents at 31 December comprise: Cash and cash equivalents as presented in the balance sheet 5,327 2,444 Bank overdrafts (secured) (1,262) (3,334) 4,065 (890)Cash flow generated from operating activities increased compared to the prior ***year*** to Â£7.3million (2016: Â£2.6 million) mainly due to the improved operating performance of our South African mining operations, as outlined above. Overall the group achieved an increase in operating profit during the ***year*** of Â£3.8million (2016: Â£0.6million). In addition to operating profit, the increase in cashflow generation from operating activities can also be attributed to a cashflow increase from trade receivables of Â£0.9million (2016: Â£0.2million), as a result of an decrease in the trade receivables balances of our South African domestic coal customers, and a cashflow increase from inventories of Â£0.9million (2016: decrease of Â£0.26million), as a result of improved coal sales from our South African mining operations in the last quarter of 2017.Investing cashflows primarily reflect the net effect of capital expenditure during the ***year*** of Â£1.8million (2016: Â£2.9million) which can mainly be attributable to the new infrastructure improvements to the washing plant facility at Black Wattle, as outlined in the Mining Review. As at ***year*** end the group's mining reserves, plant and equipment had a net asset value of Â£8.6million (2016: Â£8.5million) with capital expenditure being offset by depreciation of Â£1.8million (2016: Â£1.8milion) for the ***year***.Cash outflows from financing activities included dividends paid to shareholders of Â£0.4million (2016: 0.4 million).Overall, the group managed to achieve an overall increase in cash and cash equivalents of Â£4.9million (2016: Â£0.4million) for the ***year***. After taking into account an exchange gain of Â£0.05million (2016: loss of Â£0.7million) on the translation of the group's ***year*** end net balance of cash and cash equivalents that were held in South African Rands, the group's net balance of cash and cash equivalents (including bank overdrafts) at ***year*** end was Â£4.1 million (2016: balance owing of: Â£0.9million).The group has considerable financial resources available at short notice including cash and cash equivalents (excluding bank overdrafts) of Â£5.3million (2016: Â£2.4million), investments available for sale of Â£1.1million (2016: Â£0.8million) and its Â£2m loan to Dragon Retail Properties Limited which accrues annual interest at 6.875 per cent. The above financial resources totalling Â£8.4million (2016: Â£5.2million).The net assets of the group reported as at ***year*** end were Â£17.7million (2016: Â£17.0million). Total assets remained stable at Â£36.6million (2016: Â£36.9million) mainly due to a decrease in inventory and trade receivables balances at ***year*** end, as outlined above, and the write off of the groups' joint venture investment in Ezimbokodweni Mining (Pty) Ltd of Â£1.8million offsetting the increase in the groups' cash and cash equivalents balance from Â£2.4million to Â£5.3million during the ***year***. Liabilities decreased from Â£19.9million to Â£18.8million during the ***year*** primarily due to a decrease in current borrowings from Â£3.4million in 2016 to Â£1.3million in 2017. This decrease can mainly be attributed to a decrease in borrowings drawn from the groups' South African structured trade facility utilised by the groups' mining operations. The overall exchange gain recorded through the translation reserve on translation of the group's South African net assets at ***year*** end decreased to Â£0.1million (2016: Â£1.0million) as a result of the reduced movement of the South African Rand against UK sterling ***year*** to ***year***.Further details on the group's cashflow and financial position are stated in the Consolidated Cashflow Statement on page 59 and the Consolidated Balance Sheet on page 56. FUTURE PROSPECTSAs we continue into 2018, the group's financial position remains strong and we expect to achieve significant additional value from our existing mining operations. The group continues to seek to expand its operations in South Africa through the acquisition of additional coal reserves, in particular in areas surrounding Black Wattle where additional value can be achieved through the use of our existing infrastructure. In addition, management is currently investigating other major investment opportunities in the domestic property sector in line with the groups' overall strategy of balancing the high risk of our mining operations with a dependable cash flow and capital appreciation from our UK property investment operations.Further information on the outlook of the company can be found in both the Chairman's Statement on page 2 and the Mining Review on page 6 which form part of the Strategic Report.Signed on behalf of the Boardof DirectorsGarrett Casey Finance Director20 April 2018 GovernanceManagement team1 Sir Michael Heller Chairman Bisichi Mining PLC2 Andrew Heller Managing Director Bisichi Mining PLC Managing Director Black Wattle Colliery3 Christopher Joll Senior Independent Director Chairman Audit and Remuneration Committees4 Garrett Casey Finance Director Bisichi Mining PLC Director Black Wattle Colliery5 Robert Grobler Director of Mining Bisichi Mining PLC Director Black Wattle Colliery6 Ethan Dube Director Black Wattle Colliery7 Millicent ZvarayiDirector Black Wattle Colliery8 Nico Serfontein Mine Manager Black Wattle CollieryDirectors and advisors Sir Michael Heller MA, FCA (Chairman) Andrew R Heller MA, ACA (Managing Director) Garrett Casey CA (SA) (Finance Director) Robert Grobler Pr Cert Eng (Director of mining)O+ Christopher A Joll MA (Non-executive) Christopher Joll was appointed a Director on 1 February 2001. He has held a number of non-executive directorships ofquoted and un-quoted companies and is currently senior partner of MJ2 Events LLP an event management business.O John A Sibbald BL (Non-executive) John Sibbald has been a Director since 1988. After qualifying as a Chartered Accountant he spent over 20years in stockbroking, specialising in mining and international investment. Member of the nomination committee+ Senior independent directorOMember of the audit, nomination andremuneration committees. Secretary and registered officeGarrett Casey CA (SA) 24 Bruton Place London W1J 6NEBlack Wattle Colliery DirectorsAndrew Heller (Managing Director) Ethan Dube Robert Grobler Millicent Zvarayi Garrett CaseyProperty portfolio asset managerJames Charlton BSc MRICSCompany RegistrationCompany registration No. 112155 (Incorporated in England and Wales)Website[*www.bisichi.co.ukE-mailadmin*](http://www.bisichi.co.ukE-mailadmin)@bisichi.co.ukAuditorBDO LLPPrincipal bankersUnited Kingdom Santander UK PLC National Westminster Bank PLC Investec PLCSouth Africa ABSA Bank (SA) First National Bank (SA) Standard Bank (SA)Corporate solicitorsUnited Kingdom Fladgate LLP, London Memery Crystal, London Olswang LLP, LondonSouth Africa Brandmullers Attorneys, Middelburg Herbert Smith Freehills, JohannesburgHogan Lovells, Johannesburg Tugendhaft Wapnick Banchetti andPartners, JohannesburgStockbrokersShore Capital & Corporate LtdRegistrars and ***transfer*** officeLink Asset Services 65 Gresham Street London EC2V 7NQ Telephone 0871 664 0300(Calls cost 12p per minute + network extras) or +44 (0) 371 664 0300 for overseascallers   [*www.linkassetservices.com*](http://www.linkassetservices.com) Email: [*shareholderenquiries@linkgroup.co.uk*](mailto:shareholderenquiries@linkgroup.co.uk) Five ***year*** summary 2017 Â£'000 2016 Â£'000 2014 Â£'000 2013 Â£'000 2012 Â£'000 Consolidated income statement items Revenue 37,459 22,815 25,655 26,500 35,105 Operating profit/(loss) 3,763 637 150 1,364 123 Profit/(loss) before tax 1,485 346 (147) 1,568 102 Trading profit/(loss) before tax 3,317 (74) (188) 1,157 17 Revaluation and impairment profit/(loss) before tax (1,832) 420 41 411 85 EBITDA 3,734 2,415 1,365 4,609 3,039 Operating profit before depreciation, fair value adjustments and exchange movements (adjusted EBITDA) 5,819 1,516 1,717 4,276 3,834 Consolidated balance sheet items Investment properties 13,245 13,245 12,800 11,575 11,559 Fixed asset investments 925 2,703 2,112 4,090 4,370 14,170 15,948 14,912 15,665 15,929 Available for sale investments 1,050 781 594 796 822 15,220 16,729 15,506 16,461 16,751 Other assets less liabilities less non-controlling interests 1,922 (72) (196) 854 (123) Total equity attributable to equity shareholders 17,142 16,657 15,310 17,315 16,628 Net assets per ordinary share (attributable) 160.6p 156.0p 143.4p 162.2p 156.3p Dividend per share 5.00p 4.00p 4.00p 4.00p 4.00p Financial ***calendar*** 6 June 2018 Annual General Meeting 27 July 2018 ***Payment*** of final and special dividend for 2017 (ifapproved) Late August 2018 Announcement of half-***year*** results to30June 2018 Late April 2019 Announcement of results for ***year*** ending 31December 2018 Directors' reportThe directors submit their report together with the audited financial statements for the ***year*** ended 31December 2017.Review of business, future developments and post balance sheet eventsThe group continues its mining activities. Income for the ***year*** was derived from sales of coal from its South African operations. The group also has a property investment portfolio for which it receives rental income.The results for the ***year*** and state of affairs of the group and the company at 31 December 2017 are shown on pages 54 to 94 and in the Strategic Report on pages 2 to 23. Future developments and prospects are also covered in the Strategic Report and further details of any post balance sheet events can be found in note 31 to the financial statements. Over 99 per cent. of staff are employed in the South African coal mining industry employment matters and health and safety are dealt with in the Strategic Report.The management report referred to in the Director's responsibilities statement encompasses this Directors' Report and Strategic Report on pages 2 to 23.Corporate responsibilityEnvironmentThe environmental considerations of the group's South African coal mining operations are covered in the Strategic Report on pages 2 to 23.The group's UK activities are principally property investment whereby premises are provided for rent to retail businesses. The group seeks to provide those tenants with good quality premises from which they can operate in an efficient and environmentally friendly manner. Wherever possible, improvements, repairs and replacements are made in an environmentally efficient manner and waste re-cycling arrangements are in place at all the company's locations.Greenhouse Gas EmissionsDetails of the group's greenhouse gas emissions for the ***year*** ended 31 December 2017 can be found on page 12 of the Strategic Report.EmploymentThe group's policy is to attract staff and motivate employees by offering competitive terms of employment. The group provides equal opportunities to all employees and prospective employees including those who are disabled. The Strategic Report gives details of the group's activities and policies concerning the employment, training, health and safety and community support and social development concerning the group's employees in South Africa.Dividend policyAn interim dividend for 2017 of 1p was paid on 9 February 2018 (Interim 2016: 1p). The directors recommend the ***payment*** of a final dividend for 2017 of 3p per ordinary share (2016: 3p) as well as a special dividend of 1p (2016: Nil) making a total dividend for 2017 of 5p (2016: 4p).Subject to shareholder approval, the total dividend per ordinary share for 2017 will be 5p per ordinary share.The final dividend and the special dividend will be payable on Friday 27 July 2018 to shareholders registered at the close of business on 6 July 2018.Investment propertiesThe investment property portfolio is stated at its open market value of Â£13,245,000 at 31 December 2017 (2016: Â£13,245,000) as valued by professional external valuers. The open market value of the company's share of investment properties included within its investments in joint ventures is Â£1,315,000 (2016: Â£1,315,000).Financial instrumentsNote 21 to the financial statements sets out the risks in respect of financial instruments. The Board reviews and agrees overall treasury policies, delegating appropriate authority to the managing director. Financial instruments are used to manage the financial risks facing the group. Treasury operations are reported at each Board meeting and are subject to weekly internal reporting.DirectorsThe directors of the company for the whole ***year*** were Sir Michael Heller, A R Heller, G J Casey, C A Joll, R J Grobler (a South African citizen), and J A Sibbald.The directors retiring by rotation are Mr A R Heller and Mr R J Grobler who offers themselves for re-election.Mr A R Heller has been an executive director of the company since 1998. He is a Chartered Accountant and has been employed by the group since 1994 under a contract of employment determinable at three months' notice. The board recommends the re-election of AR Heller.Mr R J Grobler was appointed as General Mine Manager by Black Wattle Colliery (Proprietary) Ltd on 1 May 2000. He was appointed to the Board of Bisichi Mining PLC as Director of Mining on 22 August 2008. He has over 40 ***years***' experience in the South African coal mining industry. The board recommends the re-election of RJ Grobler.No director had any material interest in any contract or arrangement with the company during the ***year*** other than as shown in this report.Directors' shareholdingsThe interests of the directors in the shares of the company, including family and trustee holdings where appropriate, are shown on page 38 of the Annual Remuneration Report.Substantial interestsThe following have advised that they have an interest in 3 per cent. or more of the issued share capital of the company as at 16 April 2018:London & Associated Properties PLC 4,432,618 shares representing 41.52 per cent. of the issued capital. (Sir Michael Heller is a director and shareholder of London & Associated Properties PLC). Sir Michael Heller 330,117 shares representing 3.09 per cent. of the issued capital. A R Heller 785,012 shares representing 7.35 per cent. of the issued capital. Cavendish Asset Management Limited 1,892,654 shares representing 17.73 per cent. of the issued share capital. James Hyslop 351,126 shares representing 3.29 per cent. of the issued share capital.Disclosure of information to auditorThe directors in office at the date of approval of the financial statements have confirmed that as far as they are aware that there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all reasonable steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that it has been communicated to theauditor.INDEMNITIES AND INSURANCEThe Articles of Association and Constitution of the company provide for them to indemnify, to the extent permitted by law, directors and officers (excluding the Auditor) of the companies, including officers of subsidiaries, and associated companies against liabilities arising from the conduct of the Group's business. The indemnities are qualifying third-party indemnity provisions for the purposes of the UK Companies Act 2006 and each of these qualifying third-party indemnities was in force during the course of the financial ***year*** ended 31 December 2017 and as at the date of this Directors' report. No amount has been paid under any of these indemnities during the ***year***.The Group has purchased directors' and officers' insurance during the ***year***. In broad terms, the insurance cover indemnifies individual directors and officers against certain personal legal liability and legal defence costs for claims arising out of actions taken in connection with Group business.CORPORATE GOVERNANCEThe Board acknowledges the importance of the guidelines set out in the Quoted Companies Alliance (QCA) published Corporate Governance Code and complies with these so far as is appropriate having regard to the size and nature of the company. The paragraphs below set out how the company has applied this guidance during the ***year***.Principles of corporate governanceThe group's Board appreciates the value of good corporate governance not only in the areas of accountability and risk management, but also as a positive contribution to business prosperity. The Board endeavours to apply corporate governance principles in a sensible and pragmatic fashion having regard to the circumstances of the group's business. The key objective is to enhance and protect shareholder value.Board structureDuring the ***year*** the Board comprised the executive chairman, the managing director, two other executive directors and two non-executive directors. Their details appear on page 27. TheBoard is responsible to shareholders for the proper management of the group. The Directors' responsibilities statement in respect of the accounts is set out on page 46. The non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are fully considered. To enable the Board to discharge its duties, all directors have full and timely access to all relevant information and there is aprocedure for all directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the group. The Board has a formal schedule of matters reserved to it and meets bi-monthly.The Board is responsible for overall group strategy, approval of major capital expenditure projects and consideration of significant financing matters.The following Board committees, which have written terms of reference, deal with specific aspects of the group's affairs:The nomination committee is chaired by Christopher Joll and comprises the non-executive directors and the executive chairman. The committee is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. In appropriate cases recruitment consultants are used to assist the process. Each director is subject to re-election at least every three ***years***.The remuneration committee is responsible for making recommendations to the Board on the company's framework of executive remuneration and its cost. The committee determines the contractual terms, remuneration and other benefits for each of the executive directors, including performance related bonus schemes, pension rights and compensation ***payments***. The Board itself determines the remuneration of the non-executive directors. The committee comprises the non-executive directors. It is chaired by Christopher Joll. The company's executive chairman is normally invited to attend meetings. The report on directors' remuneration is set out on pages 35 to 42.The audit committee comprises the two non-executive directors and is chaired by Christopher Joll. Its prime tasks are to review the scope of external audit, to receive regular reports from the company's auditor and to review the half-***yearly*** and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgment and estimation. The committee is responsible for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the group's internal control and risk management systems and processes. The committee also considers annually the need for an internal audit function. It advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature and scope of the audit with the external auditors. The committee, which meets formally at least twice a ***year***, provides a forum for reporting by the group's external auditors.Meetings are also attended, by invitation, by thecompany chairman, managing director and finance director.The audit committee also undertakes a formal assessment of the auditors' independence each ***year*** which includes:a review of non-audit services provided to thegroup and related fees;discussion with the auditors of a written report detailing consideration of any matters that could affect independence or the perception of independence;a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; andobtaining written confirmation from the auditors that, in their professional judgement, they are independent.The audit committee report is set out on page43.An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the ***year*** is set out in Note 4 to the financial statements.Performance evaluation board, boardcommittees and directorsThe performance of the board as a whole and of its committees and the non-executive directors is assessed by the chairman and the managing director and is discussed with the senior independent director. Their recommendations are discussed at the nomination committee prior to proposals for re-election being recommended to the Board. The performance of executive directors is discussed and assessed by the remuneration committee. The senior independent director meets regularly with the chairman and both the executive and non-executive directors individually outside of formal meetings. The directors will take outside advice in reviewing performance but have not found this necessary to date.Independent directorsThe senior independent non-executive director is Christopher Joll. The other independent non-executive director is JohnSibbald.Christopher Joll has been a non-executive director for over fifteen ***years*** and John Sibbald has been a non-executive director for over twenty five ***years***. The Board encourages Christopher Joll and John Sibbald to act independently. The board considers that their length of service and connection with the company's public relations advisers, does not, and has not, resulted in their inability or failure to act independently. In the opinion of the Board, Christopher Joll and JohnSibbald continue to fulfil their role as independent non-executive directors.The independent directors regularly meet priorto Board meetings to discuss corporategovernance issues.Board and board committee meetingsThe number of meetings during 2017 and attendance at regular Board meetings and Board committees was as follows: Meetings held Meetings Attended Sir Michael Heller Board Nomination committee 5 1 5 1 A R Heller Board Audit committee 5 2 5 2 G J Casey Board Audit committee 5 2 5 2 R J Grobler Board 5 1 C A Joll Board Audit committee Nomination committee Remuneration committee 5 2 1 1 5 2 1 1 J A Sibbald Board Audit committee Nomination committee Remuneration committee 5 2 1 1 5 2 1 1Internal controlThe directors are responsible for the group's system of internal control and review of its effectiveness annually. The Board has designed the group's system of internal control in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.The key elements of the control system in operation are:the Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clearly defined lines of responsibility and with appropriate delegation of authority;there are established procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the group's financial performance against approved budgets and forecasts;UK property and financial operations are closely monitored by members of the Board and senior managers to enable them to assess risk and address the adequacy of measures in place for its monitoring and control. The South African operations are closely supervised by the UK based executives through daily, weekly and monthly reports from the directors and senior officers in South Africa. This is supplemented by monthly visits by the UK based finance director to the South African operations which include checking the integrity of information supplied to the UK. The directors are guided by the internal control guidance for directors issued by the Institute of Chartered Accountants in England and Wales.During the period, the audit committee has reviewed the effectiveness of internal control as described above. The Board receives periodic reports from its committees.There are no significant issues disclosed in the Annual Report for the ***year*** ended 31 December 2017 (and up to the date of approval of the report) concerning material internal control issues. The directors confirm that the Board has reviewed the effectiveness of the system of internal control as described during the period.Communication with shareholdersCommunication with shareholders is a matter of priority. Extensive information about the group and its activities is given in the Annual Report, which is made available to shareholders. Further information is available on the company's website,   [*www.bisichi.co.uk*](http://www.bisichi.co.uk). There is a regular dialogue with institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the group are dealt with informatively and promptly.Takeover directiveThe company has one class of share capital, ordinary shares. Each ordinary share carries one vote. All the ordinary shares rank pari passu. There are no securities issued in the company which carry special rights with regard to control of the company. The identity of all substantial direct or indirect holders of securities in the company and the size and nature of their holdings is shown under the "Substantial interests" section of this report above.A relationship agreement dated 15 September 2005 (the "Relationship Agreement") was entered into between the company and London & Associated Properties PLC ("LAP") in regard tothe arrangements between them whilst LAP is a controlling shareholder of the company. The Relationship Agreement includes a provision under which LAP has agreed to exercise the voting rights attached to the ordinary shares inthe company owned by LAP to ensure the independence of the Board of directors of thecompany.Other than the restrictions contained in the Relationship Agreement, there are no restrictions on voting rights or on the ***transfer*** of ordinary shares in the company. The rules governing the appointment and replacement of directors, alteration of the articles of association of the company and the powers of the company's directors accord with usual English company law provisions. Each director is re-elected at least every three ***years***. The company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the company following a takeover bid. The company is not aware of any agreements between holders of its ordinary shares that may result in restrictions on the ***transfer*** of its ordinary shares or on voting rights.There are no agreements between the company and its directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.The Bribery Act 2010The Bribery Act 2010 came into force on 1 July 2011, and the Board took the opportunity to implement a new Anti-Bribery Policy. The company is committed to acting ethically, fairly and with integrity in all its endeavours and compliance of the code is closely monitored.Annual General MeetingThe annual general meeting of the company ("Annual General Meeting") will be held at 24 Bruton Place, London W1J 6NE on Wednesday, 6 June 2018 at 11.00 a.m. Resolutions 1 to 9 will be proposed as ordinary resolutions. More than 50 per cent. of shareholders' votes cast must be in favour for those resolutions to be passed. Resolutions 10 to 12 will be proposed as special resolutions. At least 75 per cent. of shareholders' votes cast must be in favour for those resolutions to be passed.The directors consider that all of the resolutions to be put to the meeting are in the best interests of the company and its shareholders as a whole. The Board recommends that shareholders vote in favour of all resolutions.Please note that the following paragraphs are only summaries of certain resolutions to be proposed at the Annual General Meeting and not the full text of the resolutions. You should therefore read this section in conjunction with the full text of the resolutions contained in the notice of Annual General Meeting.Directors' authority to allot shares (Resolution 9)In certain circumstances it is important for the company to be able to allot shares up to a maximum amount without needing to seek shareholder approval every time an allotment is required. Paragraph 9.1.1 of resolution 9 would give the directors the authority to allot shares in the company and grant rights to subscribe for, or convert any security into, shares in the company up to an aggregate nominal value of Â£355,894. This represents approximately 1/3 (one third) of the ordinary share capital of the company in issue (excluding treasury shares) at 16 April 2018 (being the last practicable date prior to the publication of this Directors' Report). Paragraph 9.1.2 of resolution 9 would give the directors the authority to allot shares in the company and grant rights to subscribe for, or convert any security into, shares in the company up to a further aggregate nominal value of Â£355,894, in connection with a pre-emptive rights issue. This amount represents approximately 1/3 (one third) of the ordinary share capital of the company in issue (excluding treasury shares) at 16 April 2018 (being the last practicable date prior to the publication of this Directors' Report).Therefore, the maximum nominal value of shares or rights to subscribe for, or convert any security into, shares which may be allotted or granted under resolution 9 is Â£711,788.Resolution 9 complies with guidance issued by the Investment Association (IA).The authority granted by resolution 9 will expire on 31 August 2019 or, if earlier, the conclusion of the next annual general meeting of the company. The directors have no present intention to make use of this authority. However, if they do exercise the authority, the directors intend to follow emerging best practice as regards its use as recommended by the IA.Disapplication of pre-emption rights (Resolution 10)A special resolution will be proposed at the Annual General Meeting in respect of the disapplication of pre-emption rights.Shares allotted for cash must normally first be offered to shareholders in proportion to their existing shareholdings. The directors will, at the forthcoming Annual General Meeting seek power to allot equity securities (as defined by section 560 of the Companies Act 2006) or sell treasury shares for cash as if the pre-emption rights contained in Section 561 of the Companies Act 2006 did not apply:(a) in relation to pre-emptive offers and offers to holders of other equity securities if required by the rights of those securities or as the directors otherwise consider necessary, up to a maximum nominal amount of Â£355,894 which represents approximately 1/3 (one third) of the ordinary share capital of the company in issue (excluding treasury shares) and, in relation to rights issues only, up to a maximum additional amount of Â£355,894 which represents approximately 1/3 (one third) of the ordinary share capital of the company in issue (excluding treasury shares), in each case as at 16 April 2018 (being the last practicable date prior to the publication of this Directors' Report); and(b) in any other case, up to a maximum nominal amount of Â£53,384 which represents approximately 5 per cent. of the ordinary share capital of the company in issue (excluding treasury shares) as at 16 April 2018 (being the last practicable date prior to the publication of this Directors' Report).In compliance with the guidelines issued by the Pre-emption group, the directors will ensure that, other than in relation to a rights issue, no more than 7.5 per cent. of the issued ordinary shares (excluding treasury shares) will be allotted for cash on a non-pre-emptive basis over a rolling three ***year*** period unless shareholders have been notified and consulted in advance.The power in resolution 10 will expire when the authority given by resolution 9 is revoked or expires.The directors have no present intention to make use of this authority.NOTICE OF GENERAL MEETINGS (RESOLUTION11)Resolution 11 will be proposed to allow the company to call general meetings (other than an Annual General Meeting) on 14 clear days' notice. A resolution in the same terms was passed at the Annual General Meeting in 2017. The notice period required by the Companies Act 2006 for general meetings of the company is 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. Annual General Meetings must always be held on at least 21 clear days' notice. It is intended that the flexibility offered by this resolution will only be used for time-sensitive, non-routine business and where merited in the interests of shareholders as a whole. The approval will be effective until the company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. In order to be able to call a general meeting on less than 21 clear days' notice, the company must make a means of electronic voting available to all shareholders for that meeting.Purchase of own Ordinary Shares (Resolution 12)The effect of resolution 12 would be to renew the directors' current authority to make limited market purchases of the company's ordinary shares of 10 pence each. The power is limited to a maximum aggregate number of 1,067,683 ordinary shares (representing approximately 10 per cent. of the company's issued share capital as at 16 April 2018 (being the last practicable date prior to publication of this Directors' Report)). The minimum price (exclusive of expenses) which the company would be authorised to pay for each ordinary share would be 10 pence (the nominal value of each ordinary share). The maximum price (again exclusive of expenses) which the company would be authorised to pay for an ordinary share is an amount equal to 105 per cent. of the average market price for an ordinary share for the five business days preceding any such purchase.The authority conferred by resolution 12 will expire at the conclusion of the company's next annual general meeting or 15 months from the passing of the resolution, whichever is the earlier. Any purchases of ordinary shares would be made by means of market purchase through the London Stock Exchange. If granted, the authority would only be exercised if, in the opinion of the directors, to do so would result in an increase in earnings per share or net asset value per share and would be in the best interests of shareholders generally. In exercising the authority to purchase ordinary shares, the directors may treat the shares that have been bought back as either cancelled or held as treasury shares (shares held by the company itself). No dividends may be paid on shares which are held as treasury shares and no voting rights are attached to them.As at 16 April 2018 (being the last practicable date prior to the publication of this Directors' Report) the total number of new ordinary shares over which options have been granted was 380,000 shares representing 3.56 per cent. of the company's issued share capital (excluding treasury shares) as at that date. Such number of options to subscribe for new ordinary shares would represent approximately 3.95 per cent. of the reduced issued share capital of the company (excluding treasury shares) assuming full use of the authority to make market purchases sought under resolution 12.DonationsNo political or charitable donations were made during the ***year*** (2016: Nil).Going concernThe group's business activities, together with the factors likely to affect its future development are set out in the Chairman's Statement on the preceding page 2, the Mining Review on pages 6 to 7 and its financial position is set out on page 22 of the Strategic Report. In addition Note 21 to the financial statements includes the group's treasury policy, interest rate risk, liquidity risk, foreign exchange risks and credit risk.The group has prepared cash flow forecasts which demonstrate that the group has sufficient resources to meet its liabilities as they fall due for at least the next 12 months.In July 2017, the group increased its South African structured trade finance facility with Absa Bank Limited from R80million (South African Rand) to R100million. The facility is renewable annually at 30 June and is secured against inventory, debtors and cash that are held in the group's South African operations. This facility comprises of a R80million revolving facility to cover the fluctuating working capital requirements of the group's South African operations, and a fully drawn R20million loan facility to cover guarantee requirements related to the group's South African mining operations. The Directors do not foresee any reason why the facility will not continue to be renewed at the next renewal date, in line with prior periods and based on their banking relationships.The directors expect that the improved coal market conditions experienced by Black Wattle Colliery, its direct mining asset in 2017 and the first quarter of 2018 will be similar for at least the next 12 months. The directors therefore have a reasonable expectation that the mine will continue to achieve positive levels of cash generation for the group for at least the next 12 months. As a consequence, the directors believe that the group is well placed to manage its South African business risks successfully.In the UK, a Â£6 million term loan facility repayable in 2019 is held with Santander Bank PLC. The loan is secured against the company's UK retail property portfolio. The debt package has a five ***year*** term and is repayable at the end of the term. The interest cost of the loan is 2.35% above LIBOR.If required, the group has sufficient financial resources available at short notice including cash, available-for-sale investments and its Â£2m loan to Dragon Retail Properties Limited which is repayable on demand. In addition its investment property assets benefit from long term leases with the majority of its tenants.As a result of the banking facilities held as well as the acceptable levels of profitability and cash generation the group's South African operations are expected to achieve for at least the next 12 months, the Directors believe that the group has adequate resources to continue in operational existence for the foreseeable future and that the group is well placed to manage its business risks. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.Audit committee reportThe committee's terms of reference have been approved by the board and follow published guidelines, which are available from the company secretary. The audit committee comprises the two non-executive directors, Christopher Joll (chairman), an experienced financial PR executive and John Sibbald, a retired chartered accountant.The Audit Committee's prime tasks are to:review the scope of external audit, to receive regular reports from the auditor and to review the half-***yearly*** and annual accounts before they are presented to the board, focusing in particular on accounting policies and areas of management judgment and estimation;monitor the controls which are in force to ensure the integrity of the information reported to the shareholders;assess key risks and to act as a forum for discussion of risk issues and contribute to the board's review of the effectiveness of the group's risk management control and processes;act as a forum for discussion of internal control issues and contribute to the board's review of the effectiveness of the group's internal control and risk management systems and processes;consider each ***year*** the need for an internal audit function;advise the board on the appointment of external auditors and rotation of the audit partner every five ***years***, and on their remuneration for both audit and non-audit work, and discuss the nature and scope of their audit work;participate in the selection of a new external audit partner and agree the appointment when required;undertake a formal assessment of the auditors' independence each ***year*** which includes: - a review of non-audit services provided to the group and related fees; - discussion with the auditors of a written report detailing all relationships with the company and any other parties that could affect independence or the perception of independence; - a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and - obtaining written confirmation from the auditors that, in their professional judgement, they are independent.MeetingsThe committee meets prior to the annual audit with the external auditors to discuss the audit plan and again prior to the publication of the annual results. These meetings are attended by the external audit partner, managing director, director of finance and company secretary. Prior to bi-monthly board meetings the members of the committee meet on an informal basis to discuss any relevant matters which may have arisen. Additional formal meetings are held as necessary.During the past ***year*** the committee:met with the external auditors, and discussed their reports to the Audit Committee;approved the publication of annual and half-***year*** financial results;considered and approved the annual review of internal controls;decided that due to the size and nature of operation there was not a current need for an internal audit function;agreed the independence of the auditors and approved their fees for both audit related and non-audit services as set out in note 4 to the financial statements.FINANCIAL REPORTINGAs part of its role, the Audit Committee assessed the audit findings that were considered most significant to the financial statements, including those areas requiring significant judgment and/or estimation. When assessing the identified financial reporting matters, the committee assessed quantitative materiality primarily by reference to the carrying value of the group's total assets, given that the group operates a principally asset based business. The Board also gave consideration to the value of revenues generated by the group, given the importance of production, and its Adjusted EBITDA, given that it is a key trading KPI, when determining quantitative materiality. The qualitative aspects of any financial reporting matters identified during the audit process were also considered when assessing their materiality. Based on the considerations set out above we have considered quantitative errors individually or in aggregate in excess of approximately Â£300,000 to Â£350,000 to be material.External AuditorsBDO LLP held office throughout the ***year***. In the United Kingdom the company is provided with extensive administration and accounting services by London & Associated Properties PLC which has its own audit committee and employs a separate firm of external auditors, RSM UK Audit LLP (Formerly Baker Tilly UK Audit LLP). In South Africa Grant Thornton (Jhb) Inc. acts as the external auditor to the South African companies, and the work of that firm was reviewed by BDO LLP for the purpose of the group audit.Christopher Joll Chairman audit committee24 Bruton Place London W1J 6NE 20 April 2018Valuers' certificatesTo the directors of Bisichi Mining PLCIn accordance with your instructions we have carried out a valuation of the freehold property interests held as at 31 December 2017 by the company as detailed in our Valuation Report dated 20 February 2018.Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2017 of the interests owned by the company was Â£13,245,000 being made up as follows: Â£'000 Freehold 10,550 Leasehold 2,695 13,245 Leeds 20 February 2018 Carter Towler Regulated by Royal Institute of Chartered SurveyorsDirectors' responsibilities statementThe directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.Company law requires the directors to prepare financial statements for each financial ***year***. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss for the groupfor that period.In preparing these financial statements, the directors are required to: select suitable accounting policies and then apply them consistently; make judgements and accounting estimates that are reasonable and prudent; state with regard to the group financial statements whether they have been prepared in accordance with IFRSs as adopted by the European Union subject to any material departures disclosed and explained in the financial statements; state with regard to the parent company financial statements, whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business; and prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.Website publicationThe directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.Directors' responsibilities pursuant to DTR4The directors confirm to the best of their knowledge: the group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group. the annual report includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description or the principal risks and uncertainties that they face. Independent auditor's reportTo the members of Bisichi Mining PLCOpinionWe have audited the financial statements of Bisichi Mining Plc (the 'parent company') and its subsidiaries (the 'group') for the ***year*** ended 31 December 2017 which comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated cash ?ow statement, the parent company balance sheet, the parent company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.In our opinion the financial statements:give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the ***year*** then ended;the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; andthe financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.Basis for opinionWe conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.Conclusions relating to going concernWe have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; orthe directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.Key audit mattersKey audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.The following key audit matters were identified for the period under review:The risk that estimates and judgments in the life of mine model may be inappropriate and mining assets require impairment.The risk that investment property valuations are inappropriate.The risk that judgments, estimates and disclosure associated with the carrying value of Ezimbokedwini and impairment charges are inappropriate

**Load-Date:** May 7, 2018

**End of Document**



[***Fearing New Atomic Arms Race, First Committee Delegates Call for International Law to Settle Missile Treaty Dispute between Nuclear‑Weapon States***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SJJ-V371-F0YC-N3MK-00000-00&context=1516831)

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New York: United Nations has issued the following press release:

Voicing concerns about the erosion of confidence in nuclear disarmament and international security in the Euro‑Atlantic area, First Committee (Disarmament and International Security) delegates today called attention to a United States decision to pull out of the Intermediate‑Range Nuclear Forces Treaty, as they concluded a thematic discussion on nuclear weapons.

Statements about a possible exit from the Treaty are regrettable, said Kazakhstan’s representative, calling for the preservation and strict compliance with the provisions of the instrument by all its parties, as it has contributed to the successful destruction of an entire class of nuclear weapons.  Further, he urged other countries with missile technology capabilities to join the Treaty.

Spain’s representative joined others in expressing concern about the deteriorating arms control regime in the Euro‑Atlantic area, calling for the extension of the New START Treaty, formally known as the Treaty between the United States of America and the Russian Federation on Measures for the Further Reduction and Limitation of Strategic Offensive Arms.

“The international community must now focus on international law to settle disputes and non‑compliance issues,” he said, stressing the need for a strategic security dialogue between nuclear‑weapon States that fosters stable and predictable relations, while reinforcing confidence‑building measures.

Describing the Intermediate‑Range Nuclear Forces Treaty as a “landmark agreement”, Finland’s representative emphasized that it played an important role in the international arms control architecture and in European security.  In this regard, he expressed worries about the plausible Russian Federation’s violations of the Treaty and regretted the United States decision to withdraw from the agreement.

“We encourage the Russian Federation and the United States to avoid a nuclear arms race,” he said, calling on them to continue their dialogue on strategic stability with a view to extending the New START Treaty.

China’s delegate also urged countries possessing the largest nuclear arsenals to bear their special disarmament responsibilities.  “They should earnestly comply with the treaties already concluded on the reduction of nuclear weapons and further drastically and substantively reduce their nuclear arsenals in a verifiable and irreversible manner,” he said, noting that China has adhered to the strategy of self‑defence and kept its nuclear force at the minimal level required by national security.

The representative of the Russian Federation said his delegation has concerns about compliance by the United States regarding the Intermediate‑Range Nuclear Forces Treaty.  The implementation of the United States decision to withdraw from the instrument would be another short‑sighted and extremely dangerous step for international peace.

Meanwhile, his counterpart from the United States, who spoke in exercise of the right of reply, recalled multiple failed requests over four ***years*** for the Russian Federation to return to compliance with the Treaty, adding that “our patience has run very thin”.  The United States has been committed to the Treaty and wants to see the Russian Federation return to compliance, he said.

The Committee also began its thematic debate on other weapons of mass destruction, with delegates spotlighting gains and challenges.  The representative of Lao People’s Democratic Republic, speaking for the Association of Southeast Asian Nations (ASEAN), said the bloc recently established a regional network of experts on chemical, biological and radiological materials to share best practices and to make quick contact during crises.

Echoing a common view, Sweden’s delegate, speaking for the Nordic countries, welcomed the completion of chemical weapons destruction in Iraq and Libya, condemned the recent use of such weapons in Salisbury and Amesbury and commended the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction.  Indonesia’s delegate, speaking on behalf of the Non‑Aligned Movement,  urged the United States to take every necessary measure to ensure compliance with their “detailed plan for the destruction of chemical weapons remaining after the final extended deadline of 29 April 2012”, in the shortest time possible in order to uphold the instrument’s credibility and integrity.

Also speaking on the topic of nuclear weapons were the representatives of Costa Rica, Nepal, France, Algeria, Austria, Viet Nam, New Zealand, Poland, Indonesia, Norway, Iraq, Turkey, Portugal, Argentina, Netherlands, Venezuela, Australia, Republic of Korea, Madagascar, Sudan, Nigeria, Zambia, Brazil, Myanmar, United Kingdom, Czech Republic, Bangladesh, Malaysia, Haiti, Hungary, Thailand, United Arab Emirates, Democratic Republic of the Congo, Iran, Senegal, Guyana, Bulgaria, Israel, Eswatini, Philippines, Ukraine, Niger, Trinidad and Tobago and Kyrgyzstan.  The United Kingdom spoke for a second time on behalf of five nuclear‑weapon States.  Representatives of the Holy See and the International Atomic Energy Agency (IAEA) also delivered their statements.  Speaking in exercise of the right of reply were the representatives of the United States, Russian Federation, Syria, Iran and Ukraine.

Delivering statements on the theme of other weapons of mass destruction were the representatives of Egypt (for the League of Arab States), Guyana (for the Caribbean Community) and the United States, as well as the European Union.

The First Committee will meet again at 10 a.m on Tuesday, 23 October, to continue its thematic debate on other weapons of mass destruction.

Background

The First Committee (Disarmament and International Security) met this afternoon to continue its thematic debate on nuclear weapons.  For background information, see Press Release GA/DIS/3597 of 8 October.

Nuclear Weapons

VERÓNICA GARCÍA GUTIÉRREZ (Costa Rica) said that as one of the countries that supports moving towards universal nuclear disarmament, inaction is not an option.  “The maintenance of status quo exposes us daily to increasingly dangerous situations of international insecurity,” she said, voicing support for the Treaty on the Prohibition of Nuclear Weapons.  This ban contributes to the strengthening of non‑proliferation and nuclear disarmament and an understanding that these warheads are unacceptable, by establishing a global standard that stigmatizes them.  More than a ***year*** after its adoption, the Treaty has 69 signatures and 19 ratifications, she said, noting that Costa Rica ratified it in July and urging other nations to follow suit.  Instead of seeking the destruction of the thousands of warheads in existence, each ***year*** billions of dollars are spent to modernize them, increasing nuclear threats.  Costa Rica opposes the modernization of nuclear bombs, the extension of their useful life and their development, as these are inconsistent with the objective of creating a world free of nuclear weapons.

NIRMAL RAJ KAFLE (Nepal), recalling that the United Nations was established after the first use of atomic bombs, emphasized that the use or threat of use of these weapons is not only immoral, but illegal, constituting a crime against humanity and violating international law.  Universal peace and security can only be achieved by time‑bound disarmament and States possessing such weapons must reduce their arsenals in a transparent, irreversible manner that ensures their total elimination.  Moreover, nuclear weapons are not a deterrent and should not have any place in the security doctrine of any State.  While Nepal supports the Treaty on the Prohibition of Nuclear Weapons, it also supports the right to develop nuclear energy for peaceful purposes without discrimination as per the Treaty on the Non‑Proliferation of Nuclear Weapons.  Calling for security assurances by nuclear‑weapon States against the threat of use or use of atomic bombs against nuclear‑weapon‑free States, he said resources used for these warheads could be redirected to help achieve many of the goals and targets set out in the 2030 Agenda for Sustainable Development and improve the life of all humanity.

YANN HWANG (France) said that only a reduction of global tensions, respect for international law, dialogue and cooperation can help the international community fulfil its disarmament and arms control ambitions.  He welcomed encouraging developments on the Korean Peninsula while cautioning that such progress should not conceal the violations of the Democratic People’s Republic of Korea’s non‑proliferation regime.  Meanwhile, France continues to firmly support the Joint Comprehensive Plan of Action contained in the Iran nuclear agreement, calling on all parties to continue to commit to its full implementation.  Reaffirming France’s responsibility as a nuclear‑weapon State, he advocated for a progressive and pragmatic approach based on undiminished security for all.  While France shares the goal of the total elimination of nuclear weapons, Member States must work to recreate conditions that enable progress in the strategic security environment.  That is why France opposes the Treaty on the Prohibition of Nuclear Weapons, as disarmament cannot be decreed, it must be built with nuclear‑weapon States through a constructive and respectful dialogue.  Calling for the preservation of the Intermediate‑Range Nuclear Forces Treaty, he said that to preserve Euro‑Atlantic security, the United States and the Russian Federation must avoid any unilateral initiatives and discuss the instrument’s future during upcoming bilateral talks.

MUSTAPHA ABBANI (Algeria), associating himself with the Non‑Aligned Movement and the African Group, said nuclear disarmament is a priority for the international community, calling for unconditional compliance with the Non‑Proliferation Treaty and urging States to sign and ratify the instrument if they have not yet done so.  It is important to conclude a treaty on negative security assurances in favour of non‑nuclear‑weapon States.  His delegation also calls for the early entry into force of the Comprehensive Nuclear‑Test‑Ban Treaty and supports the outcome of the intergovernmental expert group on fissile material cut‑off treaty.  Non‑proliferation is the cornerstone of efforts to eliminate nuclear bombs.  Algeria also supports an expert group on nuclear disarmament verification and hopes that it reaches consensus, he said.  Algeria is one of the first African States to join the African Nuclear‑Weapon‑Free Zone Treaty (Treaty of Pelindaba).

ELISABETH TICHY-FISCBERGER (Austria) cautioned against the deteriorating international security environment, including the erosion of confidence between and among States and the development of technology that can make weapons even more dangerous.  Her delegation will table a draft resolution on the humanitarian consequences of nuclear weapons, she said, calling for support and co‑sponsorship.  Detailing the benefits of the Treaty on the Prohibition of Nuclear Weapons, she said that the Secretary‑General described it as a historic instrument.  It closed the legal gap, bringing nuclear disarmament on par with that of other weapons of mass destruction by unconditionally outlawing them.  The Treaty also strengthens the Non‑Proliferation Treaty, International Atomic Energy Agency (IAEA) safeguards and global norms against nuclear testing.  The Treaty on the Prohibition of Nuclear Weapons is swiftly progressing, faster than any other weapons of mass destruction treaties, but further practical measures are needed.  She called for the extension of the Treaty between the United States of America and the Russian Federation on Measures for the Further Reduction and Limitation of Strategic Offensive Arms (New START Treaty), recalling that even at the height of the cold war, nuclear disarmament measures had been introduced.

DINH NHO HUNG (Viet Nam) said the continued existence of nuclear weapons and other emerging risks remain of serious concern amid rising global tensions.  Viet Nam welcomes the Secretary‑General’s new disarmament agenda to move towards the elimination of nuclear weapons and prevent the emergence of new and destabilizing strategic armaments.  He welcomed recent positive developments on the Korean Peninsula towards helping to build a nuclear‑free region, which would lay the foundation for peace, stability, cooperation and development.  He expressed support for the early entry into force of the Test‑Ban Treaty, calling on annex 2 States to consider joining the instrument to further strengthen the test‑ban regime.  Welcoming the adoption of the Treaty on the Prohibition of Nuclear Weapons, he called on all States to join it with a view to building a safer world for future generations.

DELL HIGGIE (New Zealand), recalling that some believe the international context is getting even less favourable to disarmament undertakings, said security conditions must not be allowed to prevent progress on disarmament.  If this were the case, the Non‑Proliferation Treaty would lose its vibrancy and the certainty of its obligations and the rules‑based system would be diminished.  Contrary to the belief of some States, supporters of the Treaty on the Prohibition of Nuclear Weapons do not view the instrument as a “silver-bullet”.  More accurately, it is the current “silver lining” to the current state of affairs.  New Zealand has been upfront in acknowledging this, she said, noting that the Treaty was adopted by a vote, not by consensus.  The Treaty is also a legal advance on the status quo.  Citing the conclusions of a recent report, she said objections to the Treaty mask the profound disagreement over the presence of nuclear weapons and the legitimacy of nuclear deterrence policies.

YERZHAN KUATBEKOV (Kazakhstan) said his country voluntarily relinquished its nuclear arsenal, shut down the Semipalatinsk nuclear test site and remains a staunch supporter of the global process of nuclear disarmament.  He pointed out examples of how the disarmament and non‑proliferation regimes have been significantly strengthened during the end of the cold war, including by the Treaty between the United States of America and the Union of Soviet Socialist Republics on the Reduction and Limitation of Strategic Offensive Arms (START I Treaty), the Treaty between the United States of America and the Union of Soviet Socialist Republics on the Limitation of Anti‑Ballistic Missile Systems (Anti‑Ballistic Missile Treaty) and the Intermediate‑Range Nuclear Forces Treaty.  Kazakhstan supports the preservation and strict compliance with the provisions of the latter instrument by all its parties, as it has contributed to the successful destruction of an entire class of nuclear weapons.  Statements about a possible exit from the Treaty are regrettable.  As a confidence‑building measure, he urged other countries with missile technology capabilities to join it.

DAMIAN PRZENIOSŁO (Poland), associating himself with the European Union and the Non‑Proliferation and Disarmament Initiative, said that despite positive developments, Pyongyang’s nuclear and missile ***programmes*** still pose a threat to international security and stability.  In addition, the wider international community must encourage Iran to fulfill its commitments under the Joint Comprehensive Plan of Action.  Welcoming progress on the New START Treaty, he hoped to see further disarmament measures taken after 2021.  Calling on the Russian Federation to address concerns regarding its compliance with the Intermediate‑Range Nuclear Forces Treaty, he said “we deplore that trust in negative security assurances has been damaged by the breach of the Budapest Memorandum” [Memorandum on Security Assurances in Connection with Ukraine’s Accession to the Treaty on the Non‑Proliferation of Nuclear Weapons].  On other matters, he said the Test‑Ban Treaty’s entry into force remains a top priority and that negotiations on a fissile material cut‑off treaty remain critical.

ROLLIANSYAH SOEMIRAT (Indonesia) said her country is an ardent supporter of the Treaty on the Prohibition of Nuclear Weapons and believes it could significantly contribute to the effort to break the ongoing stalemate in related multilateral disarmament negotiations.  Together with partner countries, Indonesia proposed a new draft resolution on the early entry into force of this Treaty.  However, this should not be interpreted as its diminishing commitment to the Non‑Proliferation Treaty.  On the contrary, Indonesia is a faithful party to the Treaty, which is the cornerstone of efforts for global nuclear non‑proliferation, nuclear disarmament and the peaceful use of atomic energy.  To a country that renounced its nuclear option, the issue of negative security assurance is also important.

KJETIL JONNEVALD HALVORSEN (Norway) said the main responsibility for progress on nuclear disarmament lies with nuclear‑weapon States.  However, non‑nuclear‑weapon States cannot simply walk away from their responsibilities.  Describing verification of nuclear disarmament as a key building block for progress, he said negotiations on a fissile material cut‑off treaty should include the question of the inclusion of stocks.  Turning the Test‑Ban Treaty into a legally binding instrument remains an urgent task, he said, calling on all States that have not yet done so to ratify that instrument.  Underscoring the key role of IAEA, he said it must have the means to carry out its nuclear security mandate.  Norway encourages more Member States to commit themselves to minimizing and eliminating the use of highly enriched uranium in civilian applications.

MOHAMMED HUSSEIN BAHR ALULOOM (Iraq) said the Non‑Proliferation Treaty is imbalanced, as nuclear‑weapon States are not fulfilling their commitments to article 6.  All States have a duty to uphold their responsibilities with a view to the total elimination of such weapons.  Meanwhile, nuclear terrorism is the gravest threat facing international security, he said, noting that greater measures are needed to prevent dangerous material from falling into the hands of terrorist groups.  Nuclear weapons must be eliminated to rid the world of that threat.  Calling for the establishment of a nuclear‑weapon‑free zone in the Middle East, he said Israel must accede to the Non‑Proliferation Treaty and put its facilities under IAEA safeguards and voiced support for the Arab Group’s resolution requesting the Secretary‑General to call for a conference in 2019 to negotiate the establishment of such a zone.  He highlighted the importance of the Test‑Ban Treaty as an instrument on the path towards development.  Affirming that Iraq has effectively combated terrorism, the Government now seeks, with IAEA assistance, to reduce the risks of the proliferation of toxic material.

ELIF ÇALIŞKAN (Turkey) said the 2020 Non‑Proliferation Treaty Review Conference and its preparatory process is an opportunity to protect and strengthen the instrument.  Moving forward, progress needs to be made on the 2010 Non‑Proliferation Treaty action plan and the establishment of a nuclear‑weapon‑free zone in the Middle East.  Turkey does not support any initiative that undermines the integrity of the Treaty or creates an alternative to its full implementation.  Efforts towards the goal of a nuclear‑weapon‑free world should be realistic and include nuclear‑weapon States.  Meanwhile, she called for the universalization of the Test‑Ban Treaty, as well as the commencement of negotiations on a fissile material cut‑off treaty.  Highlighting the importance of IAEA in international nuclear cooperation, she said the Agency is a vital component of the non‑proliferation regime and a confidence‑building mechanism.  In addition, its safeguards provide credible assurances that States are honouring their international obligations.  She went on to express support for the Joint Comprehensive Plan of Action, calling it “one of the foremost achievements of multilateral diplomacy”.

JOSÉ ATAÍDE AMARAL (Portugal), associating himself with the European Union, said working towards a world free of nuclear bombs and other weapons of mass destruction is “a moral imperative”.  Sharing other delegations’ concerns that a lack of progress led to the 2017 adoption of the Treaty on the Prohibition of Nuclear Weapons, he emphasized that a step‑by‑step approach is ideal.  In that regard, he urged the United States and the Russian Federation to preserve the Intermediate‑Range Nuclear Forces Treaty and the New START Treaty.  Pointing out that the Non‑Proliferation Treaty is the cornerstone of the global regime for non‑proliferation, nuclear disarmament and peaceful use of atomic energy, he expressed hope that the ongoing review process will be successful, in particular the 2020 Review Conference.  There are some signs of hope, including developments on the Korean Peninsula, he said, adding that Portugal seeks a new resolve by the international community.

MARTÍN GARCÍA MORITÁN (Argentina), noting that his Government has prioritized nuclear disarmament and non‑proliferation, said his country has an active nuclear ***programme*** for peaceful use of atomic energy.  As verification under IAEA safeguards is essential, Brazil and Argentina initiated a mutual inspection project.  Noting that the Non‑Proliferation Treaty is the cornerstone of the global regime, he underlined the importance of the 2020 Review Conference.  For its part, Argentina has presided over a related regional meeting.  Calling for the necessary political commitment by nuclear‑weapon States to advance disarmament goals, he said Argentina voted in favour of the adoption of the Treaty on the Prohibition of Nuclear Weapons, while emphasizing the essential significance of the Non‑Proliferation Treaty.

ROBBERT GABRIELSE (Netherlands), associating himself with the European Union and the Non‑Proliferation and Disarmament Initiative, noted positive and negative developments in global politics, including progress on the Korean Peninsula and the United States withdrawal from the Joint Comprehensive Plan of Action.  He also regretted to note the intention of the United States to leave the Intermediate‑Range Nuclear Forces Treaty.  Despite the likeliness that the Russian Federation has been in violation of some provisions, the Treaty remains of great importance to global security and the arms control regime.  The Russian Federation must address compliance concerns in a transparent manner.  Turning to the Non‑Proliferation Treaty, he said “we need to start thinking ahead and what we want” from the instrument over the next 5, 10 and 50 ***years***.  More can be done in the field of improving communication lines, personnel training, sharing information and increasing decision time to minimize the risk of nuclear weapons use.  The Test‑Ban Treaty has lost none of its relevance, he continued, adding that a fissile material cut‑off treaty is ripe for negotiations as well.

SAMUEL MONCADA (Venezuela) said the lack of confidence and persistent instability in the world is negatively affecting global security.  Noting that the risks of nuclear weapon use are increasing, he warned that any such use would lead to the annihilation of the human race.  Nuclear‑weapon States cannot continue to expose humanity to its potential extinction.  Indeed, nuclear weapons are a crime against humanity and no security doctrine can justify the mass killing of human beings or the destruction of the planet.  Such doctrines attempt to legitimize the use of such weapons.  Venezuela deplores the United States decision, against the spirit of dialogue and cooperation, to withdraw from the Joint Comprehensive Plan of Action.  This unprecedented agreement is a contribution to multilateral diplomacy towards the cause of disarmament.  Welcoming the adoption of the Treaty on the Prohibition of Nuclear Weapons, he called on countries that have not yet ratified it to do so, especially nuclear‑weapon States.  He went on to express support for the Arab Group’s proposal to convene a conference to negotiate a nuclear‑weapon‑free zone in the Middle East.

SALLY MANSFIELD (Australia) said the extension of the New START Treaty is a crucial objective, adding that Washington and Moscow should resist allowing differences to divert them from that goal.  Current security trends reinforce Australia’s conviction that a progressive approach is the most sustainable and realistic way to move forward on nuclear disarmament.  A crucial challenge is to build trust and cooperation between nuclear‑weapon and non‑nuclear‑weapon States.  Member States must also strengthen the implementation of the Non‑Proliferation Treaty, which has delivered in many important aspects.  Welcoming significant efforts at dialogue about the Democratic People’s Republic of Korea’s nuclear ***programme***, her Government anticipated yielding positive and concrete results.  She went on to call for the strengthening of the norm against nuclear testing through the entry into force of the Test‑Ban Treaty, encouraging States to support a related draft resolution tabled by Australia, Mexico and New Zealand.

CHOI WON-SEOK (Republic of Korea) said his delegation described a progressive approach as fitting the political reality and the Non‑Proliferation Treaty as the cornerstone of nuclear non‑proliferation and an essential foundation in the pursuit of disarmament.  His delegation supported an early start of negotiations on a fissile material cut‑off treaty and urged all States, including annex 2 States, to sign and ratify the Test‑Ban Treaty, if they have not yet done so.  Nuclear disarmament verification is a key area for enhancing transparency and building confidence.  For its part, the Republic of Korea hosted a meeting of the International Partnership for Nuclear Disarmament Verification in Seoul in July and has taken a range of steps towards discussing the denuclearization of the Korean Peninsula, a subject high on the agenda at summit‑level meetings in 2018.  Noting that the Democratic People’s Republic of Korea confirmed and reaffirmed its commitment to a complete denuclearization, he said “such commitment was accompanied by a series of ‘for the first time’ actions that were unthinkable a ***year*** ago”.  Denuclearization and the establishment of permanent peace on the Peninsula will have a far‑reaching impact on the global nuclear disarmament efforts, he said, noting that the Republic of Korea will continue to work with the international community as it navigates “this uncharted course”.

ARISOA LALA RAZAFITRIMO (Madagascar), associating herself with the Non‑Aligned Movement and the African Group, highlighted the importance of the peaceful use of atomic energy under the Non‑Proliferation Treaty.  For its part, Madagascar established a science and technology institution that covers energy, health care, ***agriculture*** and the economy.  As a developing country, it joins long‑standing repeated calls for the ***transfer*** of technology from developed countries, she said, noting a visit in 2017 by the African Division of IAEA for technical cooperation.  Noting the devastating consequences of nuclear bombs, Madagascar joined efforts in the 1970s to establish a nuclear‑weapon‑free zone in the Indian Ocean.  However, the international community has reached an impasse, she said, urging States to boost efforts to shield the world from nuclear risks.  Modernizing weapons is a difficult endeavour to manage, she said, urging States to end such ***programmes***.

JARMO VIINANEN (Finland) said the Intermediate‑Range Nuclear Forces Treaty is a landmark agreement that abolished a whole category of weapons in Europe.  It is also an important part of the international arms control architecture and has a significant role for European security.  Expressing worries about the plausible Russian violations of the Treaty and failure at finding a solution to compliance allegations, he regretted to note the United States decision to withdraw from the agreement.  “We encourage the Russian Federation and the United States to avoid a nuclear arms race and to continue their dialogue on strategic stability with a view to extending the New START Treaty and to achieving further reductions in nuclear arsenals,” he said.

OMER AHMED MOHAMED AHMED (Sudan) said nuclear disarmament is the only guarantee such weapons would not be used.  Diplomatic efforts and multilateralism are important to enhance the commitment of Member States to the Non‑Proliferation Treaty and ingrain the concept of criminalizing nuclear weapons.  Nuclear‑weapon States must eliminate their stockpiles to avert disastrous consequences to mankind.  Sudan supports the Treaty on the Prohibition of Nuclear Weapons and looks forward to ratifying it soon.  International peace and security cannot be achieved based on a doctrine of nuclear deterrence.  As such, Sudan supports the Non‑Proliferation Treaty and the establishment of a nuclear‑weapon‑free zone in the Middle East.  However, he expressed concern at the lack of progress on the issue, which threatens security in the region and beyond.  In that regard, his Government supports a resolution that calls on the Secretary‑General to invite partners in the region to negotiate the creation of such a zone.  He also underlined the right of States to develop nuclear energy for peaceful purposes.

TIJJANI MUHAMMAD-BANDE (Nigeria) said the continued existence of nuclear weapons remains an existential threat to mankind.  As such, he condemned the use of funds spent to develop these armaments instead of spending targeting broad development goals.  At the same time, he called on States to fulfil their obligations to the Non‑Proliferation Treaty and its previously agreed outcomes.  He urged nuclear‑weapon States to consider the catastrophic consequences of such weapons and take all measures to dismantle them.  Highlighting the advisory opinion of the International Court of Justice, he said their use constitutes a crime against humanity and a violation of international law, including international humanitarian law.  Concerning the Treaty on the Prohibition of Nuclear Weapons, he called on all States to ensure its entry into force.  He welcomed continued IAEA efforts in monitoring and inspecting nuclear facilities.  The many benefits of nuclear disarmament are never in doubt.  Member States must make more efforts towards a safe world without the danger of nuclear weapons.

ERICK MWEWA (Zambia) condemned the slow pace at which comprehensive nuclear disarmament has been moving despite several initiatives that Member States and non‑State actors have been bringing forth.  Since 1968, when the Non‑Proliferation Treaty was concluded, and since 1970, when it came into force, very little or insignificant progress has been achieved in nuclear weapons non‑proliferation and comprehensive disarmament.  Zambia, a party to the Non‑Proliferation Treaty, Pelindaba Treaty and the Test‑Ban Treaty, will continue to work to ensure the Treaty on the Prohibition of Nuclear Weapons produces the desired results of eliminating atomic bombs from the face of the Earth.  Zambia will only promote and subscribe to the secure and peaceful use of nuclear technologies under the IAEA framework.

CLAUDIO MEDEIROS LEOPOLDINO (Brazil) said nuclear weapons were the only category of weapons of mass destruction not explicitly prohibited until this gap was filled with the adoption of the Treaty on the Prohibition of Nuclear Weapons.  It is an integral part of international law and of the rules‑based disarmament regime.  “It has come to stay as perhaps the most effective of measures towards the goal, shared by us all, of a world free of nuclear weapons,” he said.  The entire structure of the Treaty is designed to uphold and advance obligations enshrined in the Non‑Proliferation Treaty.  At a more technical level, the Treaty on the Prohibition of Nuclear Weapons sets the highest legally binding standard for nuclear non‑proliferation verification.

MARÍA PALACIOS PALACIOS (Spain) called for the extension of the New START Treaty and expressed concern about the deteriorating arms control regime in the Euro‑Atlantic area.  The international community must now focus on international law to settle disputes and non‑compliance issues.  She called for a strategic security dialogue between nuclear‑weapon States that fosters stable and predictable relations, while reinforcing confidence‑building measures.  Meanwhile, she commended the Non‑Proliferation Treaty for having produced indisputable progress in containing vertical and horizontal proliferation threats, noting that compliance to the Treaty should be prioritized by all.  The Treaty on the Prohibition of Nuclear Weapons will not necessary lead to their elimination, she said, asking the international community to set realistic goals.  Calling for greater negative security guarantees to strengthen the global non‑proliferation regime, she welcomed progress on the Korean Peninsula and expressed hope it will lead to tangible progress.  Until this takes place, current sanctions should remain in place, she said, also lending support for Security Council sanctions related to the Joint Comprehensive Plan of Action.

KYAW MOE TUN (Myanmar) said nuclear weapons pose a horrible threat to the very existence of humankind and the survival of civilization.  Welcoming all initiatives towards the establishment of a nuclear‑weapon‑free world, he highlighted a draft annual resolution co‑sponsored by his country on nuclear disarmament.  The total elimination of atomic bombs is the only absolute guarantee against their use or threat of use, he said, noting that the draft resolution underlines the importance of nuclear‑weapon States in undertaking interim measures towards the total elimination of their arsenals.  Moreover, the draft resolution calls for the early entry into force and universalisation of the Test‑Ban Treaty as a contribution to nuclear disarmament.

SUN LEI (China) said that with increasing uncertainties and instabilities, the international process of nuclear arms control has reached a crucial crossroads.  The international community should actively pursue a new concept of common, comprehensive, cooperative and sustainable security while safeguarding the authority of existing arms control and disarmament regimes, such as the Non‑Proliferation Treaty review process and the Conference on Disarmament.  Countries possessing the largest nuclear arsenals bear special disarmament responsibilities.  They should earnestly comply with the treaties already concluded on the reduction of nuclear weapons and further drastically and substantively reduce their nuclear arsenals in a verifiable and irreversible manner.  The willingness and rights of non‑nuclear‑weapon States to be free from the threat of nuclear war must be respected.  China has adhered to the strategy of self‑defence, maintained a highly stable nuclear policy and kept its nuclear force at the minimal level required by national security.  It also has adhered to the commitment of no‑first‑use of nuclear bombs and not to use or threaten to use them against non‑possessor States or in nuclear‑weapon‑free zones.

AIDAN LIDDLE (United Kingdom), associating himself with the European Union, said his country remains strongly committed to the Non‑Proliferation Treaty and continues to support the Test‑Ban Treaty.  Expressing support for the start and early conclusion of negotiations on a fissile material cut‑off treaty in the Conference on Disarmament, he said the United Kingdom will continue to play a leading role in disarmament verification.  It does not, however, intend to support, sign or ratify the Treaty on the Prohibition of Nuclear Weapons, which risks undermining the Non‑Proliferation Treaty and ignores both the security situation and the considerable technical and procedural challenges involved in disarmament.  He reiterated concerns about Russian compliance with the Intermediate‑Range Nuclear Forces Treaty, adding that the Russian Federation has offered no credible response.  While pledging support for the full implementation of the Joint Comprehensive Plan of Action, he expressed concerns over Iran’s ballistic missile ***programme***.  Welcoming the opportunity created by United States President Donald Trump on the Korean Peninsula, he said it is vital for the Democratic People’s Republic of Korea to take concrete actions towards denuclearization.  “The threats from nuclear‑capable States are very real and any potential aggressor must be assured that the consequences of an attack far outweigh the benefits,” he said, highlighting the current unpredictable security environment.

MIROSLAV KLÍMA (Czechia) said the Treaty on the Prohibition of Nuclear Weapons may not help to enhance the security of any country or diminish nuclear arsenals.  On the contrary, it is posing risks to nuclear disarmament.  The Non‑Proliferation Treaty is an adequate platform to advance towards the objective of a world free of nuclear weapons.  Welcoming current diplomatic efforts, she called on the Democratic People’s Republic of Korea to maintain its declared suspension of nuclear‑weapon testing and ballistic missile launches, to comply without delay with its obligations under all relevant Security Council resolutions, the Non‑Proliferation Treaty and IAEA safeguards and to sign and ratify the Test‑Ban Treaty.

FAIYAZ MURSHID KAZI (Bangladesh) said nuclear weapons pose an overriding security threat to all of humankind.  As global awareness of the humanitarian consequences of such weapons increases, the world gains a better understanding of their related risks.  While all responsible Member States share a commitment to a world free of nuclear weapons, there are divergent views on the ways to achieve this objective.  International peace and security can only be ensured by the total elimination of such weapons, he said, expressing concern over continued investments in these armaments and their means of delivery.  In this context, he reiterated a need for reducing the operational status of nuclear weapons, including through complete deprogramming and de‑alerting.  He went on to express support for the peaceful use of nuclear technology within IAEA safeguards and a verification regime that can contribute towards achieving sustainable development.

M. SHAHRUL IKRAM YAAKOB (Malaysia), associating himself with the Non-Aligned Movement and the Association of Southeast Asian Nations (ASEAN), said the global community continues to face mounting challenges compounded by the continuing existence of nuclear arsenals.  “We need to stay resolute towards total elimination of nuclear weapons,” he said.  Since the Second World War, a growing number of States have denounced nuclear weapons as categorically unacceptable.  Malaysia has always viewed the Non-Proliferation Treaty as the cornerstone of an international multilateral framework essential to the pursuit of nuclear disarmament.  His delegation has submitted a traditional draft resolution titled “Follow-up to the Advisory Opinion of the International Court of Justice on the Legality of the Threat or Use of Nuclear Weapons”.

PATRICK SAINT-HILAIRE (Haiti) said the elimination of all weapons of mass destruction is an urgent necessity.  While disagreements exist among Member States on how to view current security challenges, all acknowledge the great danger weapons of mass destruction pose to humanity.  Expressing support for progress being made on the Korean Peninsula, he encouraged the international community to consolidate these efforts.  Meanwhile, Haiti favours the proper implementation of the Non-Proliferation Treaty, as well as the universalization and entry into force of the Test-Ban Treaty.  On the Treaty on the Prohibition of Nuclear Weapons, he welcomed efforts made by civil society, including the International Campaign to Abolish Nuclear Weapons, in generating awareness about the need for their total elimination.  While all are in favour of a world free of nuclear weapons, the way to achieve that brings about a difference of opinions.  For its part, the Caribbean region has adopted the Treaty for the Prohibition of Nuclear Weapons in Latin America and the Caribbean, known as the Treaty of Tlatelolco, and shown the international community the way forward when others are lagging behind, he said, emphasizing the crucial role nuclear-weapon States played.

GYORGY MOLNAR (Hungary) said the upcoming fiftieth anniversary of the entry into force of the Non-Proliferation Treaty is yet another reason to preserve and strengthen its integrity and recommit to its objectives.  He urged the Democratic People’s Republic of Korea to recommit to the Non-Proliferation Treaty and IAEA safeguards as a non-nuclear State.  Until the country takes concrete steps towards complete, verifiable and irreversible denuclearization, sanctions must be maintained.  To make progress in the field of disarmament, Member States must focus on areas where common ground exists.  Only a progressive approach consisting of gradual, concrete and practical steps provides for such a platform, he said, noting that Hungary cannot and will not sign and ratify any legal instrument that weakens the existing multilateral nuclear disarmament framework.  As a country with an active peaceful nuclear energy ***programme***, Hungary attaches importance to nuclear safety and security in conformity with the provisions of the Non‑Proliferation Treaty.

KATE VASHARAKORN (Thailand), associating herself with the Non-Aligned Movement and ASEAN, said the Non-Proliferation Treaty and the Treaty on the Prohibition of Nuclear Weapons are intricately linked and mutually reinforcing.  She called on all States to pursue in good faith endeavours towards complete nuclear disarmament.   The Non-Proliferation Treaty is a true achievement of the world’s collective efforts to achieve a world free of nuclear weapons.   “This good momentum must be continued and we should do our utmost to bring the Treaty into force at the earliest,” she said.  The complete, verifiable and irreversible denuclearization of the Korean Peninsula is a prerequisite for peace and security in the region.  She also expressed support for the United Nations in its efforts towards general and complete nuclear disarmament and in advancing the Secretary‑General’s disarmament agenda.

Mr. LIDDLE (United Kingdom), speaking on behalf of five nuclear-weapon States, reiterated their united position on the best approach to creating a world without nuclear weapons is a gradual one that considers the international security environment.  Therefore, the Non-Proliferation Treaty is essential to these efforts, as it limited the risk of nuclear war and brought benefits for humanity.  She fully supports IAEA and its work on the implementation of the Treaty.  However, the Treaty on the Prohibition of Nuclear Weapons undermines the Non‑Proliferation Treaty and does nothing to increase trust, making the objective of a nuclear-weapon-free world even more difficult than it already is.

HAMDA ALAWADHI (United Arab Emirates) emphasized the importance role of the 2020 Non-Proliferation Treaty Review Conference and a need to fully implement the resolutions of all such conferences.  She lamented the delay in the establishment of a nuclear-weapon-free zone in the Middle East, renewing the call for Israel to accede to the Non-Proliferation Treaty as the only country in the region not yet party to the instrument.  She called for negotiations towards a fissile material cut-off treaty and highlighted the importance of the Test-Ban Treaty, renewing the call to countries that had not yet ratified it, including annex 2 States.  Welcoming high-level talks on the denuclearization of the Korean Peninsula, she called on the Democratic People’s Republic of Korea to refrain from all nuclear and ballistic tests and comply with all relevant Security Council resolutions.  Highlighting her country’s national nuclear energy ***programme***, she said it is a clean source of energy and a means to achieve development goals.  In that vein, she urged IAEA to enhance the safeguard system and for Iran to comply with its non-proliferation obligations.

ANDREY BELOUSOV (Russian Federation) accused the United States of developing a global ballistic missile defence system, refusing to abandon the potential deployment of weapons in outer space, increasing numeric and qualitative imbalances in conventional weapons and developed the “prompt global strike” concept.  He expressed concern over the United States nuclear posture review, which substantially increases the role of these armaments in military planning.  The Russian Federation has confirmed its principled readiness to study the possibility of the New START Treaty’s extension, but it cannot be done without addressing the remaining questions regarding the United States compliance.  The implementation of the United States decision to withdraw from the Intermediate‑Range Nuclear Forces Treaty would be another short‑sighted and extremely dangerous step for international peace.  Such a move would prove again that the United States political and military authorities prioritize their foreign policy goals by obsessively striving to ensure the country’s superiority over the rest of the world.

KATEO KABANGU SERAPHIN (Democratic Republic of the Congo), associating himself with the Non‑Aligned Movement and the African Group, said nuclear weapons are not just dangerous, but a tool for domination.  Therefore, his delegation welcomes the adoption of the Treaty on the Prohibition of Nuclear Weapons.  However, there are concerning developments, such as increased access to these weapons and the ***transfer*** of nuclear technology into wrong hands.  Nuclear‑weapon States must show how to create conditions geared towards a world without nuclear weapons.  The international community is united against the use of chemical weapons and should similarly be united on the abolition of nuclear weapons.  Expressing disappointment that the 2015 Non‑Proliferation Treaty Review Conference did not generate positive outcomes, he said the way forward is to eliminate nuclear weapons completely.

ALI ROBATJAZI (Iran) said that actions and policies that are incompatible with article 6 of the Non-Proliferation Treaty continue unabated, particularly by the United States.  As long as the United States irresponsible policies continue, there can be no hope for progress towards nuclear disarmament.  The United States announcement to withdraw from the Intermediate-Range Nuclear Forces Treaty is another step in further deteriorating the already complex nuclear disarmament situation.  Under such circumstances, non-nuclear-weapon States must unite and remain resolute, working relentlessly towards the realization of a nuclear‑weapon‑free world.  The adoption of the Treaty on the Prohibition of Nuclear Weapons is a step in the right direction and should be complemented by the commencement of negotiations and the conclusion of a comprehensive convention on nuclear weapons.  Another deceitful policy of the United States is its unconditional support for Israel’s possession of nuclear weapons, he said, calling for practical steps towards the establishment of a nuclear-weapon-free zone in the Middle East.  Thanking delegates who rejected the withdrawal of the United States from the Joint Comprehensive Plan of Action, he said the international community must not allow bullying to trump diplomacy and multilateralism.

CHEIKH NIANG (Senegal) said that amid growing tensions and multiple failures in the United Nations disarmament bodies, it is crucial that the 2020 Non‑Proliferation Treaty Review Conference is a success.  Concerning nuclear weapon proliferation, he warned that any error could lead to an irrevocable tragedy.  The situation is even more dangerous as these weapons become more sophisticated.  Senegal supports a world free of nuclear weapons and their total elimination as the only way forward.  The establishment of a nuclear-weapon-free zone in the Middle East is vital if the international community’s truly wishes to achieve the goal of nuclear disarmament.  The adoption of the Treaty on the Prohibition of Nuclear Weapons could have been a big step forward had nuclear‑weapon States adopted the instrument.  Pointing to remaining gaps in ensuring compliance with the Non-Proliferation Treaty, he said general and complete disarmament will not be possible if nuclear-weapon States circumvent provisions of the instrument’s provisions.  He went on to underscore the right to the peaceful use of nuclear energy and the safe ***transfer*** of such technology to States who adhere to the Non-Proliferation Treaty.

RUDOLPH MICHAEL TEN-POW (Guyana), associating herself with the Caribbean Community (CARICOM) and the Non-Aligned Movement, said her country is committed to creating a world free of nuclear weapons and its commitment is rooted in its deep concern about the humanitarian consequences of the use of such armaments.  Guyana was pleased to see the adoption of the Treaty on the Prohibition of Nuclear Weapons, which closed the legal gap and is complementary to existing instruments, including the Non-Proliferation Treaty.  She urged all States to sign and ratify the Treaty on the Prohibition of Nuclear Weapons.  Reduction in all types of nuclear weapons is crucial.  She warned against the diversion of resources to modernizing weapons, which could be better spent in improving people’s well-being.

GEORGI PANAYOTOV (Bulgaria), associating himself with the European Union and Australia, on behalf of a group of countries, said a world free of nuclear weapons can only be achieved through increased involvement of all States.  A progressive approach based on practical and concrete measures, as well as on provisions of the Non‑Proliferation Treaty, will lead to a nuclear‑weapon‑free world.  “It is our common duty to ensure the 2020 [Non‑Proliferation Treaty] Review Conference is a success,” he said.  He noted Bulgaria’s ratification of the Test-Ban Treaty and urged all States to sign and ratify it without delay.  “Nuclear disarmament is only possible with the engagement of all States and it should be based on mutual trust,” he said, urging the United States and the Russian Federation to preserve the Intermediate‑Range Nuclear Forces Treaty.

MAYA YARON (Israel) said her country had taken a constructive, responsible and pragmatic approach to the two nuclear‑related resolutions on the Middle East, but the Arab Group has returned with an attempt to hijack another international process.  This demonstrates that some countries in the region still do not accept Israel’s right to exist and that the region is not ready for a weapon‑of‑mass‑destruction‑free zone.  Any such process must be consensual among and inclusive of countries in the region, emanate from the region itself and be conducted directly between the States involved, not through third parties.  It also must aim at confidence‑building and consider the security concerns of all countries implicated.  These considerations are normal for any sovereign State, but the Arab Group has insisted on taking an oppositional path, knowing that Israel cannot accept it.  They thus created another platform to single out Israel and accomplish nothing else.  Meanwhile, regimes in the region are using chemical weapons and pursuing nuclear capabilities contrary to their treaty obligations.  Only a constructive approach that realizes that Israel is a permanent part of the Middle East will bring about cooperation and peace.  Many areas of the world do not have a nuclear‑weapon‑free zone and there are no zones free of all weapons of mass destruction, making the Group’s decision more obviously an effort to bash Israel.  If the Group goes through with it, Israel will have no option but to no longer cooperate with future regional arms control initiatives, she said, calling on Member States to reject the draft decision, as it is bound to end in complete failure that will resonate for ***years*** to come.

MELUSI MARTIN MASUKU (Eswatini) said the total elimination of nuclear weapons remains the single absolute guarantee towards complete nuclear disarmament.  He welcomed the adoption of the Treaty on the Prohibition of Nuclear Weapons, an essential building block in the international legal framework needed for a total ban of such weapons.  Underlining the importance of nuclear‑weapon‑free zones in enhancing global and regional peace and security, he reiterated his Government’s commitment to the Treaty of Pelindaba.  At the same time, he applauded the International Day for the Total Elimination of Nuclear Weapons and underscored its importance as an integral part of multilateral disarmament efforts.

ARIEL RODELAS PENARANDA (Philippines), associating himself with ASEAN, the Non-Aligned Movement and the Non-Proliferation and Disarmament Initiative, said the total elimination of nuclear weapons is the only absolute guarantee against their use or threat of use.  Underlining the importance of parallel efforts under the Non-Proliferation Treaty, he also voiced support for the Treaty on the Prohibition of Nuclear Weapons and said the Philippines is working towards its ratification.  Echoing concerns over some States’ continued modernization of their nuclear arsenals, he expressed support for Security Council resolution 1540 (2004) and emphasized the need to prevent the spread of such weapons to non-State parties and terrorists.  However, he voiced concern that disarmament is being made contingent upon an improved security environment, warning that the process “must not take a back seat despite a tense geopolitical situation”.  Highlighting a need for a constructive and proactive effort to facilitate discussions on challenging issues and bridge diverse populations, he supported the Non-Proliferation and Disarmament Initiative’s work in reaching out to nuclear-weapon States and others for “frank conversations on thorny topics”.

YURIY VITRENKO (Ukraine), associating himself with the European Union, said his country renounced its nuclear weapons based largely on the clear international security assurances provided in writing in 1994, in particular the Budapest Memorandum signed by Ukraine, United States, United Kingdom and the Russian Federation.  Moscow’s brutal violations of international obligations, including under this agreement, has undermined the whole United Nations‑based security system.  Even affected by the Russian military aggression and the temporary occupation of its territories, Ukraine continues to regard the Non‑Proliferation Treaty as a key element of the global nuclear non-proliferation regime.

FARID MOUSTAPHA SANDA (Niger) said that despite many tragedies, the world had weathered many storms and learned lessons from its errors.  For its part, Niger is committed to help stave off the threat of nuclear weapons.  He welcomed talks towards the denuclearization of the Korean Peninsula and encouraged all parties to continue along a path of dialogue.  As a country that enriches uranium, Niger joined the Pelindaba Treaty and plays a responsible role in this field.  Moreover, it cooperates with IAEA and has developed its own national security strategy.  At the same time, Niger has been actively implementing the Test‑Ban Treaty and hosts a station set up by the Comprehensive Nuclear‑Test‑Ban Treaty Organization.  It has also launched a project to set up a radioactive detection system and is one of three countries in West Africa to host a centre to receive seismological data and detect nuclear tests.  In that context, he encouraged the continued financial support of the Test‑Ban Treaty and related initiatives.

CHARLENE ROOPNARINE (Trinidad and Tobago) said nuclear weapons have no place in security doctrines, an outdated paradigm of national security that must be replaced by one of human security.  The prestige of a country should not be associated with its destructive capability, but rather its ability to build and maintain peace.  In that connection, Trinidad and Tobago supports all efforts towards the objective of a nuclear‑weapon‑free world.  Welcoming the decision of the Conference on Disarmament to establish subsidiary bodies, she lamented its failure to resume negotiations and launch discussions on a fissile material cut‑off treaty.  As a small‑island developing State with porous borders and limited resources, Trinidad and Tobago is particularly sensitive to the extreme risk posed by the use, or threat of use, of nuclear weapons.  By declaring nuclear weapons as an affront to humanity, the Treaty on the Prohibition of Nuclear Weapons establishes collective responsibility for all of humanity to address their ongoing dangers.

MIRGUL MOLDOISAEVA (Kyrgyzstan) said that one of the most effective approaches to achieving disarmament and non‑proliferation goals is to create nuclear‑weapon‑free zones.  During the current First Committee session, countries in Central Asia initiated a draft resolution on such a zone in the region.  It is important to continue working to strengthen cooperation between such zones in ensuring regional and international peace and security.  Highlighting that nuclear testing harms the most vulnerable peoples and ecosystems, he also called for the mitigation of the effects of uranium mining and the related activities of nuclear fuel production in creating nuclear weapons.  In this regard, Kyrgyzstan initiated a draft resolution highlighting the importance of reclaiming areas affected by uranium production and recognizing the need to develop and promote effective ***programmes*** for the responsible and safe management of radioactive and toxic waste in Central Asia.

DAVID CHARTERS of the Holy See recalled that in a landmark document in 1965, the Catholic Church declared “The [nuclear] arms race is an utterly treacherous trap for humanity and one that injures the poor to an intolerable degree.”  Today, the maintenance of nuclear weapons continues to siphon immense resources from funds that could be devoted to the attainment of the Sustainable Development Goals.  Pope Francis has made clear that nuclear escalation is morally unacceptable and that nuclear deterrence and the threat of mutually assured destruction cannot be the basis for an ethics of fraternity and peaceful coexistence.  As such, the Holy See was among the first to sign and ratify the Treaty on the Prohibition of Nuclear Weapons.

XOLISA MABHONGO, of the International Atomic Energy Agency (IAEA), said the Agency continues to work with Member States and other partners to promote the safe, secure and peaceful use of nuclear technologies.  A core function of the Agency is to verify that countries are not working to acquire nuclear weapons, he said, noting that staff conduct inspections at nuclear facilities all over the world.  Safeguards provide credible assurances that States are fulfilling their international obligations not to develop such weapons and make it possible to detect any misuse of nuclear material or technology in a timely manner.  The Agency also stands ready to assist with verification tasks in connection with nuclear disarmament or arms control arrangements.  In addition, the Agency has supported the creation and implementation of nuclear‑weapon‑free zones.  He confirmed that Iran is implementing its nuclear‑related commitments under the Joint Comprehensive Plan of Action.  Should a political agreement be reached among the concerned parties, the Agency also stands ready to play an essential role in verifying the Democratic People’s Republic of Korea’s nuclear ***programme***.

Other Weapons of Mass Destruction

FAIZAL CHERY SIDHARTA (Indonesia), speaking on behalf of the Non‑Aligned Movement, noted with satisfaction the effective operation of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction.  It is the only comprehensive multilateral treaty banning an entire category of weapons of mass destruction, providing for a verification system and promoting the use of chemicals for peaceful purposes.  In that vein, s/he urged the United States to take every necessary measure to ensure compliance with their “detailed plan for the destruction of chemical weapons remaining after the final extended deadline of 29 April 2012”, in the shortest time possible in order to uphold the instrument’s credibility and integrity.  The Organisation for the Prohibition of Chemical Weapons (OPCW) should be strengthened to deal with ongoing and future challenges within the confines of the Treaty and without distorting its mandate.

Turning to the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction, she said the Movement’s members who have joined the instrument consider it as an important component of the international legal architecture related to weapons of mass destruction.  They recognize that the lack of a verification system continues to pose a challenge to the effectiveness of the Convention, calling for the resumption of multilateral negotiations to conclude a non‑discriminatory legally binding protocol.

BASSEM HASSAN (Egypt), speaking on behalf of the League of Arab States, reiterated its position on a world free of nuclear weapons and the establishment of a nuclear‑weapon‑free zone in the Middle East, recalling that the first related special session of the General Assembly had reached consensus on the priorities of disarmament, giving nuclear disarmament top urgency.  The Arab League supports the Chemical Weapons Convention and the Biological Weapons Convention and welcomes the State of Palestine’s accession to both treaties.  At the same time, the accession of Israel to the Non‑Proliferation Treaty would contribute to international peace and security and the credibility of the disarmament and non‑proliferation regimes.

The failure of the 2015 Non‑Proliferation Treaty Review Conference has had negative effects, he said, as seen in the stalemate around efforts to rid the region of weapons of mass destruction.  The Arab States have good intentions in concluding a treaty to free the region from nuclear weapons and all other weapons of mass destruction.  In that context, the international community must redouble efforts with a view to establishing such a zone.  He called on States to participate in negotiations to establish such a zone as reflected in the Arab working paper on the issue, adopted by the Non‑Aligned Movement at the 2015 Review Conference.  In addition, the Arab League looks forward to the Secretary‑General deploying his good offices in support of this important goal.

KHIANE PHANSOURIVONG (Lao People’s Democratic Republic), speaking on behalf of ASEAN, noted that chemical, biological, and radiological weapons, if detonated intentionally or by accident, can cause massive loss of life, damage to property and great harm to the environment.  The international community must fully and effectively implement all treaties concerning weapons of mass destruction and increase cooperation to eliminate chemical weapons.  The Chemical Weapons Convention remains one of the most successful instruments of disarmament, as it completely prohibits an entire category of weapons of mass destruction.

Similarly, the Biological Weapons Convention represents a critical component of the international legal framework related to weapons of mass destruction, he said.  In terms of practical cooperation, ASEAN is committed to improving regional capacities to address chemical, biological and radiological threats.  Last week in Singapore, ASEAN defence ministers announced the establishment of an ASEAN network of experts on these materials to share best practices and to make quick contact during crises.

ANNE-SOFIE NILSSON (Sweden), speaking on behalf of the Nordic countries, said the potential use of weaponized scientific innovations constitutes an ever‑evolving security challenge.  In that vein, the Nordic countries embrace the ambitious goals regarding chemical and biological non‑proliferation included in the Secretary‑General’s disarmament agenda.  Welcoming the completion of chemical weapons destruction in Iraq and Libya, she remained highly concerned with the continued possession of chemical weapons by the Syrian regime and urged it to disclose all relevant information concerning its related activities.  Condemning recent events in Salisbury and Amesbury, she reaffirmed support for the United Kingdom in the face of this grave challenge to collective security.  She also condemned the hostile cyberoperation by Russian military intelligence services in April that targeted OPCW.

Meanwhile, she welcomed the agreement at the latest Meeting of States Parties to the Biological Weapons Convention for a strengthened intersessional work ***programme***.  Nevertheless, she called on all States Parties not “to let the best be the enemy of the good”, but to move forward incrementally.  Given the dire financial situation facing the Biological Weapons Convention, she called on parties in arrears of ***payment*** to provide all outstanding funding without delay.  She went on to condemn ballistic missile ***programmes*** as highly destabilizing and called for restraint.  In that connection, the Nordic countries support The Hague Code of Conduct against Ballistic Missile Proliferation, calling on all States to subscribe.

Mr. TEN‑POW (Guyana), speaking on behalf of the Caribbean Community (CARICOM), reiterated his strong support for the Chemical Weapons Convention, which made a significant contribution towards the goal of general and complete disarmament as well as the codification of universal norms.  “Frankly, we are dismayed and alarmed at the incidents confirmed by OPCW where chemicals have been used as weapons,” he said, condemning those actions in the strongest terms and calling upon States to uphold the Convention’s provisions.  Any use of chemical weapons, under any circumstances, is unjustified, unacceptable and illegal, he said, calling for full and impartial investigations of any reports of their use.  Such investigations, along with holding those responsible accountable, will further strengthen international norms against chemical weapon use while also ensuring that victims receive redress.  The complete destruction of the declared chemical weapons stockpiles of several States, as verified by OPCW, is a tangible step towards the Convention’s universal implementation.  Meanwhile, those Member States that may be defaulting on their obligations under the agreement should take the necessary steps to bring about full compliance.

Also voicing support for the Biological Weapons Convention, he said the treaty is vital at a time when developments in science and technology are increasing the possibility for the acquisition, access to and use of such weapons, including by non‑State actors.  Noting that the Secretary‑General has observed that the world is largely unprepared for the catastrophic consequences that would result from the use of biological weapons, he called for robust measures at the national level to complement regional and international efforts to bring about the Convention’s full and effective implementation and asked those States that have not yet signed on to it to do so without delay.

ANNE KEMPPAINEN of the European Union said the repeated use of chemical weapons in Syria, Iraq, Malaysia and on European soil in the United Kingdom is a direct challenge to the global non‑proliferation and disarmament architecture outlawing the production, stockpiling and use of them and their precursors.  Expressing grave concern over the failure to reach an agreement on the OPCW‑United Nations Joint Investigative Mechanism mandate renewal, she also regretted to note the Russian Federation’s vetoes on the Security Council in this regard.  Recalling the European Union’s 15 October adoption of a new regime of restrictive measures to address the use and proliferation of chemical weapons, she anticipated early progress on the listing of relevant individuals and entities.  Condemning the March attack in Salisbury, she agreed with the Government of the United Kingdom’s assessment that it is highly likely that the Russian Federation is responsible.

Welcoming the start of the 2018 to 2020 intersessional process of the Biological Weapons Convention, she voiced serious concern over the worsening financial situation of the instrument.  As such, she called on all States to urgently fulfil their financial obligations to ensure that its meetings convene and to secure the continued operation of the implementation support unit.  Delegation Member States will continue to support the Convention by offering capacity‑building assistance to interested States, and through the regional European Union Centres of Excellence, with a budget of €250 million for 2010 to 2020.  Turning to ballistic missiles, she said the European Union strongly supports The Hague Code of Conduct as well as international export control regimes.  The European Union’s dual‑use export control assistance benefits 34 countries, with projects worth more than €35 million since 2004.

YLEEM D. S. POBLETE (United States) said the Chemical Weapons Convention and the international norm against the use of such weapons is under direct assault and that lack of accountability breeds impunity and undermines arms control.  Citing recent uses of chemical weapons around the world, she said the Russian Federation and Iran continue to protect the [Bashar Al-]Assad regime from international censure.  Her delegation is also concerned about Iran’s compliance with the Convention.  The United States, Canada and the Netherlands recently submitted a proposal to the Director General of OPCW to add Novichok chemical families to schedule 1 of the annex of chemicals, she said, calling on other States to support that proposal.  The forthcoming Review Conference provides an opportunity to address the threat of toxic chemicals targeting the central nervous system, she said, calling on States to strengthen the Biological Weapons Convention in areas on which there is substantial consensus and for parties in arrears on their ***payments*** to rectify the situation immediately.

Right of Reply

The representative of the United States, speaking in exercise of the right of reply, said that for more than four ***years***, his country has raised the issue of the Russian Federation’s violations regarding the Intermediate‑Range Nuclear Forces Treaty, calling for a return to compliance.  However, the United States has not been successful.  Treaties need to be respected and the United States has given the Russian Federation plenty of evidence that they have developed and tested a cruise missile, to which it denied and then admitted, saying the range did not make it in violation of the Treaty.  “Our patience has run very thin,” he said.  The situation can be resolved quickly by the Russian Federation destroying this missile.  The United States cannot stand back and allow this to continue without a response.  It has been committed to the Treaty and wants to see the Russian Federation return to compliance.

The representative of the Russian Federation, said statements made claiming his country violated the Intermediate‑Range Nuclear Forces Treaty are propaganda with a clear goal:  to deflect criticism from the United States about its own non‑compliance with the instrument.  While the United States accuses the Russian Federation of alleged violations without presenting any convincing facts, his Government’s concerns about non‑compliance are based on specific facts, including that the United States supports and develops low‑ and medium‑range ballistic missiles.  Such violations have forced the United States to begin a campaign to discredit Moscow as a responsible participant of the Treaty.  Recent statements by the United States show that the goal was actually to prepare international opinion for its own withdrawal from the Treaty.  This is not the first agreement that risks being nullified because of the United States, he said, pointing at the 2002 withdrawal from the Anti‑Ballistic Missile Treaty, one of the instruments that promoted strategic stability, and more recently, from the Joint Comprehensive Plan of Action.  Moreover, he expressed surprise by criticism from his counterpart from Poland, which hosts a base in violation of the Intermediate‑Range Nuclear Forces Treaty and called on the United States to address existing violations of the Treaty.  The Russian Federation is always open to dialogue across a series of disarmament and non‑proliferation issues.  Concerning Ukraine, any accusations against his Government regarding the Budapest Memorandum are groundless and are anti‑Russia propaganda, as it was drawn up as a package of agreements to allow Ukraine to accede to the Non‑Proliferation Treaty.  Its provisions did not factor in domestic political and economic factors.  Events in Ukraine clearly demonstrate that provisions of the Budapest Memorandum were not violated by the Russian Federation.

The representative of Syria said the statement delivered by Israel’s delegate was an attempt to mislead the Committee through false and baseless allegations, while diverting attention from Israel’s non‑accession to the Non‑Proliferation Treaty and other related conventions.  The Israeli entity refuses any initiative to declare the Middle East a zone free of weapons of mass destruction, especially nuclear weapons.  Noting that European Union States have sponsored terrorists in Syria and supplied them with weapons, including toxic chemicals, he also responded to the statement by Sweden’s representative, on behalf of the Nordic countries, noting that several States in that group have been exporting terrorists to Syria since the start of the crisis.  Condemning any use of chemical weapons as a crime against humanity that can never be justified, he said Syria has complied with all its commitments under the Chemical Weapons Convention.  Terrorist groups in Syria continue to obtain chemical weapons with the assistance of United Nations Member States.  Responding to the statement delivered by the United States delegate — which was replete with contradictions — he said the representative failed to refer to any use of chemical weapons by terrorist groups in Iraq and Syria, which have been proven by OPCW and the Security Council.  The United States has also failed to destroy its own weapons of mass destruction, currently sponsors more than 25 secret biological weapons labs around the world and “is the worst violator of international conventions in the world”.

The representative of Iran, responding to the United States delegate regarding his country’s compliance with the Chemical Weapons Convention, said such baseless and unfounded allegations are being made by an Administration that has no limit to its manufacturing of stories, its distortion of facts or its spreading of lies.  “They have no shame in adopting such a policy in the United Nations,” he said, recalling that Iran was the victim of chemical weapons use in the 1980s, when former President Saddam Hussein of Iraq used such weapons — provided by the United States — against Iranian troops and civilians.  “That’s why we joined the [Chemical Weapons Convention],” he continued, rejecting any false allegations of Iran’s violations of that instrument.  “The United States is undermining every international mechanism and this is no exception,” he said, adding that Washington, D.C only seeks hegemony and lacks any respect for the rules‑based international order.  In addition, the United States continues to miss deadlines to dismantle its own chemical weapons arsenals, despite possessing all the resources and tools to do so.  The United States also persuades terrorists in Syria to use the chemical weapons it trained them to use, he said, asking the United States — a supporter of an Israeli regime that possesses weapons of mass destruction and respects no international rules — to “look in the mirror and see themselves”.

The representative of Ukraine read out specific provisions of the Budapest Memorandum that affirmed the territorial integrity of Ukraine.  Yet, Ukraine’s current border has been violated and parts of it annexed by the Russian Federation.  Nobody opposed those provisions at the time; it was only after occupying parts of Ukraine that the Russian Federation attempted to justify its illegal actions and direct violations of the Budapest Memorandum.

The representative of the United States said the missile systems referred to by his counterpart from the Russian Federation are fully consistent with the Intermediate‑Range Nuclear Forces Treaty provisions and were developed and tested only to defend against objects not on the surface of the Earth.  Turning to other concerns, he said Syria is one of the leading State sponsors of terrorism.  For its part, the United States is on schedule to destroy its chemical stockpile by 2023 and denies that it is developing these capabilities.  Meanwhile, Iran is in no position to call any State a liar.  A leading State sponsor of terrorism in the world, Iran tries to claim it is a victim and a moderate, peace‑loving nation, but has no credibility.  It is arming dangerous parties in the Middle East and around the world.  It is part of its addiction to terrorism.  The United States will not stand idly by while Iran continues its reign of terror.  On 5 November, it will be much more difficult for Iran to fund its terrorist activities.

The representative of Syria said claims made by the United States rely on misinformation and are based on incitement at the expense of logic and scientific facts.  The United States is the biggest financier and sponsor of terrorism, as evidenced by its support, financing and sponsorship of terrorists on Syrian soil.  The United States, and two other countries, support terrorist groups and use them as an element of United States foreign policy.  Successive administrations have failed to get rid of their chemical arsenals, but observers know that neither this Administration nor the next will eliminate these arsenals.  Meanwhile, the Government of Syria has provided letters to the United Nations outlining how the United States has trained terrorists to compound chemical agents and use them.  Moreover, United States forces present on Syrian soil have participated in ***transferring*** toxic chemicals to Islamic State of Iraq and the Levant (ISIL/Da’esh).

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**End of Document**



[***M and A Navigator: Deal pipeline -25 June***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SN3-M2V1-F0K1-N24X-00000-00&context=1516831)

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**Body**

MANAVIGATOR-June 25, 2018-M and A Navigator: Deal pipeline -25 June

The following is a list of deals covered in detail by M and A Navigator this week:

-PAYPAL TO ACQUIRE SIMILITY TO EXPAND MERCHANTS FRAUD PREVENTION, RISK MANAGEMENT OFFERING

US-based digital ***payments*** company PayPal Holdings, Inc. (NASDAQ: PYPL) has agreed to acquire fraud prevention and risk management platform Simility for a purchase price of USD 120m in cash, the company said.

PayPal said the acquisition of Simility will enhance its ability to deliver fraud prevention and risk management solutions to merchants globally. Following the close of the transaction, merchants on the PayPal platform will gain access to best-in-class fraud tools that can be customized to reflect the nuances of their businesses through their existing account management dashboard.

Status: Agreed

-CVB FINANCIAL, COMMUNITY BANK WIN SHAREHOLDER NODS FOR USD 878M MERGER

Shareholders of California, US-based bank holding company CVB Financial Corp. (NASDAQ: CVBF) and California-based Community Bank (OTC: CYHT) have approved the companies' plan of reorganisation and merger agreement under which Community will merge with and into Citizens in a stock and cash transaction valued at approximately USD 878.3m, the companies said.

Subject to the receipt of the required regulatory approvals and the satisfaction of other conditions to closing, the parties expect to close the merger in 3Q18. Under the agreement, based on CVBF's closing stock price of USD 23.37 per share, the merger will increase Citizens' total assets to approximately USD 12.0bn on a pro forma basis as of December 31, 2017.

Status: Agreed

-OPENGATE CAPITAL CLOSES SALE OF NORPAPER GROUP TO GEMAYEL FRERES, CHAOUL INDUSTRIAL GROUP

US-based private equity firm OpenGate Capital has completed the sale of one of its legacy, pre-fund investments, French recycled paper products manufacturer NorPaper Group, to Lebanon-based packaging business Gemayel Freres and Chaoui Industriel Group, the firm said.

OpenGate Capital acquired NorPaper from Canadian paper conglomerate, Cascades, in 2011. NorPaper is a producer of white top testliner paper that is sold to European packaging manufacturers.

Status: Closed

-NICE EXTENDS TENDER OFFER FOR MATTERSIGHT SHARES

New Jersey, US-based software solutions provider NICE (NASDAQ: NICE) has extended the expiration of its tender offer to acquire all of the outstanding shares of Chicago, US-based cloud-based analytics provider Mattersight Corp.'s (NASDAQ: MATR) common stock and 7% series B convertible preferred stock, the company said.

NICE said the tender offer is being extended to allow additional time for the satisfaction of the conditions to the offer. The parties have not yet received the clearance of the Committee on Foreign Investment in the United States (CFIUS), which is a condition to the offer.

Status: Agreed

-PRAXAIR, LINDE MERGER CLEARS MEXICO ANTITRUST HURDLE

The proposed business combination between US-based industrial gas company Praxair, Inc.(NYSE: PX) and Germany's Linde AG (Xetra: LIN) has received unconditional antitrust clearance in Mexico, satisfying a closing condition (Regulatory Condition Mexico), the companies said.

Linde plc is a public limited company formed on 18 April 2017, that will become the parent company of Praxair, Inc. and Linde AG upon the completion of the business combination. Completion of the business combination remains subject to timely approval by requisite governmental regulators and authorities under applicable competition laws.

Status: Agreed

-LILLY CLOSES USD 1.6BN ACQUISITION OF IMMUNO-ONCOLOGY SPECIALIST ARMO BIOSCIENCES

US-based drugmakeEli Lilly and Company (NYSE: LLY) has closed the acquisition of Armo BioSciences, Inc. (NASDAQ: ARMO) forUSD 50per share, or approximatelyUSD 1.6bn, in an all-cash transaction, the company said.

Armo BioSciences is a late-stage immuno-oncology company that is developing a pipeline of novel, proprietary product candidates designed to activate the immune system of cancer patients to recognize and eradicate tumors.

Status: Closed

-KROGER, HOME CHEF CLOSE MERGER TO EXPAND MEAL KIT DELIVERY SERVICES

Ohio, US-based grocery store chain The Kroger Co. (NYSE: KR) and Chicago, US-based private meal kit company Home Chef have closed a merger agreement to accelerate the availability of meal kits and position the combined company to revolutionise how families shop for, prep and cook meals, the companies said.

The initial transaction price isUSD 200mand future earnout ***payments*** of up toUSD 500mover five ***years*** are contingent on achieving certain milestones, including significant growth of in-store and online meal kit sales.

Status: Closed

-MYSQUAR ACQUIRES ***PAYMENTS*** AND REMITTANCE BUSINESS MYPAY MYANMAR

Myanmar-language social media, entertainment and ***payments*** platform MySQUAR has acquired the entire share capital of MyPay Myanmar Ltd. from MyPay Ltd., the company said. MPM is a company incorporated in Myanmar in 2016 to establish a ***payments*** and remittance business and is in the process of applying to the Central Bank of Myanmar for a ***payments*** license.

The acquisition will streamline the company's development of smartphone ***payments*** systems, which are anticipated to provide substantial revenues going forward.

Status: Closed

-UK COMPETITION AND MARKETS AUTHORITY CLEARS TRINITY MORROR'S CLOSED ACQUISITION OF NORTHERN AND SHELL'S PUBLISHING ASSETS

The UK Competition and Markets Authority has cleared thecompleted acquisition by UK-based newspaper publisher Trinity Mirror plc (LSE: TNI) of certain assets of Northern and Shell Media Group Ltd, the CMA said. Trinity Mirror acquired Northern and Shell's publishing assets for a total purchase price of GBP 126.7m (USD 174.34m).

These comprise Northern and Shell Network Ltd., a subsidiary of Northern and Shell Media Group Ltd. containing the publishing assets of Northern and Shell and its subsidiaries, International Distribution 2018 Ltd. and a 50% equity interest in Independent Star Ltd.

Status: Closed

-SCHRODER EUROPEAN REAL ESTATE INVESTMENT TRUST TO ACQUIRE FRENCH LOGISTICS PROPERTY

UK-based property investor Schroder European Real Estate Investment Trust plc (LSE: SERE) has exchanged contracts to purchase a freehold logistics property in Rumilly, southern-eastern France, for EUR 8.6m (USD 10.03m), reflecting a net initial yield of 7%, the company said. The 16,700 sqm warehouse is fully let to a strong covenant, a subsidiary of the global food and drink manufacturer Nestlé, with an unexpired lease term of around 7.5 ***years***.

In line with the company's winning centres strategy, it is located in a region that is forecast to grow faster than the national average1and is leased off affordable / sustainable rents, in an area where there is limited supply.

Status: Agreed

-ARENA EVENTS GROUP ACQUIRES UK BARRIER AND FENCING SPECIALIST EVENTS SOLUTION

UK-based temporary physical structures, seating, ice rinks, furniture and interiors provider Arena Events Group plc (AIM: ARE) has further expanded its UK product portfolio with the acquisition of specialist barrier and fencing company Events Solution Ltd., the company said.

The acquisition, with total consideration of GBP 2.5m (USD 3.32m), will see the Worksop-based company integrated into Arena's current UK business. Events Solution's core product range includes pedestrian barriers, Heras fencing, front of stage and Metropolitan Police barriers, as well as gantries and staging.

Status: Closed

-RESIDENTIAL SECURE INCOME ACQUIRES FREEHOLD RESIDENTIAL BUILDING

UK social housing investor Residential Secure Income plc (LSE: RESI) has exchanged contracts to acquire for a total consideration of GBP 21.3m (USD 28.26m) a freehold residential building benefitting from a lease to a local authority and used to provide housing under the local authority's statutory obligations.

The acquisition is due to complete on or before 29 June 2018, from when it will immediately be income producing to ReSI. This building has recently undergone a full refurbishment, completed in 2016, and contains 134 self-contained residential flats.

Status: Agreed

-UK COMPETITION AND MARKETS AUTHORITY CALLS FOR COMMENT IN PROBE OF CLOSED RESTORE/TNT DEAL

The UK Competition and Markets Authority is inviting comments on its probe of the closed deal under which UK office services provider Restore plc (LSE: RST) acquired certain businesses of TNT UK Ltd., the CMA said.

The CMA made initial steps in its probe into the deal back in May, by serving an initial enforcement order under section 72(2) of the Enterprise Act 2002 onRestore. In March, Restore entered into an agreement to acquire UK-based express delivery company TNT UK Ltd's records management business, TNT Business Solutions, for a total consideration of GBP 88m (USD 125.22m.

Status: Closed

-AUGEAN SELLS ASSETS OF UK INDUSTRIAL SERVICES PROVIDER COLT

UK-based specialist waste management businesses Augean plc (LSE: AUG), as part of its ongoing ***programme*** to optimise business units and turn around those that are underperforming, has sold industrial services provider Colt, the company said.

This ***programme*** led to the announcement on 16 May that it had been decided to consult with staff to reduce costs through the potential closure of the Colt site (an industrial services provider to a range of customers including major industrial companies, oilrefineries, rail and utilities) and disposal of unwanted assets.

Status: Closed

-KATORO GOLD ACQUIRES TANZANIAN NICKEL PROJECT

UK-based, Tanzanian focused exploration and development company Katoro Gold plc (AIM: KAT) has entered into a conditional agreement to acquire Kibo Nickel Ltd. and its wholly owned subsidiary, Eagle Exploration Ltd., from the company's majority shareholder, Kibo Mining plc, which is the 100% owner of the polymetallic Haneti Nickel Project in Tanzania, Katoro said.

Additionally, the company announces that it has raised GBP 325,000 via a placing of 25m new ordinary shares of GBP 0.01 each in the company at a price of 1.30 pence.

Status: Agreed

-ITALIAN FINANCIAL AUTHORITY APPROVES PLAYTECH OFFER FOR SNAITECH SHARES

Consob, the supervisory authority for the Italian financial market, has approved the offering document relating to UK-based gambling and financial trading software developer Playtech's (LSE: PTEC) mandatory takeover offer for the remaining shares of Italian betting and gaming firm Snaitech not owned by the group, Playtech said.

Playtech holds almost 81% of the issued share capital of Snaitech, as a result of the acquisition of approximately 70.6% plus market purchases of approximately 10.3%.

Status: Agreed

-JOHN LAING ENVIRONMENTAL ASSETS MAKES FURTHER INVESTMENT IN VULCAN RENEWABLES ANAEROBIC DIGESTION PLANT

UK-based environmental infrastructure fund John Laing Environmental Assets Group Ltd (LON: JLEN) has made a further investment in the UK-based Vulcan Renewables anaerobic digestion plant, the company said. The investment consists of provision of funding of around GBP 8.5m (USD 11.27m) to significantly expand the AD plant's biomethane generating capacity.

Vulcan Renewables Ltd was acquired by the company in August 2017. The AD plant is located in Hatfield Woodhouse, nine miles north east of Doncaster, South Yorkshire and was commissioned in October 2013.

Status: Closed

-SEALAND CAPITAL COMPLETES DISPOSAL OF SECURECOM MEDIA HOLDING

Cayman Islands-based IT and social media group Sealand Capital Galaxy Ltd. has closed the sale of its entire holding in SecureCom Media Holdings Ltd. to Creative Alpha Ltd., the group said.

The total consideration for the disposal is GBP 10,000 (USD 13,258). Sealand Capital Galaxy Ltd. (LSE: SCGL) is engaged in the investment and acquisition of IT and social media businesses in the Asia and Pacific APAC region with high growth potential.

Status: Closed

-SCOTGOLD RESOURCES SALE OF FRENCH SUBSIDIARY DELAYED

Australian mining company Scotgold Resources' Ltd (ASX: SGZ) planned sale of all of its shares in its wholly owned subsidiary SGZ France SAS which holds the French exploration licence, Vendrennes, has been delayed, the company said.

The sale is conditional upon the parties receiving satisfactory acknowledgement from theMinerals Resources Office of the Ministry for Economy and Finance of France, that the ***transfer*** of shares is acceptable.

Status: Agreed

-B RILEY FINANCIAL ASSISTS VINTAGE CAPITAL IN PENDING ACQUISITION OF RENT-A-CENTER

B. Riley Financial to provide debt and equity commitments in support of the transaction which is valued at approximately USD 1.365bn. B. Riley to partner with Vintage Capital as an investor in the acquisition vehicle

US-based financial and business advisory services provider B. Riley Financial, Inc. (NASDAQ: RILY) has agreed to provide financial support to Vintage Capital Management, LLC in its affiliate'sacquisitionof Texas, US-based rent-to-own specialist Rent-A-Center, Inc. (NASDAQ: RCII), the firm said.

Status: Agreed

-KNOTEL CONTINUES EUROPEAN EXPANSION WITH ACQUISITION OF AHOY!BERLIN

New York, US-based agile workspace platform Knotel has acquired Germany based workspace operator Ahoy!Berlin, marking Knotel's latest step in its European expansion, the company said. The acquisition provides Knotel with a central base on which to scale rapidly in this market, which has seen overall funding for startups increase by 88% to USD 5.2bn last ***year***.

Knotel is in the office market with its Agile HQ Platform. Knotel designs, builds, and operates custom spaces for established and growing brands.

Status: Closed

-VELOCITY SOLUTIONS FINALISES ACQUISITION OF AKOUBA LENDING PLATFORM FOR SMBS

A subsidiary of Florida, US-based revenue enhancement solutions provider Velocity Solutions, LLC has completed the acquisition of substantially all the assets of Chicago, US-based SaaS-based digital lending platform Akouba Inc. to improve customer satisfaction lenders for SMBs in competition with large marketplace lenders, the company said.

The acquisition gives Akouba the financial strength needed to support banks' third party due diligence requirements.

Status: Closed

-VERRA MOBILITY, GORES HOLDINGS II TO MERGE IN CASH/STOCK DEAL

Arizona, US-based smart transportation solutions provider Verra Mobility has entered into an agreement to merge with California, US-based acquisition company Gores Holdings II, Inc. (NASDAQ: GSHT) (NASDAQ: GSHTU) (NASDAQ: GSHTW), the company said.

The consideration payable to the stockholders of Verra Mobility will consist of a combination of cash and shares of Gores Holdings II common stock. In addition to the USD 400m of cash held in Gores Holdings II's trust account, additional investors have committed to participate in the transaction through a USD 400m private placement.

Status: Agreed

-ANJU SOFTWARE ACQUIRES MDCPARTNERS TO EXPAND LIFE SCIENCE SOFTWARE/DATA

New York, US-based life sciences software platform Anju Software Inc. has acquired Belgium-based business intelligence data solutions MDCPartners, the company said. Anju Software said MDCPartners will enable Anju to provide additional value added solutions to pharmaceutical, biotech and medical device companies.

This acquisition strengthens Anju's current product portfolio and can now provide up-to-date comprehensive data for medical expert engagement and clinical trial optimisation.

Status: Closed

-BLUARC ACQUIRES ABOUT COMMUNICATIONS TO EXPAND SERVICES FOR SMBS

Canada-based hosted phone and Internet services provider bluArc has acquired Canada-based phone company About Communications, the company said.

For customers of About Communications, the acquisition brings with it a multitude of benefits including a more robust support organisation, as well as new next generation Unified Communications features and functions including video conferencing, presence and chat capabilities, mobile integration and more.

Status: Closed

-EUROFINS DIGITAL ACQUIRES NETHERLANDS-BASED INSITE SECURITY TO STRENGTHEN CYBERSECURITY PORTFOLIO

Belgium-based testing services company Eurofins Digital Testing has acquiredNetherlands-based information security services Insite Security to reinforce its portfolio of cybersecurity services offered to companies around the globe, the company said.

Eurofins Digital Testing International said Insite Security is known for providing superior IT security services, and the company plans to extend its capabilities across the globe, offering cyber security solutions to protect the connected systems and data of clients.

Status: Closed

-AMVAC CHEMICAL ACQUIRES BROMACIL HERBICIDE BUSINESS ASSETS FROM BAYER CROP SCIENCE

California, US-based chemical company American Vanguard Corp's (NYSE: AVD) AMVAC Chemical Corp subsidiary has acquired the US and Canadian Bromacil herbicide business from ***agricultural*** product supplier Bayer Crop Science, the company said.

The assets being purchased include the Bromacil trademarks and product registrations for sale of Hyvar and Krovar in the USA and Canada. Bayer will continue to market and provide customer support for these products until the end of September 2018.

Status: Closed

-LOXAM ACQUIRES ITALY-BASED RENTAL SPECIALIST NO-VE

France-based equipment rental company Loxam Group has acquired Italian powered access rental company No.Ve. S.r.l. from Haulotte Group S.A., the company said.

Following the acquisition of Nacanco last ***year***, this transaction enables Loxam to consolidate its position in the Italian powered access rental market. Loxam said it is joining forces with No.Ve to provide customers with the best service through an expanded network, and build a reference company in the Italian equipment rental market. The company had an unaudited proforma consolidated revenue of EUR 1,435m (USD 1,675m) in 2017 and approximately 7,900 employees.

Status: Closed

-ENEL TO ACQUIRE 21% OF LATIN AMERICAN FIBRE OPTIC NETWORK OPERATOR UFINET INTERNATIONAL

Italian power utility and integrated electricity and gas operator Enel has agreed to buy a 21% stake in Latin American fibre optic network operator Ufinet International for EUR 150m, the group said.

Under the deal, Enel S.p.A., acting through Enel X International S.r.l., has signed an agreement with a holding company controlled by the Sixth Cinven Fund, which is managed by international private equity firm Cinven, to acquire, for EUR 150m, about 21% of the share capital of a vehicle company to which 100% of Ufinet International will be ***transferred***.

Status: Agreed

-DIAGEO TO LAUNCH TENDER OFFER FOR CHINESE LIQUOR FIRM SICHUAN SHUIJINFANG

UK-based alcoholic beverages company Diageo plc (NYSE: DEOP) has approached the board of directors of Chinese liquor company Sichuan Shuijingfang Company Ltd. with a proposal for a partial tender offer to increase its aggregate equity stake in SJF (through its wholly-owned subsidiaries) from approximately 39.71% to up to 60% at an offer price of RMB 62 per share, the group said.

SJF has made an announcement in respect of such proposal on the website of the Shanghai Stock Exchange. The announcement of the proposal outlined above, does not constitute the announcement of an offer and creates no obligation on Diageo and/or any Diageo subsidiary to make an offer.

Status: Bidding

-JCDECAUX CONTINUES BUYOUT TALKS WITH AUSTRALIA'S APN OUTDOOR

French outdoor advertising company JCDecaux SA (Euronext Paris: DEC) continues to be in discussions with Australian outdoor ad group APN Outdoor Group Ltd., the company said. APN has offered to buy 100% of JCDecaux in a deal worth USD 810m.

Until a transaction is agreed between the parties, there is no certainty that the proposal will result in any transaction. JCDecaux said it will continue to update the market in relation to the proposal.

Status: Talks

-HOMETOWN AUSTRALIA SWEETENS OFFER FOR GATEWAY LIFESTYLE GROUP

Australian retirement community operator Gateway Lifestyle Group has received a revised confidential, indicative and non-binding proposal from Hometown Australia Holdings Pty Ltd and Hometown America Communities Ltd. Partnership to acquire 100% of the issued stapled securities of Gateway Lifestyle at an indicative price of AUD 2.35 per security by way of schemes of arrangement, the group said.

This new offer is worth around AUD 713m (USD 531m). It comes as Hometown Australia faces new competition in its bid for Gateway Lifestyle.

Status: Bidding

-XERIUM TECHNOLOGIES AGREES TO USD 833M ANDRITZ AG BUYOUT

US-based industrial consumable products and services company Xerium Technologies, Inc. (NYSE: XRM) and Austrian engineering group Andritz AG (WBAG: ANDR) have entered into a definitive merger agreement under which Andritz will acquire Xerium for USD 13.50 per share in an all-cash transaction, the company said.

The deal is worth USD 833m. This price per share represents a premium of 146.8% to the unaffected share price prior to the announcement by Xerium of a review of strategic alternatives on March 19, 2018.

Status: Agreed

-AT AND T TO ACQUIRE ADVERTISING MARKETPLACE APPNEXUS

US-based communications company AT and T (NYSE: T)has entered into a definitive agreement to acquire Internet technology company AppNexus, the company said. Reports put the deal at between USD 1.6bn and USD 2bn. The firm will become a part of AT and T advertising and analytics, led by Brian Lesser, CEO.

AppNexus operates a global advertising marketplace and provides enterprise products for digital advertising serving publishers, agencies and marketers. With its proposed acquisition of AppNexus, AT and T is investing to accelerate the growth of its advertising platform and strengthen its leadership in advanced TV advertising.

Status: Agreed

-BLACKSTONE'S BREIT TO ACQUIRE USD 1.2BN EDR STUDENT HOUSING PORTFOLIO IN JV WITH GREYSTAR

US-based commercial property investor Blackstone Real Estate Income Trust, Inc.has inkedanagreement to acquire the EdR Student HousingPortfolio, with 10,500 beds across 20 assets, for USD 1.2bn,ina95%/5%BREIT-led joint venture withGreystar Real Estate Partners, the company said.

The transactionwill be completed in conjunction with Greystar's previously reported USD 4.6bn acquisition of Education Realty Trust (NYSE: EDR),one of the largest owners, developers and managers of collegiate housing in the United States with approximately 45,000 beds serving 47 universities in 26 states.

Status: Agreed

**Load-Date:** June 25, 2018

**End of Document**



[***Historical Context of Agricultural Commercialisation in Ghana: Changes in Land and Labour Relations***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BH2-VXY1-JBMY-H40T-00000-00&context=1516831)

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**ABSTRACT**

This paper provides a broad review of agrarian change in Ghana by highlighting the major developments in the agrarian political economy and their implications for ***agricultural*** commercialisation and its modifying influence on land tenure systems, livelihoods, production systems, social relations, and labour relations. While current land tenure arrangements and labour relations in Africa are often explained in terms of globalisation, we argue that the historical context of ***agricultural*** commercialisation in Ghana shows continuities and discontinuities in agrarian relations from the colonial period to the present. We also argue that changes over the ***years*** have blended with globalisation to produce the distinct forms of labour relations that we see today. The commercialisation of ***agriculture*** in Ghana has evolved progressively from the colonial era aided by policies of coercion, persuasion and incentives to its current globalised form. The expansion in the range of commodities over time necessarily increased the demand for more land and labour. The article contributes to the literature by providing great insights into changes in land and labour relations due to increasing commercialisation, and how these enhanced wealth accumulation for the richer segments of society and global capital to the detriment of the poor throughout Ghana’s agrarian history.

**FULL TEXT**

**Introduction**

As is the situation in many African countries, ***agriculture*** is the major economic activity in Ghana, contributing about 23% to the gross domestic product (GDP) and employing about 60% of the population (GSS, 2012). Although agrarian structures in Ghana have become more commercialised in recent ***years***, the country has historically not been able to achieve very high growth rates in ***agriculture***. A renewed growth spurred by structural adjustment policies lost steam in the 1990s. Large-scale ***agricultural*** land deals of the late 2000s fit into the discourse of ‘foreign investments to the rescue’ of ***agriculture*** characterised by cheap labour, abundant land, foreign markets and therefore high profitability. The profitability of these ventures is premised on the political economy of state support, open-door neoliberal policies, impoverished countryside, high and rising international and local food and fuel prices and the poor performance of economies in advanced countries.

A number of studies have emerged examining the processes, drivers, dynamics and impacts of these land deals (Ahwoi, 2010; Amanor, 2010). However, only a few researchers have tried to locate the current processes, dynamics and outcomes within the wider historical political economy that defines the evolution of the commercialisation of ***agriculture*** in Ghana. Consequently, there remains a lack of understanding about how contemporary agrarian forms, processes and dynamics are shaped by the past political economy, cultural and institutional arrangements. To fill this gap, we emphasise the interplay of socioeconomic and policy changes since the colonial era that define and shape agrarian relations of production especially around land, labour and markets. Our analysis focuses on the question ‘How does this history shape current commercialisation processes of large-scale land deals in Ghana?’ This paper provides an analysis of:

a) The major developments in the agrarian political economy at different periods.

b) The policies and pieces of legislation about land and ***agriculture***.

c) The implications of a and b for ***agricultural*** commercialisation and its particular features; land tenure systems; production systems; social relations, particularly labour relations.

We argue that changes in agrarian relations and form in Ghana have been a result of the interplay of tradition and modernity. The state of ***agricultural*** commercialisation reflects change and continuity during the last century, involving structural changes and processes in policy, labour, land and markets. The current state of ***agricultural*** commercialisation is a function of various models adopted over several decades. Continuity of the processes and relationships between people and capital are important in providing an understanding of likely trajectories and outcomes of current commercialisation models. Formal institutions gradually influence informal institutions and in some instance override them by the use of force and indirect mechanisms, such as taxation and incentives.

**Changes in agrarian political economy and *agriculture*-related policies (1874–present)**

Since the colonial era, the agrarian political economy in Ghana has gone through a number of twists and turns. While subsistence food production dominated the ***agriculture*** landscape during the pre-colonial era, colonial penetration and expansion (especially since 1874) saw a drive in production of oil palm and mining of minerals with enormous influence on the development of commercial norms (Dickson, 1969; Hilson, 2002; Jackson, 1992) in land and labour. The Dutch were the first to introduce a plantation system to the then Gold Coast in the early 18th century. However, it failed to gain much acceptance due in part to inter-ethnic conflicts, inter-colonial disputes over territorial expansion and acquisition, and the negative attitude towards the plantation system by the British colonial rulers who believed that traditional farming systems were more economically resilient than large plantations (Huddleston and Matthew, 2007). Gyasi (1996), for example, argues that the colonialists feared that extensive land acquisitions for plantations could alienate the peasants, seriously disrupt their export production system, and precipitate local opposition and conflict. The Department of ***Agriculture*** (1900–1950) was responsible for educating farmers, and assisting them to produce export crops in large quantity and of better quality. A successful peasant sector saved the country from state intervention by encouraging large-scale multinational companies.

By the 1920s, cocoa had taken over from oil palm as the country’s principal export because of the declining world prices for oil palm compared to that of cocoa and coffee (Daddieh, 1994). The colonial state established an export-oriented economy to meet the needs of industry in the metropole and supplied the cash needed to govern. The economy of the Gold Coast revolved around these export crops and minerals mandating the flow of labour from all parts of the colony and the northern territories towards the ‘golden triangle’ where commercialisation was at its peak. The appropriation of the surplus value by the metropole was to be achieved through cheaper administration, labour and land.

**Establishment of large-scale plantations (early post-independence era, 1957–1970s)**

The radical measures taken by the Convention Peoples Party (CPP) after independence in 1957 sought to change the economic structure of the new nation, Ghana. ***Agriculture*** continued to be the most important means of achieving the industrialised status that the CPP had envisioned for the country. The shift in ***agriculture*** policy followed a socialist’s collective model involving the establishment of new large-scale state farms, and Workers and Farmers’ Brigades (Songsore, 2003). Contrary to the colonial confidence in small-scale farmers, the first Five-***Year*** Development Plan (FYDP) (1951–1956) was anchored on the view that small-scale ***agriculture*** was difficult to modernise or adapt. Hence there was the need for large-scale farms under state control, which would use mechanised forms of production. The ***Agricultural*** Development Corporation (ADC) was established to promote ***agricultural*** development through ***agricultural*** modernisation.

The commodities served two purposes, improving the nutritional requirements of the populace and also acting as a crucial foreign exchange earner. In that vein, cereals, fish, rice, sugar and cocoa were given special attention. An extension of the production frontier into the Western and Brong Ahafo regions for cash crops and the appropriation of large areas of northern Ghana for cereals by the new socialist systems gained ground. Individual farmers were motivated to join the cooperatives in order to have access to machinery and other modern techniques through extension services. In this way, the government was able to use ***agriculture*** to advance the system of a mixed economy where private farmers and public entities had their roles well cut out (Asuming-Brempong, 2003). According to Daddieh (Daddieh, 1994: 194), the ***agricultural*** policy vacillated from creating a ‘public sector peasantry’ to an ‘agrarian bourgeoisie’, but overall the government displayed a preference for socialised ***agricultural*** production on state-owned farms. However, the new agrarian structure did not achieve the success obtained in the colonial era mainly due to the capital constraints, political interference, poor planning and management, and the rigidity of the centralised state control system (Gyasi, 1996). This led to the abandonment of this model after the overthrow of the CPP (1966) in preference for privatised commercial farms between 1966 and 1971 using an export market-oriented approach.

Following the military coup by General I.K. Acheampong in 1972, a shift to large-scale private investment in plantation ***agriculture*** was advocated. However, the economic and social benefits of traditional small-scale farming were also recognised, and the government insisted that contract farming be an integral part of any agribusiness operation (Daddieh, 1994). Commodity development boards were also established to enhance ***agricultural*** activities of smallholder farmers. Cotton and grains were particularly given attention in the north of the country to counterbalance the colonial labour reserve policy. The Cocoa Marketing Board, for instance, was in charge of marketing, research and the development of cocoa, coffee and shea nuts production. The famous ‘Operation Feed Yourself’ ***programme*** introduced by the Acheampong regime aimed at encouraging Ghanaians to produce enough food for consumption. Closely on the heels of that policy was the ‘Operation Feed Your Industries’ ***programme*** instituted between 1972 and 1974, which aimed at producing raw materials for Ghanaian industries, which were already operating below capacity. An effective partnership between large-scale and small-scale peasant ***agriculture*** was forged to achieve one national objective of producing export crops and raw materials for industry. Effectively, three models of ***agriculture***, viz, the plantation model, outgrower model and clusters of medium and large commercial farms, were operational in Ghana in the 1970s. The plantation model involved huge land parcels devoted to one crop and owned and operated by a single company. The outgrower model involved several farmers producing under contract through the guidance and supervision of a mother entity using their own land and in a few instances company land. Clusters of commercial farms emerged as a result of the suitability of contiguous land areas for particular commercial crops in high demand, thereby leading to mass land leases/sales to richer farmers.

A careful analysis of the ***agricultural*** policies pursued under these post-independence regimes indicates that they all tended to favour large-scale, capital-intensive production over small-scale production units. There was the assumption that direct control of the production process via plantations would provide cheaper commodities for the industrialisation drive more efficiently than the peasant farmers who were famous for producing export crops. It therefore made sense only to involve the peasant farmer through outgrower systems to complement production on state farms and privately owned plantations. The state relied on a system of high direct and indirect taxation of ***agricultural*** commodities, control of ***agricultural*** marketing, input supply, and storage, through public administration with less participation by the private sector. This top-down model of governance was conducive to the exploitation of the peasantry for the modern industrial society envisaged, characterised by urban bias policies.

**Liberalisation and promotion of export crops (1980s–2000)**

In response to the economic crisis of the late 1970s, the Government of Ghana (GOG), with the help of the World Bank, adopted an economic recovery ***programme*** (ERP) in 1983 and this was followed by structural adjustment ***programmes*** (SAPs) in the late 1980s These ***programmes*** placed more emphasis on the cocoa, timber and mining sub-sectors. ***Agriculture*** was one of the sectors to receive massive reform during the period of the structural adjustment ***programmes***. Investment codes, which were meant to liberalise the economy and promote investment in tourism, ***agriculture***, logging, real estate and mining, introduced the second wave of large-scale land acquisitions in the country. The major policies reflected the scaling back of the role of the state in favour of privatisation. Policies in the ***agricultural*** sector included the removal of subsidies, disbanding of marketing boards, support for export crop production, land tenure administration reforms to enable foreign direct investments, and the liberalisation of trade in all sectors.

The production and export of cocoa witnessed tremendous growth during the period. Between 2000 and 2006, the cocoa sector grew quicker than the rest of the economy and increased its share of national GDP from 3.5% to 4.7% (Coulombe and Woden, 2007). Production prices for cocoa continued to surge and by the 2010/2011 crop season, cocoa farmers enjoyed 70% of Free on Board prices of the commodity (GAIN, 2012). These policies sought to correct the widely accepted theory that the state had to appropriate an increasing proportion of the producer price to use in expanding its political patronage (Bates, 1981; World Bank, 1983).

In addition to cocoa, new crops especially in the fruit and vegetable sub-sector were introduced to farmers under the banner of ‘non-traditional’ export crops. Trade liberalisation, which came at a later stage of the reforms, propelled the production and export of non-traditional ***agricultural*** export crops such as pineapples and pepper (FAO, 2006), which had an average growth rate of 13% between 2000 and 2007. Pineapple, one of the major horticultural crops, witnessed a hike in production and export during the period to the extent that, in 2004, Ghana alone accounted for 10% of pineapple exports to the European market. The production of other crops such as mangoes, shea and cashew nuts, chillies and aubergines increased dramatically. Much of the growth in this sub-sector can be attributed to private investors who sometimes engage smallholder farmers as outgrowers.

Food crops, which initially suffered due to the opening up of the food markets to global cheap products, subsequently enjoyed significant production growth due to land expansion and the application of modern farming practices during the period. For example, maize, cassava, yam, cocoyam, millet and sorghum saw tremendous growth in production between 1983 and the mid-2000s (Breisinger et al., 2008). The period was characterised by a domination of small-scale farmers, but with a rising number of medium-scale farmers, who concentrated land due to the profitability of joining global value chains in newly introduced crops, and the expansion of cocoa farms. The diversification of state enterprises also placed considerable landed ***agricultural*** resources and processing units in the hands of the private sector. Hence, the period marked a continuation of the structure of the 1970s plantation and outgrower models under private ownership. This period marked a new phase in the incorporation of the small farmer into global supply networks.

Neoliberal policies have, in recent ***years***, focused on introducing institutional reform to facilitate and regulate the operation of free markets. Ghana reduced the role of the state in direct production activities, which led to the privatisation of state firms and farms (White and Bhatia, 1998). Most of the controls and regulations within the economy were dismantled in the 1990s, and the country now pursues an outward-oriented development strategy with a minimal role for the state in economic activities (Jebuni, 1995). Governance is therefore under both private and state domains, as each constitutes a series of rules of operation. The World Bank made a good case for control by global firms as these are argued to create more efficient networks to the benefit of smallholders and national economies. Thus, a global network of ***agricultural*** commodity and input trade has deepened the commercialised landscape of ***agriculture*** in Ghana.

***Agricultural* modernisation and transnational investments in land (2000–present)**

The liberalisation of the Ghanaian economy coupled with the need for foreign direct investments, within a doctrine of modernisation of ***agriculture*** under private systems, led to the rise of large-scale commercial farming. In the wake of the food and energy crises, which hit many parts of the world in the mid-2000s, transnational investments in land have become a major development vehicle and a new form of capital accumulation for investors across the world. As in other African countries, two main pathways are used by international capital – the first is building effective agribusiness value chains over which they have control. The second is to acquire land directly from the state and allodial landholders for direct production. Hence, three modes of production, viz, the smallholders, outgrowers and plantations, are encouraged.

An intensification of globalised networks through the promotion of ***agricultural*** value chains, which incorporates smallholders into agribusinesses, has emerged as an important strategy of ***agricultural*** commercialisation and modernisation (World Bank, 2007). This is similar to the statist project in the 1970s when peasant farmers were forced to produce for state companies and parastatal marketing companies. This time, farmers are linked to global commodity chains that are believed to improve their living standards and ***agricultural*** efficiency.

In the quest to modernise ***agriculture*** in the country, the government has encouraged foreign capital to invest in the ***agriculture*** sector. In this vein, the state has made several concessions through the Ghana Investment Promotion Council in order to attract foreign investors (Ahwoi, 2010). It has also facilitated land acquisitions for many foreign companies. However, the profiles of most foreign companies trooping into the country for farming show that many are engaged in agro-fuel crop production, which is not consistent with historical food and cash crop production in the country.

Ghana has featured among the top 20 hotspots of transnational land deals in the world. For example, in 2009, about 452,000 hectares of such acquisitions were recorded in the country (Kachika, 2010). In the last few ***years***, for instance, Italian-based Agroils obtained 105,000 ha; the UK company, Jatropha Africa acquired 120,000 ha; Scan Fuel (Norway) cultivated 10,000 hectares and has contracts for 400,000 ha; Galten (Israel) acquired 100,000 ha (Friends of the Earth Africa/Europe, 2010). Others are Biofuel Africa from Norway, ITFC from the Netherlands, Praerie Volta Rice from the USA, Kimminic Estates Ltd, Natural Africa Diesels, Central Supercare Company, B1 Ghana Ltd., GoldStar Bio-Diesel Company, and Biofuel Africa Ltd Northern Sugar Resources Ltd. The majority of these companies used the land to cultivate agro-fuel crops. Due to the falling interest in these oils, some companies are now investing in food crops, especially maize, a flexible crop that could be both a food and an agro-fuel crop. These land acquisitions involve the ***transfer*** of common property lands by chiefs and family heads with little benefit going to community members, except for the promises of a good life associated with the modernisation that these projects are to bring (Tsikata and Yaro, 2011).

A new governance framework based on private–public linkages is in vogue. The major donors have advocated civil society incorporation/co-option. According to Amanor (Amanor, 2009), the political structures of governance are shaped to fit into agribusiness modes of accumulation whereby governance reforms are sometimes presented as necessary to encourage agribusiness and at other times agribusiness is presented as a dynamic part of the new structure of governance. In some commercial land acquisitions, the Government of Ghana has partnered foreign companies to invest in various ***agricultural*** projects. The case of Prairie Volta Company is an example of such partnerships. Prairie Texas, Ghana Commercial Bank and the Government of Ghana have 40%, 30%, 30% equities respectively in the company (Tsikata and Yaro, 2011), which is on 1250 hectares of land acquired in 1977 by the state.

There is also emerging interest in the savannah woodlands in Northern Ghana. The example of ITFC, which is supposed to be the outgrower model that benefits the communities and the company, was to guide future investments in the country. The business model of engaging outgrowers hinges on farmers receiving inputs and technological support, and marketing assurances. In return, farmers are expected to sell their produce to the company for export. However, the romanticisation of the project’s model was short-lived as many farmers lost their farms to savannah fires, while the remaining farms registered poor yields (Yaro and Tsikata, 2013).

**Discussion of the effects of major *agriculture*-related policies on land tenure and labour relations**

In this section, we discuss how changes in the ***agricultural*** political economy and ***agriculture***-related policies described above shaped land tenure systems and labour relations following the colonial era (1874) to the present.

**Effects of changes in *agriculture*-related policies on land tenure systems**

Land tenure systems in Ghana have changed since the colonial era (1874) in line with the changes in ***agriculture***-related policies described above. The changes in land tenure relations allowed for commercial crop production during the colonial era. The growth of the oil palm industry, for example, did not mandate land acquisitions initially, since the crop grew wildly and was a common resource for all in the community. By the 19th century many farmers consciously cultivated the crop. Land sales and sharecropping arrangements emerged to accommodate the commercial pressures. The lucrative trade in oil palm and kernels led the Krobo people to acquire more lands from the Akuapem, beginning from 1814 (La-Anyane, 1961). This land acquisition led to an inward migration from the dry coastal savannah to the humid areas representing the oil palm belt. The communal system of land ownership was highly adaptable to commercial pressures. Extensive areas of land were acquired by migrants through sharecrop arrangements for commercial production. Hence, the communal landownership system did not prevent but rather aided the rapid development of commercial farming (Arhin, 1985; Hill, 1963).

Sharecropping did not evolve only out of the commercial pressures but did so as part of a social system or context that dovetailed the pre-historic relationship between the Akan forest region and the northern slave-producing areas. Not only did the colonial administration build upon these exploitative social relations in carving out the latter area as a reserve, the relations came to inform one’s access to land in the Akan region, which was largely determined by one’s membership of a matrilineage. Northerners did not have easy access to farmland especially in the forest region because of this form of production relations.

Hill (1963) asserted that it was the scramble for lands for cocoa farming and the arbitrary wholesale disposal of stool lands to cocoa farmers which led to the creation of individual and family land rights from stool lands in many parts of southern Ghana (Stool lands are mainly controlled by chiefs who occupy the seat of authority, the stool, on behalf of the people). In 1917, Governor Hugh Clifford was reported to have said that, though all land still theoretically belongs to the Stool, the vested interest of the cocoa farmers has brought into being a measure of individual property in real estate, such as was never contemplated by ancient tribal customs (Appiah, 2012). The massive spread of cocoa farming and the immense wealth some Gold Coasters amassed as cocoa farmers and merchants propelled the appreciation of land values. These events led to the increasing sale of land by chiefs (Firmin-Sellers, 1995; Green and Hymer, 1966; Hill, 1963). The scramble for land resulted in protracted inter-ethnic disputes. Apart from investing in cocoa farming, chiefs took steps to consolidate their rights to stool lands.

As cocoa and timber trade became lucrative in Ghana, the colonial administration became particularly interested in controlling lands, in order to gain natural resource revenue (DeGrassi, 2003). As such, the Public Lands Act was passed in 1876 to allow government to expropriate lands for public use but the government arbitrarily leased some of those lands to private companies and individuals without recourse to the original owners. The colonial administration attempted in 1894 to create ‘Crown lands’ by passing what became known as the *Crown Lands Ordinance*. This sought to vest ‘waste and forest lands and minerals’ in the hands of the colonial administration. However, the Crowns Land Bill could not be implemented because native people vehemently resisted it, on the grounds that it ignored the fact that they had inherited these lands from their ancestors (Teye, 2011). To bring land administration under British land legislation, additional interests in land were introduced under common law. This introduced the plurality of tenurial regimes in the colony (Aryeetey et al., 2007).

The land policies inherited from the colonial government did not change much after independence in 1957. The following Land Acts governed these land tenure regimes: State Lands Act (No. 125, 1962) for public lands (Republic of Ghana, 1962) and the Administration of Lands Act (No. 123, 1962) for vested lands. With regards to vested lands, management functions are held by the state but the allodial titles are held by chiefs. The implication of these legislative instruments, which are still in operation, is that ownership of any parcel of land does not necessarily translate into ownership of the naturally occurring resources of that land.

The state acquired lands mainly by executive instrument over large areas. This was necessary to enable the CPP government carry out its socialist ***agricultural*** model of establishing state farms (Gyasi, 1992). People whose lands were taken by the state were compensated. Participation of ordinary people in land matters was limited in state negotiations, while chiefs considered ‘anti-state’ or against the CPP had no voice. Joint ventures with private capital in the 1970s involving state acquisition had similar features. The ***transfer*** of these units therefore represents the basis of land concentration in modern Ghana.

The new food production areas also began to experience commercialisation of ***agriculture***, especially in the north of Ghana which had been a labour reserve with few failed colonial experiments on cotton and groundnuts. This time of the rice, groundnut, livestock and cotton projects had generated competition for land. The rich farmers, urban elites and the chiefs seized the major valleys with support from the state in the form of capital and inputs. That is, a colonial policy that declared northern lands as crown lands was now under the control of the president, thereby giving the bureaucracy leeway in use of these lands.

Traditional sharecropping arrangements involving small-scale farmers dominated most agrarian production in the postcolonial era (Hunter, 1963; Okali, 1983). These were maintained from the colonial era as they served their purpose well in enabling both indigenes, and migrants access to land. However, the *abusa* (*abusa* is to share into three parts) sharecropping system of the colonial era had mutated into *abunu* (*abunu* is to share into two parts – land to tenants on a half-crop share basis), involving sharing of the harvest or land into two, especially in the Eastern Region as land became scarcer (Amanor, 1999). The value of land was rising against labour due to state large-scale acquisitions and higher demand for export commodities. So the bargaining power of labour fell.

**Neoliberal policies, large-scale land acquisitions and class struggles**

Neoliberal policies adopted after the 1980s also shaped land relations. Land has become more commercialised than ever before, following the passing of the Land Title Registration Law of 1986 (PNDCL 152) (Republic of Ghana, 1986). This formally enabled individuals and companies to legally register interest in land. The Land Administration Project (LAP) sponsored by the World Bank further sought to streamline land transaction procedures and deal with the teething problems in the land sector to enable investors to confidently acquire lands (Ministry of Land and Forestry, 1999). These policies, working in tandem with the rapid urbanisation, population growth and production pressure in rural areas, led to incremental modifications in traditional customary systems to accommodate commercial ***agriculture***. The sharecropping tenure regimes of *abunu* and *abusa* that in the past enabled migrants to have access to land and inputs, under the liberalised economy, are now considered exploitative and arbitrary (Amanor and Diderutuah, 2001).

The top-down projects sponsored by the World Bank in an effort to bring about the modernisation of ***agriculture*** often expropriated land from the poor to redistribute to the middle sector smallholder farmers who could afford the minimum investments in inputs and hired labour (Amanor, 2009). A deepening of the proletarianisation of poor farmers occurred as they lost their lands and joined the hired labour pool. There are differentiated effects and a class struggle among rural hierarchies embedded in the processes of commodification and commercialisation of land tenure transactions in Ghana (Abraham and Yaro, 2013). For example, access to customary lands is usually through inheritance. In many farming communities, male heads allocate land and the beneficiaries are usually male household members. Women’s access and rights to land are usually secondary and even then, this is acquired through their husbands. Although many women engage in ***agriculture*** and land-based livelihood activities, their access to land remains limited. A vast regional disparity has been identified regarding women’s access to and control of land in Ghana. While 50% of land in the Ashanti region is controlled by women, women in Upper East, Upper West and Northern regions control only 2% of lands in their respective regions (CEDAW, 2005). Also, the youth are a new marginalised group in access to land as commercialised decisions lead to land being allocated to non-kin for economic gain. The principles under which access to and control of land in both matrilineal and patrilineal systems operate are under attack due to the development of land markets that favour the highest bidders, the largest being foreign investors.

Since 2000, there have been concerns that the rise of large-scale land acquisition by both foreigners and locals for ***agricultural*** investments are compromising the land rights of small farmers, women and other local stakeholders (Hughs et al., 2011; Yaro, 2013a). The state and pro-market ideologues believe this concentration of land is necessary as modernisation is easier under such private large-scale ventures. What is not shown for now is the extent to which capital accumulated can be redistributed to the vulnerable and the poor whose livelihoods are affected by these changes.

Poor farmers are displaced from their lands by allodial title-holders who prefer leasing large tracks of land to multinational companies not only for farming but also for mining, tourism and fishing. The emerging scenario among smallholders is a disaggregation into the very poor who are not part of global commodity systems, and the smallholders who manage to concentrate some land, acquire inputs and state support in producing value chain products. Both the large companies and value chain smallholders squeeze the very poor resulting in their proletarianisation. Also, the lucky smallholders do not necessarily gain from these linkages due to the power imbalance between them and the companies buying their produce. Quality rules and price-setting practices ensure that the smallholders bear the cost of measures meant to satisfy the consumers on the global markets. The whole value chain of food markets is increasingly influenced by power relations and market control, as agribusiness extends its area of influence throughout the world.

**Effects of changes in *agriculture*-related policies on labour relations**

Changes in ***agriculture***-related policies also resulted in changes in labour relations over the ***years***. During the colonial era, the commercial production of oil palm over the ***years*** had led to share cropping arrangements between landowners and labour, which extended to cocoa and other export crops. In order to get labour to these production zones, the colonial state instituted the Poll Tax, which required ***payments*** that subsistence farmers could not afford. Hence, representatives of families needed to migrate to export crop zones and work as wage labourers. For example, labour migrated from the northern territories to cocoa farms and the mines (Hill, 1956). Colonial taxation policy aimed at creating labour reserves from where labour migrated to production zones in the golden triangle. Also, chiefs were required to provide annual quotas of labour to the production zones (Austin, 1987). In addition, the provision of basic infrastructure in the production zones to the neglect of the rest of the country created a pull effect to the disadvantage of the periphery (Yaro, 2013b).

Once in the production zones, the labour relations that developed reflected landholding arrangements because land was relatively plentiful and sharecropping became the preferred medium of ***payments***. Sharecropping arrangements emerged as a labour strategy used by landowners to deal with the demands of land preparation, weeding and capital investments especially for cocoa (Amanor and Diderutuah, 2001). These are normally negotiations between landlord and tenant over access to labour, land and capital. They agreed on a division of the harvest, or a division of land into two portions, in a system called *domayenkye* (‘weed and we share’). Before the 1950s, share contracts were synonymous with the *abusa* system (Hill, 1956; Pogucki, 1955). These were a means of attracting labour as well as a disguised form of land sales defying bans by paramount chiefs. Austin (1987) argued that in Ashanti, *abusa* did not develop until the 1930s when the economic depression created difficulties for farmers in finding money to pay wages.

**From sharecropping to *agricultural* wage labour (1957–1970s)**

With independence in 1957 came the promise of jobs and employment for the masses. The emerging economic structure and new agrarian production systems created new labour relations and reinforced old relationships. The expansion of the production area meant that land was getting scarcer in relation to labour, which continued to migrate from poorly developed areas to commercial ***agriculture*** and mining areas. The interventions of the state were too little to reverse the initial processes of inequality. The forms of labour arrangements included wage labour on state and private farms, and cooperative farmers on state-acquired lands and communal lands. After the CPP was overthrown in 1966, the vibrant outgrower systems and plantations imposed an altered labour system of plantation workers and independent growers controlled by company contracts. At the same time, the labour relations in the private sphere were changing from sharecropping systems to wage labour as land became scarcer. ***Agricultural*** wage labour became an accepted form for most of the rich farmers who could afford to pay wages. In the frontier areas, where land was still abundant sharecropping continued as the viable option for obtaining labour. The working conditions for ***agricultural*** labour in export crop farms were still as difficult as in the colonial era as land/labour ratios altered (Arhin, 1985).

The Ghana Oil Palm Development Corporation (GOPDC), an oil palm plantation company, expropriated 9000 hectares of land previously cultivated by 7000 farmers at Kwae in Akyem Abuakwa (Gyasi, 1992). The GOPC project was modelled on three schemes – outgrowers, nucleus plantations and smallholder farmers. With the nucleus scheme, wage labourers were employed to work on the plantation, outgrowers were contracted to grow oil palm on their own lands but were obliged to sell the produce to the company, while smallholder farmers were allocated portions of the company’s land for oil palm cultivation and onward sale of the produce to the company. All the three schemes came with harsh conditions. One of such conditions for the smallholders and outgrowers was that the participant must not be unmarried, which discriminated against the youth. The youth were limited in options as they were either employed as farm labourers or had to migrate to seek wage work in other agrarian areas. In the rice valleys in northern Ghana, Goody (1980) describes how investors employed heavy machinery in the cultivation and harvesting of rice, but resorted to hired labour for management, uprooting of grass and transplanting. Local women dominated most of the farm labour operations, particularly taking the place of machinery. Commoditisation of labour in ***agricultural*** production became widespread as wealthier farmers envisaged a market for their products as created by the political economy of the time.

**Effects of large-scale land acquisitions on labour relations (1980s–present)**

Since the 1980s, the deepening of commercialised norms in ***agricultural*** production with the widening of the range of crops for export and domestic markets affected labour relations, especially in the household. The expansion in production envisaged by the structural adjustment ***programme*** incentives was contingent on the varying ability of farmers to use custom and power to negotiate successfully for the critical resource of labour (Awanyo, 2001). Mobilising family labour in matrilineal systems is problematic due to the nature of the inheritance systems and labour relations. Since nephews inherit from their maternal uncles, fewer sons are willing to build their fathers’ farm assets for others to inherit. Also, where production is destined for the market, with proceeds benefiting few household members or the head, other members resist conscription into family labour pools.

According to Awanyo (2001), success in labour negotiation and labour control depends upon adherence to the terms of contracts such that where an individual fails to meet contract terms, he/she confronts resistance and must struggle to control both family and hired workers. Women are unable to negotiate for labour from their kin or hired labour where resources are limited. Women are therefore less likely to increase production than men in an atmosphere of commercialised transactions and with a past history of discrimination and low wealth accumulation. Also, women and young boys and girls (youth) are assigned domestic tasks in addition to productive responsibilities, which take up most of their time. Also, there was increasing social differentiation in the 1980s among the labouring class of northern migrants in the food producing areas of the forest fringes. This was the result of the evolution of sharecropping, which defined the ability of many to lease land for food production.

Large-scale land acquisitions since 2000 have also raised concerns about the displacement of poor farmers. The promise of employment by companies is often not commensurate with the quantum of unemployed displaced people. Furthermore, the casualisation of employment on these farms creates earnings uncertainty and deprives workers of their rights to social security. Mechanisation of ***agriculture*** on large and small farms is reducing avenues for employment and suppressing wages. Modern techniques of production render most forms of labour irrelevant. The rise in urbanward movements of displaced people due to production pressures and land concentration is mainly the result of rural unemployment and underemployment created by the new agrarian structure.

The movement into wage labour by poor farmers is a new phase in the commercialisation of ***agriculture*** better interpreted as forced proletarianisation. The livelihoods literature erroneously classifies this as diversification into income-earning activities from peasant modes of ***agriculture***. Adapting livelihoods, especially becoming a farm worker, is not a choice but a necessity resulting from structural changes to the agrarian system.

Land scarcity in the face of global-oriented production systems leads to land rental systems rather than sharecropping arrangements. The possibility to exchange labour for land is therefore truncated and the poor have to work on a ‘by-day’ basis, which is a form of casual labour on call at any time. The suggestion that smallholders sometimes can also benefit from economies of scale in input or output markets by renting out their land and working on the larger farms (World Bank, 2007) is unrealistic in this regard, given the conditions of employment provided by the new farms

The over-concentration of resources on male-produced crops is blamed for the deterioration of women’s performance in the ***agriculture*** sector (INSTRAW, 1985). Women became proletarianised in big land schemes with poorer working conditions. Also, they do not enjoy compensation for lands taken up by the state and corporations because they are not considered part of the ruling local elite and are also not family heads (Amankwah, 2009; Boamah, 2011; Wisborg, 2012). Fewer women are part of outgrower schemes due to inability to access lands or to procure the capital and labour needed, which is the result of decades of marginalisation in the circuits of capital accumulation and power. Building current initiatives on a flawed past has the tendency to deepen the marginalisation of vulnerable groups such as the poor, women and the youth (Tsikata and Yaro, 2014).

**Conclusions**

The commercialisation of ***agriculture*** in Ghana has evolved progressively from the colonial era, aided by policies of coercion, persuasion and incentives to its current globalised form. These have resulted in tremendous transformations in land and labour relations in the agrarian sector. Both colonial and postcolonial land policies have facilitated the modernisation of commercial ***agriculture*** for major export crops. The traditional arrangements for access to and control over land have altered from free inheritance and gifts to sharecropping systems and now to leasing, renting and sales. The communal notion of land is giving way to an individualistic one, as commercial ***agriculture*** mandates tenure security via individualisation and land titles.

Production pressure has led to increasing demand for land in a fiercely competitive atmosphere where the powerful displace the weak. An increasing trend in land concentration has been noticeable over the decades, culminating in foreign large-scale acquisitions that disenfranchise entire communities. The changing agrarian structures are characterised by a renegotiation of the rules of the game in resource access and political power within society. The coercion of farmers into cash crop production initially and subsequently through market mechanisms has been aided by land tenure policies that seek to allocate land to rich farmers (Firmin-Sellers, 1995; Kasanga and Kotey, 2001). The monetisation of ***agricultural*** relations of production is good news for the neoliberal conception of farmers as entrepreneurs running businesses that respond to global markets.

Commercialisation of ***agriculture*** is intensifying rural social stratification where farmers who earn more from their produce are able to accumulate wealth to embark on further acquisitions of land and engage in aggressive agrarian expansions. The situation for women has not changed significantly under SAP and post-SAP since a focus on cash crops and the use of custom to legitimise male control over land means peripheral roles for women (Agbosu et al., 2007; Duncan, 2004). Elderly men with traditional titles control land to the detriment of the women, youth and poor.

The expansion in the number of ***agricultural*** commodities and area cultivated necessarily increased the demand for more labour. Labour movements and favourable sharecropping systems effectively facilitated a new ***agricultural*** economy of booming cocoa and oil palm exports. Labour movements resulting from colonial coercion gradually changed to economy-induced labour movements as the commodity-producing zones became richer with better amenities than the rest of the country. The initial sharecropping arrangements when land was abundant have gradually given way to wage labour in reflection of the increasing supply of migrant labour and also the displacement of local small farmers. Expansionist ***agriculture*** tends to create accumulation of wealth by landowners and hardworking labour in sharecropping arrangements (Hill, 1963; Huddleston and Matthew, 2007). There is an intricate relationship between land availability and labour relations in agrarian formations. Increasing land pressure creates a larger proletariat, while low pressure accommodates some poor farmers. Also, commercial ***agriculture*** led to the loss of control over family labour as Awanyo (2001) observed. The control of over a disciplined family labour, especially women’s labour, was crucial to the success of commercial ***agriculture*** in the colonial and postcolonial eras, but not in the neoliberal era.

The casualisation of labour is a predominant feature of commercial ***agriculture***. The expectations of a thriving employment industry as modern large-scale farms dominate the rural landscape has not come to fruition. The preference for casual labour leaves many without jobs seasonally, with its consequent impoverishment on the population without access to land for subsistence. The proletarianisation of women has only moved them from one form of exploitation by the family farm, to exploitation by corporate business without the social support systems of the former.

The forms of land concentration and labour relations created and enhanced wealth accumulation for the richer segments of society and global capital to the detriment of the emerging poor throughout Ghana’s agrarian history. This process has been intensifying over the decades and therefore producing more disadvantaged people as commercialisation accelerates (Amanor, 2005; Asuming-Brempong, 2003; Yaro, 2013a).

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[***DEFINITIVE ADOPTION (EU, Euratom) 2017/30 of amending budget No 5 of the European Union for the financial year 2017***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RHK-RWR1-JDG9-Y3XP-00000-00&context=1516831)

Impact News Service

January 27, 2018 Saturday

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**Length:** 4332 words

**Body**

Brussels: Official Journal of the European Union has issued the following Legislation:

DEFINITIVE ADOPTION (EU, Euratom) 2017/30

of amending budget No 5 of the European Union for the financial ***year*** 2017

THE PRESIDENT OF THE EUROPEAN PARLIAMENT,

having regard to the Treaty on the Functioning of the European Union, and in particular Article 314(4)(a) and (9) thereof,

having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,

having regard to Council Decision 2014/335/EU, Euratom of 26 May 2014 on the system of own resources of the European Union (1),

having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (2),

having regard to Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the ***years*** 2014-2020 (3),

having regard to the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (4),

having regard to the general budget of the European Union for the financial ***year*** 2017, as definitively adopted on 1 December 2016 (5),

having regard to draft amending budget No 5 of the European Union for the financial ***year*** 2017, which the Commission adopted on 28 July 2017,

having regard to the position on draft amending budget No 5/2017, which the Council adopted on 10 October 2017 and forwarded to Parliament on 11 October 2017,

having regard to Parliament’s approval of 24 October 2017 of the Council position,

having regard to Rules 88 and 91 of Parliament’s Rules of Procedure,

DECLARES:

Sole Article

The procedure under Article 314 of the Treaty on the Functioning of the European Union is complete and amending budget No 5 of the European Union for the financial ***year*** 2017 has been definitively adopted.

Done at Strasbourg, 24 October 2017.

The President

A. TAJANI

(1)  OJ L 168, 7.6.2014, p. 105.

(2)  OJ L 298, 26.10.2012, p. 1.

(3)  OJ L 347, 20.12.2013, p. 884.

(4)  OJ C 373, 20.12.2013, p. 1.

(5)  OJ L 51, 28.2.2017

AMENDING BUDGET No 5 FOR THE FINANCIAL ***YEAR*** 2017

CONTENTS

STATEMENT OF REVENUE AND EXPENDITURE BY SECTION

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— Title 18:     Migration and home affairs     9

— Title 40:     Reserves     14

SECTION III

COMMISSION

EXPENDITURE

Title

Heading

Budget 2017

Amending budget No 5/2017

New amount

Commitments

***Payments***

Commitments

***Payments***

Commitments

***Payments***

01

ECONOMIC AND FINANCIAL AFFAIRS

3 086 394 801

2 840 247 301

275 000 000

275 000 000

3 361 394 801

3 115 247 301

02

INTERNAL MARKET, INDUSTRY, ENTREPRENEURSHIP AND SMES

2 455 727 091

2 260 420 906

2 455 727 091

2 260 420 906

03

COMPETITION

108 427 562

108 427 562

108 427 562

108 427 562

04

EMPLOYMENT, SOCIAL AFFAIRS AND INCLUSION

14 313 326 529

10 725 565 124

14 313 326 529

10 725 565 124

05

***AGRICULTURE*** AND RURAL DEVELOPMENT

57 537 879 867

54 110 140 315

57 537 879 867

54 110 140 315

06

MOBILITY AND TRANSPORT

3 783 964 054

1 815 351 093

3 783 964 054

1 815 351 093

07

ENVIRONMENT

472 838 520

388 338 137

472 838 520

388 338 137

08

RESEARCH AND INNOVATION

6 192 803 780

5 911 660 897

6 192 803 780

5 911 660 897

09

COMMUNICATIONS NETWORKS, CONTENT AND TECHNOLOGY

2 008 048 360

2 164 759 630

2 008 048 360

2 164 759 630

10

DIRECT RESEARCH

401 736 330

401 569 370

401 736 330

401 569 370

11

MARITIME AFFAIRS AND FISHERIES

1 090 330 395

752 871 678

1 090 330 395

752 871 678

Reserves (40 02 41)

14 809 522

14 809 522

14 809 522

14 809 522

1 105 139 917

767 681 200

1 105 139 917

767 681 200

12

FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL MARKETS UNION

85 913 287

88 425 287

85 913 287

88 425 287

Reserves (40 02 41)

4 856 000

3 267 000

4 856 000

3 267 000

90 769 287

91 692 287

90 769 287

91 692 287

13

REGIONAL AND URBAN POLICY

39 825 339 821

26 768 072 268

39 825 339 821

26 768 072 268

Reserves (40 01 40, 40 02 41)

23 625 000

12 375 000

23 625 000

12 375 000

39 848 964 821

26 780 447 268

39 848 964 821

26 780 447 268

14

TAXATION AND CUSTOMS UNION

178 361 995

161 007 995

178 361 995

161 007 995

15

EDUCATION AND CULTURE

3 366 357 284

3 146 029 354

3 366 357 284

3 146 029 354

16

COMMUNICATION

211 571 438

210 059 438

211 571 438

210 059 438

17

HEALTH AND FOOD SAFETY

564 254 603

541 521 603

564 254 603

541 521 603

18

MIGRATION AND HOME AFFAIRS

3 419 137 519

3 075 013 252

– 275 000 000

3 419 137 519

2 800 013 252

Reserves (40 02 41)

40 000 000

28 000 000

40 000 000

28 000 000

3 459 137 519

3 103 013 252

– 275 000 000

3 459 137 519

2 828 013 252

19

FOREIGN POLICY INSTRUMENTS

738 187 747

699 292 859

738 187 747

699 292 859

20

TRADE

113 201 323

111 701 323

113 201 323

111 701 323

21

INTERNATIONAL COOPERATION AND DEVELOPMENT

3 702 842 929

3 339 435 538

3 702 842 929

3 339 435 538

22

NEIGHBOURHOOD AND ENLARGEMENT NEGOTIATIONS

4 508 080 400

3 856 253 509

4 508 080 400

3 856 253 509

23

HUMANITARIAN AID AND CIVIL PROTECTION

1 052 651 277

1 254 755 387

1 052 651 277

1 254 755 387

24

FIGHT AGAINST FRAUD

82 246 700

80 192 081

82 246 700

80 192 081

25

COMMISSION’S POLICY COORDINATION AND LEGAL ADVICE

232 305 442

232 055 442

232 305 442

232 055 442

26

COMMISSION’S ADMINISTRATION

1 065 512 732

1 063 133 732

1 065 512 732

1 063 133 732

Reserves (40 01 40)

4 644 253

4 644 253

4 644 253

4 644 253

1 070 156 985

1 067 777 985

1 070 156 985

1 067 777 985

27

BUDGET

76 142 758

76 142 758

76 142 758

76 142 758

28

AUDIT

19 227 094

19 227 094

19 227 094

19 227 094

29

STATISTICS

143 533 663

127 573 663

143 533 663

127 573 663

30

PENSIONS AND RELATED EXPENDITURE

1 796 802 000

1 796 802 000

1 796 802 000

1 796 802 000

31

LANGUAGE SERVICES

407 877 123

407 877 123

407 877 123

407 877 123

32

ENERGY

1 643 319 742

1 316 740 381

1 643 319 742

1 316 740 381

33

JUSTICE AND CONSUMERS

270 997 258

238 117 353

270 997 258

238 117 353

34

CLIMATE ACTION

146 724 470

102 431 675

146 724 470

102 431 675

40

RESERVES

571 858 775

378 095 775

22 800 000

594 658 775

378 095 775

Total

155 673 924 669

130 569 308 903

297 800 000

155 971 724 669

130 569 308 903

Of which Reserves (40 01 40, 40 02 41)

87 934 775

63 095 775

87 934 775

63 095 775

TITLE 01

ECONOMIC AND FINANCIAL AFFAIRS

Title

Chapter

Heading

Budget 2017

Amending budget No 5/2017

New amount

Commitments

***Payments***

Commitments

***Payments***

Commitments

***Payments***

01 01

ADMINISTRATIVE EXPENDITURE OF THE ‘ECONOMIC AND FINANCIAL AFFAIRS’ POLICY AREA

81 979 051

81 979 051

81 979 051

81 979 051

01 02

ECONOMIC AND MONETARY UNION

12 547 500

14 000 000

12 547 500

14 000 000

01 03

INTERNATIONAL ECONOMIC AND FINANCIAL AFFAIRS

286 368 250

286 368 250

275 000 000

275 000 000

561 368 250

561 368 250

01 04

FINANCIAL OPERATIONS AND INSTRUMENTS

2 705 500 000

2 457 900 000

2 705 500 000

2 457 900 000

Title 01 — Total

3 086 394 801

2 840 247 301

275 000 000

275 000 000

3 361 394 801

3 115 247 301

CHAPTER 01 03 —   INTERNATIONAL ECONOMIC AND FINANCIAL AFFAIRS

Title

Chapter

Article

Item

Heading

FF

Budget 2017

Amending budget No 5/2017

New amount

Commitments

***Payments***

Commitments

***Payments***

Commitments

***Payments***

01 03

INTERNATIONAL ECONOMIC AND FINANCIAL AFFAIRS

01 03 01

Participation in the capital of international financial institutions

01 03 01 01

European Bank for Reconstruction and Development — Provision of paid-up shares of subscribed capital

4

—

—

—

—

01 03 01 02

European Bank for Reconstruction and Development — Callable portion of subscribed capital

4

p.m

p.m

p.m

p.m

Article 01 03 01 — Subtotal

p.m

p.m

p.m

p.m

01 03 02

Macro-financial assistance

4

45 828 000

45 828 000

45 828 000

45 828 000

01 03 03

European Union guarantee for Union borrowings for macro-financial assistance to third countries

4

p.m

p.m

p.m

p.m

01 03 04

Guarantee for Euratom borrowings to improve the degree of efficiency and safety of nuclear power stations in third countries

4

p.m

p.m

p.m

p.m

01 03 05

European Union guarantee for European Investment Bank loans and loan guarantees for operations in third countries

4

p.m

p.m

p.m

p.m

01 03 06

Provisioning of the Guarantee Fund for external actions

4

240 540 250

240 540 250

240 540 250

240 540 250

01 03 07

European Union guarantee for the European Fund for Sustainable Development (EFSD)

4

p.m

p.m

p.m

p.m

01 03 08

Provisioning of the EFSD Guarantee Fund

4

p.m

p.m

275 000 000

275 000 000

275 000 000

275 000 000

Chapter 01 03 — Total

286 368 250

286 368 250

275 000 000

275 000 000

561 368 250

561 368 250

01 03 07 European Union guarantee for the European Fund for Sustainable Development (EFSD)

Budget 2017

Amending budget No 5/2017

New amount

Commitments

***Payments***

Commitments

***Payments***

Commitments

***Payments***

p.m

p.m

p.m

p.m

Remarks

New article

This article constitutes the structure for the guarantee provided by the Union. It will enable the Commission, if necessary, to service the debt (repayment of principal, interest and other costs) should a debtor default on the instruments guaranteed.

In order to honour its obligations, the Commission may draw on its cash resources to service the debt provisionally. In this case, Article 12 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 implementing Decision 2007/436/EC, Euratom on the system of the European Communities own resources (OJ L 130, 31.5.2000, p. 1) applies.

Legal basis

Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund (OJ L 249, 27.9.2017, p.1).

01 03 08 Provisioning of the EFSD Guarantee Fund

Budget 2017

Amending budget No 5/2017

New amount

Commitments

***Payments***

Commitments

***Payments***

Commitments

***Payments***

p.m

p.m

275 000 000

275 000 000

275 000 000

275 000 000

Remarks

New article

This appropriation is intended to provide the financial resources for ***payments*** to the EFSD Guarantee Fund in accordance with its legal basis and the procedures determined therein.

Assigned revenue received under Article 635 of the statement of revenue may give rise to additional appropriations under this Article, in accordance with Article 21 of the Financial Regulation.

Legal basis

Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund (OJ L 249, 27.9.2017, p. 1).

TITLE 18

MIGRATION AND HOME AFFAIRS

Title

Chapter

Heading

Budget 2017

Amending budget No 5/2017

New amount

Commitments

***Payments***

Commitments

***Payments***

Commitments

***Payments***

18 01

ADMINISTRATIVE EXPENDITURE OF THE ‘MIGRATION AND HOME AFFAIRS’ POLICY AREA

68 651 959

68 651 959

68 651 959

68 651 959

18 02

INTERNAL SECURITY

1 272 712 003

1 291 502 822

1 272 712 003

1 291 502 822

Reserves (40 02 41)

40 000 000

28 000 000

40 000 000

28 000 000

1 312 712 003

1 319 502 822

1 312 712 003

1 319 502 822

18 03

ASYLUM AND MIGRATION

1 687 565 120

1 250 634 892

– 275 000 000

1 687 565 120

975 634 892

18 04

FOSTERING EUROPEAN CITIZENSHIP

24 071 000

24 000 000

24 071 000

24 000 000

18 05

HORIZON 2020 — RESEARCH RELATED TO SECURITY

149 923 837

204 953 259

149 923 837

204 953 259

18 06

ANTI-DRUGS POLICY

18 213 600

18 270 320

18 213 600

18 270 320

18 07

INSTRUMENT FOR EMERGENCY SUPPORT WITHIN THE UNION

198 000 000

217 000 000

198 000 000

217 000 000

Title 18 — Total

3 419 137 519

3 075 013 252

– 275 000 000

3 419 137 519

2 800 013 252

Reserves (40 02 41)

40 000 000

28 000 000

40 000 000

28 000 000

3 459 137 519

3 103 013 252

– 275 000 000

3 459 137 519

2 828 013 252

CHAPTER 18 03 —   ASYLUM AND MIGRATION

Title

Chapter

Article

Item

Heading

FF

Budget 2017

Amending budget No 5/2017

New amount

Commitments

***Payments***

Commitments

***Payments***

Commitments

***Payments***

18 03

ASYLUM AND MIGRATION

18 03 01

Asylum, Migration and Integration Fund

18 03 01 01

Strengthening and developing the common European asylum system and enhancing solidarity and responsibility-sharing between the Member States

3

951 548 126

738 819 432

– 275 000 000

951 548 126

463 819 432

18 03 01 02

Supporting legal migration to the Union and promoting the effective integration of third-country nationals and enhancing fair and effective return strategies

3

666 210 994

285 783 460

666 210 994

285 783 460

Article 18 03 01 — Subtotal

1 617 759 120

1 024 602 892

– 275 000 000

1 617 759 120

749 602 892

18 03 02

European Asylum Support Office (EASO)

3

69 206 000

69 206 000

69 206 000

69 206 000

18 03 03

European fingerprint database (Eurodac)

3

100 000

100 000

100 000

100 000

18 03 51

Completion of operations and ***programmes*** in the field of return, refugees and migration flows

3

p.m

155 000 000

p.m

155 000 000

18 03 77

Pilot projects and preparatory actions

18 03 77 03

Preparatory action — Completion of integration of third-country nationals

3

p.m

p.m

p.m

p.m

18 03 77 04

Pilot project — Network of contacts and discussion between targeted municipalities and local authorities on experiences and best practices in the resettlement and integration of refugees

3

p.m

p.m

p.m

p.m

18 03 77 05

Pilot project — Funding for victims of torture

3

p.m

298 000

p.m

298 000

18 03 77 06

Preparatory action — Enable the resettlement of refugees during emergency situations

3

p.m

111 000

p.m

111 000

18 03 77 07

Pilot project — Analysis of reception, protection and integration policies for unaccompanied minors in the Union

3

p.m

404 000

p.m

404 000

18 03 77 08

Preparatory action — Network of contacts and discussion between targeted municipalities and local authorities on experiences and best practices in the resettlement and integration of refugees

3

p.m

p.m

p.m

p.m

18 03 77 09

Preparatory action — Funding for the rehabilitation of victims of torture

3

p.m

663 000

p.m

663 000

18 03 77 10

Pilot project — Completion of funding for victims of torture

4

p.m

p.m

p.m

p.m

18 03 77 11

Pilot project — Private sponsorships: enhancing refugee resettlement opportunities and ensuring the availability of safe and regular routes for refugees to reach the Union

4

500 000

250 000

500 000

250 000

Article 18 03 77 — Subtotal

500 000

1 726 000

500 000

1 726 000

Chapter 18 03 — Total

1 687 565 120

1 250 634 892

– 275 000 000

1 687 565 120

975 634 892

18 03 01 Asylum, Migration and Integration Fund

18 03 01 01 Strengthening and developing the common European asylum system and enhancing solidarity and responsibility-sharing between the Member States

Budget 2017

Amending budget No 5/2017

New amount

Commitments

***Payments***

Commitments

***Payments***

Commitments

***Payments***

951 548 126

738 819 432

– 275 000 000

951 548 126

463 819 432

Remarks

This appropriation is intended to contribute to strengthen and develop all aspects of the common European asylum system, including its external dimension and to enhance the solidarity and responsibility sharing between the Member States, in particular towards those most affected by migration and asylum flows, including through practical cooperation.

In the case of the common European asylum system, this appropriation is intended to cover actions relating to reception and asylum systems and actions enhancing the capacity of Member States to develop, monitor and evaluate their asylum policies and procedures. Particular attention should be paid to the specific situation of vulnerable women, especially women with children, and unaccompanied young girls, and to the imperative of preventing gender based violence in reception and asylum centres.

This appropriation is also intended to cover actions related to the resettlement, ***transfer*** of applicants for and beneficiaries of international protection and other ad hoc humanitarian admission

At the Commission’s initiative, the appropriation may be used to finance transnational actions or actions of particular interest to the Union. These actions shall, in particular, support:

—

the furthering of Union cooperation in implementing Union law and in sharing good practices in the field of asylum, notably on gender-sensitive reception centres, resettlement and ***transfer*** of applicants for and/or beneficiaries of international protection from one Member State to another including through networking and exchanging information, including arrival support and coordination activities to promote resettlement with the local communities that are to welcome resettled refugees,

—

the setting-up of transnational cooperation networks and pilot projects, including innovative projects, based on transnational partnerships between bodies located in two or more Member States designed to stimulate innovation, and to facilitate exchanges of experience and good practice,

—

studies and research on possible new forms of Union cooperation in the field of asylum, and relevant Union law, the dissemination and exchange of information on best practices and on all other aspects of asylum policies, including corporate communication on the political priorities of the Union,

—

development and application by Member States of common statistical tools, methods and indicators for measuring policy developments in the field of asylum, including gender- and age-disaggregated data,

—

preparatory, monitoring, administrative and technical support, development of an evaluation mechanism, required to implement the policies on asylum,

—

cooperation with third countries on the basis of the Union’s global approach to migration and mobility, in particular in the framework of the implementation mobility partnerships, regional protection ***programmes***,

—

awareness-raising, information and communication activities in relation to Union home affairs policies, priorities and achievements.

This appropriation shall also cover urgent and specific needs in the event of an emergency situation.

Legal basis

Regulation (EU) No 514/2014 of the European Parliament and of the Council of 16 April 2014 laying down general provisions on the Asylum, Migration and Integration Fund and on the instrument for financial support for police cooperation, preventing and combating crime, and crisis management (OJ L 150, 20.5.2014, p. 112).

Regulation (EU) No 516/2014 of the European Parliament and of the Council of 16 April 2014 establishing the Asylum, Migration and Integration Fund, amending Council Decision 2008/381/EC and repealing Decisions No 573/2007/EC and No 575/2007/EC of the European Parliament and of the Council and Council Decision 2007/435/EC (OJ L 150, 20.5.2014, p. 168).

Council Decision (EU) 2015/1523 of 14 September 2015 establishing provisional measures in the area of international protection for the benefit of Italy and of Greece (OJ L 239, 15.9.2015, p. 146).

Council Decision (EU) 2015/1601 of 22 September 2015 establishing provisional measures in the area of international protection for the benefit of Italy and Greece (OJ L 248, 24.9.2015, p. 80).

Council Decision (EU) 2016/1754 of 29 September 2016 amending Decision (EU) 2015/1601 establishing provisional measures in the area of international protection for the benefit of Italy and Greece (OJ L 268, 1.10.2016, p. 82).

Reference acts

Commission Recommendation of 11 January2016 for a voluntary humanitarian admission scheme with Turkey (C(2015) 9490 final).

Proposal for a Regulation of the European Parliament and of the Council, submitted by the Commission on 4 May 2016, establishing the criteria and mechanisms for determining the Member State responsible for examining an application for international protection lodged in one of the Member States by a third-country national or a stateless person (COM(2016) 270 final).

Proposal for a Regulation of the European Parliament and of the Council, submitted by the Commission on 13 July 2016, establishing a Union Resettlement Framework and amending Regulation (EU) No 516/2014 of the European Parliament and the Council (COM(2016) 468 final).

TITLE 40

RESERVES

Title

Chapter

Heading

Budget 2017

Amending budget No 5/2017

New amount

Commitments

***Payments***

Commitments

***Payments***

Commitments

***Payments***

40 01

RESERVES FOR ADMINISTRATIVE EXPENDITURE

5 769 253

5 769 253

5 769 253

5 769 253

40 02

RESERVES FOR FINANCIAL INTERVENTIONS

566 089 522

372 326 522

22 800 000

588 889 522

372 326 522

40 03

NEGATIVE RESERVE

p.m

p.m

p.m

p.m

Title 40 — Total

571 858 775

378 095 775

22 800 000

594 658 775

378 095 775

CHAPTER 40 02 —   RESERVES FOR FINANCIAL INTERVENTIONS

Title

Chapter

Article

Item

Heading

FF

Budget 2017

Amending budget No 5/2017

New amount

Commitments

***Payments***

Commitments

***Payments***

Commitments

***Payments***

40 02

RESERVES FOR FINANCIAL INTERVENTIONS

40 02 40

Non-differentiated appropriations

p.m

p.m

p.m

p.m

40 02 41

Differentiated appropriations

82 165 522

57 326 522

82 165 522

57 326 522

40 02 42

Emergency aid reserve

9

315 000 000

315 000 000

22 800 000

337 800 000

315 000 000

40 02 43

Reserve for the European Globalisation Adjustment Fund

9

168 924 000

p.m

168 924 000

p.m

40 02 44

Reserve for the European Union Solidarity Fund

9

p.m

p.m

p.m

p.m

Chapter 40 02 — Total

566 089 522

372 326 522

22 800 000

588 889 522

372 326 522

40 02 42 Emergency aid reserve

Budget 2017

Amending budget No 5/2017

New amount

Commitments

***Payments***

Commitments

***Payments***

Commitments

***Payments***

315 000 000

315 000 000

22 800 000

337 800 000

315 000 000

Remarks

The emergency aid reserve (EAR) is intended to allow for a rapid response to specific aid requirements of third countries following events which could not be foreseen when the budget was established, first and foremost for humanitarian operations, but also for civil crisis management and protection, and situations of particular pressure resulting from migratory flows at the Union’s external borders where circumstances so require.

The annual amount of the reserve is fixed at EUR 280 000 000 (2011 prices) and may be used up to ***year*** n+1 in accordance with the Financial Regulation. The reserve shall be entered in the general budget of the Union as a provision. The portion of the annual amount stemming from the previous ***year*** shall be drawn on first. That portion of the annual amount from ***year*** n which is not used in ***year*** n+1 shall lapse.

Legal basis

Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the ***years*** 2014-2020 (OJ L 347, 20.12.2013, p. 884).

**Load-Date:** January 29, 2018

**End of Document**



[***Register of Commission documents: on the political crisis in Moldova following the invalidation of the mayoral elections in Chisinau Document date: 2018-07-02 P8\_B(2018)0330 Motions for resolutions/decisions***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S2R-9JV1-F0YC-N439-00000-00&context=1516831)

Impact News Service

August 4, 2018 Saturday

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**Length:** 3488 words

**Body**

Brussels: Public Register European Parliament has issued the following document:

RE\P8\_B(2018)0327\_EN.docx PE621.755v01-00 EN United in diversity EN European Parliament 2014-2019 Plenary sitting B8-0327/2018 3.7.2018 MOTION FOR A RESOLUTION with request for inclusion in the agenda for a debate on cases of breaches of human rights, democracy and the rule of law pursuant to Rule 135 of the Rules of Procedure on Somalia (2018/2784(RSP)) Javier Nart, Nedzhmi Ali, Petras Auštrevičius, Beatriz Becerra Basterrechea, Izaskun Bilbao Barandica, Dita Charanzová, Gérard Deprez, Martina Dlabajová, María Teresa Giménez Barbat, Charles Goerens, Marian Harkin, Ivan Jakovčić, Ilhan Kyuchyuk, Patricia Lalonde, Valentinas Mazuronis, Louis Michel, Urmas Paet, Maite Pagazaurtundúa Ruiz, Jozo Radoš, Frédérique Ries, Robert Rochefort, Marietje Schaake, Jasenko Selimovic, Pavel Telička, Viktor Uspaskich, Ivo Vajgl, Johannes Cornelis van Baalen, Hilde Vautmans, Cecilia Wikström on behalf of the ALDE Group PE621.755v01-00 2/8 RE\P8\_B(2018)0327\_EN.docx EN B8-0327/2018 European Parliament resolution on Somalia (2018/2784(RSP)) The European Parliament, - having regard to its previous resolutions on Somalia, - having regard to the statements by the Spokesperson of the European External Action - Service on 30 October 2017, - having regard to the statement by Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy Federica Mogherini on the decision on an electoral model for Somalia in 2016, - having regard to the first EU Pan-African ***Programme*** for the period 2014-2020, - having regard to the relevant United Nations Security Council resolutions, in particular to the UN Security Council Resolution 733/1992 establishing an arms embargo on Somalia which has been reaffirmed by several UNSC Resolutions, as the latest UN Security United Nations Security Council Resolution 2372, - having regard to the UN Secretary-General’s reports on Somalia to the UN Security Council of 09 May 2017, - having regard to the Universal Declaration of Human Rights, - having regard to the Charter of the United Nations, - having regard to the African Charter on Human Rights and Peoples of 1981, - having regard to the 1951 UN Refugee Convention to which Kenya is a party, - having regard to the EU-Horn of Africa Migration Route Initiative launched on 28 November of 2014, - having regard to Rule 123(2) of its Rules of Procedure, A. Whereas President Farmajo’s federal government did not in practice mark a significant break with the past; whereas the official corruption is still affecting the new administration in particular the management of the Mogadishu port and fisheries policy; whereas according to Transparency International, Somalia remains the most corrupt country in the world.

B. Whereas Somalia faces a big challenge in consolidating the country’s emerging federal system; whereas the long-delayed “national constitutional convention” which should take place during 2018 is still uncertain. C. Whereas the federal government is reportedly still facing challenges from the powerful Abgal sub-clan of the Hawiye clan, which has felt under-represented in his government calling for Prime Minister Khayre to be replaced by one of their own. RE\P8\_B(2018)0327\_EN.docx 3/8 PE621.755v01-00 EN D. Whereas the present administration has moreover lost credibility during its first ***year*** in office due to the autocratic approach resulting in arrests of political opponents and peaceful critics in Mogadishu at the end of 2017; whereas likewise, some of the regional state administrations have been undertaking similar repressive measures; whereas there is no progress in holding security forces to account for attacks on journalists and arbitrary detentions, or improving protection for the internally displaced populations; whereas positively, the government took steps to establish a national human rights commission. E. Whereas leadership and members of trade union organisations in Somalia, and in particular FESTU and NUSOJ, are the target of serious human rights violations such as bans on union meetings, interferences in internal union affairs and even risks to their personal safety; whereas these attacks appear to be part of a coordinated strategy to destabilise legitimate and independent trade union work and to pave the way for government-sponsored individuals to take over independent unions. F. Whereas there are threats and intimidations coupled with a smear campaign against the Secretary General of the Somali trade union ‘National Union of Somali Journalists’ (NUSOJ), Mr Omar Faruk Osman, who is also General Secretary of the ‘Federation of Somali Trade Unions’ (FESTU); whereas other union leaders and activists are also targeted for standing up and defending freedom of expression, freedom of association and freedom of assembly. G. Whereas security forces unlawfully killed and wounded civilians during infighting over land, control of roadblocks, disarmament operations, and aid distribution, whereas the National Intelligence and Security Agency (NISA) and the Puntland Intelligence Service (PIS), which operate without legal authority, arbitrarily arrested and detained individuals without charge or access to legal counsel and family visits; whereas on several occasions, intelligence agents tortured and ill-treated alleged terrorism suspects to extract confessions or provide information. H. whereas military courts continue to try a broad range of cases, including for terrorism-related offenses, in proceedings falling far short of international fair trial standards; whereas by the third quarter of 2017 at least 23 individuals were executed following military court convictions, the majority on terrorism-related charges; whereas seven defendants, including a child, were sentenced to death for murder on February 13 in Puntland based largely on confessions obtained under coercion by PIS; five were executed in April. I. Whereas during the first quarter of 2018, opposition politicians have been canvassing for an impeachment motion in the federal parliament (which has barely sat at all since February 2017) against President Farmajo, while foreign governments, including the UK, have called on Somali leaders to “respect the rule of law and the Provisional Federal Constitution in resolving political differences.; whereas this needs to include preservation of democratic space.” J. Whereas there is no improvement in the security situation; whereas however, with donor support, efforts are underway to strengthen Somali security institutions, most notably through improving the coordination between the SNA and forces loyal to the regional states, whereas for example, in November 2017 2,400 Puntland forces were integrated into the SNA; whereas a ‘national stabilization strategy’ aimed at boosting reconstruction and the extension of state authority from the ‘bottom-up’ has been finalised. PE621.755v01-00 4/8 RE\P8\_B(2018)0327\_EN.docx EN K. Whereas, foreign interests further complicate the political picture. Whereas in terms of the wider confrontation between the UAE and Saudi Arabia, on the one hand, and Qatar, on the other, the Somali federal government has sought to remain neutral; whereas, in retaliation, Saudi Arabia and UAE have stopped their regular budgetary support ***payments*** to Somalia, which further weakens the government’s ability to pay the security forces; L. Whereas, some of the regional state administrations such as, South West State, Galmudug and Puntland, have taken the side of the UAE and Saudi Arabia, which has further heightened tensions with the federal government. M. Whereas, while western countries, remain supportive of the federal government their interest is waning; whereas in December 2017, the US suspended its military aid to the SNA, complaining that it was being misappropriated. N. Whereas the credibility of the Farmajo government will depend on its ability to deliver security; whereas since 2016, after several ***years*** of fighting with the SNA and AMISOM in which it lost control over substantial areas of territory, al-Shabaab has increasingly prioritised conducting asymmetrical attacks on Mogadishu and other urban centers; whereas however, it retains control over substantial tracts of territory in the south of the country and supply routes between towns. O. Whereas Al-Shabaab was unable to prevent the 2016/17 electoral, process from taking place but continued to launch regular attacks on the Somali security forces and civilians during this period; whereas at least 50 people died at its hands in December 2016, while there have been further major al-Shabaab attacks in Mogadishu; whereas Al-Shabab still continuously commits serious abuses such as arbitrary executions, including those accused of spying, collaborating with the government, and at times adultery, forcibly recruiting adults and children, and extorting “taxes” through threats; whereas on October 27/17, in Sakoow, a woman was stoned to death for allegedly committing adultery. P. whereas attacks against civilians and civilian objects using vehicle-borne improvised explosive devices in Mogadishu resulted in a sharp rise in civilian casualties; whereas the group also claimed responsibility for several targeted assassinations, particularly of government officials and electoral delegates. Q. whereas in late May, Al-Shabab fighters abducted civilians, stole livestock, and committed arson in attacks that caused more than 15,000 people to flee their homes in the highly contested region of Lower Shabelle. R. Whereas the May 2017 “London Conference on Somalia” agreed a plan whereby the SNA would gradually take over from it in areas where AMISOM had been taking the lead on security; whereas In August 2017, the UN Security Council renewed AMISOM’s mandate while endorsing its scaling back; whereas in December 2017 a security conference in Mogadishu agreed to develop a “conditions-based” transition plan, with clear target dates, of security responsibility from AMISOM to the SNA. S. Whereas UN Secretary-General, Antonio Guterres, reiterated AMISOM’s “critical” security role in Somalia in December 2017; whereas however, AMISOM morale is reportedly low; whereas the Trump Administration ceased to provide funding; whereas France has also shown signs that it RE\P8\_B(2018)0327\_EN.docx 5/8 PE621.755v01-00 EN is losing faith in its effectiveness.; whereas in either case there is doubt about the SNA’s ability to fill the gap if AMISOM is wound down – which raises the question of who will lead the fight against al-Shabaab in the ***years*** ahead; T. whereas the current government took office in February 2017 amidst a severe drought; whereas in January 2017, the UN Humanitarian Coordinator for Somalia said five million Somalis – about half the population – did not have enough to eat; whereas over a ***year*** on, although the threat of famine has so far been averted, the drought remains intense; whereas the ***agricultural*** sector has virtually collapsed – livestock deaths have been massive – and food prices have risen markedly. U. Whereas Somalia continues to face a massive internal displacement crisis; whereas according to Amnesty International as of January 2018, there were 2.1 million IDPs in Somalia, many of whom have crowded into urban areas, placing a huge strain on resources; whereas the lack of clean water in Somalia has also triggered a cholera outbreak, which killed at least 1,155 people; whereas donors provided more than $1.2 billion towards famine prevention during 2017. V. Whereas humanitarian access remains a major issue with constraints in particular in Al Shabaab held areas and targeted attacks restricting humanitarian operations; whereas protection of civilians, including high levels of sexual and gender based violence, forced recruitment of children by armed groups and violations of International Humanitarian Law continue to occur; whereas hence, UN Independent Expert on the situation of human rights in Somalia, Bahame Tom Mukirya Nyanduga, has called for the immediate release of all children kidnapped or recruited as fighters in the country’s armed conflict. 1. Reiterates its concern regarding the fact that the electoral process organised in February 2017, which led to the election of a new president, has not yet in practice marked a significant break with the past and expresses its expectation that political stability, the adoption of necessary reforms and the moving forward of the federal project in close coordination and collaboration with the Federal Member States (FMS) will succeed; 2. Welcomes that Al-Shabaab was unable to prevent the 2016/17 electoral, process from taking place but deplores that Al-Shabab still continuously commits serious abuses such as arbitrary executions, forcibly recruiting adults and children; and extorting “taxes” through threats. 3. Deplores the fact that, despite repeated warnings from humanitarian groups, aid agencies and the European Union, Somalia continues to teeter on the brink of famine; recalls that the death toll in the 2011 famine was exacerbated by insecurity and the actions of extremist militants from Al- Shabaab to hinder food aid deliveries to areas of south-central Somalia that at the time were under its control; 4. Recalls for the EU and its international partners to fulfil their commitments to Somalia, through measures to establish food security, with a view to avoiding the structural problems that lead to famine, to fostering security and the reconciliation, to improving the management of public finances and to assisting in the completion of the constitutional review in the so-called “national constitutional convention” needed to achieve long-term stability; PE621.755v01-00 6/8 RE\P8\_B(2018)0327\_EN.docx EN 5. Calls on all parties to work with humanitarian agencies, fully respecting humanitarian principles to allow full and unhindered access to those who continue to suffer and who are in need, in particular those in rural areas; 6. Is concerned by the autocratic approach of the present administration and some of the regional state administrations, resulting in arrests of political opponents and peaceful critics; Notes the lack of progress in holding security forces to account for attacks on journalists and arbitrary detentions, or of improving protection for the internally displaced populations; Welcomes however the federal government’s steps to establish a “national human rights commission” 7. Calls for the Somali authorities to review existing media laws and the Somali penal code and to bring them into line with Somalia’s international obligations regarding the right to freedom of expression and the media; Urges to stop suppressing free information, including by arbitrarily arresting journalists, closing down media outlets and intimidating journalists. 8. Stresses once more the importance of fighting the endemic corruption in the country and of providing options for the country’s youth in order to reduce the risk of their recruitment by Al Shabaab; 9. Urges Somali authorities to end arbitrary detention of children suspected of being unlawfully associated with Al-Shabaab, to allow for independent monitoring of children in custody and to ensure access to relatives and legal counsel; Recalls that if children are to be prosecuted for other serious offenses, they should be tried in civilian courts that guarantee basic juvenile justice protections; 10. Demands the European Union, to press for civilian oversight of cases involving children, to seek independent monitoring of all detention facilities, and to call for a credible investigation of abuses against children, including by intelligence officers; Reiterates that the Somali government should treat children as victims of the conflict, and ensure that they, regardless of the crimes they may have committed, are accorded the basic protection due to all children. 11. Expresses serious concerns over the alleged decapitation of an Al Shabab member by Somalian government soldiers in the Qorryoley district. Believes that such practices hinder Somalia’s reputation concerning its commitment to upholding humanitarian law obligations; 12. Expresses concern about the “National Intelligence and Security Agency’s” broad remit and its use of military courts to prosecute alleged terrorism-related crimes, whereby it has repeatedly flouted due process and imposed the death penalty without accountability; 13. Calls on the Somali Government and the EU, as part of its rule-of-law activities in Somalia, to ensure that NISA is regulated with effective oversight mechanisms, respectful of citizens’ rights; Calls on the Somali president to initiate a moratorium on all death sentences; and requests that the Somali authorities ***transfer*** future cases of civilians under military court jurisdiction to the civilian courts for prosecution; 14. Calls upon the Somali government, to stop human rights abuses and smear campaigns against the NUSOJ and FESTU leadership; Urges the Council, the European External Action Service (EEAS), EU member states and the wider international community to apply pressure on the RE\P8\_B(2018)0327\_EN.docx 7/8 PE621.755v01-00 EN Somali government so that it fully complies with decisions of and commitments made to the International Labour Organisation (ILO) and with appeals from UN human rights experts. 15. Calls upon the Somali government to follow-up through with commitments made during the country’s Universal Periodic Review to end forced evictions of internally displaced people including in the country’s capital, Mogadishu; to execute in good faith the policy on displacement persons, specifying clear procedures to protect affected communities and urges to endorse this ***program*** in close consultation with displaced people and aid organizations, in accordance with the UN Guiding Principles on Internal Displacement. 16. Acknowledges AMISOM’s role in enabling security and stability, in anticipation of a ***transfer*** of security responsibility to Somali institutions and forces; Takes note that August 2017, the UN Security Council renewed AMISOM’s mandate while endorsing its scaling back; Notes that December 2017 a security conference in Mogadishu agreed to develop a “conditions-based” transition plan, with clear target dates, of security responsibility from AMISOM to the SNA. Is concerned however over SNA’s ability to effectively take over from AMISON. 17. Calls on the Commission to ensure that EU assistance to AMISOM is not contributing to serious abuses of international humanitarian or human rights law; calls on the EU to prioritize assistance to bolster investigations and prosecutions capacity within AMISOM forces in Somali; 18. Underlines the need to fight impunity and to ensure accountability for crimes against humanity and war crimes carried out in Somalia; calls on the Somali Government to investigate all international crimes and human rights violations committed by all parties and hold those responsible to account in accordance with international law standards; calls on the EU to play an active role in this regard; 19. Expresses concern about some foreign interests that further complicate the political picture. Notes that in terms of the wider confrontation between the UAE and Saudi Arabia, on the one hand, and Qatar, on the other, the Somali federal government in its stand to remain neutral, has in retaliation been deprived by Saudi Arabia and UAE of their regular budgetary support ***payments***, which further weakens the government’s ability to pay the security forces; calls on all foreign parties involved to refrain from harmful intervention in Somalia’s national security; 20. Agrees with the recent position taken by the High Representative /Vice President of the European Commission Federica Mogherini highlighting the link between the implementation of Somalia's transition plan for security, the implementation of economic reforms and the political roadmap towards elections in 2020. Notes her full support and commitment to the Transition Plan as the central piece of security reform in Somalia. 21. Welcomes the High Representatives confirmation of the EU's readiness to continue supporting the country, through an integrated approach using all available policies and instruments, including Common Security and Defense Policy missions and development cooperation funds. 22. Instructs its President to forward this resolution to the Council, the Commission, the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy, the African Union, the President, the Prime Minister and the Parliament of Somalia, the PE621.755v01-00 8/8 RE\P8\_B(2018)0327\_EN.docx EN Secretary-General of the United Nations, the United Nations Security Council, the United Nations Human Rights Council, and the ACP-EU Member States.

**Load-Date:** August 28, 2018

**End of Document**



[***R.E.A. Holdings plc: Half yearly results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T9P-9GT1-F022-H0SM-00000-00&context=1516831)

EQS Newsfeed (English)

September 21, 2018 Friday 8:00 AM GMT

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**Length:** 8357 words

**Body**

|  |  |  |
| --- | --- | --- |
|  | 6 months to | 6 months to |
|  | 30 June | 30 June |
|  | 2018 | 2017 |
|  | $'000 | $'000 |
| Revenue | 48,170 | 46,275 |
| Earnings before interest, tax, depreciation and amortisation | 10,947 | 8,348 |
| Profit/(loss) before tax | 1,336 | (15,708) |
| Loss for the period | (635) | (14,449) |
| Loss attributable to ordinary shareholders | (4,514) | (14,144) |
| Cash generated/(utilised) by operations | 9,565 | (799) |
|  |  |  |
| Loss per share (US cents) | (11.1) | (34.6) |
|  |  |  |
| INTERIM MANAGEMENT REPORT   Results    ?Key highlights of the income statement for the six months to 30 June 2018, with comparative figures for 2017, were as follows: |  |  |

|  |  |  |
| --- | --- | --- |
|  | 6 months to | 6 months to |
|  | 30 June | 30 June |
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|  |  |  |  |
| --- | --- | --- | --- |
|  | 6 months | 6 months | ***Year*** to |
|  | to 30 June | to 30 June | 31 December |
|  | 2018 | 2017 | 2017 |
|  | $'m | $'m | $'m |
| Revenue | 48.2 | 46.3 | 100.2 |
| Gross profit | 6.9 | 5.3 | 12.9 |
| Profit/(loss) before tax | 1.3 | (15.7) | (21.9) |
| ?The ***year*** 2018 to date has seen a continuation of the marked recovery in crops that commenced in 2017 with crop collection for the first six months being well ahead of the same period last ***year***. However, the benefits of the increased crop collection were largely offset by the steady decline in CPO pricing that was experienced in the six months to 30 June 2018.   To place this in context, had the average price realised per tonne of CPO in that period been the same as that achieved in the six months to 30 June 2017, it is estimated that revenue and gross profit would both have been $5.4 million higher.   Reported profit before tax benefited from mark to market exchange gains of $10.4 million (2017: loss of $4.2 million). These gains were primarily caused by a decline in the value of the rupiah against the dollar.   Earnings before interest, depreciation, amortisation and tax amounted to $10.9 million for the six months to 30 June 2018 (2017: $8.3 million).   Specific components of the results   Cost of sales for the six months to 30 June 2018, with comparative figures for 2017, was made up as follows: |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 6 months | 6 months | ***Year*** to |
|  | to 30 June | to 30 June | 31 December |
|  | 2018 | 2017 | 2017 |
|  | $'m | $'m | $'m |
| Depreciation and amortisation | 11.3 | 10.8 | 22.2 |
| Purchase of external FFB | 8.9 | 7.1 | 14.4 |
| Estate operating costs | 22.6 | 21.2 | 49.7 |
|  | 42.8 | 39.1 | 86.3 |
| ?Whilst total cost of sales increased slightly to $42.8 million (2017: 39.1 million) during the period, the marked increase in crop collection has resulted in a 10 per cent reduction in the cost per tonne of palm oil produced.   As noted in previous reports, the amendment of IAS 41 ***Agriculture*** effective 1 January 2016 has resulted in the discontinuation of the previous movement in the fair value of biological assets and its replacement by a depreciation charge.  Whilst this change has no effect on the group's cash flows, it means that the group now reports a depreciation charge that is higher and profits that are lower than they would have been applying the previous accounting provisions of IAS 41.   The increased cost of purchasing external FFB reflected a substantial increase in the volume purchased offset by a reduction in purchase price.   Reported operating costs are similar to those of the same period of 2017 reflecting the essentially fixed nature of these costs.  Increased expenditure on harvesting, road upkeep and weeding as part of the work on the rehabilitation of the mature areas continues.   Administrative expenses at $6.8 million were lower than the $7.3 million incurred in 2017.  This was the result of savings from staff changes and the combination of the former Jakarta and Samarinda offices into the group's current head office in Balikpapan that took place in 2017.   Investment revenues in 2017 benefited from interest in respect of a tax refund. This was a one-off item and, as a result, investment revenues for the six months to 30 June 2018 were substantially lower at $0.1 million.   The $10.4 million of exchange gains referred to above has been set off for reporting purposes against interest and other finance costs amounting to $8.9 million resulting in a finance credit of $1.5 million (2017: charge of $13.5 million).   Interest incurred of $11.1 million was lower than in 2017 ($12.2 million) reflecting an improvement in the group's net debt position.   The tax charge for the six months to 30 June 2018 of $2.0 million (2017: credit of $1.3 million) has been stated after providing $0.9 million (2017: $0.9 million) against deferred tax credits previously recorded against losses which may not now be capable of use prior to time expiry.   Dividends   ?The fixed semi-annual dividend on the company's preference shares that fell due on 30 June 2018 was duly paid.  Although the operational performance and financial condition of the group is improving, the directors do not consider that the results reported for the six months to 30 June 2018 reflect a sufficient improvement to justify the declaration of an interim ordinary dividend in respect of 2018.    ***Agricultural*** operations   The key ***agricultural*** statistics were as follows: |  |  |  |

|  |  |  |
| --- | --- | --- |
|  | 6 months to | 6 months to |
|  | 30 June | 30 June |
|  | 2018 | 2017 |
| FFB?crops (tonnes) |  |  |
| Group harvested | 324,955 | 241,235 |
| Third party harvested | 80,463 | 52,780 |
| Total | 405,418 | 294,015 |
|  |  |  |
| Production (tonnes) |  |  |
| Total FFB processed | 393,382 | 288,477 |
| CPO | 89,638 | 63,867 |
| Palm kernels | 18,649 | 12,776 |
| CPKO | 7,456 | 4,583 |
|  |  |  |
| Extraction rates (percentage) |  |  |
| CPO | 22.8 | 22.1 |
| Palm kernel | 4.7 | 4.4 |
| CPKO | 40.3 | 37.2 |
|  |  |  |
| Rainfall (mm) |  |  |
| Average across the estates | 1,673 | 2,034 |
| ?The recovery in operations that began in 2017 has continued into 2018 with the FFB crop for the first six months of the ***year*** reflecting a noticeable upturn in production from March  onwards.  The positive trend is continuing with record group crops in July and August of, respectively, 80,767 tonnes (July 2017: 43,596 tonnes) and 89,210 tonnes (August 2017: 51,279 tonnes).  As a result, FFB harvested in the eight months to August 2018 amounted to 494,932 tonnes (2017: 336,110 tonnes). Bunch counts indicate that crop availability through to the end of 2018 will remain at good levels.   The significantly better crop yields being achieved must be attributed in part to weather factors with the negative impact of the 2015 and 2016 El Niño weather phenomenon now over.  Weather, however, has not been the only factor involved; of equal, and probably greater, significance have been the enhanced fertiliser ***programmes*** introduced into the mature areas with effect from 2016 and ***programmes*** to improve upkeep and access.  The group believes that completion of these latter ***programmes*** may result in some further enhancement of yields.   The increase, by comparison with the preceding ***year***, of slightly over 50 per cent in third party FFB purchases during the six months to 30 June 2018 has been maintained in July and August.  Whilst, as with the group, weather factors have facilitated increased production by third party growers, third party purchases also reflect the increasing maturity and expanding area of smallholder plantings in the vicinity of the group's estates.   ?Harvester numbers have been increasing since the beginning of the ***year*** and incentive targets and work ***programmes*** have been adjusted in response to the cropping demands. The road improvement ***programme***, instituted in 2017, is continuing and the truck fleet has been expanded by some 30 per cent.   With the increasing crop levels the group is pushing ahead with the expansion of the group's newest mill to increase the capacity of that mill to 80 tonnes per hour. The expansion is scheduled to be completed during 2019.   Significantly higher CPO production in Indonesia and increasing stock levels at origins, exacerbated by changes in Indian tariffs on imported CPO, have led to a steady downward drift in the CPO price since the first quarter of 2018.  Opening the ***year*** at $677.5 per tonne, CIF Rotterdam, the price stood at $655 at the end of June 2018 and is currently close to the low for the ***year*** at $540.  Indications are that prices are at or around their bottom and that restocking in India and China may lead gradually to some price recovery in the closing months of 2018 underpinned by a firmer petroleum oil price.  Further ahead, consumption growth and limitations on oil palm expansion are expected to support prices positively.   ?CPKO prices have been similarly affected, whilst maintaining their premia over CPO, opening in 2018 at $1,260 per tonne, CIF Rotterdam, declining to $910 per tonne at the end of June 2018 and currently at $860 per tonne.   ?The average selling price for the group's CPO for the six months to the end of June 2018, on an FOB basis at the port of Samarinda, net of export levy and duty, was $549 per tonne (2017: $622 per tonne).  The average selling price for the group's CPKO, on the same basis, was $977 per tonne (2017: $1,290 per tonne).   ?Pending closing of the sale of PBJ, as discussed below, the concentration of the group's planting ***programme*** to the end of August was on completing the 520 hectares of 2018 planting that were required at PBJ to maximise the sale proceeds.  After completion of necessary bunding and land compensation arrangements, the required additional area was duly planted.  Concurrently, a further 220 hectares were planted at CDM to round off certain larger, near contiguous, blocks and thus optimise the efficiency of the CDM development.   Going forward, the primary focus of the group's expansion ***programme*** will initially be PU.  Plantings in this area can only start once the necessary environmental compliance procedures have been completed.  Completion is expected towards the end of 2018, following which the group plans to proceed rapidly with the planting out of PU subject to confirmation that a just announced Indonesian government moratorium on oil palm expansion will not apply to PU. In preparation for this, the group is currently establishing nurseries sized to provide the volume of seedlings that the development of PU will require.  Pending commencement of planting at PU, the group plans during the remaining months of 2018 to commence planting out an area of PBJ2 adjacent to REAK of up to 900 hectares (of which part may be allocated to smallholder cooperatives).   Sale of PBJ   ?As previously announced, on 25 April 2018, the group reached an agreement for the sale by its subsidiary, REAK of REAK's 95 per cent interest in PBJ to the KLK group, subject to certain conditions.  Such conditions having been met, the sale was completed on 31 August 2018.   The consideration for the sale of REAK's interest in PBJ was settled on 31 August 2018 on an estimated basis but remains subject to adjustment following agreement or determination of certain figures as at the date of completion.  The bank debt owed by PBJ and the net debt owed by PBJ to the group were refinanced by the KLK group at completion and have been repaid in full.   ?The planted area of PBJ at completion was just short of 7,500 hectares (of which slightly over 800 hectares were mature).   Stone and coal operations   ?Following the previously reported purchase of loading facilities on a property adjacent to the group's coal concession at Kota Bangun, the group is pushing ahead with plans to resume mining operations.  The loading point on the Mahakam River has been established in recent weeks and work to refurbish the coal conveyor that crosses the group's concession and runs to the loading point is now in hand.  Dewatering to provide access to the mine's northern deposit has commenced and disposal of the coal stockpile is expected to be completed imminently.   The limestone quarry adjacent to the group's PBJ property has continued to provide crushed stone for hardening roads on PBJ.  Under the terms of the PBJ sale, arrangements are in place for a member of the group to retain use of the existing stone crushing site in PBJ and to supply stone to KLK as required.   For the present, the group is continuing to prioritise the stone and coal operations that offer the greatest certainty of returns in the near term. Once the prioritised operations are generating cash flow, the group will reconsider the options for developing and operating the andesite stone concession.   Sustainability   ?The RSPO annual surveillance audits for all of the group's certified estates, its two older mills and its bulking station downstream of Samarinda were successfully concluded in June and July 2018.  Work to resolve the outstanding High Conservation Value ("HCV") compensation liability in respect of a small area of some 20 hectares in the SYB northern estate area is continuing.  The group has instructed an independent third-party to obtain satellite imagery in accordance with RSPO criteria and guidelines so as to define the original land cover and coefficients before land clearing commenced.  Thereafter, once the appropriate compensation liability has been determined and the settlement period agreed, the process for RSPO certification of the group's third and newest oil mill and its supply chain will commence.   The HCV assessments for PU and certain SYB planned plasma areas are being reviewed and updated in preparation for new plantings in accordance with the RSPO New Plantings Procedures.  The RSPO compensation panel has approved in principle an HCV compensation plan in respect of an area of CDM with ***payments*** to be settled over several ***years***.   ISPO certification of SYB, which was outstanding at the time of publication of the group's 2017 annual report, has now been obtained following issuance of an outstanding palm oil mill effluent permit in May 2018.   Certifications of the estates, mills and bulking station under ISO 14001:2004 Environment Management System continue to be renewed as they expire.   As part of its ongoing commitment to supporting smallholder farmers in the vicinity of the group's estates, the group has been conducting surveys of smallholder FFB production to understand better the challenges faced by such farmers.  The results of these surveys are now being analysed so that relevant further training and ongoing support can be offered to smallholders with a view to improving smallholder crop yields and fruit quality.   Household take-up of renewable energy distributed to local villages via the Indonesian national electricity company, PLN, continues to grow each month.   Following the installation of new camera traps in REAK and CDM in 2017, further surveys are being conducted in 2018 and continuing into 2019 to verify the current status of the orangutan population.   The group is giving increasing attention to encroachment within the boundaries of its estates.  Satellite imagery has been acquired from Satelligence, together with a land cover map for 2017, in order to define a baseline forest cover, degraded areas and planted oil palm areas within the estate areas and in close proximity to their boundaries. The map is being used for land cover planning and rehabilitation of previously encroached and degraded areas.  Through Satelligence, the group has also implemented a forest cover monitoring system that generates bi-weekly updates on forest cover, land clearing and oil palm development within the group's estates and within a five kilometre buffer zone around the estate boundaries.  This allows the group to monitor and investigate any illegal activity within the estates that may be damaging to the environment.   Financing   ?At 30 June 2018, the group continued to be financed by a combination of debt and equity (comprising ordinary and preference share capital).  There was a decrease in total equity including non-controlling interests to $269.3 million from $276.7 million at 31 December 2017.    Group indebtedness and related engagements at 30 June 2018 totalled $194.5 million against $220.0 million at 31 December 2017.  Against this indebtedness, the group held cash and cash equivalents of $2.3 million (31 December 2017: $5.5 million).  The composition of the resultant net indebtedness of $192.3 million was as follows: |  |  |

|  |  |  |
| --- | --- | --- |
|  | $'m |  |
| 7.5 per cent dollar notes 2022 ("2022 dollar notes") ($24.0 million nominal) | 23.7 |  |
| 8.75 per cent guaranteed sterling notes 2020 ("2020 sterling notes") (£31.9 million nominal) | 40.8 |  |
| Loan from related party | 8.2 |  |
| Loans from non-controlling shareholder | 29.7 |  |
| Indonesian term bank loans | 45.5 | \* |
| Drawings under revolving credit facilities | 46.7 |  |
|  | 194.6 |  |
| Cash and cash equivalents | (2.3) |  |
| Net indebtedness | 192.3 |  |
|  |  |  |
| \*        ??Excluding $25.1 million of Indonesian term bank loans that have been reflected within the net balance representing assets held for resale in the accompanying consolidated balance sheet at 30 June 2018.   ?As announced on 28 August 2018, the group has recently arranged and drawn down two new medium term rupiah loans equivalent in total to some $32.5 million.  In anticipation of this, on 8 August 2018 the group repaid rupiah term loan and revolving credit facilities amounting to $10.2 million. The proceeds of the new loans will be used to refinance the monies used for that repayment and, as to the balance, in augmenting the group's working capital.   Subsequent completion of the sale of PBJ, as described above, resulted in the bank debt of PBJ, equivalent to some $24.1 million being repaid in full. The cash inflow to the group arising from the sale amounted to some $56.4 million which will be used to reduce group indebtedness, further augment working capital and provide funding for the group's planned expansion ***programme***.   The group is continuing discussions with its Indonesian bankers with a view to reducing interest costs and to better aligning the repayment profile of its bank loans to its projected future cash availability.   Outlook   ?The latest bunch census indicates that crop levels for the remaining months of the ***year*** will be maintained at close to recent levels.  The directors therefore expect a record FFB crop for the ***year*** with every likelihood of still higher crops going forward.  With improved harvester availability, an expanded transport fleet and more resilience in the group's infrastructure, crop collection should further improve.   Whilst higher crops and better extraction rates should continue to enhance operational  performance, the benefit to revenue and profits is currently being reduced by low CPO prices.  The current CPO price weakness follows a significant increase in CPO production during 2018 to date but there are now indications that growth in palm oil consumption, supported by increases in mandated use of CPO in the manufacture of bio-fuels, should have a positive effect on prices in the coming months and 2019.  Any increase in the price of CPO will directly flow through to group revenue, profits and cash flow.   The resumption of mining operations at the group's main coal concession, following on from the imminent sale of the existing coal stockpile, will have a further positive impact on future results.   Following completion of the PBJ sale and with new bank facilities of some $32.5 million in place, the group is now funded to press ahead rapidly with development of the new planting areas and necessary expansion of oil mills.   With the significant improvement in the group's financial position and with recent successful operational initiatives helping to secure the recovery in the group's operations, the prospects for the group going forward are markedly better.     Approved by the board on 20 September 2018 and signed on its behalf by   DAVID J BLACKETT Chairman     RISKS AND UNCERTAINTIES   ?The principal risks and uncertainties, as well as mitigating and other relevant considerations, affecting the business activities of the group as at the date of publication of the 2017 annual report (the "annual report") were set out on pages 36 to 41 of that report, under the heading "Risks and uncertainties".  A copy of the report may be downloaded from the company's website at [*www.rea.co.uk*](http://www.rea.co.uk).  Such risks and uncertainties in summary comprise:   ***Agricultural*** operations Climatic factors Material variations from the norm Cultivation risks Impact of pests and diseases Other operational factors Logistical disruptions to the production cycle, including transportation and input shortages or cost increases Produce prices Consequences of lower realisations from sales of CPO and CPKO Expansion Delays in securing land or funding for the extension planting ***programme*** Environmental, social and government practices Failure to meet expected standards Community relations Disruptions arising from issues with local stakeholders   Stone and coal operations Operational factors Failure by external contractors to achieve agreed targets Prices Consequences of stone or coal price weakness Environmental, social and government practices  Failure to meet expected standards   General Currency risk Adverse exchange movements between sterling or the rupiah and the dollar Funding Meeting liabilities as they fall due in periods of weaker produce prices Counterparty risk Default by suppliers, customers or financial institutions Regulatory and country exposure Failure to meet or comply with expected standards or applicable regulations; adverse political or legislative changes in Indonesia Systems access and controls Weakness in IT controls and financial reporting system   ?An independent review of the group's IT access and control systems and procedures was completed in July 2018.  The review made certain recommendations that are currently being implemented to ensure compliance with best practice and with the group's policies on internal control.   The directors continue to monitor and assess the impact of the UK's prospective termination of membership of the European Union on the group's operations. So far, the effect has been limited to a positive impact from a decline in sterling against the dollar.  The directors do not at present foresee that the prospective termination poses any significant risk to the group's operations.   At the date of the annual report, the directors considered the risks in relation to climatic and other operational factors, produce prices and funding to be of particular significance.  In the case of climatic and other operational factors and produce prices, the directors' assessment reflected the negative impact on revenues that could be caused by adverse climatic conditions or operational circumstances and, in the case of funding, the considerations referred to in the "Viability statement" in the "Directors report" on page 43 of the annual report.   Improving operational performance, recent initiatives to improve the group's funding position and the sale of PBJ, all as described in the Interim management report above, have reduced the significance of funding risk.  Subject to that, the directors consider that the principal risks and uncertainties for the second six months of 2018 continue to be those set out in the annual report as summarised above.   GOING CONCERN   ?In the statements regarding viability and going concern on pages 43 and 44 of the 2017 annual report published in April 2018, the directors set out consideration with respect to the group's capital structure and their assessment of liquidity and financing adequacy.   Since that time, and as noted under "Financing" in the Interim management report above, the group's financial position has been materially strengthened by completion of the sale of its 95 per cent subsidiary PT Putra Bongan Jaya ("PBJ") to the Kuala Lumpur Kepong Berhad group. The sale resulted in a cash inflow to the group of $56.4 million and the repayment of PBJ's external borrowings equivalent to some $24.1 million.   Revolving credit facilities that fell due for renewal in July 2018 were duly renewed and, on 28 August 2018, the group drew down a new rupiah term bank loan equivalent to $32.5 million.  This effectively replaced previous term loan and revolving credit facilities equivalent to $10.2 million.  The group is continuing discussions with its bankers on replacing the remaining revolving credit facilities (which are equivalent to $14.9 million and fall due for renewal in July 2019) and other shorter term bank debt with new bank facilities better aligned to the projected profile of the group's future cash flows.    With the continuing improvement in production, the group's plantation operations can be expected to generate increasing cash flows going forward. These should be augmented by positive cash from the group's main coal concession which is expected to recommence production shortly.  The group is confident that this improving operational outlook and the cash resources now available to the group will permit the bank discussion to be successfully concluded and will ensure that the group is able to repay or refinance impending debt repayments of which the most material are represented by the remaining revolving credit facilities (which are equivalent to some $14.9 million and fall due for renewal in July 2019) and the £31.9 million nominal (equivalent to some $42.0 million) of 8.75 per cent sterling notes that fall due for repayment on 31 August 2020.   Accordingly, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the accompanying financial statements.     DIRECTORS' RESPONSIBILITIES   The directors are responsible for the preparation of this half ***yearly*** financial report.   The directors confirm that:   \* the accompanying condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting"   \* ?the "Interim management report" and "Risks and uncertainties" sections of this half ***yearly*** report include a fair review of the information required by rule 4.2.7R of the Disclosure and Transparency Rules of the Financial Conduct Authority, being an indication of important events that have occurred during the first six months of the financial ***year*** and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the ***year***; and   \* ?note 15 in the notes to the consolidated financial statements includes a fair review of the information required by rule 4.2.8R of the Disclosure and Transparency Rules of the Financial Conduct Authority, being related party transactions that have taken place in the first six months of the current financial ***year*** and that have materially affected the financial position or performance of the group during that period, and any changes in the related party transactions described in the 2017 annual report that could do so.   The current directors of the company are as listed on page 42 of the company's 2017 annual report.    Approved by the board on 20 September 2018   DAVID J BLACKETTChairman   CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018 |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | |  | 6 months to | 6 months to | ***Year*** to |
|  | |  | 30 June | 30 June | 31 December |
|  | |  | 2018 | 2017 | 2017 |
|  | Note | | $'000 | $'000 | $'000 |
| Revenue | | 2 | 48,170 | 46,275 | 100,241 |
| Net gain/(loss) arising from changes in fair value of ***agricultural*** produce | | 4 | 1,557 | (1,830) | (1,069) |
| Cost of sales: | |  |  |  |  |
| Depreciation and amortisation | |  | (11,281) | (10,837) | (22,215) |
| Other costs | |  | (31,522) | (28,280) | (64,062) |
|  | |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Gross profit | |  | 6,924 | 5,328 | 12,895 |
| Distribution costs | |  | (502) | (563) | (1,378) |
| Administrative expenses | | 5 | (6,756) | (7,254) | (13,681) |
|  | |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Operating loss | |  | (334) | (2,489) | (2,164) |
| Investment revenues | |  | 135 | 263 | 1,072 |
| Finance costs | | 6 | 1,535 | (13,482) | (20,770) |
|  | |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Profit/(loss) before tax | |  | 1,336 | (15,708) | (21,862) |
| Tax | | 7 | (1,971) | 1,259 | (3,039) |
|  | |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Loss for the period | |  | (635) | (14,449) | (24,901) |
|  | |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  | |  |  |  |  |
| Attributable to: | |  |  |  |  |
| Ordinary shareholders | |  | (4,514) | (14,144) | (27,408) |
| Preference shareholders | |  | 4,260 | 3,720 | 7,777 |
| Non-controlling interests | |  | (381) | (4,025) | (5,270) |
|  | |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  | |  | (635) | (14,449) | (24,901) |
|  | |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  | |  |  |  |  |
| Loss per 25p ordinary share (US cents) | | 8 | (11.1) | (34.6) | (67.0) |
|  | |  |  |  |  |
| All operations in all periods are continuing | |  |  |  |  |
|  | |  |  |  |  |
|  |  |  |  |  |  |
| CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2018 |  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 30 June | 30 June | 31 December |
|  |  | 2018 | 2017 | 2017 |
|  | Note | $'000 | $'000 | $'000 |
| Non-current assets |  |  |  |  |
| Goodwill |  | 12,578 | 12,578 | 12,578 |
| Intangible assets |  | 3,063 | 3,956 | 3,477 |
| Property, plant and equipment |  | 414,017 | 472,469 | 482,341 |
| Land titles |  | 32,848 | 34,761 | 35,178 |
| Stone and coal interests |  | 41,342 | 38,232 | 37,877 |
| Deferred tax assets |  | 11,116 | 12,702 | 9,867 |
| Non-current receivables |  | 4,354 | 2,142 | 4,996 |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Total non-current assets |  | 519,318 | 576,840 | 586,314 |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  |  |  |  |  |
| Current assets |  |  |  |  |
| Inventories |  | 19,421 | 10,379 | 11,497 |
| Biological assets |  | 3,226 | 1,832 | 1,927 |
| Investments |  | - | 4,930 | 2,730 |
| Trade and other receivables |  | 36,000 | 43,611 | 39,280 |
| Assets available for sale | 11 | 56,423 | - | - |
| Cash and cash equivalents |  | 2,269 | 2,974 | 5,543 |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Total current assets |  | 117,339 | 63,726 | 60,977 |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Total assets |  | 636,657 | 640,566 | 647,291 |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_     \_\_ |
| Current liabilities |  |  |  |  |
| Trade and other payables |  | (89,769) | (19,267) | (62,212) |
| Current tax liabilities |  | (13) | (8) | (11) |
| Bank loans |  | (27,996) | (29,398) | (28,140) |
| Sterling notes |  | - | (10,803) | - |
| Other loans and payables |  | (10,239) | (5,400) | (10,469) |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Total current liabilities |  | (128,017) | (64,876) | (100,832) |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Non-current liabilities |  |  |  |  |
| Bank loans |  | (64,145) | (99,844) | (96,991) |
| Sterling notes |  | (40,823) | (39,877) | (41,364) |
| US dollar notes |  | (23,686) | (23,614) | (23,649) |
| Deferred tax liabilities |  | (81,017) | (79,124) | (79,600) |
| Other loans and payables |  | (29,681) | (36,553) | (28,120) |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Total non-current liabilities |  | (239,352) | (279,012) | (269,724) |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Total liabilities |  | (367,369) | (343,888) | (370,556) |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Net assets |  | 269,288 | 296,678 | 276,735 |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  |  |  |  |  |
| Equity |  |  |  |  |
| Share capital |  | 132,528 | 121,426 | 132,528 |
| Share premium account |  | 42,401 | 42,585 | 42,401 |
| Translation reserve |  | (56,003) | (33,473) | (50,897) |
| Retained earnings |  | 133,717 | 147,338 | 135,074 |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  |  | 252,643 | 277,876 | 259,106 |
| Non-controlling interests |  | 16,645 | 18,802 | 17,629 |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Total equity |  | 269,288 | 296,678 | 276,735 |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  |  |  |  |  |
| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018 |  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 6 months to | 6 months to | ***Year*** to |
|  | 30 June | 30 June | 31 December |
|  | 2018 | 2017 | 2017 |
|  | $'000 | $'000 | $'000 |
| Loss for the period | (635) | (14,449) | (24,901) |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Other comprehensive income |  |  |  |
| Items that may be reclassified to profit or loss: |  |  |  |
| Actuarial losses | (219) | - | (205) |
| Deferred tax on actuarial losses | 55 | - | 41 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  | (164) | - | (164) |
| Items that will not be reclassified to profit or loss: |  |  |  |
| Exchange differences on translation of foreign operations | 1,933 | 5,575 | (11,419) |
| Exchange differences on deferred tax | (4,321) | (278) | (279) |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  | (2,388) | 5,297 | (11,862) |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Total comprehensive income for the period | (3,187) | (9,152) | (36,763) |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Attributable to: |  |  |  |
| Ordinary shareholders | (7,066) | (8,847) | (39,270) |
| Preference shareholders | 4,260 | 3,720 | 7,777 |
| Non-controlling interests | (381) | (4,025) | (5,270) |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  | (3,187) | (9,152) | (36,763) |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  |  |  |  |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2018 |  |  |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | Non- |  |
|  | Share | Share | Translation | Retained | Sub | controlling | Total |
|  | capital | premium | reserve | earnings | total | interests | Equity |
|  | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| At 1 January 2017 | 121,426 | 42,585 | (39,127) | 161,839 | 286,723 | 22,827 | 309,550 |
| Total comprehensive income | - | - | 5,654 | (10,781) | (5,127) | (4,025) | (9,152) |
| Dividends to preference shareholders | - | - | - | (3,720) | (3,720) | - | (3,720) |
|  | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ |
| At 30 June 2017 | 121,426 | 42,585 | (33,473) | 147,338 | 277,876 | 18,802 | 296,678 |
| Total comprehensive income | - | - | (17,424) | (9,014) | (26,438) | (1,173) | (27,611) |
| Sale of shareholding in sub-group | - | - | - | 807 | 807 | - | 807 |
| Issue of new preference shares (cash) | 11,102 | (184) | - | - | 10,918 | - | 10,918 |
| Dividends to preference shareholders | - | - | - | (4,057) | (4,057) | - | (4,057) |
|  | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ |
| At 31 December 2017 | 132,528 | 42,401 | (50,897) | 135,074 | 259,106 | 17,629 | 276,735 |
| Total comprehensive income | - | - | (5,106) | 2,903 | (2,203) | (984) | (3,187) |
| Dividends to preference shareholders | - | - | - | (4,260) | (4,260) | - | (4,260) |
|  | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ |
| At 30 June 2018 | 132,548 | 42,401 | (56,003) | 133,717 | 252,643 | 16,645 | 269,288 |
|  | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ |
| CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018 |  |  |  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 6 months to | 6 months to | ***Year*** to |
|  |  | 30 June | 30 June | 31 December |
|  |  | 2018 | 2017 | 2017 |
|  | Note | $'000 | $'000 | $'000 |
| Net cash from/(used in) operating activities | 13 | 2,381 | (13,253) | 19,670 |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  |  |  |  |  |
| Investing activities |  |  |  |  |
| Interest received |  | 135 | 263 | 29 |
| Purchases of property, plant and equipment |  | (13,959) | (11,871) | (31,960) |
| Purchases of intangible assets |  | - | - | (112) |
| Expenditure on land titles |  | - | (701) | (949) |
| Investment in stone and coal interests |  | (3,595) | (1,024) | (669) |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Net cash used in investing activities |  | (17,419) | (13,333) | (33,661) |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  |  |  |  |  |
| Financing activities |  |  |  |  |
| Preference dividends paid |  | (4,260) | (3,720) | (7,777) |
| Repayment of bank borrowings |  | (7,933) | (1,544) | (6,754) |
| Repayment of borrowings from related party |  | - | - | (7,400) |
| Proceeds of issue of preference shares, less costs of issue |  | - | - | 10,918 |
| Redemption of 2017 dollar notes |  | - | (20,048) | (20,156) |
| Redemption of 2015/2017 sterling notes |  | - | - | (11,154) |
| Proceeds of sale of investments |  | 2,730 | 4,925 | 7,078 |
| New borrowings from non-controlling shareholder and related party |  | 8,227 | 22,000 | 23,986 |
| Deposit received relating to sale of subsidiary |  | 8,000 | - | - |
| New bank borrowings drawn |  | 4,973 | 3,222 | 6,356 |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Net cash from financing activities |  | 11,737 | 4,835 | (4,903) |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  |  |  |  |  |
|  |  |  |  |  |
| Cash and cash equivalents |  |  |  |  |
| Net decrease in cash and cash equivalents |  | (3,301) | (21,751) | (18,894) |
| Cash and cash equivalents at beginning of period |  | 5,543 | 24,593 | 24,593 |
| Effect of exchange rate changes |  | 27 | 132 | (156) |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Cash and cash equivalents at end of period |  | 2,269 | 2,974 | 5,543 |
|  |  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS   1.  Basis of accounting?The condensed consolidated financial statements for the six months ended 30 June 2018 comprise the unaudited financial statements for the six months ended 30 June 2018 and 30 June 2017, neither of which has been reviewed by the company's auditor, together with audited financial statements for the ***year*** ended 31 December 2017.   The information shown for the ***year*** ended 31 December 2017 does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, and is an abridged version of the group's published financial statements for that ***year*** which have been filed with the Registrar of Companies. The auditor's report on those statements was unqualified and did not contain any statements under section 498(2) or (3) of the Companies Act 2006.   The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union, and should be read in conjunction with the annual financial statements for the ***year*** ended 31 December 2017 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.   The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those set out in the group's annual report for 2017.    For the reasons given under "Going concern" above, the financial statements have been prepared on the going concern basis.   The condensed consolidated financial statements for the six months ended 30 June 2018 were approved by the board of directors on 20 September 2018.   2.  Revenue |  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 6 months to | 6 months to | ***Year*** to |
|  | 30 June | 30 June | 31 December |
|  | 2018 | 2017 | 2017 |
|  | $'000 | $'000 | $'000 |
| Sales of goods | 47,516 | 45,708 | 99,956 |
| Revenue from services | 654 | 567 | 285 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  | 48,170 | 46,275 | 100,241 |
| Investment revenue | 135 | 263 | 1,072 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Total revenue | 48,305 | 46,538 | 101,313 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| 3.  Segment information   ?The group continues to operate in two segments, being the cultivation of oil palms and the stone and coal operations.  In the period ended 30 June 2018, the relevant measures for the stone and coal operations continued to fall below the quantitative thresholds set out in IFRS 8. Accordingly, no segment information is included in these financial statements.   4.  ***Agricultural*** produce movement   ?The net gain/(loss) arising from changes in fair value of ***agricultural*** produce represents the movement in the fair value of that inventory less the amount of the movement in such inventory at historic cost (which is included in cost of sales), together with movements in the value of current biological assets, which represents growing produce on oil palm trees.   5.  Administrative expenses |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 6 months to | 6 months to | ***Year*** to |
|  | 30 June | 30 June | 31 December |
|  | 2018 | 2017 | 2017 |
|  | $'000 | $'000 | $'000 |
| Loss on disposal of property, plant and equipment | 207 | - | - |
| Indonesian operations | 5,923 | 6,184 | 14,685 |
| Head office | 3,326 | 3,520 | 5,665 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  | 9,456 | 9,704 | 20,350 |
| Amounts included as additions to fixed assets | (2,700) | (2,450) | (6,669) |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  | 6,756 | 7,254 | 13,681 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| 6.  Finance costs |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 6 months to | 6 months to | ***Year*** to |
|  | 30 June | 30 June | 31 December |
|  | 2018 | 2017 | 2017 |
|  | $'000 | $'000 | $'000 |
| Interest on bank loans and overdrafts | 7,107 | 7,505 | 15,665 |
| Interest on US dollar notes | 901 | 1,639 | 2,669 |
| Interest on sterling notes | 1,832 | 2,324 | 5,184 |
| Interest on other loans | 1,317 | 760 | 1,896 |
| Change in value of sterling notes arising from exchange fluctuations | 740 | 3,069 | 4,800 |
| Change in value of bank loans and overdrafts arising from exchange fluctuations | (11,142) | 1,110 | (1,190) |
| Other finance charges | 694 | 468 | 817 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  | 1,449 | 16,875 | 29,841 |
| Amount included as additions to property, plant and equipment | (2,984) | (3,393) | (9,071) |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  | (1,535) | 13,482 | 20,770 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| 7.  Tax |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 6 months to | 6 months to | ***Year*** to |
|  | 30 June | 30 June | 31 December |
|  | 2018 | 2017 | 2017 |
|  | $'000 | $'000 | $'000 |
| Current tax: |  |  |  |
| UK corporation tax | - | 136 | 28 |
| Overseas withholding tax | 638 | 494 | 1,538 |
| Foreign tax | 7 | 16 | 27 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Total current tax | 645 | 646 | 1,593 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Deferred tax: |  |  |  |
| Current ***year*** | 449 | (2,830) | (794) |
| Prior ***year*** | 877 | 925 | 2,240 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Total deferred tax | 1,326 | (1,905) | 1,446 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Total tax | 1,971 | (1,259) | 3,039 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  |  |  |  |
| ?The tax charge for the period of $2.0 million (30 June 2017: credit of $1.3 million) is based on the reported results of the operations in each jurisdiction, using relevant rates of tax, adjusted for items which include non-taxable income/expense, prior ***year*** reduction in the carrying value of Indonesian tax losses and Indonesian withholding taxes not utilisable in the UK. If the income mix in the second half of 2018 differs materially from that of the first half, it may result in a disproportionate movement in the effective rate of taxation for the full ***year***.                                                                      8.  Loss per share |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 6 months to | 6 months to | ***Year*** to |
|  | 30 June | 30 June | 31 December |
|  | 2018 | 2017 | 2017 |
|  | $'000 | $'000 | $'000 |
| Loss for the purpose of calculating loss per share\* | (4,514) | (14,144) | (27,408) |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| \* being net loss attributable to ordinary shareholders |  |  |  |
|  |  |  |  |
|  | '000 | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of loss per share | 40,510 | 40,510 | 40,510 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  |  |  |  |
| 9.  Dividends |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 6 months to | 6 months to | ***Year*** to |
|  | 30 June | 30 June | 31 December |
|  | 2018 | 2017 | 2017 |
|  | $'000 | $'000 | $'000 |
| Amounts recognised as distributions to equity holders: |  |  |  |
| Preference dividends of 9p per share per annum (2017: 9p per share) | 4,260 | 3,720 | 7,777 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  | 4,260 | 3,720 | 7,777 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| 10.  Capital commitments   ??Capital commitments contracted, but not provided for by the group as at 30 June 2018, amounted to $4.5 million (31 December 2017: $8.2 million, 30 June 2017: $2.4 million).   11.  Assets available for sale |  |  |  |

|  |  |
| --- | --- |
|  | 30 June |
|  | 2018 |
|  | $'000 |
| Non-current assets |  |
| Property, plant and equipment | 71,097 |
| Land titles | 2,441 |
| Deferred tax assets | 532 |
| Non-current receivables | 1,254 |
| Current assets |  |
| Inventories | 691 |
| Trade and other receivables | 6,540 |
| Cash and cash equivalents | 2,753 |
| Current liabilities |  |
| Trade and other payables | (3,788) |
| Bank loans | (25,097) |
|  | \_\_\_\_\_\_\_ |
| Reclassified as available for sale | 56,423 |
|  | \_\_\_\_\_\_\_ |
| 12. Fair values of financial instruments   ?The table below provides an analysis of the book values and fair values of financial instruments, excluding receivables and trade payables and Indonesian stone and coal interests, as at the balance sheet date. Investments, cash and deposits, dollar notes and sterling notes are classified as level 1 in the fair value hierarchy prescribed by IFRS 7 "Financial instruments: disclosures". (Level 1 includes instruments where inputs to the fair value measurements are quoted prices in active markets). All other financial instruments are classified as level 3 in the fair value hierarchy. (Level 3 includes instruments which have no observable market data to provide inputs to the fair value measurements.)  No reclassifications between levels in the fair value hierarchy were made during 2018 (2017: none). |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 30 June 2018 | | 30 June 2017 | | 31 December 2017 | |
|  | Book value | Fair value | Book value | Fair value | Book value | Fair value |
|  | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cash and deposits\* | 2,269 | 2,269 | 2,974 | 2,974 | 5,545 | 5,545 |
| Investments\*\* | - | - | - | - | 2,730 | 2,730 |
| Bank debt-within one ***year***\*\* | (833) | (833) | (150) | (150) | (295) | (295) |
| Bank debt-within one ***year***\* | (27,163) | (27,163) | (29,248) | (29,248) | (27,845) | (27,845) |
| Bank debt-after more than one ***year***\*\* | (16,176) | (16,176) | (18,395) | (18,395) | (17,936) | (17,936) |
| Bank debt-after more than one ***year***\* | (47,969) | (47,969) | (81,449) | (81,449) | (79,055) | (79,055) |
| Loan from related party-within one ***year***\* | (8,227) | (8,227) | (5,400) | (5,400) | - | - |
| Loans from non-controlling shareholder-after more than one ***year***\* | (29,681) | (29,681) | (29,516) | (29,516) | (29,864) | (29,864) |
| US dollar notes-repayable 2022\*\* | (23,686) | (23,254) | (23,614) | (23,915) | (23,649) | (23,074) |
| Sterling notes-repayable 2015/2017\*\* | - | - | (10,803) | (10,651) | - | - |
| Sterling notes-repayable 2020\*\* | (40,823) | (42,948) | (39,877) | (41,479) | (41,364) | (42,857) |
|  | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ |
| Net debt and related engagements | (192,289) | (193,982) | (235,478) | (237,229) | (211,733) | (212,651) |
|  | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ |
| \* bearing interest at floating rates \*\* bearing interest at fixed rates   ?The fair values of cash and deposits and bank debt approximate their carrying values since these carry interest at current market rates. The fair value of investments approximates their carrying value. The fair values of the dollar notes and sterling notes are based on the latest prices at which those notes were traded prior to the balance sheet dates.   A one per cent increase in interest applied to those financial instruments shown in the table above which carry interest at floating rates would have resulted over a period of six months in a pre-tax profit (and equity) decrease of approximately $0.6 million (***year*** to 31 December 2017: pre-tax profit (and equity) decrease of $1.3 million; six months to 30 June 2017: $0.7 million).   13. Reconciliation of operating profit to operating cash flows |  |  |  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 6 months to | 6 months to | ***Year*** to |
|  | 30 June | 30 June | 31 December |
|  | 2018 | 2017 | 2017 |
|  | $'000 | $'000 | $'000 |
| Operating loss | (334) | (2,489) | (2,164) |
| Amortisation of intangible assets | - | 201 | 811 |
| Depreciation of property, plant and equipment | 11,281 | 10,467 | 21,419 |
| (Increase)/decrease in fair value of ***agricultural*** produce | (258) | 1,830 | 1,137 |
| (Increase)/decrease in value of growing produce | (1,299) | - | 110 |
| Amortisation of land titles | - | 169 | - |
| Amortisation of sterling and US dollar note issue expenses | 237 | 547 | 648 |
| Loss on disposal of property, plant and equipment | (207) | - | - |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Operating cash flows before movements in working capital | 9,420 | 10,725 | 21,961 |
| (Increase)/decrease in inventories (excluding fair value movements) | (8,357) | 3,558 | 3,133 |
| (Increase)/decrease in receivables | (17,132) | (10,461) | 649 |
| Increase/(decrease) in payables | 26,304 | (6,227) | 20,174 |
| Exchange translation differences | (670) | 1,606 | (101) |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Cash generated/(utilised) by operations | 9,565 | (799) | 45,816 |
| Taxes paid | (34) | (34) | (6,627) |
| Tax refunds received | - | - | 5,398 |
| Interest paid | (7,150) | (12,420) | (24,917) |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Net cash from/(to) operating activities | 2,381 | (13,253) | 19,670 |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  |  |  |  |
| 14.  Movements in net borrowings |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 6 months to | 6 months to | ***Year*** to |
|  | 30 June | 30 June | 31 December |
|  | 2018 | 2017 | 2017 |
|  | $'000 | $'000 | $'000 |
| Change in net borrowings resulting from cash flows: |  |  |  |
| Decrease in cash and cash equivalents | (3,274) | (21,619) | (19,050) |
| Net decrease/(increase) in borrowings | 2,960 | (1,678) | 398 |
| Interest in non-controlling shareholder and related party borrowings | (8,227) | (22,966) | (16,586) |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  | (8,541) | (46,263) | (35,238) |
| Redemption of 2015/2017 sterling notes | - | - | 11,154 |
| Redemption of 2017 US dollar notes | - | - | 20,156 |
| Amortisation of sterling notes expenses | (200) | (471) | (537) |
| Amortisation of US dollar notes expenses | (37) | (76) | (111) |
| Redemption of US dollar notes | - | 20,048 | - |
| ***Transferred*** to assets available for sale | 22,344 | - | - |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
|  | 13,566 | (26,762) | (4,576) |
| Currency translation differences | 8,610 | (3,607) | (4,780) |
| Net borrowings at beginning of period | (214,465) | (205,109) | (205,109) |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| Net borrowings at end of period | (192,289) | (235,478) | (214,465) |
|  | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ | \_\_\_\_\_\_\_ |
| 15.  Related parties   ?Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.   During the period the company has drawn a short term unsecured dollar loan from R.E.A. Trading Limited, a company controlled by Mr R M Robinow and his family, on normal commercial terms as to interest.  At 30 June 2018, the loan amounted to $8.2 million. Other than this loan during the first six months of 2018 there have been no other new material related party transactions and only those related transactions which were disclosed in the company's 2017 annual report have continued.   16. Events after the reporting period   ?On 25 April 2018, the group reached an agreement for the sale by its subsidiary, REAK of REAK's 95 per cent interest in PBJ to the Kuala Lumpur Kepong Berhad ("KLK") group, subject to certain conditions.  Such conditions having been met, the sale was completed on 31 August 2018.   The consideration for the sale of REAK's interest in PBJ was settled on 31 August 2018 on an estimated basis but remains subject to adjustment following agreement or determination of certain figures as at the date of completion.  The bank debt owed by PBJ  and the net debt owed by PBJ to the group were refinanced by the KLK group at completion and have been repaid in full.   Pursuant to the terms of the sale, the agreed consideration was subject to reduction if the additional area of oil palms planted at PBJ during 2018 ahead of completion fell short of 520 hectares.  Such additional area remains subject to final survey but the group estimates that it is in excess of 520 hectares.  Including these 2018 plantings, the planted area of PBJ at completion was just short of 7,500 hectares (of which some 800 hectares were mature).   The group recently arranged and, on 28 August 2018, drew down two new medium term rupiah loans equivalent in total to some $32.5 million.  In anticipation of this, on 8 August 2018 the group repaid rupiah term loan and revolving credit facilities amounting to $10.2 million.   Otherwise there have been no material post balance sheet events that would require disclosure in, or adjustment to, these financial statements.   17. Rates of exchange |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 30 June 2018 | | 30 June 2017 | | 31 December 2017 | |
|  | Closing | Average | Closing | Average | Closing | Average |
|  |  |  |  |  |  |  |
| Indonesian rupiah to US dollar | 14,404 | 13,813 | 13,319 | 13,344 | 13,548 | 13,400 |
| US dollar to pound sterling | 1.3203 | 1.37 | 1.2990 | 1.27 | 1.3435 | 1.29 |
| Reference to "dollars" and "$" are to the lawful currency of the United States of America.  References to rupiah are to the lawful currency of Indonesia.   18. Cautionary statement   This document contains certain forward-looking statements relating to R.E.A. Holdings plc ("the group"). The group considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the group to differ materially from those contained in any forward-looking statement. These statements are made by the directors in good faith based on information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.   19. Shareholder information   The company's half ***yearly*** report for the six months ended 30 June 2018 will shortly be available for downloading from the company's web site at     Press enquiries to: R.E.A. Holdings plc Tel: 020 7436 7877       ?References to group companies in this report are defined below:  ?CDM PT Cipta Davia Mandiri KKS PT Kartanegara Kumalasakti KMS PT Kutai Mitra Sejahtera PBJ PT Putra Bongan Jaya - now divested PBJ2 PT Persada Bangun Jaya REAK PT REA Kaltim Plantations SYB PT Sasana Yudha Bhakti PU PT Prasetia Utama   The terms "FFB", "CPO" and "CPKO" mean, respectively, "fresh fruit bunches", "crude palm oil" and "crude palm kernel oil".   References to "dollars" and "$" are to the lawful currency of the United States of America.   References to "rupiah" are to the lawful currency of Indonesia. |  |  |  |  |  |  |

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[***Washington: Testimony of Chairman J. Christopher Giancarlo before the Senate Committee On Appropriations Subcommittee on Financial Services and General Government, Washington, D.C***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SH4-YYF1-F0YC-N0WS-00000-00&context=1516831)

Impact News Service

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**Body**

Washington: U.S Commodity Futures Trading Comamission has issued the following news release:

Thank you, Chairman Lankford, Ranking Member Coons, and Members of the subcommittee.  I appreciate the opportunity to appear before you today, along with my fellow colleague from the Securities and Exchange Commission (SEC), Chairman Jay Clayton.

For more than a century, Americans have relied on U.S derivatives markets to stabilize the cost of living.  These markets allow farmers and ranchers to hedge production costs and delivery prices so that consumers can always find plenty of food on grocery store shelves.  They are the reason why American consumers enjoy stable prices, not only in the supermarket, but in all manner of consumer finance from auto loans to household purchases.  Derivatives markets influence the price and availability of heating in American homes, the energy used in factories, the interest rates borrowers pay on home mortgages, and the returns workers earn on their retirement savings.

And not just consumers.  More than 90% of Fortune 500 companies use derivatives to manage commercial or market risk in their worldwide business operations.[1]  These markets allow the risks of variable production costs, such as the price of raw materials, energy, foreign currency, and interest rates, to be ***transferred*** from those who cannot afford them to those who can.

Even Americans not actively participating in commodity derivatives markets are affected by the prices generated by them.  Commodity derivatives markets provide a critical source of information about future harvest prices.  For example, a grain elevator uses the futures market as the basis for the price it offers local farmers at harvest.  In return, farmers look to exchange prices to determine for themselves whether they are getting fair value for their crop.  The U.S Department of ***Agriculture*** (USDA) uses that same information to make price projections, determine volatility measures, and make payouts on crop insurance.[2]

In short, derivatives serve the needs of American society to help moderate price, supply and other commercial risks to free up capital for economic growth, job creation and prosperity.  While often derided in the tabloid press as “risky,” derivatives – when used properly – are tools for efficient risk ***transfer*** and mitigation.  It has been estimated that the use of commercial derivatives added 1.1% to the size of the U.S economy between 2003 and 2012.[3]

American derivatives markets are the world’s largest, most developed, and most influential.  Many of the world’s most important ***agricultural***, mineral, and energy commodities are priced in U.S dollars in the U.S derivatives markets.  Dollar pricing of the world’s commodities provides a tremendous advantage to American producers in global commerce, an advantage well recognized by competing economies abroad.

American derivatives markets are also the world’s best regulated.  The United States is the only major country in the Organization for Economic Co-operation and Development to have a regulatory agency specifically dedicated to derivatives market regulation: the Commodity Futures Trading Commission (CFTC).  The CFTC has overseen the U.S exchange-traded derivatives markets for over 40 ***years***.  The agency is recognized for its principles-based regulatory framework and econometrically-driven analysis.  The CFTC is recognized around the world for its depth of expertise and breadth of capability.

This combination of regulatory expertise and competency is one of the reasons why U.S derivatives markets continue to serve the needs of participants around the globe to hedge price and supply risk safely and efficiently.  It is why well-regulated U.S derivatives markets continue to serve a vital national interest – Dollar pricing of important global commodities.

In short, America’s well-regulated derivatives markets are a national advantage in global economic competition.  However, we must not take this advantage for granted.  In order for U.S derivatives markets to remain the world’s best, U.S markets must remain the world’s best regulated.  To be the best regulated, U.S derivatives markets must have an adequately funded regulator.  The CFTC must have adequate resources to continue to serve its mission to foster open, transparent, competitive, and financially sound U.S derivatives markets that remain the envy of the world.

Today, I look forward to discussing the CFTC’s resource requirements.

Budget Request

The FY 2019 budget submitted by the Commission reflects the true needs of a policy setting and civil law enforcement agency that has the duty to ensure the derivatives markets operate effectively and the public is protected from harm.  As the workload of the CFTC has increased dramatically – exponentially – and globally – over the last four ***years***, we have been flat-lined in our budget – at $250 million in three of those ***years*** – and actually experienced a budget reduction of $1 million this ***year***.  Even with the cuts to our budget, it is still incumbent upon us to evolve into a 21st century regulator because the demands on our agency from the markets don’t stop as a result of budget cuts.  In fact, those demands constantly increase.

In order for the CFTC to fulfill its duty to oversee these vital derivatives markets in FY 2019, the Commission is requesting $281.5 million and 716 full-time equivalents (FTE).  This is an increase of $32.5 million and 46 FTE over the resources provided in the FY2018 enacted budget[4] and is the same level of funding that the Commission requested in FY 2018.

The Commission’s budget request for FY 2019 reflects and builds on the efforts commenced in 2018.  The budget request of $281.5 million is the level of funding necessary to fulfill the CFTC’s statutory mission.

The CFTC budget request is bare-bones, no waste, fiscally conservative, and mindful of taxpayer dollars.  It is based on a rigorous analysis of each of the agency’s functions and expenditures.  As with FY 2018, we built the 2019 budget based upon the real needs of the Commission.  Each dollar of this budget serves a specific purpose in pursuit of the agency’s mission.

During the budgeting process, we identified ways that the agency could be more efficient.  Today, we are implementing changes necessary to realize those efficiencies.  Departments are being reorganized and streamlined to increase productivity and provide long-term cost savings.  We have also successfully negotiated the return of an entire floor of vacant office space in Kansas City back to our landlord.  It will result in significant savings over the remaining life of the Kansas City lease.  Going forward, we are committed to working with the General Services Administration in connection with all of the CFTC’s regional office leases upon their expiration.

In all matters of agency budgeting and expenditure, we seek to carry out the mission to foster open, transparent, competitive and financially sound markets, free from fraud and manipulation, in a way that best fosters broad-based economic growth and prosperity while respecting the American taxpayer through careful management of our agency resources.

There are areas where the modest increase in the agency’s budget that has been requested is necessary to fulfill the CFTC’s statutory mission.

21st Century Financial Markets

Today, we meet at a tipping point.  The future is devouring the past, forging a new agenda, and threatening to move ahead of regulators, financial institutions, and government.  That is why we need 21st century regulation for a 21st century world.

Technology is leading us into a world that is much different than the world we knew five or ten ***years*** ago, much less when the Commission was created in 1975.   Much of our world today – from information to journalism to music to manufacturing to transportation to commerce to ***agriculture***, even legal services – is undergoing a digital transformation.  It therefore should be no surprise then that our financial markets are going through the same digital revolution.

Technology is impacting trading, markets, and the entire financial landscape with far-ranging implications for capital formation and risk ***transfer***.  These technologies include machine learning and artificial intelligence, algorithm-based trading, data analytics, “smart” contracts valuing themselves and calculating ***payments*** in real-time and distributed ledger technologies, which over time may come to challenge traditional market infrastructure.

It is no surprise that these technologies are having an equally transformative impact on U.S derivatives markets.  One thing is certain: ignoring these changes in the market would be profoundly imprudent.  They will not go away.  Rather, the rate of change will accelerate.[5]  Nor is ignorance a responsible regulatory strategy.  We cannot respond in a reactive way -- chasing to catch up with technology.  We must be proactive with a regulatory and statutory framework that is ahead of the curve, gives clarity and coherence to this often complex technology, and anticipates its evolution.  The same technology can give us advantages in market regulation.

Our task, as market regulators, is to set and enforce rules that foster innovation while promoting market integrity and confidence.  To do so, we must have the resources and tools to keep pace with rapid evolution of the markets we oversee.  Our budget request provides those resources and tools.

Among other things, our requested budget will also allow us to address market-enhancing innovation and financial technology (FinTech).  LabCFTC is the focal point of the CFTC’s efforts to engage with FinTech innovation for the benefit of the American public.  It helps us keep pace with changes in our markets, and proactively identify emerging regulatory opportunities, challenges and risks.  We have situated LabCFTC within the CFTC’s Office of the General Counsel.  This allows LabCFTC to leverage the expertise of the CFTC’s legal team to manage the interface between technological innovation, regulatory modernization, and existing rules and regulations.

LabCFTC has hosted innovators across the nation, ranging from startups to established financial institutions to leading technology companies.  These outreach efforts are designed to make the CFTC more accessible to FinTech innovators, and to serve as a platform for informing the Commission’s understanding of emerging technologies.  The information gathered in these meetings also provides important insights to CFTC staff on market innovations that may influence policy development.

In fact, through its engagement with—and study of—innovative technologies, LabCFTC was recently able to recommend new virtual currency surveillance tools to our Enforcement division.  Our Enforcement team has been able to avail itself of this new technology and is now able to enhance certain surveillance and enforcement activities.  This important development helps underscore the value of LabCFTC, and its effort to ensure that we are prepared to be a 21st century digital regulator.

In addition to LabCFTC’s domestic activities, the Commission continues to proactively work with international regulators on FinTech applications to coordinate approaches and to share best practices.  In February of this ***year*** the CFTC and the UK’s Financial Conduct Authority (FCA) entered into an arrangement to collaborate and support innovative firms through each other’s FinTech initiatives – LabCFTC and FCA Innovate.  This is the first FinTech innovation arrangement for the CFTC with a non-U.S counterpart.  We believe that by collaborating with the best-in-class FCA FinTech team, the CFTC can contribute to the growing awareness of the critical role of regulators in 21st century digital markets.

Cyber Security

Cyber security is critically important to protecting infrastructure and financial markets around the world.  In fact, it may well be the most important single issue facing our markets today in terms of market integrity and financial stability.

As market leaders and regulators, we must take every step possible to thwart cyber-attacks that have become a continuous threat to U.S financial markets.  Responding to this threat must take priority requiring more of our resources in FY 2019.  Our understanding of the cyber threat must develop in pace with the constant evolution of the threat itself.  As we learn, we must engage in discussions with the DCOs about their cyber defenses and threat resiliency and recovery.  It is through the oversight and examination of systems safeguards that the Commission helps to ensure that DCOs are prioritizing cyber security activities.  With this budget request, the CFTC will be able to better undertake its duties to oversee cyber defense capabilities in the markets we regulate.

The same vulnerabilities hold true in the case of futures commission merchants where customer accounts hold records and information that requires protection.  We as an agency will work hard to ensure that regulated entities live up to their responsibility to ensure their IT systems are adequately protected from attacks and customers are protected.

As an agency, the Commission is faced with growing pressure to protect terabytes of data and maintain compliance with the Federal Information Security Modernization Act and Office of Management and Budget mandates.  Protecting our information comes with a price.  Some of the requested funding will enable us to enhance our internal cyber security including implementing additional cyber attack sensors and defenses to further protect the market data we collect.

Oversight Of Virtual Currencies

In FY 2018, certain exchanges self-certified several new contracts for futures products for virtual currencies.  These innovations impact the regulatory landscape and with this budget request, the Commission will invest more in new technologies and tools that support important surveillance and enforcement efforts.

Under the CEA, Commission regulations, and related guidance, exchanges have the responsibility to ensure that their Bitcoin futures products and their cash-settlement process are not readily susceptible to manipulation, and DCOs have the responsibility of risk management to ensure that the products are sufficiently margined.  The CFTC has the authority to ensure compliance with both.  In addition, the CFTC has legal authority over virtual currency derivatives in support of anti-fraud and manipulation including enforcement authority in the underlying markets.

Recently, CFTC staff issued an advisory[6] giving registered exchanges and clearinghouses guidance for listing virtual currency derivative products.  The guidance will help ensure that market participants follow appropriate governance processes with respect to the launch of these products.  It clarifies CFTC staff’s priorities and expectations in its review of new virtual currency derivatives to be listed on a designated contract market or swap execution facility, or to be cleared by a DCO.  The advisory should help exchanges and clearinghouses effectively and efficiently discharge their statutory and self-regulatory responsibilities, while keeping pace with the unique challenges of emerging virtual currency derivatives.

The CFTC has been in close communication with the SEC with respect to policy and jurisdictional considerations, and in connection with our recent enforcement cases. We have also been working with the U.S Treasury and the Financial Stability Oversight Council.  In addition, we have been in communication with our foreign counterparts through bilateral discussions and through international bodies like the International Organization of Securities Commissions.

Economic Modeling and Econometric Capabilities

The budget request, if met, would boost the CFTC’s ability to monitor systemic risk in the derivatives markets by increasing both its analytical expertise and its capacity to process and study the voluminous data provided by market participants since the passage of the Dodd-Frank Act.  These investments will allow for the expansion of sophisticated quantitative and econometric analyses that are necessary for risk modeling, stress tests, and other stability-related evaluations, especially with respect to central counterparty clearinghouses.  These analyses will, in addition, enhance the quality of CFTC policy development, rulemaking and cost-benefit considerations.

Agency Reform and The Kiss Project

Since becoming Chairman, I have made efforts to normalize operations and practices, and found opportunities to reinvest and maximize current resources.  That means a return to greater care and precision in rule drafting; more thorough econometric analysis; and a reduced docket of new rules and regulations to be absorbed by market participants.

The KISS initiative launched last March included a review of rules and processes, and the invitation for public comment to collect ideas on how the CFTC can be a more effective regulator.  The effort has produced a tiered list of significant actions that will lessen regulatory burdens.[7]  Recently, the agency unanimously approved an amendment replacing the complex and confusing lettering for defined terms with a simple alphabetical list.[8]  The replacement will remove unnecessary complexity from our rules and should help make regulatory compliance less burdensome.

Internally, we have embraced the Administration’s Reform Plan concept and have implemented in-depth organizational reviews to ensure that the agency is staffed to provide the most effective services to the American taxpayer.  This ongoing effort has already borne results.  We are now leveraging knowledge gained from enforcement actions and surveillance efforts to enable the provision of more efficient and timely consumer education materials to the public.  The Primer on Virtual Currency, Bitcoin webpage, and podcasts are just a few of the initiatives resulting from these efforts.

Swaps Reform

We now have more than four ***years*** of U.S experience with the current CFTC regulatory framework for swaps and have learned from its varied strengths and shortcomings.  Four ***years*** provides a significant sample size to evaluate the effects of these reforms and their implementation.  Based on a careful analysis of that data and experience, we are in position to address flaws, recalibrate imprecision and optimize measures in the CFTC’s initial implementation of swaps market reform.

At the end of April, I released a White Paper on swaps reform called “Swaps Regulation Version 2.0 ”  The White Paper was co-authored with Bruce Tuckman, the CFTC’s Chief Economist.  This White Paper analyzes the range of academic research, market activity, and regulatory experience with the CFTC’s current implementation of swaps reform.  It explores and considers a range of improvements to the current reform implementation that is pro-reform, aligned to legislative intent, and better balances systemic risk mitigation with healthy swaps market activity in support of broad-based economic growth.

Increased Examinations Of Clearinghouses

The Commission expects the number of derivatives clearing organizations (DCOs) to continue to increase in FY 2019, with many expanding their business to other products and other jurisdictions around the world.  As the number of DCOs increase, the complexity of the oversight ***program*** will increase.  It is imperative that the Commission ‎strengthen its examination capability to enable it to keep pace with the growth in the amount of swaps cleared by DCOs pursuant to global regulatory reform implementation.  As the size and scope of DCOs have increased, so too has the complexity of DCO’s risk management ***programs*** and liquidity risk management procedures.  In addition, increased funding will enable the Commission to enhance its financial analysis tools used to aggregate data and evaluate risk across all DCOs.

Enforcement

The day after the White House announced its intention to nominate me as CFTC Chairman, I spoke to hundreds of industry executives at the annual Futures Industry Association Conference.  I issued a warning to those who may seek to cheat or manipulate America’s derivatives markets.  I said, “[t]here will be no pause, let up or reduction in our duty to enforce the law and punish wrongdoing in our derivatives markets.  The American people are counting on us.” [9]  Through robust enforcement of our laws and regulation, we will continue to send a clear signal to the marketplace about our seriousness in punishing bad behavior and compensating victims.

In the past several months the CFTC has filed a series of civil enforcement actions against perpetrators of fraud and market abuse involving virtual currency.  These actions and others to follow confirm that the CFTC, working closely with the SEC and other fellow financial enforcement agencies, as well as with criminal enforcement agencies, will aggressively prosecute those who engage in fraud and manipulation of U.S markets for virtual currency.

In the fiscal ***year*** that ended September 30, 2017, the CFTC brought numerous significant actions to root out manipulation and spoofing and to protect retail investors from fraud.  The CFTC also pursued significant and complex litigation, including cases charging manipulation, spoofing, and unlawful use of customer funds.

As of this morning, the Commission has filed 13 manipulative conduct cases in 2018 - the most manipulation cases the CFTC has ever filed in a single ***year***, which was last ***year*** (12 cases).

But it is not just about the numbers; it is about making our markets safer and removing bad actors from the marketplace.  We believe that to adequately deter future misconduct, we must prosecute not just the companies responsible, but also the individuals involved in the wrongdoing.  We also believe that, to maximize deterrence, we must work with our criminal law enforcement partners to ensure that wrongdoers face not just civil liability, but also the prospect of criminal prosecution and time in jail.

In January 2018, the CFTC filed manipulation and spoofing cases against six individuals in coordination with the Department of Justice (DOJ) and the Federal Bureau of Investigation, which brought criminal charges against the same individuals.  This constitutes the largest coordinated prosecution with the criminal authorities in the history of the CFTC.  These prosecutions were equally significant for DOJ: in a press statement, the Assistant Attorney General characterized it as “the largest futures market criminal enforcement action in Department history.”[10]

I also pledged last ***year*** that the agency would look to benefit from cooperation with civil and criminal capabilities of other federal and state regulators and enforcement agencies.  We have been making good on that pledge.  Two weeks ago, I signed an important agreement, marking a milestone in the area of U.S federal and state financial fraud detection and prosecution. That was a memorandum of understanding (MOU) between the CFTC and individual state securities commissions will focus our collective resources to better uphold the law.

**Load-Date:** June 7, 2018

**End of Document**



[***Kesko's half-year financial report for the period 1 January - 30 June 2018: Kesko's comparable operating profit improved***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SWG-N7R1-F0NJ-D297-00000-00&context=1516831)

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**Section:** PÖRSSITIEDOTE

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**Body**

FINANCIAL PERFORMANCE IN BRIEF, CONTINUING OPERATIONS:

· The Group's net sales in January-June totalled (EURO)5,086 million ((EURO)5,321 million), an increase of 3.7% in comparable terms

· Comparable operating profit was (EURO)129.1 million ((EURO)115.3 million)

· Operating profit was (EURO)118.2 million ((EURO)171.2 million)

· Comparable return on capital employed was 13.7% (12.1%) (rolling 12 months)

· Comparable profit before tax was (EURO)125.9 million ((EURO)118.4 million)

· Comparable earnings per share were (EURO)0.96 ((EURO)0.93)

· In comparable terms, the net sales for continuing operations for the next 12 months are expected to exceed the level of the previous 12 months. The comparable operating profit for continuing operations for the next 12-month period is expected to exceed the level of the preceding 12 months. However, investments in the expansion of logistics operations and in information systems and digital services will burden profitability during the period.

KEY PERFORMANCE INDICATORS

+------------------------------+----------+----------+---------+---------+

| |1-6/2018 |1-6/2017 |4-6/2018 |4-6/2017 |

+------------------------------+----------+----------+---------+---------+

|Continuing operations | | | | |

+------------------------------+----------+----------+---------+---------+

|Net sales, (EURO) million | 5,086| 5,321| 2,673| 2,763|

+------------------------------+----------+----------+---------+---------+

|Operating profit, comparable, | 129.1| 115.3| 89.0| 83.8|

|(EURO) million | | | | |

+------------------------------+----------+----------+---------+---------+

|Operating margin, comparable | 2.5| 2.2| 3.3| 3.0|

+------------------------------+----------+----------+---------+---------+

|Operating profit, (EURO) million | 118.2| 171.2| 81.6| 151.8|

+------------------------------+----------+----------+---------+---------+

|Profit before tax, comparable,| 125.9| 118.4| 86.0| 82.1|

|(EURO) million | | | | |

+------------------------------+----------+----------+---------+---------+

|Profit before tax, (EURO) million | 115.0| 174.3| 78.5| 150.0|

+------------------------------+----------+----------+---------+---------+

|Cash flow from operating | 179.1| 83.5| 139.8| 131.0|

|activities, (EURO) million | | | | |

+------------------------------+----------+----------+---------+---------+

|Capital expenditure, (EURO) million| 128.7| 153.5| 74.2| 77.7|

+------------------------------+----------+----------+---------+---------+

|Return on capital employed, | 13.7| 12.1| 13.7| 12.1|

|comparable, %, rolling 12 | | | | |

|months | | | | |

+------------------------------+----------+----------+---------+---------+

| | | | | |

+------------------------------+----------+----------+---------+---------+

|Group | | | | |

+------------------------------+----------+----------+---------+---------+

|Return on equity, comparable, | 11.7| 10.3| 11.7| 10.3|

|%, rolling 12 months | | | | |

+------------------------------+----------+----------+---------+---------+

| | | | | |

+------------------------------+----------+----------+---------+---------+

|Earnings per share, (EURO), basic | | | | |

|and diluted | | | | |

+------------------------------+----------+----------+---------+---------+

|Continuing operations | 0.84| 1.50| 0.52| 1.29|

+------------------------------+----------+----------+---------+---------+

|Discontinued operations | -0.52| -0.03| -0.28| 0.00|

+------------------------------+----------+----------+---------+---------+

|Group, total | 0.32| 1.48| 0.24| 1.29|

+------------------------------+----------+----------+---------+---------+

|Earnings per share, | | | | |

|comparable, (EURO), basic | | | | |

+------------------------------+----------+----------+---------+---------+

|Continuing operations | 0.96| 0.93| 0.61| 0.61|

+------------------------------+----------+----------+---------+---------+

| |30.6.2018 |30.6.2017 | |

+------------------------------+----------+----------+---------+---------+

|Group | | | |

+------------------------------+----------+----------+---------+---------+

|Equity ratio, % | 46.2| 47.0| |

+------------------------------+----------+----------+---------+---------+

|Equity per share, (EURO) | 19.87| 20.18| |

+------------------------------+----------+----------+---------+---------+

PRESIDENT AND CEO MIKKO HELANDER:

Net sales and operating profit grew in all our core businesses in the second quarter. Net sales grew in comparable terms by 4.0%. The comparable operating profit totalled (EURO)89 million, and grew operatively by (EURO)11 million excluding the impact of divestments.

During the reporting period, we successfully continued acquisitions and divestments and new service launches in line with our strategy. We further defined our growth strategy first adopted in 2015, which aims at accelerating growth and profitability in all three divisions in order to increase shareholder value. In the building and technical trade, this means more clearly defined country-specific choices to ensure customer-orientation and operational efficiency under a new management model.

In the grocery trade, customer numbers rose in all K-stores thanks to successful chain redesigns. Sales grew the strongest in the neighbourhood market, thanks to the timing of Easter and warm weather early in the summer. Profitability improved thanks to the growth in net sales and realised synergies. The acquisition of Suomen Lähikauppa has exceeded our expectations and the integration has now been completed as the final remaining converted stores were ***transferred*** to retailers at the end of June. We strengthened Kespro's competitiveness in the fast-growing foodservice wholesale market by acquiring Kalatukku E. Eriksson and Reinin Liha, which specialise in premium fish and meat fresh food products, respectively.

In the building and technical trade excluding the speciality goods trade, net sales increased and operating profit grew operatively by (EURO)3.9 million. Development was particularly strong in Finland and the Baltics. Efficiency measures taken in Sweden and changes in the store network structure in Norway reduced sales. Divestments in the speciality goods trade decreased net sales and operating profit as expected. During the reporting period, we continued acquisitions and divestments in line with our strategy. The announced acquisitions will strengthen the market position and profitability of the Byggmakker chain in Norway and Kesko Senukai's e-commerce operations in the Baltics. We continue to focus our operations by divesting our remaining stake in machinery trade in the Baltics and ***agricultural*** machinery trade in Finland. The divestment and discontinuation of our Russian operations proceeded according to plans, and our focus in the building and technical trade is now on the Northern European markets, in line with our strategy.

In the car trade, net sales and operating profit continued to grow. The market share for Volkswagen, Audi, SEAT and Porsche was 19.5%. We invest strongly in both growing our current business as well as in new mobility services, for example, by making way for the era of electric cars by building a nationwide network of electric car charging points in Finland. During the reporting period, we continued preparations for the implementation of the new emissions testing system affecting the whole car industry as of September.

At the end of the second quarter, our return on capital employed was close to the 14% target level. Our financial position remains very strong.

Our good commercial performance has proven we were right in 2015 to set our strategic focus on quality, selections and services, and we are well-positioned to continue the implementation of our strongly customer-oriented strategy.

FINANCIAL PERFORMANCE OF CONTINUING OPERATIONS

Net sales and profit for January-June 2018

The net sales for the Group's continuing operations in January-June 2018 totalled (EURO)5,086 million, which is 4.4% down on the corresponding period of the previous ***year*** ((EURO)5,321 million). The net sales were significantly impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales grew by 3.7% in local currencies, excluding the impact of acquisitions and divestments. The Group's net sales decreased by 4.6% in Finland, or grew by 4.7% in comparable terms. In other countries, net sales decreased by 3.8%, or grew by 0.3% in comparable terms. International operations accounted for 19.7% (19.5%) of the Group's net sales.

In the grocery trade, net sales grew by 1.3%, and were negatively affected by the ***transfers*** of the stores acquired from Suomen Lähikauppa to retailers and changes in the store site network. In comparable terms, net sales increased by 5.0%. The comparable change has been calculated by including in the net sales those stores acquired from Suomen Lähikauppa which have been in the store network during both this reporting period as well as the comparison period, and by deducting the impact of Reinin Liha, acquired on 1 June 2018.

In the building and technical trade, net sales decreased by 13.0%, impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales increased by 1.8% in local currencies. The comparable change % has been calculated in local currencies and excluding the impact of divestments made during 2017. The net sales for the building and technical trade excluding the speciality goods trade decreased by 0.6%, but grew by 1.5% in comparable terms. In the speciality goods trade, net sales decreased by 61.1% on account of divestments, while in comparable terms net sales increased by 5.0%.

Net sales for the car trade increased by 4.9% thanks to good market performance and market share development.

During the financial ***year*** 2017, Kesko Group divested the K-maatalous ***agricultural*** business on 1 June 2017, and on 30 June 2017, the Asko and Sotka furniture trade, the Yamarin boat business and the Yamaha representation. On 1 June 2018, Reinin Liha became part of Kesko Group's foodservice wholesaler Kespro via an acquisition. An agreement was also made at the time to acquire Kalatukku E. Eriksson, and the transaction was completed after the end of the reporting period on 2 July 2018. In June, Kesko Corporation's subsidiary Byggmakker Handel AS agreed to acquire Norwegian building and home improvement trade companies Skattum Handel AS and Gipling AS. Both companies have been operating Byggmakker stores under the retailer business model. The acquisitions were completed after the reporting period in July 2018.

On 16 February 2018, Kesko announced it would be discontinuing its building and home improvement trade operations in Russia. The divested Russian operations are reported as discontinued operations and are not included in the figures for the Group's continuing operations or the figures for the building and technical trade in this half-***year*** report. The figures for the comparison period have been adjusted accordingly.

+----------------------------+----------+-------+-----------+-----------+---------+

|1-6/2018 |Net sales,|Change,|Change, |Operating |Change, |

| |(EURO) million |% |comparable,|profit, |(EURO) million|

| | | |% |comparable,| |

| | | | |(EURO) million | |

+----------------------------+----------+-------+-----------+-----------+---------+

|Grocery trade | 2,604| +1.3| +5.0| 91.5| +14.6|

+----------------------------+----------+-------+-----------+-----------+---------+

|Building and technical trade| 1,798| -0.6| +1.5| 30.2| -0.6|

|excl. speciality goods trade| | | | | |

+----------------------------+----------+-------+-----------+-----------+---------+

|Speciality goods trade | 181| -61.1| +5.0| 1.0| -8.8|

+----------------------------+----------+-------+-----------+-----------+---------+

|Building and technical | 1,979| -13.0| +1.8| 31.2| -9.4|

|trade, total | | | | | |

+----------------------------+----------+-------+-----------+-----------+---------+

|Car trade | 502| +4.9| +4.9| 19.7| +2.1|

+----------------------------+----------+-------+-----------+-----------+---------+

|Common functions and | 1| (..)| (..)| -13.3| +6.5|

|eliminations | | | | | |

+----------------------------+----------+-------+-----------+-----------+---------+

|Total | 5,086| -4.4| +3.7| 129.1| +13.8|

+----------------------------+----------+-------+-----------+-----------+---------+

The Group's comparable operating profit for continuing operations for January-June was (EURO)129.1 million ((EURO)115.3 million). Profitability improved significantly in the grocery trade due to increased sales, successful chain redesigns and realised synergy benefits. In the building and technical trade excluding the speciality goods trade, comparable operating profit was at the level of the previous ***year***. The decrease in the speciality goods trade operating profit was affected by the divestments carried out in 2017. In the car trade, comparable operating profit strengthened compared to the ***year*** before.

Operating profit was (EURO)118.2 million ((EURO)171.2 million). Items affecting comparability totalled (EURO)-10.9 million ((EURO)55.8 million). The most significant items affecting comparability were the (EURO)5.2 million costs related to conversions of Suomen Lähikauppa's chains and changes in the store network, and the (EURO)4.0 million costs related to structural changes in the Swedish operations of the building and technical trade division. The ***transfer*** of former Suomen Lähikauppa stores to retailers was completed during the reporting period. The most significant items affecting comparability the ***year*** before were the (EURO)50.2 million gain on the divestment of real estate in the Baltics, the (EURO)20.3 million expenses related to the conversion of the Suomen Lähikauppa chains, the (EURO)12.2 million gain on the divestment of the K-maatalous ***agricultural*** business, as well as the gain on the divestment of the Asko and Sotka furniture trade amounting to (EURO)19.0 million.

+------------------------------------+--------+--------+

|Items affecting comparability |1-6/2018|1-6/2017|

+------------------------------------+--------+--------+

|Operating profit, comparable |129.1 |115.3 |

+------------------------------------+--------+--------+

|Items affecting comparability | | |

+------------------------------------+--------+--------+

|+gains on disposal |6.7 |82.1 |

+------------------------------------+--------+--------+

|-losses on disposal |-0.0 |-1.6 |

+------------------------------------+--------+--------+

|-impairment charges |-3.4 |- |

+------------------------------------+--------+--------+

|+/-structural arrangements |-14.2 |-24.7 |

+------------------------------------+--------+--------+

|Items affecting comparability, total|-10.9 |55.8 |

+------------------------------------+--------+--------+

|Operating profit |118.2 |171.2 |

+------------------------------------+--------+--------+

The comparable profit before tax for the Group's continuing operations in January-June was (EURO)125.9 million ((EURO)118.4 million). The profit before tax for the Group's continuing operations in January-June was (EURO)115.0 million ((EURO)174.3 million). The earnings per share for the Group's continuing operations were (EURO)0.84 ((EURO)1.50), and the comparable earnings per share (EURO)0.96 ((EURO)0.93). The Group's equity per share was (EURO)19.87 ((EURO)20.18).

In January-June, K Group's (Kesko and the chain stores) retail and B2B sales (VAT 0%) amounted to (EURO)6,224 million, up by 1.5% compared to the previous ***year*** (pro forma). The K-Plussa customer loyalty ***programme*** added 45,182 new households in January-June 2018. At the end of June, there were 2.4 million K-Plussa households and 3.6 million K-Plussa cardholders.

Net sales and profit for April-June 2018

The net sales for the Group's continuing operations in April-June 2018 totalled (EURO)2,673 million, which is 3.3% down on the corresponding period of the previous ***year*** ((EURO)2,763 million). The net sales were significantly impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales grew by 4.0% in local currencies, excluding the impact of acquisitions and divestments. The Group's net sales decreased by 4.0% in Finland, or grew by 4.3% in comparable terms. In other countries, net sales decreased by 0.6%, or increased by 3.1% in comparable terms. International operations accounted for 21.3% (20.7%) of the Group's net sales.

In the grocery trade, net sales were affected by the timing of Easter, which was in March this ***year*** and in April in 2017, and the changes in the Suomen Lähikauppa store site network in the K-Market chain and the ***transfers*** of the stores to retailers. In comparable terms, net sales increased by 2.9%.

In the building and technical trade, net sales decreased by 8.4%, impacted by the divestments carried out in the second quarter of 2017. In comparable terms, net sales increased by 5.4% in local currencies. The comparable change % has been calculated in local currencies and excluding the impact of divestments made during 2017. The net sales for the building and technical trade excluding the speciality goods trade increased by 2.8%, or 4.7% in comparable terms. In the speciality goods trade, net sales decreased by 54.6% on account of divestments, while in comparable terms net sales increased by 12.2%.

In the car trade, net sales grew by 4.0%.

+----------------------------+----------+-------+-----------+-----------+---------+

|4-6/2018 |Net sales,|Change,|Change, |Operating |Change, |

| |(EURO) million |% |comparable,|profit, |(EURO) million|

| | | |% |comparable,| |

| | | | |(EURO) million | |

+----------------------------+----------+-------+-----------+-----------+---------+

|Grocery trade | 1,327| +0.0| +2.9| 52.8| +2.3|

+----------------------------+----------+-------+-----------+-----------+---------+

|Building and technical trade| 995| +2.8| +4.7| 31.2| +3.3|

|excl. speciality goods trade| | | | | |

+----------------------------+----------+-------+-----------+-----------+---------+

|Speciality goods trade | 106| -54.6| +12.2| 2.2| -4.6|

+----------------------------+----------+-------+-----------+-----------+---------+

|Building and technical | 1,102| -8.4| +5.4| 33.4| -1.4|

|trade, total | | | | | |

+----------------------------+----------+-------+-----------+-----------+---------+

|Car trade | 244| +4.0| +4.0| 8.7| +1.2|

+----------------------------+----------+-------+-----------+-----------+---------+

|Common functions and | 0| (..)| -77.0| -5.9| +3.1|

|eliminations | | | | | |

+----------------------------+----------+-------+-----------+-----------+---------+

|Total | 2,673| -3.3| +4.0| 89.0| +5.2|

+----------------------------+----------+-------+-----------+-----------+---------+

The Group's comparable operating profit for continuing operations for April-June was (EURO)89.0 million ((EURO)83.8 million). Profitability improved in the grocery trade due to increased sales and realised synergy benefits from the Suomen Lähikauppa acquisition. In the building and technical trade excluding the speciality goods trade, comparable operating profit increased thanks to improved profitability in Onninen and Kesko Senukai. The decrease in the speciality goods trade operating profit was affected by the divestments carried out in 2017. In the car trade, operating profit strengthened compared to the ***year*** before.

Operating profit was (EURO)81.6 million ((EURO)151.8 million). Items affecting comparability totalled (EURO)-7.5 million ((EURO)67.9 million). The most significant items affecting comparability were the (EURO)4.1 million costs related to the conversion of the Suomen Lähikauppa chains and changes in the store site network. The ***transfer*** of former Suomen Lähikauppa stores to retailers was completed during the reporting period. The most significant items affecting comparability the ***year*** before were the (EURO)50.2 million gain on the divestment of real estate in the Baltics, the (EURO)10.9 million expenses related to the conversion of the Suomen Lähikauppa chains, the (EURO)12.2 million gain on the divestment of the K-maatalous ***agricultural*** business, as well as the gain on the divestment of the Asko and Sotka furniture trade amounting to (EURO)19.0 million.

+------------------------------------+--------+--------+

|Items affecting comparability |4-6/2018|4-6/2017|

+------------------------------------+--------+--------+

|Operating profit, comparable | 89.0| 83.8|

+------------------------------------+--------+--------+

|Items affecting comparability | | |

+------------------------------------+--------+--------+

|+gains on disposal | 4.3| 81.8|

+------------------------------------+--------+--------+

|-losses on disposal | -| -1.2|

+------------------------------------+--------+--------+

|-impairment charges | -3.4| -|

+------------------------------------+--------+--------+

|+/-structural arrangements | -8.4| -12.6|

+------------------------------------+--------+--------+

|Items affecting comparability, total| -7.5| 67.9|

+------------------------------------+--------+--------+

|Operating profit | 81.6| 151.8|

+------------------------------------+--------+--------+

The comparable profit before tax for the Group's continuing operations in April-June was (EURO)86.0 million ((EURO)82.1 million). The profit before tax for the Group's continuing operations in April-June was (EURO)78.5 million ((EURO)150.0 million). The earnings per share for the Group's continuing operations were (EURO)0.52 ((EURO)1.29), and the comparable earnings per share (EURO)0.61 ((EURO)0.61).

In April-June, K Group's (Kesko and the chain stores) retail and B2B sales (VAT 0%) amounted to (EURO)3,335 million, up by 2.0% compared to the previous ***year*** (pro forma).

Finance

In January-June, the cash flow from operating activities for continuing operations was (EURO)179.1 million ((EURO)83.5 million). Cash flow was strengthened by improved profitability and the (EURO)58 million return of surplus assets paid by Kesko Pension Fund in March. The cash flow from operating activities for discontinued operations was (EURO)-3.4 million ((EURO)0.4 million). The Group's cash flow from operating activities was (EURO)175.7 million ((EURO)83.8 million). The Group's cash flow from investing activities was positive, (EURO)67.2 million ((EURO)63.2 million). Cash flow from investing activities includes the (EURO)167 million transaction price obtained from the divestment of properties in Russia. Cash flow from investing activities for the comparison period includes the divestment of a 45% stake of Konekesko's Baltic subsidiaries to Danish Agro Group, and the divestments of Baltic real estate, the K-maatalous ***agricultural*** business, Asko and Sotka furniture trade, and Yamaha representation and Yamarin boat business, (EURO)192.4 million.

The Group had liquid assets of (EURO)446 million at the end of the reporting period ((EURO)367 million). Interest-bearing liabilities at the end of June totalled (EURO)592 million ((EURO)561 million) and interest-bearing net debt (EURO)146 million ((EURO)194 million). The equity ratio was 46.2% (47.0%) at the end of the period.

The net finance costs for the Group's continuing operations in January-June totalled (EURO)0.8 million (net finance income (EURO)3.1 million). The financial items for the comparison period include dividend income and interest income on cooperative capital of (EURO)4.5 million, of which (EURO)2.3 million is interest income on cooperative capital from Suomen Luotto-osuuskunta. The share of result of associates and joint ventures, (EURO)-2.3 million, includes the loss of (EURO)2.7 million from Kesko and Oriola's joint venture, the Hehku wellbeing chain.

In April-June, the cash flow from operating activities for continuing operations was (EURO)139.8 million ((EURO)131.0 million). The cash flow from operating activities for discontinued operations was (EURO)-36.9 million ((EURO)10.1 million), weakened by the value-added tax of (EURO)25 million related to the divestment of building and home improvement store properties in Russia, paid in the second quarter. The Group's cash flow from operating activities in April-June was (EURO)102.9 million ((EURO)141.1 million). The Group's cash flow from investing activities totalled (EURO)-58.2 million ((EURO)97.7 million). Cash flow from investing activities for the comparison period includes the divestments of Baltic real estate, the K-maatalous ***agricultural*** business, Asko and Sotka furniture trade, and Yamaha representation and Yamarin boat business, (EURO)171.1 million.

The net finance costs for the Group were (EURO)0.9 million ((EURO)1.1 million) in April-June. The share of result of associates and joint ventures, (EURO)-2.2 million, includes the loss of (EURO)1.4 million from Kesko and Oriola's joint venture, the Hehku wellbeing chain.

Taxes

The taxes for the Group's continuing operations were (EURO)23.6 million ((EURO)21.6 million) in January-June. The effective tax rate was 20.5% (12.4%). In April-June, the taxes for the Group's continuing operations were (EURO)16.3 million ((EURO)17.4 million) and the effective tax rate was 20.7% (11.6%). The effective tax rate for the comparison period was lowered by the tax-exempt gains on the sale of properties and subsidiaries.

Capital expenditure

The capital expenditure for the Group's continuing operations in January-June totalled (EURO)128.7 million ((EURO)153.5 million), or 2.5% (2.9%) of net sales. Capital expenditure in store sites was (EURO)60.8 million ((EURO)101.0 million), in acquisitions (EURO)4.0 million, and in IT (EURO)21.6 million ((EURO)17.2 million) and other capital expenditure totalled (EURO)42.3 million ((EURO)35.3 million).

The capital expenditure for the Group's continuing operations in April-June totalled (EURO)74.2 million ((EURO)77.7 million), or 2.8% (2.8%) of net sales. Capital expenditure in store sites was (EURO)33.4 million ((EURO)49.5 million), in acquisitions (EURO)4.0 million, and in IT (EURO)9.0 million ((EURO)8.2 million) and other capital expenditure totalled (EURO)27.8 million ((EURO)20.0 million).

Personnel

In January-June, the average number of personnel in Kesko Group was 20,017 (22,806) converted into full-time employees.

At the end of June 2018, the number of personnel was 23,173 (27,826), of whom 12,283 (14,878) worked in Finland and 10,890 (12,948) outside Finland.

DISCONTINUED OPERATIONS

In February 2018, Kesko Corporation agreed to sell 12 K-Rauta properties in the St. Petersburg and Moscow regions to the Russian division of the French Leroy Merlin. The business operations conducted in the properties and stocks were not included within the scope of the transaction; instead, the operations were discontinued during the first ***year***-half. The ownership of the properties was ***transferred*** to the buyer during the second quarter of 2018. Kesko discontinued the operations of its two remaining K-Rauta properties in the Moscow region, included in assets held for sale.

The divestment of the properties resulted in a positive cash flow of (EURO)171 million for Kesko Corporation in February. All divested properties had been handed over to the buyer by 30 June 2018 and the divestment of the properties resulted in a (EURO)17 million sales gain in the second quarter. The operative result after taxes for the operations was (EURO)-2 million in the first half of the ***year***. In addition, in the first ***year***-half a cost of (EURO)21 million related to the discontinuation of operations was recorded as were translation differences of (EURO)-39 million related to the equity financing of Russian subsidiaries.

The divested Russian building and home improvement trade operations are reported as discontinued operations and are not included in the figures for the Group's continuing operations or the figures for the building and technical trade in this half-***year*** report. The comparison data for the 2017 income statement, statement of cash flows and certain performance indicators have been adjusted. In 2017, Kesko's building and home improvement trade operations in Russia recorded net sales of (EURO)184 million and a comparable operating profit of (EURO)0.6 million.

SEGMENTS

Seasonal nature of operations

The Group's operating activities are affected by seasonal fluctuations. The net sales and the operating profits of the reportable segments are not earned evenly throughout the ***year***. Instead, they vary by quarter depending on the characteristics of each segment. In terms of the level of operating profit, the second and third quarter are the strongest, whereas the impact of the first quarter on the full ***year*** profit is smallest. The acquisitions of Suomen Lähikauppa and Onninen have increased seasonal fluctuations between quarters. The operating profit levels of Onninen and Suomen Lähikauppa are lowest for the first quarter.

Grocery trade

+------------------------------+--------+--------+--------+--------+

| |1-6/2018|1-6/2017|4-6/2018|4-6/2017|

+------------------------------+--------+--------+--------+--------+

|Net sales, (EURO) million | 2,604| 2,570| 1,327| 1,327|

+------------------------------+--------+--------+--------+--------+

|Operating profit, comparable, | 91.5| 76.9| 52.8| 50.5|

|(EURO) million | | | | |

+------------------------------+--------+--------+--------+--------+

|Operating margin, comparable | 3.5| 3.0| 4.0| 3.8|

+------------------------------+--------+--------+--------+--------+

|Return on capital employed, | 25.1| 22.0| 25.1| 22.0|

|comparable, %, rolling 12 | | | | |

|months | | | | |

+------------------------------+--------+--------+--------+--------+

|Capital expenditure, (EURO) million| 60.1| 97.6| 31.4| 44.3|

+------------------------------+--------+--------+--------+--------+

|Personnel, average | 6,089| 7,137| 6,187| 7,111|

+------------------------------+--------+--------+--------+--------+

+----------------------+--------+--------+---------+--------+--------+---------+

|Net sales |1-6/2018|1-6/2017|Change, %|4-6/2018|4-6/2017|Change, %|

+----------------------+--------+--------+---------+--------+--------+---------+

|Sales to K-food stores| | | | | | |

+----------------------+--------+--------+---------+--------+--------+---------+

|   K-Citymarket, food | 535| 514| +4.0| 264| 269| -2.0|

+----------------------+--------+--------+---------+--------+--------+---------+

|   K-Supermarket | 671| 623| +7.7| 343| 326| +5.1|

+----------------------+--------+--------+---------+--------+--------+---------+

|   K-Market\* | 651| 720| -9.5| 336| 369| -8.8|

+----------------------+--------+--------+---------+--------+--------+---------+

|K-Citymarket, non-food| 260| 258| +0.6| 133| 132| +1.1|

+----------------------+--------+--------+---------+--------+--------+---------+

|Kespro | 417| 393| +6.2| 214| 202| +6.1|

+----------------------+--------+--------+---------+--------+--------+---------+

|Others | 70| 62| +12.9| 37| 29| +27.5|

+----------------------+--------+--------+---------+--------+--------+---------+

|Total | 2,604| 2,570| +1.3| 1,327| 1,327| +0.0|

+----------------------+--------+--------+---------+--------+--------+---------+

\* Comparable change in net sales attributable to K-Market +3.3% for January-June and +1.1% for April-June.

January-June 2018

Net sales for the grocery trade in January-June amounted to (EURO)2,604 million ((EURO)2,570 million), an increase of 1.3%. In comparable terms, net sales increased by 5.0%. Net sales development in the K-Market chain was affected by changes in Suomen Lähikauppa's store site network and the ***transfer*** of stores to retailers. The comparable change has been calculated by including in the net sales those stores acquired from Suomen Lähikauppa which have been in the store network during both this reporting period as well as the comparison period and by deducting the impact of Reinin Liha, which was acquired on 1 June 2018. The acquisition carried out on 1 June 2018 made Reinin Liha part of Kesko Group's foodservice wholesaler Kespro, and an agreement was also made to acquire Kalatukku E. Eriksson, completed after the reporting period on 2 July 2018.

The ***transfer*** of former Suomen Lähikauppa stores to retailers was completed by the end of June 2018. 380 stores in total were ***transferred*** to retailers between August 2016 and June 2018, after the stores had first been converted into K-food stores. The synergies sought with the acquisition have been achieved.

The total grocery market in Finland (incl. VAT) is estimated to have grown by approximately 4.2% in January-June (Kesko's own estimate) and retail prices are estimated to have risen by some 2.3%, impacted by the increases in tobacco and alcohol taxes at the start of 2018 (incl. VAT, Kesko's own estimate based on the Consumer Price Index of Statistics Finland). K Group's grocery sales grew by 3.9% (incl. VAT), and excluding the impact of the acquisition of Suomen Lähikauppa, by 5.1% (incl. VAT).

The comparable operating profit for the grocery trade in January-June was (EURO)91.5 million ((EURO)76.9 million), up by (EURO)14.6 million. Profitability in the grocery trade improved significantly due to sales growth, successful chain redesigns, and realised synergy benefits. Kespro's sales also grew and profitability improved. The profitability of the stores acquired from Suomen Lähikauppa in 2016 improved significantly following their conversion into K-Markets and ***transfer*** to retailers and the adjustments made to the store site network. By the end of June, all 380 stores still in operation had been ***transferred*** to retailers.

Operating profit for the grocery trade was (EURO)85.9 million ((EURO)56.6 million). Items affecting comparability amounted to (EURO)-5.7 million ((EURO)-20.3 million), and they were mainly related to the restructuring of Suomen Lähikauppa, (EURO)-5.2 million ((EURO)-20.3 million).

Capital expenditure for the grocery trade in January-June was (EURO)60.1 million ((EURO)97.6 million), of which (EURO)47.9 million ((EURO)87.0 million) was in store sites.

April-June 2018

Net sales for the grocery trade in April-June amounted to (EURO)1,327 million ((EURO)1,327 million), and were at the level of the previous ***year***. In comparable terms, net sales increased by 2.9%. Net sales development was affected by the timing of Easter, which was in March this ***year*** and in April in 2017, and in the K-Market chain, by changes in Suomen Lähikauppa's store site network and the ***transfer*** of stores to retailers.

The total grocery market in Finland (incl. VAT) is estimated to have grown by approximately 3.1% in April-June (Kesko's own estimate) and retail prices are estimated to have risen by some 2.3%, impacted by the increases in tobacco and alcohol taxes at the start of 2018 (incl. VAT, Kesko's own estimate based on the Consumer Price Index of Statistics Finland). K Group's grocery sales grew by 2.9% (incl. VAT), and excluding the impact of the acquisition of Suomen Lähikauppa, by 3.1% (incl. VAT).

The comparable operating profit for the grocery trade in April-June was (EURO)52.8 million ((EURO)50.5 million), up by (EURO)2.3 million. Profitability in the grocery trade improved due to sales growth, successful chain redesigns, and realised synergy benefits. The timing of Easter had a (EURO)2 million negative impact on the comparable operating profit for the second quarter.

Operating profit for the grocery trade was (EURO)48.3 million ((EURO)39.9 million). Items affecting comparability amounted to (EURO)-4.5 million ((EURO)-10.6 million), and they were mainly related to the restructuring of Suomen Lähikauppa, (EURO)-4.1 million ((EURO)-10.9 million).

Capital expenditure for the grocery trade in April-June was (EURO)31.4 million ((EURO)44.3 million), of which (EURO)23.0 million ((EURO)40.6 million) was in store sites.

In April-June, two new K-Supermarkets and three new K-Markets were opened, two of which were replacements. Remodelling and extensions were made in a total of 52 stores.

The most significant store sites under construction are K-Supermarkets in Turku, three locations in Helsinki (Kalasatama, Laajasalo and Pasila), Nurmijärvi and Kerava.

+----------------------+----+----+

|Store numbers at 30.6.|2018|2017|

+----------------------+----+----+

|K-Citymarket | 81| 81|

+----------------------+----+----+

|K-Supermarket | 241| 230|

+----------------------+----+----+

|K-Market | 784| 825|

+----------------------+----+----+

|Neste K | 72| 69|

+----------------------+----+----+

|Others | 83| 91|

+----------------------+----+----+

The total number of Suomen Lähikauppa stores was 380 (408), out of which 378 were K-Markets and 2 K-Supermarkets.

In addition, several K-food stores offer e-commerce services to their customers.

Building and technical trade

+------------------------------+--------+--------+--------+--------+

| |1-6/2018|1-6/2017|4-6/2018|4-6/2017|

+------------------------------+--------+--------+--------+--------+

|Net sales, (EURO) million | 1,979| 2,275| 1,102| 1,202|

+------------------------------+--------+--------+--------+--------+

|Building and technical trade | 1,798| 1,809| 995| 968|

|excl. speciality goods trade | | | | |

+------------------------------+--------+--------+--------+--------+

|Speciality goods trade | 181| 466| 106| 234|

+------------------------------+--------+--------+--------+--------+

|Operating profit, comparable, | 31.2| 40.6| 33.4| 34.8|

|(EURO) million | | | | |

+------------------------------+--------+--------+--------+--------+

|Building and technical trade | 30.2| 30.7| 31.2| 27.9|

|excl. speciality goods trade | | | | |

+------------------------------+--------+--------+--------+--------+

|Speciality goods trade | 1.0| 9.8| 2.2| 6.8|

+------------------------------+--------+--------+--------+--------+

|Operating margin, comparable | 1.6| 1.8| 3.0| 2.9|

+------------------------------+--------+--------+--------+--------+

|Building and technical trade | 1.7| 1.7| 3.1| 2.9|

|excl. speciality goods trade | | | | |

+------------------------------+--------+--------+--------+--------+

|Speciality goods trade | 0.5| 2.1| 2.0| 2.9|

+------------------------------+--------+--------+--------+--------+

|Return on capital employed, | 9.8| 10.2| 9.8| 10.2|

|comparable, %, rolling 12 | | | | |

|months | | | | |

+------------------------------+--------+--------+--------+--------+

|Capital expenditure, (EURO) million| 22.9| 32.3| 16.7| 21.3|

+------------------------------+--------+--------+--------+--------+

|Personnel, average | 11,322| 12,305| 11,603| 12,380|

+------------------------------+--------+--------+--------+--------+

+--------------------------------+------+------+-------+------+--------+--------+

|Net sales |1-6/20|1-6/20|Change,|4-6/20|4-6/2017|Change %|

| |18 |17 |% |18 | | |

+--------------------------------+------+------+-------+------+--------+--------+

|Building and home improvement | 463| 457| +1.3| 253| 238| +6.2|

|trade, Finland | | | | | | |

+--------------------------------+------+------+-------+------+--------+--------+

|K-Rauta, Sweden | 89| 104| -14.4| 54| 60| -10.7|

+--------------------------------+------+------+-------+------+--------+--------+

|Byggmakker, Norway | 168| 209| -19.6| 93| 109| -14.2|

+--------------------------------+------+------+-------+------+--------+--------+

|Kesko Senukai, Baltics | 267| 230| +16.1| 155| 132| +18.1|

+--------------------------------+------+------+-------+------+--------+--------+

|OMA, Belarus | 59| 59| +0.2| 35| 34| +3.6|

+--------------------------------+------+------+-------+------+--------+--------+

|Onninen, Finland | 424| 394| +7.6| 234| 212| +10.7|

+--------------------------------+------+------+-------+------+--------+--------+

|Onninen, Sweden | 78| 102| -23.1| 41| 52| -22.0|

+--------------------------------+------+------+-------+------+--------+--------+

|Onninen, Norway | 126| 136| -7.6| 62| 65| -3.5|

+--------------------------------+------+------+-------+------+--------+--------+

|Onninen, Baltics | 36| 32| +11.3| 19| 17| +10.8|

+--------------------------------+------+------+-------+------+--------+--------+

|Onninen, Poland | 108| 97| +11.7| 58| 53| +7.8|

+--------------------------------+------+------+-------+------+--------+--------+

|Building and technical trade | 1,798| 1,809| -0.6| 995| 968| +2.8|

|excl. speciality goods trade, | | | | | | |

|total | | | | | | |

+--------------------------------+------+------+-------+------+--------+--------+

|Leisure trade, Finland | 92| 89| +4.2| 43| 37| +14.5|

+--------------------------------+------+------+-------+------+--------+--------+

|Machinery trade | 89| 99| -10.3| 64| 66| -3.1|

+--------------------------------+------+------+-------+------+--------+--------+

|K-maatalous, Indoor Group Oy and| -| 279| -| -| 131| -|

|Yamaha and Yamarin | | | | | | |

+--------------------------------+------+------+-------+------+--------+--------+

|Speciality goods trade, total | 181| 466| -61.1| 106| 234| -54.6|

+--------------------------------+------+------+-------+------+--------+--------+

|Total  | 1,979| 2,275| -13.0| 1,102| 1,202| -8.4|

+--------------------------------+------+------+-------+------+--------+--------+

January-June 2018

Net sales for the building and technical trade in January-June totalled (EURO)1,979 million ((EURO)2,275 million), down by 13.0%. The net sales were impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales increased by 1.8% in local currencies. The comparable change % has been calculated in local currencies and excluding the impact of the divestments made during 2017.

In June, Kesko Corporation's subsidiary Byggmakker Handel AS agreed to acquire Norwegian building and home improvement trade companies Skattum Handel AS and Gipling AS. Both companies have been operating Byggmakker stores under the retailer business model. The acquisitions were completed after the reporting period in July 2018.

On 16 February 2018, Kesko announced it would be discontinuing its building and home improvement trade operations in Russia. The divested Russian operations are reported as discontinued operations and are not included in the figures for the Group's continuing operations or the figures for the building and technical trade in this half-***year*** report. The figures for the comparison period have been adjusted accordingly.

In Finland, net sales for the building and technical trade in January-June totalled (EURO)979 million ((EURO)1,235 million), down by 20.7%. In comparable terms, net sales increased by 3.3% in Finland. The net sales from foreign operations in January-June totalled (EURO)1,000 million ((EURO)1,040 million), down by 3.8%. In comparable terms, net sales from foreign operations grew by 0.3%. Foreign operations contributed 50.5% (45.7%) of the net sales for the building and technical trade.

Net sales for the building and technical trade excluding the speciality goods trade operations totalled (EURO)1,798 million ((EURO)1,809 million) in January-June, a decrease of 0.6%. In comparable terms, net sales increased by 1.5%.

Net sales for the building and home improvement trade in January-June were (EURO)1,042 million ((EURO)1,055 million), a decrease of 1.2%. In local currencies, net sales increased by 0.9%. Net sales decreased in local currency in Norway by 16.0% and in Sweden by 9.5%. In Sweden, the decrease in net sales was impacted by closures of K-Rauta stores due to the ending of lease agreements, while in Norway, the decline was impacted by the expiry of one retailer agreement. In Belarus, net sales grew in local currency by 17.5%.

Onninen's net sales in January-June totalled (EURO)770 million ((EURO)765 million), up by 0.7%. Net sales decreased in local currency in Sweden by 18.7% and in Norway by 3.4%. The decrease in net sales in Sweden was impacted by the closure of five store sites during the first half of the ***year***. In Poland, net sales grew in local currency by 10.4%.

The market share of K Group's building and technical trade is estimated to have strengthened in Finland. K Group's building and technical trade sales in Finland increased by 4.2% and the total market (VAT 0%) is estimated to have increased by about 3.3% (Kesko's own estimate).

Net sales for the speciality goods trade in January-June totalled (EURO)181 million ((EURO)466 million), down by 61.1%. The decrease was affected by the divestments carried out in 2017. The comparable change was +5.0%. Net sales for the machinery trade in January-June amounted to (EURO)89 million ((EURO)99 million), a decrease of 10.3% from the previous ***year***. Net sales for the machinery trade in Finland totalled (EURO)15 million, down by 56.0%. Net sales from foreign operations totalled (EURO)74 million, up by 13.2%. Net sales for the leisure trade were (EURO)92 million ((EURO)89 million), up by 4.2%. The net sales for the Asko and Sotka furniture trade, K-maatalous ***agricultural*** business, Yamarin boat business and Yamaha representation, all divested in June 2017, totalled (EURO)279 million in the comparison period.

The comparable operating profit for the building and technical trade in January-June was (EURO)31.2 million ((EURO)40.6 million), representing a decrease of (EURO)9.4 million compared to the ***year*** before, impacted by divestments in the speciality goods trade and Baltic real estate. The comparable operating profit for the building and technical trade excluding the speciality goods trade operations totalled (EURO)30.2 million ((EURO)30.7 million) and was at the level of the previous ***year***. Onninen's comparable operating profit in January-June totalled (EURO)13.1 million ((EURO)8.8 million), up by (EURO)4.3 million. The impact of the properties in the Baltics, divested in May 2017, on Kesko Senukai's comparable operating profit was (EURO)-1.7 million. The comparable operating profit for the speciality goods trade was (EURO)1.0 million ((EURO)9.8 million), down by (EURO)8.8 million. The comparable operating profit for the Asko and Sotka furniture trade, K-maatalous ***agricultural*** business and Yamarin boat business and Yamaha representation, all divested in June 2017, totalled (EURO)8.7 million in the comparison period.

Operating profit for the building and technical trade totalled (EURO)26.8 million ((EURO)118.6 million). Items affecting comparability totalled (EURO)-4.4 million ((EURO)78.0 million). The most significant items affecting comparability were the (EURO)4.0 million costs related to the restructuring of operations in Sweden and the (EURO)2.0 million gains on the disposal of real estate. The most significant items affecting comparability the ***year*** before were the (EURO)50.2 million gain on the divestment of real estate in the Baltics, the (EURO)12.2 million gain on the divestment of the K-maatalous ***agricultural*** business, as well as the gain on the divestment of the Asko and Sotka furniture trade amounting to (EURO)19.0 million.

In January-June, the capital expenditure for the building and technical trade totalled (EURO)22.9 million ((EURO)32.3 million), of which (EURO)12.8 million ((EURO)13.5 million) was in store sites.

April-June 2018

Net sales for the building and technical trade in April-June totalled (EURO)1,102 million ((EURO)1,202 million), down by 8.4%. The net sales were impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales increased by 5.4%. The comparable change % has been calculated in local currencies and excluding the impact of the divestments made during 2017.

In Finland, net sales for the building and technical trade in April-June totalled (EURO)532 million ((EURO)629 million), down by 15.4%. In comparable terms, net sales increased by 8.0% in Finland. The net sales from foreign operations in April-June totalled (EURO)569 million ((EURO)573 million), down by 0.6%. In comparable terms, net sales from foreign operations grew by 3.1%. Foreign operations contributed 51.7% (47.6%) of the net sales for the building and technical trade.

Net sales for the building and technical trade excluding the speciality goods trade operations totalled (EURO)995 million ((EURO)968 million) in April-June, an increase of 2.8%. In comparable terms, net sales increased by 4.7%

Net sales for the building and home improvement trade in April-June were (EURO)589 million ((EURO)571 million), an increase of 3.1%. In local currencies, net sales increased by 5.0%. Net sales decreased in local currency in Norway by 12.3% and in Sweden by 5.1%. In Sweden, the decrease in net sales was impacted by closures of K-Rauta stores due to the ending of lease agreements, while in Norway, the decline was impacted by the expiry of one retailer agreement. In Belarus, net sales grew in local currency by 20.3%.

Onninen's net sales in April-June totalled (EURO)413 million ((EURO)402 million), up by 2.9%. Net sales decreased in local currency in Sweden by 16.9% and in Norway by 1.8%. The decrease in net sales in Sweden was impacted by the closure of five store sites. In Poland, net sales grew in local currency by 8.6%.

The market share of K Group's building and technical trade is estimated to have strengthened in Finland.

K Group's building and technical trade sales in Finland increased by 6.2% and the total market (VAT 0%) is estimated to have increased by about 5.6% (Kesko's own estimate).

Net sales for the speciality goods trade in April-June totalled (EURO)106 million ((EURO)234 million), down by 54.6%. The decrease was affected by the divestments carried out in 2017. The comparable change was +12.2%. Net sales for the machinery trade in April-June amounted to (EURO)64 million ((EURO)66 million), a decrease of 3.1% from the previous ***year***. Net sales for the machinery trade in Finland totalled (EURO)10 million, down by 48.6%. Net sales from foreign operations totalled (EURO)54 million, up by 16.3%. Net sales for the leisure trade were (EURO)43 million ((EURO)37 million), up by 14.5%. The net sales for the Asko and Sotka furniture trade, K-maatalous ***agricultural*** business, Yamarin boat business and Yamaha representation, all divested in June 2017, totalled (EURO)131 million in the comparison period.

The comparable operating profit for the building and technical trade in April-June was (EURO)33.4 million ((EURO)34.8 million), representing a decrease of (EURO)1.4 million compared to the ***year*** before, impacted by divestments in the speciality goods trade and Baltic real estate. The comparable operating profit for the building and technical trade excluding the speciality goods trade operations totalled (EURO)31.2 million ((EURO)27.9 million), up by (EURO)3.3 million, and operatively excluding divestments by (EURO)3.9 million. The comparable operating profit for the building and technical trade excluding the speciality goods trade improved thanks to the good development in the building and home improvement trade and Onninen in Finland and the improvement in Kesko Senukai's profitability. The impact of the real estate in the Baltics, divested in May 2017, on Kesko Senukai's comparable operating profit was (EURO)-0.7 million. Onninen's comparable operating profit in April-June totalled (EURO)8.9 million ((EURO)6.4 million). The comparable operating profit for the speciality goods trade was (EURO)2.2 million ((EURO)6.8 million), down by (EURO)4.6 million. The comparable operating profit for the Asko and Sotka furniture trade, K-maatalous ***agricultural*** business and Yamarin boat business and Yamaha representation, all divested in June 2017, totalled (EURO)5.2 million in the comparison period.

Operating profit for the building and technical trade totalled (EURO)31.0 million ((EURO)114.6 million). Items affecting comparability totalled (EURO)-2.4 million ((EURO)79.8 million). The most significant items affecting comparability the ***year*** before were the (EURO)50.2 million gain on the divestment of real estate in the Baltics, the (EURO)12.2 million gain on the divestment of the K-maatalous ***agricultural*** business, as well as the gain on the divestment of the Asko and Sotka furniture trade amounting to (EURO)19.0 million.

In April-June, capital expenditure for the building and technical trade totalled (EURO)16.7 million ((EURO)21.3 million), of which (EURO)10.5 million ((EURO)8.7 million) was in store sites.

In April-June, two Onninen Express stores were opened in Finland, one in Oulunkylä, Helsinki and one in Oriketo, Turku. One store for business customers was opened in Vilnius, Lithuania.

The most significant store sites under construction are a joint K-Rauta and Onninen in Karlstad, Sweden, one K-Senukai store in Latvia, one K-Senukai store in Lithuania and one building and home improvement store in Belarus. Onninen's most significant store sites under construction are one Onninen Express store in Latvia, one in Estonia and two in Poland.

+----------------------------+-----------------------+----+

|Number of stores at 30.6. |2018 |2017|

+----------------------------+-----------------------+----+

|Building and technical trade| | |

+----------------------------+-----------------------+----+

|K-Rauta, Finland |                    137| 139|

+----------------------------+-----------------------+----+

|K-Rauta, Sweden | 17| 18|

+----------------------------+-----------------------+----+

|Byggmakker, Norway | 65| 82|

+----------------------------+-----------------------+----+

|K-Rauta, Estonia | 8| 8|

+----------------------------+-----------------------+----+

|K-Senukai, Latvia | 9| 8|

+----------------------------+-----------------------+----+

|K-Senukai, Lithuania | 23| 22|

+----------------------------+-----------------------+----+

|OMA, Belarus | 17| 16|

+----------------------------+-----------------------+----+

|Onninen, Finland | 56| 51|

+----------------------------+-----------------------+----+

|Onninen, Sweden | 13| 18|

+----------------------------+-----------------------+----+

|Onninen, Norway | 25| 25|

+----------------------------+-----------------------+----+

|Onninen, Baltics | 14| 15|

+----------------------------+-----------------------+----+

|Onninen, Poland | 35| 35|

+----------------------------+-----------------------+----+

|Speciality goods trade | | |

+----------------------------+-----------------------+----+

|Intersport, Finland | 56| 56|

+----------------------------+-----------------------+----+

|Budget Sport | 11| 11|

+----------------------------+-----------------------+----+

|The Athlete's Foot | 7| 5|

+----------------------------+-----------------------+----+

|Kookenkä | 36| 37|

+----------------------------+-----------------------+----+

In addition, building and technical trade stores offer e-commerce services to their customers.

Two Onninen stores in Finland and one Onninen store in Sweden operate in the same store premises with K-Rauta.

Car trade

+------------------------------+--------+--------+--------+--------+

| |1-6/2018|1-6/2017|4-6/2018|4-6/2017|

+------------------------------+--------+--------+--------+--------+

|Net sales, (EURO) million | 502| 479| 244| 234|

+------------------------------+--------+--------+--------+--------+

|Operating profit, comparable, | 19.7| 17.6| 8.7| 7.6|

|(EURO) million | | | | |

+------------------------------+--------+--------+--------+--------+

|Operating margin, comparable | 3.9| 3.7| 3.6| 3.2|

+------------------------------+--------+--------+--------+--------+

|Return on capital employed, | 22.1| 23.0| 22.1| 23.0|

|comparable, %, rolling 12 | | | | |

|months | | | | |

+------------------------------+--------+--------+--------+--------+

|Capital expenditure, (EURO) million| 27.2| 9.0| 18.5| 5.4|

+------------------------------+--------+--------+--------+--------+

|Personnel, average | 827| 803| 849| 813|

+------------------------------+--------+--------+--------+--------+

+-------------+--------+--------+---------+--------+--------+---------+

|Net sales |1-6/2018|1-6/2017|Change, %|4-6/2018|4-6/2017|Change, %|

+-------------+--------+--------+---------+--------+--------+---------+

|K-Auto | 470| 453| +3.9| 228| 221| +3.2|

+-------------+--------+--------+---------+--------+--------+---------+

|AutoCarrera  | 32| 26| +23.0| 16| 14| +18.4|

+-------------+--------+--------+---------+--------+--------+---------+

|Total | 502| 479| +4.9| 244| 234| +4.0|

+-------------+--------+--------+---------+--------+--------+---------+

January-June 2018

Net sales for the car trade in January-June amounted to (EURO)502 million ((EURO)479 million), an increase of 4.9%. The combined market performance of first registrations of passenger cars and vans was +7.3% (+0.8%) in January-June. The combined market share of the Volkswagen, Audi, SEAT and Porsche passenger cars and vans imported by the car trade grew to 19.2% (18.7%) in January-June.

Profitability in the car trade continued to improve thanks to good sales performance. The comparable operating profit for the car trade in January-June was (EURO)19.7 million ((EURO)17.6 million), up by (EURO)2.1 million. The comparable operating profit for AutoCarrera was (EURO)2.6 million ((EURO)1.1 million). Operating profit for the car trade in January-June totalled (EURO)19.7 million ((EURO)17.6 million).

Capital expenditure for the car trade in January-June was (EURO)27.2 million ((EURO)9.0 million). Gross capital expenditure comprises primarily cars obtained for the leasing fleet and rental cars sold with repurchase commitments.

April-June 2018

Net sales for the car trade in April-June amounted to (EURO)244 million ((EURO)234 million), an increase of 4.0%. The combined market share of the Volkswagen, Audi, SEAT and Porsche passenger cars and vans imported by the car trade was 19.5% (19.7%) in April-June.

Profitability in the car trade continued to improve thanks to good sales performance. The comparable operating profit for the car trade in April-June was (EURO)8.7 million ((EURO)7.6 million), up by (EURO)1.2 million. The comparable operating profit for AutoCarrera was (EURO)1.2 million ((EURO)1.0 million). Operating profit for the car trade in April-June totalled (EURO)8.7 million ((EURO)7.6 million).

Capital expenditure for the car trade in April-June was (EURO)18.5 million ((EURO)5.4 million). Gross capital expenditure comprises primarily cars obtained for the leasing fleet and rental cars sold with repurchase commitments.

The new WLTP emissions testing, implemented from September onwards, may slow down car trade in Europe in the latter half of the ***year***.

+----------------------+----+----+

|Store numbers at 30.6.|2018|2017|

+----------------------+----+----+

|K-Auto | 13| 10|

+----------------------+----+----+

|AutoCarrera | 3| 3|

+----------------------+----+----+

Changes in Group composition

Reinin Liha became part of Kesko Group's foodservice wholesale company Kespro following an acquisition carried out on 1 June 2018.

Shares, securities market and Board authorisations

At the end of June 2018, the total number of Kesko Corporation shares was 100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or 68.3%, were B shares. On 30 June 2018, Kesko Corporation held 996,138 of its own B shares as treasury shares. These treasury shares accounted for 1.46% of the total number of B shares, 1.00% of the total number of shares, and 0.26% of votes attached to all shares in the Company. The total number of votes attached to all shares was 385,652,815. Each A share carries ten (10) votes and each B share one (1) vote. The Company cannot vote with own shares held by it as treasury shares and no dividend is paid on them. At the end of June 2018, Kesko Corporation's share capital was (EURO)197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was (EURO)44.10 at the end of 2017, and (EURO)48.70 at the end of June 2018, representing an increase of 10%. Correspondingly, the price of a B share was (EURO)45.25 at the end of 2017, and (EURO)52.40 at the end of June 2018, representing an increase of 16%. In January-June 2018, the highest A share price was (EURO)49.00 and the lowest (EURO)41.00. The highest B share price was (EURO)52.40 and the lowest (EURO)42.92. The Nasdaq Helsinki All-Share index (OMX Helsinki) was up by 6% and the weighted OMX Helsinki Cap index by 6% in January-June 2018. The Retail Sector Index was up by 10%.

The market capitalisation of A shares was (EURO)1,546 million at the end of June 2018. The market capitalisation of B shares was (EURO)3,526 million, excluding the shares held by the parent company. The combined market capitalisation of the A and B shares was (EURO)5,071 million, an increase of (EURO)607 million from the end of 2017.

In January-June 2018, a total of 0.7 million A shares were traded on Nasdaq Helsinki. The exchange value of the A shares was (EURO)30.7 million. Meanwhile, 29.5 million B shares were traded, with an exchange value of (EURO)1,411.1 million. Nasdaq Helsinki accounted for approximately 43% of the trading of Kesko's A and B shares in January-June 2018. Kesko shares were also traded on multilateral trading facilities, the most significant of which was the Cboe APA (source: Fidessa).

The Board holds a valid authorisation to decide on the ***transfer*** of a maximum of 1,000,000 own B shares held by the Company as treasury shares (2016 Share issue authorisation). On 1 February 2018, the Board decided to grant own B shares held by the Company as treasury shares to persons included in the target group for Kesko's transitional share-based incentive plan (Bridge Plan) based on this share issue authorisation and the fulfilment of the Bridge Plan performance criteria. This ***transfer*** of a total of 66,190 own B shares was communicated in stock exchange releases on 15 March 2018, 5 April 2018 and 1 June 2018.

On 1 February 2017, Kesko Corporation's Board of Directors made a decision to establish a new share-based long-term incentive scheme for Kesko's top management and key persons selected separately. The scheme consists of a performance share plan (PSP) as the main structure, and of a restricted share pool (RSP), which is a complementary share plan for special situations. Besides the PSP, the Board made a decision to establish a share-based bridge plan to cover the transitional phase during which Kesko ***transfers*** from a one-***year*** performance period to a longer performance period in its long-term incentive scheme structure. If the performance criteria set for the PSP 2017-2020 plan are achieved in full, the maximum number of series B shares to be paid based on this plan is 340,000 shares. This number of shares represents gross earnings, from which the applicable withholding tax is deducted and the remaining net amount is paid to the participants in shares. The new share-based compensation scheme was communicated in a stock exchange release on 2 February 2017, and the realisation of the Bridge Plan in a stock exchange release on 1 February 2018.

The Board of Directors of Kesko Corporation decided on 20 March 2018 to initiate a performance share plan (PSP) for 2018-2021. The Board of Directors also decided that the target group for the plan will comprise 130 members of Kesko's management and other specified key persons. The Board of Directors decided to set the development of Kesko Group's sales excluding VAT (%), Kesko Group's comparable return on capital employed (ROCE, %) and the absolute total shareholder return (TSR, %) of a Kesko B share as the performance criteria for the 2018 ***calendar*** ***year***, matching the 2017 criteria. The performance criteria concern the performance ***year*** 2018 of the PSP 2017-2020 and PSP 2018-2021. A maximum total of 340,000 Kesko B shares may be granted in relation to the PSP 2018-2021. This number of shares represents gross earnings, from which the applicable withholding tax is deducted and the remaining net amount is paid to the participants in shares. Kesko Corporation's Board of Directors also decided on initiating an RSP (Restricted Share Pool) plan for 2018-2020. The plan includes a three-***year*** commitment period, after which the potentially granted share awards for an individual plan will be paid to the participants in Kesko B shares, provided that their employment or service relationships with Kesko Group continue until the ***payment*** of the awards. The purpose of the restricted share plan is to serve as a complementary long-term share plan to be used as a commitment instrument for selected key persons in special situations. In addition to the above employment precondition, Kesko may set participant specific or company specific criteria, the fulfilment of which is a precondition for the ***payment*** of restricted share awards. The total maximum amount of share awards payable under the RSP 2018-2020 is 20,000 Kesko B shares. This number of shares represents gross earnings, from which the applicable withholding tax is deducted and the remaining net amount is paid to the participants in shares. Any potential share awards from the RSP beginning in 2018 will be paid out in the spring of 2021. The new PSP 2018-2021 and RSP 2018-2020 share plans were communicated in a stock exchange release on 21 March 2018.

In January-June, a total of 1,950 shares granted based on the fulfilment of the performance criteria of the share-based compensation plan in force in 2014-2016 were returned to the Company in accordance with the terms and conditions of the share-based compensation plan. The returns during the reporting period were communicated in a stock exchange release on 28 February 2018. The share-based compensation plan in force in 2014-2016 was announced in a stock exchange release on 4 February 2014.

Kesko's Board of Directors holds a valid authorisation granted by the Annual General Meeting held on 4 April 2016 to ***transfer*** of a total maximum of 1,000,000 own B shares held by the Company as treasury shares (2016 Share issue authorisation). Based on the authorisation, own B shares held by the Company as treasury shares can be issued for subscription by shareholders in a directed issue in proportion to their existing holdings of the Company's shares, regardless of whether they own A or B shares. Shares can also be issued in a directed issue, departing from the shareholder's pre-emptive right, for a weighty financial reason of the Company, such as using the shares to develop the Company's capital structure, to finance possible acquisitions, capital expenditure or other arrangements within the scope of the Company's business operations, and to implement the Company's commitment and incentive scheme. Own B shares held by the Company as treasury shares can be issued either against or without ***payment***. A share issue can only be without ***payment*** if the Company, taking into account the best interests of all of its shareholders, has a particularly weighty financial reason for it. The authorisation also includes the Board's authority to make decisions concerning any other matters related to the share issues. The amount possibly paid for the Company's own shares is recorded in the reserve of unrestricted equity. The authorisation is valid until 30 June 2020. Kesko Corporation's Annual General Meeting on 11 April 2018 resolved that approximately 30% of the annual remuneration of the members of Kesko's Board of Directors will be paid in B series shares in the company (Stock exchange release 11 April 2018). Kesko's Board of Directors decided on 24 April 2018 to implement the resolution of the General Meeting regarding the ***payment*** of the share portion of the annual remuneration by ***transferring*** B shares held by the company as treasury shares to the Board members based on the 2016 share issue authorisation (Stock exchange release 25 April 2018). The shares were ***transferred*** to the Board members on 27 April 2018. A Board member cannot ***transfer*** shares obtained in this manner until either three ***years*** have passed from the day the member has received the shares or their membership on the Board has ended, whichever comes first.

The Annual General Meeting of 11 April 2018 approved the Board's proposal for its authorisation to decide on the acquisition of a maximum of 1,000,000 of the Company's own B shares (2018 Authorisation to acquire own shares). The B shares will be acquired with the Company's distributable unrestricted equity, not in proportion to the shareholdings of shareholders, at the market price quoted in public trading organised by Nasdaq Helsinki Ltd ("the exchange") at the time of acquisition. The shares will be acquired and paid for in accordance with the rules of the exchange. The acquisition of own shares reduces the amount of the Company's distributable unrestricted equity. The B shares will be acquired for use in the development of the Company's capital structure, to finance possible acquisitions, capital expenditure and/or other arrangements within the scope of the Company's business operations, and to implement the Company's commitment and incentive scheme for management and other personnel. The Board will make decisions concerning any other issues related to the acquisition of B shares. The authorisation is valid until 30 September 2019.

The Board of Directors of Kesko Corporation decided in its meeting on 24 April 2018 to use the authorisation granted by the General Meeting of 11 April 2018 to acquire B shares in the Company, and established a temporary share buy-back ***programme*** for the purpose. The shares were acquired to fulfil obligations related to the Company's share-based commitment and incentive plans. The Board also decided to implement the resolution made by the General Meeting on 11 April 2018 to pay approximately 30% of the annual remuneration for members of the Board in B series shares in the Company, by using B series shares held by the Company as treasury shares in the ***payment*** of the share portion of the remuneration. The acquisitions of the shares began on 26 April 2018 and ended on 18 May 2018. During that time, Kesko acquired 500,000 of its own B series shares for an average price per share of (EURO)48.83. Following the acquisitions, Kesko held a total of 996,325 of its own B shares, which represents approximately 1.00 per cent of all shares in Kesko Corporation and 1.46 per cent of Kesko Corporation's B series shares. (Stock exchange releases 25.4.2018 and 21.5.2018)

Kesko's Annual General Meeting of 11 April 2018 also approved the Board's proposal for its authorisation to decide on the issuance of a maximum of 10,000,000 new B shares (2018 Share issue authorisation). The new shares can only be issued against ***payment***. The new shares can be issued for subscription by shareholders in a directed issue in proportion to their existing holdings of the Company's shares regardless of whether they hold A or B shares, or, departing from the shareholder's pre-emptive right, in a directed issue if there is a weighty financial reason for the Company, such as using the shares to develop the Company's capital structure and financing possible acquisitions, capital expenditure or other arrangements within the scope of the Company's business operations. The Board of Directors will decide the subscription price for the issued shares. The Board will also have the right to issue shares for a non-cash consideration. The subscription price is recognised in the reserve of invested non-restricted equity. The Board will make decisions regarding any other matters related to the share issues. The authorisation will be valid until 30 June 2021, and it cancelled the authorisation given to the Board by the General Meeting of 13 April 2015 to issue a total maximum of 20,000,000 new B shares, which the Board did not use.

At the end of June 2018, the number of shareholders was 41,169, which is 1,153 less than at the end of 2017. At the end of June, foreign ownership of all shares was 33.9%, and foreign ownership of B shares 48.5%.

Flagging notifications

There were no flagging notifications during the reporting period.

Key events during the reporting period

Kesko announced it will discontinue its building and home improvement trade operations in Russia and sell 12 building and home improvement store properties in Russia to Leroy Merlin Vostok LLC, a Russian division of the French Leroy Merlin. Leroy Merlin is the biggest building and home improvement store chain in Russia. The transaction price paid for the properties in cash is approximately RUB 12 billion (some (EURO)169 million). The ownership of the properties was ***transferred*** to the buyer in H1/2018. The operations of two K-Rauta properties in the Moscow region not included in the transaction were discontinued during H1/2018. (Stock exchange release 16.2.2018)

Kesko Corporation's Board of Directors decided that the target group for the 2018-2019 performance period of Kesko's performance and share based commitment and incentive plan will comprise approximately 130 members of Kesko's management and other specified key persons. The Board also confirmed the criteria for 2018 for both the 2017-2020 plan initiated in 2017 and the 2018-2021 plan. The Board also decided to initiate a restricted share-based commitment and incentive plan for 2018-2020. (Stock exchange release 21.3.2018)

In the first interim report for 2018, the discontinuation of the building and home improvement trade operations in Russia was presented as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The standard requires comparison data to be adjusted, thus prompting changes in the presentation of data for 2017. The stock exchange release depicted comparison figures for 2017 for key continuing operations segment data. (Stock exchange release 23.3.2018)

On 1 June 2018, Reinin Liha became part of Kesko Group's foodservice wholesaler Kespro via an acquisition. An agreement was also made at the time to acquire Kalatukku E. Eriksson, and the transaction was completed after the end of the reporting period on 2 July 2018. Both will continue operating as independent companies, and their full staff and operational management will carry on with their duties. (Press releases 1.6.2018 and 2.7.2018)

Kesko Corporation's subsidiary Byggmakker Handel AS agreed to acquire Norwegian building and home improvement trade companies Skattum Handel AS and Gipling AS. In 2017, Skattum Handel AS recorded net sales of approximately (EURO)94 million and Gipling AS net sales of some (EURO)151 million. Both companies operate Byggmakker stores under the retailer business model, and the Byggmakker chain will control the stores following the acquisitions. Once the acquisitions are completed, the Byggmakker chain will control a total of 30 Byggmakker stores, providing even greater potential for growth and increased profitability in Norway. (Press releases 7.6.2018 and 19.6.2018)

Kesko Senukai has agreed to acquire 1A Group, one of the leading online retail market players in the Baltic states, with net sales of approximately (EURO)41 million in 2017. The acquisition will make Kesko Senukai one of the leading e-commerce operators in the Baltics with online operations in Estonia, Latvia and Lithuania. The completion of the acquisition is subject to the approval of the local competition authorities and the fulfilment of the other terms and conditions of the transaction. The transaction is expected to be completed during the second half of 2018. (Press release 21.6.2018)

Key events after the reporting period

Kesko will sell its remaining shares in its Baltic machinery trade subsidiaries and Konekesko Finland's ***agricultural*** machinery trade operations to Danish Agro Group. Danish Agro Group has used its call options announced in February 2017 to buy the remaining shares in Konekesko Ltd's Baltic subsidiaries and its ***agricultural*** machinery trade operations in Finland. As a result, Danish Agro Group becomes the full owner of Konekesko's Baltic companies and Konekesko's ***agricultural*** machinery operations in Finland. The transactions are expected to be completed by October 2018 at the latest. The completion of the transactions is subject to the approval of the competition authorities and the fulfilment of the other terms and conditions of the transactions. (Press release 6 July 2018)

Resolutions of the 2018 Annual General Meeting and decisions of the Board's organisational meeting

Kesko Corporation's Annual General Meeting held on 11 April 2018 adopted the financial statements and consolidated financial statements for 2017 and discharged the Board members and the Managing Director from liability. The General Meeting also resolved to distribute, in accordance with the Board's proposal, (EURO)2.20 per share as dividends, or a total of (EURO)218,945,469.60. The dividend pay date was 20 April 2018.

The General Meeting resolved that the number of Board members is seven (7). The General Meeting resolved to elect Jannica Fagerholm, Master of Science (Economics), Peter Fagernäs, Master of Laws (new member), Piia Karhu, Doctor of Science (Economics and Business Administration) (new member), retailer Esa Kiiskinen, Business College Graduate, Matti Kyytsönen, Master of Science (Economics), retailer Matti Naumanen, and retailer Toni Pokela, eMBA, as Board members for a term of three ***years*** ending at the close of the 2021 Annual General Meeting, as provided in the Articles of Association. The General Meeting resolved to change the remuneration structure of Board members so that a portion of the remuneration is paid as shares in the Company. The purpose of the change is to commit the Board members to the long-term development of the Company.

The General Meeting elected the firm of auditors PricewaterhouseCoopers Oy as the Company's Auditor, with Mikko Nieminen, APA, as the Auditor with principal responsibility.

The General Meeting approved the Board's proposals for its authorisation to decide on the acquisition of a maximum of 1,000,000 of the Company's own B shares and for its authorisation to decide on the issuance of a maximum of 10,000,000 new B shares.

The General Meeting also approved the Board's proposal to authorise the Board to decide on the donations in a total maximum of (EURO)300,000 for charitable or corresponding purposes until the Annual General Meeting to be held in 2019, and to decide on the donation recipients, purposes of use and other terms of the donations.

After the Annual General Meeting, Kesko Corporation's Board of Directors held an organisational meeting, in which it elected retailer Esa Kiiskinen (Business College Graduate) as Chairman of the Board and Peter Fagernäs (Master of Laws) as Deputy Chairman. Jannica Fagerholm (M.Sc. Econ.) was elected as Chairman of the Board's Audit Committee, Matti Kyytsönen (M.Sc. Econ.) as Deputy Chairman, and Piia Karhu (Doctor of Science, Economics and Business Administration) as a Committee member. Esa Kiiskinen was elected as Chairman of the Board's Remuneration Committee, Peter Fagernäs as Deputy Chairman, and Matti Kyytsönen as a Committee member.

The resolutions of the Annual General Meeting and the decisions of the Board's organisational meeting were communicated in more detail in stock exchange releases on 11 April 2018.

Sustainability

Kesko is committed to the EU objective of reducing the consumption of plastic bags to 40 bags per capita by 2025. To promote the target, pricing was changed so that plastic, paper and biodegradable bags now all cost the same in all K-food stores.

In April, the Finnish Basketball Association and K Group agreed on a multi-***year*** extension to their collaboration, which so far has seen more than 42,000 children play and exercise at the Pikkusudet (Little Wolves) basketball events and the Pirkka Street Basket tour.

In May, Kesko published its animal welfare policy, which states, for example, that from the start of 2026 onwards, eggs form furnished cages are no longer accepted into Kesko's selections.

In 2018-2019, K Group will build a nationwide network of electric car charging points in Finland and begin piloting new mobility services, starting with a car sharing trial.

K Group and WWF Finland will arrange volunteering events from June to autumn to restore routes and spawning grounds in rivers and streams for the critically endangered trout and other migratory fish. This is part of the multi-***year*** K Fishpaths collaboration between K Group and WWF Finland that aims to save Finnish migratory fish.

Risk management

Kesko Group has an established and comprehensive risk management process. Risks and their management responses are regularly assessed within the Group and reported to the Group management and the Audit Committee of Kesko's Board of Directors. Kesko's risk management and risks associated with business operations are described in more detail on Kesko's website in the Corporate Governance section.

No material change is estimated to have taken place during the first half of 2018 in the risks described in Kesko's 2017 Report by the Board of Directors, financial statements and the risks described on Kesko's website. The most significant near-future risks in Kesko's business operations are associated with price competition in the Finnish grocery trade, integration and the realisation of synergies in acquisitions in the building and technical trade, the changes caused by digitalisation in the trading sector, and cyber threats. After the strategy update, the focus in risk management in the building and technical trade division is on the execution of country-specific strategies. The new WLTP emissions testing, implemented from September onwards, may slow down car trade in Europe in the latter half of the ***year***.

The risks and uncertainties related to economic development are described in the outlook section of this release.

Outlook

Estimates for the outlook for the net sales and comparable operating profit for Kesko Group's continuing operations are given for the 12-month period following the reporting period (7/2018-6/2019) in comparison with the 12 months preceding the end of the reporting period (7/2017-6/2018).

The general economic situation and the expected trend in consumer demand vary in Kesko's different operating countries. In Finland, the trading sector is expected to grow. In the Finnish grocery trade, intense competition is expected to continue, although, as purchasing power increases, the importance of quality will be emphasised more than previously. In the building and technical trade, the growth in B2B sales is expected to continue stronger than the growth in the retail market. The market is expected to grow in the Nordic and Baltic countries, but at a somewhat slower rate.

In comparable terms, the net sales for continuing operations for the next 12 months are expected to exceed the level of the previous 12 months. The comparable operating profit for continuing operations for the next 12-month period is expected to exceed the level of the preceding 12 months. However, investments in the expansion of logistics operations and in information systems and digital services will burden profitability during the period.

Helsinki 24 July 2018

Kesko Corporation

Board of Directors

The information in this half-***year*** financial report is unaudited.

Further information is available from Jukka Erlund, Executive Vice President, Chief Financial Officer, telephone +358 105 322 113, Kia Aejmelaeus, Vice President, Investor Relations, telephone +358 105 322 533, and Eva Kaukinen, Vice President, Group Controller, telephone +358 105 322 338. A Finnish-language webcast of the results briefing can be viewed at 11.00 (EET) at [*www.kesko.fi*](http://www.kesko.fi). An English-language audio conference on the results will be held today at 14.00 (EET). The audio conference login is available on Kesko's website at   [*www.kesko.fi*](http://www.kesko.fi).

Kesko Corporation's interim report for January-September 2018 will be published on 24 October 2018. In addition, Kesko Group's sales figures are published each month. News releases and other Company information are available on Kesko's website at   [*www.kesko.fi*](http://www.kesko.fi).

KESKO CORPORATION

Attachments: Kesko Q2 2018 Half ***year*** report including tables section

[*Link to PDF File*](http://mb.cision.com/Main/13061/2581018/882907.pdf)

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HINA Digest

2 February 2018

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**Body**

Zagreb, 02 February 2018 (Hina) - Plenkovic deplores Serbia's conduct over exhibitionZAGREB, Feb1(Hina) - By staging its exhibition about the Ustasha-run Jasenovac camp in New York, Serbia attempted to make associations between the (1941-1945) Independent State of Croatia (NDH) and present-day Croatia, and the Croatian government will never allow that, Prime Minister Andrej Plenkovic said at the beginning of his cabinet's meeting in Zagreb on Thursday.The premier gave an overview of significant events in the period since the last meeting, but made no mention of the announced visit of Serbia's President Aleksandar Vucic, whom President Grabar-Kitarovic invited toZagreb in mid-February.Plenkovic again criticised Belgrade for trying to instrumentalisethe topic of the Jasenovac camp victims when stagingthe exhibition in New York on the occasion of Holocaust RemembranceDay.He said that with the exhibition, Belgrade tried to make associations betweenpresent-day Croatia and the NDH."We all know that the present-day Croatia is founded on absolutely other values."This has been evidenced by Croatia's Constitution and the Homeland Defence War and we will not let any instrumentalisation that would depict Croatia negatively, Plenkovic added."We will articulate this position to our neighbours and the internationalcommunity."The United Nations, where Serbian Foreign Minister Ivica Dacic recently officially opened the exhibition, hasdistanceditself fromthe content of the display.

The UN has said that the content of the exhibition is the organisers' responsibility and that its staging on UN premises does not imply acceptance by the UN.Later today,senior state officials met in the President's Office to discuss current domestic and foreign policy issues."President Kolinda Grabar-Kitarovic, Prime Minister Andrej Plenkovic and Parliament Speaker Gordan Jandrokovic met in the President's Office on Thursday evening and discussed current domestic and foreign policy topics," the President's Office said in a press release.Jandrokovic expects Vucic's visit to contribute to Croatia-Serbia relationsZAGREB, Feb1(Hina) - Parliament Speaker Gordan Jandrokovic said on Thursday he still did not know if he would meet with Serbian President Aleksandar Vucic as he did not yet know the official ***programme*** of his visit to Croatia, but that he expected the content and outcome of the visit tocontribute to the further development of Croatia-Serbia relations."President Kolinda Grabar-Kitarovic evidently estimated that this is the time for a meeting with the president of Serbia. I believe the reasons are good and expect the content and outcome of their meeting to be useful and contribute to the overall development of the relations between the two states," he told reporters, adding that he did not yet "have information on the official part of the ***programme***."Asked about the timing of the visit, Jandrokovic said that in the last few days there had been no encouraging signs that a step forward in Croatian-Serbian relations might occur.He said Croatia found especially unacceptable the conduct of Serbian representatives regarding a recent exhibition on the WWII Jasenovac death camp at the UN. Theexhibition manipulated the victims and this "does no credit tothose who staged the exhibition," he added.Jandrokovic said the issue of those gonemissing during the 1990s war was one of the most important issues between Croatia and Serbia, but added that it was essential to talk about possible cooperation and the future.Asked if Vucic should apologise for what he said in Glina in the 1990s, he said it was a delicate matter but that he expected Vucic to addressin a certain way his role in the 1990s duringSerbia's military aggression against Croatia.As for disharmony in Croatia's foreign policy regarding Vucic's visit, he said the president and the government had stated their opinions and that no one had spoken against the visit. "It's important to have a policy which is in Croatia's interest and which will promote what's good for Croatia."It's important to preserve Agrokor and food industryAsked if the government-appointed administrator for the indebted Agrokor group, Ante Ramljak, was in a conflict of interest because his former company had signed a contract with AlixPartners toconsulton Agrokor's restructuring, Jandrokovic said there was no responsibility on the government's part and that AlixPartners had hired domestic companies as subcontractors.He said he was unpleasantly surprised to learn that a company in which Ramljak used to work had been hired, and that AlixPartners should say why it had hired that company and how that contributed to the process Agrokor was undergoing.According to the media, Ramljak's former company Texo Management signed a contract with AlixPartners for consulting services in Agrokor's restructuring for nearly HRK 250,000 a week.Jandrokovic said the government did not have to know that AlixPartners was hiring subcontractors, and that those involved in the process should have taken care of that.Asked if he supported the announcement of a meeting at which the parliamentary Economy Committee should discuss Ramljak and Agrokor, Jandrokovic said he supported suppliers the most, astheytold him it was very important for Agrokor'srestructuring to be completed. In doing that, one must see to it that Agrokor and Croatia's food industry survive, he added."That's the priority now. There will be time to clear up everyone's role in this process," he said, adding that it was necessary to rescueAgrokor and make it possible to have a strong retail chain, not just in Croatia.Asked if he was talking about this with Prime Minister Andrej Plenkovic, Jandrokovic said they talked about everything, including that, every day.As for the possibility that Ramljak was in a conflict of interest, he said Ramljak was not a state official, so should not be dealt with bythe Conflict of Interest Commission, but that he would have to explain why his former company had been hired as a consultant for Agrokor.Defence minister says Serbian president welcome but should apologise firstZAGREB, Feb 1 (Hina) - Croatia's Defence Minister Damir Krsticevic on Thursday said that Serbia's President Aleksandar Vucic was welcome in Croatia, butthat he first expects an apology for the Great Serbia military aggression against Croatia.Vucic is coming to Croatia in mid-February at the invitation of President Kolinda Grabar-Kitarovic."The President of Serbia is welcome," Krsticevic told reporters after acabinet meeting when asked what he thought about Vucic's visit and whether he should first apologise for the Great Serbia aggression."I think he should. I think that what he wassaying certainly wasn'tgood. That'sthe first step," Krsticevic said."We know that there was a war, that Croatia was attacked, that a brutal aggression was waged against Croatia. My duty today is to strengthen the security system, to strengthen the military system. It is clear that we have to look to the future. But an apology isthe minimum," he added.Krsticevic did not wish to clearly answer whether the government agreed with the visit taking place nowor perhaps that it should have waited until current tensions between the two countries eased up."The government has expressed its stance. I've said it all," he saidand added that reporters should ask the president about that.Vucic doesn't expect anything spectacular from hisSerbia's president said today that he didn't "expect miracles" from his visit to Croatia but that he was convinced that the talks would be good and "healing," because both sides have aneed for dialogue when problems exist. Heunderlined that he didn't want to evade any topic."We will be ready for difficult, direct and open talks on all topicsbecause we don't want to hide from any topic - from the missingto resolving Serbs' property rights, the right to a pension, to the factthat some villages inhabited by Serbs do not have electricity, but also that we assist the Croatcommunity," Vucic said.Serbian Defence Minister Aleksandar Vulin said today that Vucic should not visit Zagrebbecause his peace policy "doesn't have interlocutors" in Croatia.Pupovac: It's important to address outstanding issues during Vucic's visitZAGREB, Feb 1 (Hina) - Milorad Pupovac, a member of the Croatian Parliament from the Independent Democratic Serb Party (SDSS), said on Thursday that it was important that protocols on good communication and on dealing with outstanding issues be agreed during Serbian President Aleksandar Vucic's visit to Croatia, while symbolic gestures such as apologies were less important.Pupovac was asked by the press in the Parliament building whether Vucic should apologise for his speech in Glina in 1995 when he praised "the heroic people of Serbian Banija and Serbian Glina for being the first to rise against the Ustasha government and liberate the Serbian areas in the Republic of Serbian Krajina.""For this meeting, symbolic gestures are not so important as are practical measures in addressing open issues," Pupovac said, stressing the importance of agreeing protocols on good communication and on addressing open issues.Pupovac said that symbolic gestures had been made before, but they would not be enough unless the two countries addressed the causes of mistrust between them. "Apologies in themselves, without concrete action regarding war crimes trials, persons missing from the war, refugees, the minorities, the border, succession, would only be a repetition of the same story after which things could turn sour already tomorrow."He said that the most important thing was that the visit was well prepared, that all relevant meetings were agreed, and that President Kolinda Grabar-Kitarovic, Prime Minister Andrej Plenkovic and Parliament Speaker Gordan Jandrokovic were included in the visit ***programme***. This will ensure that the visit and talks carry the necessary weight which would hardly be possible without the participation of the Prime Minister and the Parliament Speaker, he added."It would be a great shame, both for the two countries and internationally, if any of the senior officials, either Serbian or Croatian, missed this opportunity to talk about improving Croatian-Serbian relations," Pupovac said. "Anyone who would try to avoid this kind of communication would be responsible" for increasing animosity and mistrust, he concluded.UN Secretary-General's envoy urges prevention of politicising remembrance of genocide victimsZAGREB, Feb 1 (Hina) - The UN Secretary-General's Special Adviser for the Prevention of Genocide, Adam Dieng, whoarrived in Bosnia and Herzegovinaon Wednesdayat the invitation of Minister of Human Rights and RefugeesSemiha Borovac,has called for thwarting any attempt to politicise the remembrance of genocide victims, explaining that the politicisation amounted to an insult to victims of atrocities.Addressing a news conference in Sarajevo on Thursday, the UNofficial said that tragic wars and grave crimes perpetrated in thosewars in the 1990s, including the genocide against Bosniaks in Srebrenica, were the reason whythe Western Balkans would be a priority for UN Secretary-General Antonio Guterres in his efforts to remembervictims in anappropriate manner and to ensure that prerequisites for reconciliation were based on accepting the facts.We do not want this kind of politicisation as it only contributes to political divisions insociety. Politicisation of suffering is sheer manipulation ofvictims, said Dieng, whocalledfor unconditional respect for victims regardless of their ethnic or religiousbackground.He said that prosecution of war criminals should be conducted more resolutely and in this context urged the countries in the region to cooperate more closely.Minister Borovac said that any attempt to deny genocide, including attempts to use substitute terms for genocide, deserved to be condemned.She did not specify concrete examples but evidently alluded to the behaviour of Bosnian Serb leaders, including Milorad Dodikand Serbian President Aleksandar Vucic, who labelatrocities committed by the Serb forces in Srebrenica as a "grave crime" instead of using the term genocide.During his three-day stay in Bosnia and Herzegovina, Dieng will visit Srebrenica as well as the village of Donja Gradina, where a section of the Ustasha-led Jasenovac concentration camp used to be.Donja Gradina is a location on the Bosnian bank of the Sava River where, during the operation of the Jasenovac concentration camp, the Ustasha carried out mass executions of inmates. The first execution was committed in January 1942 and mass executions at that site continued until the spring of 1945. According to data from the Jasenovac Memorial Centre, 127 mass graves were found at Donja Gradina but the exact number of people killed there has not been established.Bosnjakovic says Savudrija fishermen provided with legal assistanceZAGREB, Feb 2 (Hina) - Justice Minister Drazen Bosnjakovic informed Savudrija Bay fishermen during their meeting in Umag on Thursday evening that the Croatian authorities provided them with legal assistance and accordingly hired a law firm in Ljubljana that would on Monday lodge appeals against penalty notices sent to the fishermen for what Ljubljana treats as crossing the Slovenian border without permission.After the hour-long meeting in the coastal town of Umag, Minister Bosnjakovic said that he and the fishermen had discussed all the relevant issues.There are several penalty notices sent to a certain number of the fishermen in Savudrija and we have provided them with legal assistance in line with our promise. The first important step is to lodge appeals against those penalty notices, the Croatian minister said adding that lawyer Miha Kozinc, who has the office in Ljubljana and who served as Slovenian justice minister in 1993, was proposed to the fishermen for the task of lodging the complaints.Asked by the press what could be further expected given that hiring the law firm was just a stopgap measure, Bosnjakovic said that Croatia was committed to talks and dialogue."We are going step by step, now we are at the stage of lodging the appeals," the minister said.As regards Slovenia's threats to ban fishermen from entering the Slovenian territory, Bosnjakovic said that Croatia "will launch constitutional and legal proceedings".Our lawyer will call for constitutional and legal remedies that show that such ban is "neither proportionate nor justified and is not in accordance with the European spirit," the Croatian minister said.A representative of the local fishermen, Robert Momic, said after the meeting that the participants had been satisfied with the talks and that they would continue cooperating with the Croatian government.One of the fishermen who received fines, Diego Makovac, said that the law firm had been hired on their behalf and the fishermen would not pay the lawyer's costs, and for the time being the fishermen were satisfied.Slovenia has started sending the first misdemeanour orders to Croatian fishermen it claims are fishing in its waters.PM reassures Savudrija fisherman they can be at easePrime Minister Andrej Plenkovic said earlier on Thursday said that Justice Minister Bosnjakovic would visit Umag and Savudrija during the day to inform local fishermen of how they can get appropriate legal aid so that they would not be put in any unfavourable position as a result of not paying fines sent to them by Slovenia."Fisherman can be at ease, the government will persist with its stance and the obligations it has taken on," Plenkovic said.Following Slovenia's unilateral and unnecessary move and its unilateral implementation of the arbitration ruling, he continued, "we have responded reciprocally and Croatian police have issued several fines to Slovenian fishermen.""We will protect Croatian interests, territory and fishermen against this scenario but it is important to emphasise that this is all happening only because Slovenia embarked on unilaterally doing something that is neither in the spirit of good neighbourly relations nor in accordance with international law," the prime minister said, adding that that certainly wasn't the way of dialogue and agreement."The Slovenians are those who ***transferred*** a problem between countries onto the concrete lives of our fellow citizens, which is one of the unwanted and worst scenarios," he underscored.Slovenian fishermen receive first fines from CroatiaZAGREB, Feb1 (Hina) - Several Slovenian fishermen from Piran Bay on Thursday received fines from Croatia for unauthorised entry into Croatian waters in Savudrija Bay, Slovenia's media has reported.Afisherman,Silvano Radin, said that six fines hadarrived at his address, each amounting to HRK 15,000, of whichHRK 10,000was issued to his company and the rest related to him personally as a legal entity.Radin told the Slovenian STA news agency that he would notpay the fines because he was fishing in the sea which according to the arbitration ruling, belonged to Slovenia.Instead, he added, he wouldcontinue to act as advised by the Slovenian government with regard to the fines and legal assistance and that he would contact the legal offices assigned by the ***agriculture*** ministry to deal with this, Radin said."Slovenian fishermen have received the first fines from Croatia for having crossed the median line in the Bay of Piran. Croatia considers the median line the state border at sea even after the arbitration tribunal awarded around 80% of the bay to Slovenia last ***year***," the Slovenian news agency STA reported.Slovenian media reported that the PM Miro Cerargovernment had legally bound itself that in the dispute with Croatia it would secure legal assistance for fishermen from Piran who receive misdemeanour orders or criminal proceedings from Croatia and claimed that they can freely fish in the waters granted to Slovenia in the arbitration.The government also obliged to cover all the costs of these proceedings.Croatia treats all stages of LNG terminal construction as strategic investmentZAGREB, Feb 1 (Hina) - The project of the future Liquefied Natural Gas (LNG) terminal on the island of Krk is being treated by the Croatian government as a strategic project inall its stages from start to end, according to a decision made by the Croatian government at its meeting on Thursday.Economy Minister Martina Dalic recalled that on 16 July 2015, Croatia adopted a decision declaring the future LNG terminal off Krka strategic investment.On 8 June 2016, the government decided to accelerate the implementation of the project and to this purpose, it opted for a two-stage implementation, the first one being the construction of a floating terminal off Omisalj on the island of Krk, and the second, ensuring an LNG terminal onshore.In the meantime, some local authorities and Green activists voiced their opposition to the construction of a floating LNG terminal.The purposeof today's decision is to step up preparations of all necessary activities in order to start implementingthe project so that it can be in operation by the end of 2019, Dalic told the cabinet.Thus, treating both stages of the project as strategic should dispel doubts that the decision about a floating terminal in the first stage is not in compliance with the July 2015 decision.Grant agreement signed for LNG terminal in mid-DecemberIn mid-December 2017,Croatia and Hungary signed an agreement on a EUR 101.4 million grant for the construction of an LNG terminal on the northern Adriatic island of Krk. The document was signed in Brusselsand EU Climate Action and Energy Commissioner Miguel Arias Canete said that the agreement showed that the energy union was a reality on the ground. We are building connections which are lacking in the energy infrastructure, uniting markets and improving supply security, he added.The funds are allocated from the Connecting Europe Facility (CEF), whose coordinating committee approved them in February. The grant will cover some of the total construction costs, estimated at EUR 383.6 million.The construction of the LNG terminal, which will first operate as an offshore floating storage and regasification unit with a ***yearly*** capacity of at least 2 billion cubic meters, will increase the security of gas supply in Central and South Eastern Europe. It will also improvecompetitiveness in the region and, as a priority project under the Central and South Eastern Europe Energy Connectivity initiative, provide for a more effective integration of key infrastructure projects.By2020, a total of EUR 5.35 billion will be made available to trans-European energy infrastructure projects under the CEF.Croatia could become S-E Europe energy hub, says EC CommissionerCommenting on the future LNG terminal off the island of Krk, the European Commissioner in charge of the Energy Union, Maros Sefcovic, said in Zagreb on Tuesdaythat it would be an important project not only for Croatia but also for the energy security of the whole European Union, enabling delivery of gas supplies in all directions and boosting competitiveness on the market as well a price drop.In this context Sefcovic mentioned how the Klaipeda LNGfloating storage and regasification unit terminal in Lithuania had paved the way for a 20-30% decline in gas prices. The Lithuanian terminal was opened in 2014.Gov't adjusts draft laws on ***payment*** services,electronic money to EU directiveZAGREB, Feb1(Hina) - The Croatian government on Thursday tabled draft laws on ***payment*** services and electronic moneythat are adjusted to the new EU directive on ***payment*** services, with the aim of upgrading the protection of consumers and the safety of ***payments***.Thedraft law on ***payment*** services regulates the types of services, providers and obligation of giving information to users of ***payment*** services, among other things.The draft law on electronic money regulates the mater of electronic money, issuers of that money and terms and conditions for the establishmentand operations of institutions for such type of money.Currently, five institutions authorised to issue electronic money have their offices in Croatia."An electronic money institution having its head office in the Republic of Croatia is a legal person, which has been authorised by the CNB (Croatian National Bank) to issue electronic money and which, based on this authorisation, may provide ***payment*** services that are linked to the issuance of electronic money. An authorisation to issue electronic money may also contain authorisation to provide one or several ***payment*** services that are not linked to the issuance of electronic money," according to a press release issued by the central bank.Croatian Finance Minister Zdravko Maric said that electronic money had not yet been wide-spread inthe European Union or Croatia and that it accounted for a small portion in total ***payments***.Gov't declares water management projects for Zagreb, Petrinja, Istria strategic investmentsZAGREB, Feb 1 (Hina) - The government has declared strategic investments three water management projects with a total value of HRK 1.87 billion, with HRK 1.04 billion secured from EU funds, Economy Minister Martina Dalic said at acabinet meeting on Thursday.The three projects refer to the "Regional water supply system for Zagreb County-Zagreb East", "Petrinja Water Supply, Drainage and Purification of Waste Waters Agglomeration," and the "Umag-Savudrija-Novigrad Agglomeration."The HRK 884 million Zagreb County project refers to the construction of the Kosnica water-pump station and water supply system in the county's eastern section to provide drinking water to that area with the aim of increasing connectivity to the public water mains, reducing losses and improving security of water supplies.The Petrinja agglomeration project is valued at more than HRK 431 million, while the Istria project is valued at almost HRK 560 million for the repair, reconstruction and construction of water management infrastructure.Amendments to state-subsidised housing law to facilitate new programmeZAGREB, Feb 1 (Hina) - The government on Thursday put forward to parliament a bill of amendments to legislation onstate-subsidised housing, known as POS, in order to enable a new housing ***programme*** aimed at retaining and attracting personnel lacking in certain industries, primarily in under-developed areas, and to regulate the maximum sales price for POS accommodation and land.Construction and Physical Planning Minister Predrag Stromar said that one of the most important provisions of the new law would be to ensure secured accommodation not only for state officials but public servants within the framework of a special POS scheme, according to which apartments would be built and leased out.The ***programme*** will also provide the opportunity for furnishing, thus rendering the accommodation immediately fit for living without any additional costs.The bill proposes to regulate the maximum sales price for POS apartmentsbased on the averagesales price in 2016 as well as regulating the maximum price for building lots also based on the averagesales price obtained in 2016.In state-subsidised housing projects until now, significant deviations were noticed between the average sales price of new apartments, land and the cost of utility infrastructure and connections of POS accommodation, and prices achieved in the real sector, that is, the average sales price offered by companies and other legal entities without POS.According to the State Bureau of Statistics, the average sales price of new apartments in 2016 by companies without POS amounted to HRK 11,027 per square metre, which is about 41.3% abovethe averagesales price of POS apartments, amounting to HRK 7,806 per square metre.The price of landin the real sector amounted to HRK 1,913/m2, which is 38.8% more than the average price of POS land -HRK 1,378/m2.The Law on State-Subsidised Housing was adopted in 2001 and has been amended several times. To date, 8,035 apartments in 238 buildings in 75 local government units have been built as part of the POS scheme.The total investment value of these 8,035 apartments amounts to HRK 4.15 billion and the state invested more than HRK 1 billion in subsidies. Currently, 345 apartments are under constructionin fivecities and municipalities (Fazana, Metkovic, Sibenik, Punat andVarazdin).National development strategy has to point to focal industries, says employers' repZAGREB, Feb 1 (Hina) - The General Director of the Croatian Employers' Association (HUP), Davor Majetic, has saidthat the country's National Development Strategy until2030 should indicate which segment Croatia considers it will be competitive in, how it intends to create better living standards and which industries it will focus on.Then it is necessary to determine what will be done in each segment to achieve that - in education, industry and taxation policies, Majetic told reporters atGovernment House ahead of the start of thefirst meeting of a steering committeeestablished to prepare Croatia's National Development Strategy until2030.The government established the steering committee to coordinate the preparation and monitor the implementation of the development strategy.The steering committee is comprised of the prime minister and all cabinetministers, MPs, representatives from the Office of the President, theassociations of counties, cities, municipalities, HUP, the Croatian Chamber of Commerce, the Croatian Chamber of Trades and Crafts, unions, the Croatian National Bank and the Croatian Academy of Sciences and Arts.The strategy will be the first time that a comprehensive approach will have been taken by the state to deal with long-term development planning.Majetic said that employers want the strategy to be adopted,that a ten-***year*** development plan for Croatia be announced, and that all political groups accept that so that regardless of who is in power, the decisions are implemented andthe strategy is not changed, because if it is changed every three or four ***years***, "then we are constantly going around in circles and never manage to decide where to finally turn off," he said.Asked which industries should be dominant in Croatia in 2030 andwhether that should be tourism, Majetic said that tourism should not be the basis on which to build Croatia'sfuture."We have to have industriesand commerce that createadded value and where we will be competitive. Tourism, of course, is a bonus for what we are doing, butwe have to create a sustainable economy that will be capable of being changed because it is difficult to foresee what will be in ten ***years*** time. However, we have to have sufficient flexibility, strength and wisdomto adapt and play it by ear," he said.Zalac: National development strategy will define objectives until 2030ZAGREB, Feb 1 (Hina) - After the first meeting ofthe steering committee for the preparation of the national development strategy until 2030 on Thursday, Minister of Regional Development and EU FundsGabrijela Zalacsaidthat the strategy would be a document that will define measures and goals that Croatia wishes to achieve by 2030.The government established the steering committee in September last ***year*** to coordinatethe preparation and monitor the implementation of the Croatian National Development Strategy until2030.The committee comprises the prime minister and all cabinet ministers, parliamentarians, representatives from the Office of the President, the associations of counties, cities, municipalities, the Croatian Employers' Association (HUP), the Croatian Chamber of Commerce (HGK), the Croatian Chamber of Trades and Crafts (HOK), unions, the Croatian National Bank (HNB) and the Croatian Academy of Sciences and Arts (HAZU).Zalac said that a decision had been adopted at today's meeting to embark on the process of preparing the strategy. She quoted Prime Minister Andrej Plenkovic as saying that "this is adocument of all of us, the entire Croatian public."The strategy will be a document that will for the first time define priorities, measures and goals that Croatia wants to achieve by 2030.Based on that document, she added, the Croatian share of the EU financial perspective will for the first time be ***programmed*** on time. That means that we will incorporate all thatis set in the strategy into the new operational ***programme*** for the use of EU funds.She addedthat currently there were 200 national strategic documents and more than 1,700 local and regional strategic documents which made it impossible to manage."We believe that with the law on strategic planning and development management and this national development strategy the government will ensure for the first time that we know exactlywhat sort of Croatia we want and what our priorities are. The most important thing is that these priorities have to be based in the nationaland the European budget so that development projects can find their place in the future period," Zalacsaid and added that political consensus would be required in parliament to adoptthe strategy.Asked to name some ofthe key projects, Zalac said that priorities would be defined in cooperation with stakeholders in development at the local and regional level and through two large development forums and seven workshops around the country and these primarily relate to food, bio-chemistry, security, health, environment and broader topics related to various sectors whereas horizontal topics would be related to the macroeconomy and the national reforms ***programme***."There are a lot of documents that have to be mutually aligned and evaluated, but the key is the implementation of what we have set ourselves," she said.Austrian companies less optimistic about doing business in Croatia in 2018, survey showsZAGREB, Feb 1 (Hina) - Austrian companies doing business in Croatia assessed Croatia's economy over the past 12 months as mainly positive to stable, while their expectations for 2018 areless optimistic, the ABC-indicator survey, presented on Thursday by the Austrian Foreign Trade Centre in Zagreb, shows.The survey questioned companies on 25 of the most significant export markets for Austria, including Croatia. Of the 650 Austrian companies doing business in Croatia, 500 were sent questionnaires and 98 (20%) responded.In reference to the general economic climate and situation in Croatia, 55% of the respondents said that it had improved over the past 12 months as far as their companies are concerned, 31% consider that it remained unchanged and 14% said the situation had deteriorated.Looking toward the next 12 months, 46% consider that the situation will improve and 46% consider that it will remain unchanged, while 8% consider that it will be worse than last ***year***.Compared to neighbouring countries that took part in the survey, Austrian companies doing business in Slovenia for example, considered the situation there better than Austrian companies did in Croatia, with 65% saying the situation in Slovenia had improved over the past 12 months. UnlikeCroatia's 46%, in Slovenia only 36% of Austrian companies, however, considered that the situation in Slovenia would improve this ***year***.The survey also examined five important development factors - total revenue, situation with orders, capacity utilisation, number of the employed and investment volume.Based on their responses, 63% of Austrian companies in Croatia expect a growth in revenue in the next 12 months, 58% expect a jump in orders, 53% expect greater capacity utilisation, 42% expect to increase the number of employees and 34% expect a growth in investments.The Austrian Foreign Trade Centre's director, Sonja Holocher-Ertl, said that sentiment among Austrian companies in Croatia was generally positive and was mostly comparable to the 24 other countries that participated in the survey.Similarly to last ***year***, the three most important issues regarding regulations that would make Croatia more attractive to Austrian companies were legal security, fewer provisions and regulations,and greater predictability of economic policies.The three most important factors to improve the situation on the marketinclude ***payment*** morale, quality awareness and availability of workers.The CEO of the Erste Bank, Christoph Schoefboeck, noted that the lack of qualified workers andfinding personnel was a growing problem and that this was also the case in other countries too.Farmers' rep calls on Agrokor's emergency administrator to step downZAGREB, Feb 1 (Hina) - The headof the Croatian Farmers' Association, Tihomir Jaic, on Thursday called on the government-appointed emergency administrator in the ailing Agrokor food conglomerate, Ante Ramljak, to step down and urged Prime Minister Andrej Plenkovic to dismiss Ramljakif he did not resign of his own accord.Addressing a press conference outside Agrokor's head office, Jaic said that he did not want farmers to be called out for not reacting on time, and considering information that appeared in the media, which indicates Ramljak's connections to companies now doing business with Agrokor, Jaic called on Ramljak to step down as emergency administrator as a moral gesture."In case he doesn't want to do so, we call on Prime Minister Andrej Plenkovic to finally start doing his job and to dismiss Ramljak," Jaic said.He recalled media reports according to which consultants in Agrokor's emergency administration, as well as the Knighthead Fund, are directly or indirectly connected with Ante Ramljak,and claims by minor shareholders in Agrokor that the recognition of contentious guaranteeshas brought the solvency of some of Agrokor's companies into question.He also mentioned media reports according to which over the past eight months Ramljak has spent HRK 213 million on consultants' fees."If we addthat there are certainly some hidden accounts somewhere that still have not been uncovered by the media and could besoon, we can say that Ramljak annually spends half a billion kuna on consultant services," Jaic said.He added that the Farmers' Association had to raise the alarm about this information,about the danger that in two or three ***years*** time, Agrokor could once again experience the same things that occurred in the past.Asked about the work of the Temporary Creditors' Council, Jaic said that the Council was working within its abilities and legal limitations.Asked whether criticisms levelled against Ramljak by Agrokor's ownerIvica Todoric were credible, Jaic said Todoric was to blame for the ruin of thousands of small farms and the best thing would be for him to surrender to Croatia's judiciary.Unemployment rate stagnates in EU, markedly falls in CroatiaZAGREB, Feb1(Hina) - The European Union's and the euro area's unemployment rates in December 2017 remained unchanged compared to the month before, while Croatia isone of the countries with a pronounceddecline in the jobless rate ***year*** on ***year***, according to a report provided by the EU's statistical office Eurostat."The euro area (EA19) seasonally-adjusted unemployment rate was 8.7% in December 2017, stable compared to November 2017 and down from 9.7% in December 2016. This remains the lowest rate recorded in the euro area since January 2009. The EU28 unemployment rate was 7.3% in December 2017, stable compared to November 2017 and down from 8.2% in December 2016. This remains the lowest rate recorded in the EU28 since October 2008," Eurostat has reported.Croatia's December 2017unemployment ratewent down to 10%, falling by 2.5 percentage points compared to December 2016, and by 0.3 percentage points from November 2017. LastDecember, 179,000 Croatians were out of work, or 6,000 fewer than in November and 47,000 fewer than in December 2016."Among the Member States, the lowest unemployment rates in December 2017 were recorded in the Czech Republic (2.3%), Malta and Germany (both 3.6%). The highest unemployment rates were observed in Greece (20.7% in October 2017) and Spain (16.4%)," Eurostat reports."Compared with a ***year*** ago, the unemployment rate fell in all Member States for which data is comparable over time except in Finland where it remained stable. The largest decreases were registered in Greece (from 23.3% to 20.7% between October 2016 and October 2017), Croatia (from 12.5% to 10.0%), Portugal (from 10.2% to 7.8%) and Spain (from 18.5% to 16.4%)."Croatian-Israeli delegation visits VukovarZAGREB, Feb1(Hina) - Croatian Deputy Parliament Speaker Milijan Brkic and his Israeli counterpart and head of the Israel-Croatia inter-parliamentary friendship group, EsawiFrej, on Thursday visited Vukovar, meeting with mayor Ivan Penava and representatives of ethnic minorities.In a statement after the closed-door meeting, Frej said this was the first visit to Croatia aimed at strengthening the relations between the two countries.We have come to learn the history of the creation of the Croatian state. Every nation has a sad part of its history and one has to know how to draw a lesson froma sad and dark part of historyand see how to move on, he said, adding that during their stay in Croatiathe Israeli delegation learned a lot about its history and in Vukovar saw that post-war coexistence was possible.Frej said that he and a member of the delegation, MP Avraham Neguise, were representatives of minorities in Israel but that they shared the privilege to serve their people in the Israeli parliament and fight for equality, human rights and protection of minority rights.We will leave your country inspired to continue with that important work, Frej said.Brkic said the eastern town of Vukovar was a symbol of defence for the Croatian people, a heroic town crucial for Croatia's survival and defence.He said he was pleased the Israeli officials had seen that coexistence was possible, adding that everyone in Croatia must look to the future to create quality living conditions.Mayor Penava said Vukovar had 19 ethnic minorities, and that he informed the Israeli officials that Vukovar was one of the most favourable areas to invest in Croatia.The Croatian-Israeli delegation visited the Grabovo farm to see its irrigation system, the Ovcara Memorial Centre and the Homeland War Victims Memorial Cemetery, where they laid wreaths, and the Vukovar General Hospital.DIP marks Global Elections DayZAGREB, Feb1(Hina) -Croatia's State Electoral Commission (DIP) on Thursday joined in markingGlobal Elections Day, which is observed on the firstThursday in February every ***year***.In this way, Croatia's DIP joined in the activities which the Association of European Election Officials (ACEEEO) holds to observe that day.ACEEEO "has been promoting the institutionalization and professionalization of democratic procedures in the regions, as a non-profit, regional organisation, which is independent of political parties and governments with a legal standing based on international law," according to theinformation published on the web site of that association.DIP says in its press release that in 2018 there will be no ordinary electionin Croatia, butin 2019Croatia is to hold a presidential election, an election for the European Parliament and elections for representatives to the councils of ethnic minorities in municipalities, towns, cities and counties.The scope of activities of DIP, a permanent and independent state body,can be divided into jurisdiction in the field of elections and jurisdiction in the field of supervision of the financing of political parties and political activists. "The Commission has a permanent Expert Service that has eleven staff members at the moment - Secretary, Deputy Secretary, two Advisors to the President for Legal Matters, two Advisors to the President for Finances, three Senior Advisors – Advisors to the Commissions and two Administrative Secretaries to the President of the Commission. Within the Expert Service, there is a Financial Department that is in charge for supervision of political activities and electoral campaign financing," according to the information available on DIP's web site.Opposition: Government favours particular interestsZAGREB, Feb 1 (Hina) - The parliamentary opposition on Thursday criticised government-proposed amendments to the law on improvement of business infrastructure, saying that they favoured the particular interests of local government leaders.Oneof the novelties is annulment of the provision saying that a local government unit cannot request a donation of state-owned land for an enterprise zone if such a zone already exists within a 20-kilometre radius and its occupancy is less than 66 percent."I see this as favouring particular interests, notably the interests of some municipalities and towns," said Sinisa Hajdas Doncic of the Social Democratic Party (SDP). "This is probably because of pressure fromseveral dozen mayors," added his party colleague Gordan Maras.Maras wondered why the government was "handing out land left, right and centre" if within a 20-kilometre radius two-thirds of the land intended for an enterprise zone were not occupied. "See how many enterprise zones there are in Croatia,how much money we gave for them and did it ever have anything to do with the market? Money and land were always allocated politically," he said.Mario Antonic, state secretary at the Ministry of Economy, rejected claims about political interests. "I absolutely reject such connotations. In the last two ***years*** land has been allocated regardless of party affiliation," he said.US extradites war crimes suspect to CroatiaZAGREB, Feb1(Hina) - War crimes suspect Slobodan Mutic, who lived in the US since 1999, was brought to a Sisak prison on Thursday. In the US he was convicted for lying in his immigration papers that he had not broken the law or been involved in genocide or ethnic cleansing.Mutic was deported on a warrant issued by the Sisak County Court, the court told Hina, adding that he was accused of war crimes against civilians as well as murder for gain.After Mutic wassentenced to two ***years***' imprisonment in Ohio in 2016, US media quoted Assistant USAttorney Matthew Cronin as saying that Mutic was wanted in Croatia for the murder of Stjepan and Paula Cindic as well as his former girlfriend Aleksandra Zivkovic.Cronin said Mutic and Dragan Perencevic robbed and killed the Cindric couple, believing they were members of the HDZ party, and that Mutic was believed to have shot dead Zivkovic in 1993 after she broke up with him.Entering the US in 1999, Mutic applied for refugee status, lying in his immigration papers that he had never been indicted, convicted or involved in genocide or murder on racial, religious, ethnic or political grounds. Several ***years*** later, when heappliedfor a residencepermit, the Department of Homeland Security found out that Croatia had issued a warrant for his arrest.The extradition of wanted persons from the US to Croatia was discussed by Croatian Interior Minister Davor Bozinovic ona recent visit to Washington.Ex-Yugoslav secret service agent arrested in Spain on Croatian warrantZAGREB, Feb 1 (Hina) - Former Yugoslav secret service agent Vinko Sindicic has been arrested in Burgos, Spain on a Croatian warrant, the Croatian Ministry of the Interior announced on Thursday.75-***year***-old Sindicicis wanted for falsely reporting a criminal offence and for giving false testimony in the 2008 Munich trial of Krunoslav Prates, who was sentenced to life imprisonment for the murder of a Croatian dissident in 1983.Spanish media say that Sindicic has been brought before a court which is to decide on his extradition.Sindicic was already arrested in Spain on November 9, 2015 but a Madrid court refused to extradite him, saying that Spain was not required to extradite him to Croatia if Germany, on whose soil the alleged crime was committed, was not looking for him.Sindicic testified before a Munich court in 2008 in the trial of Krunoslav Prates, who was sentenced to a life in prison for the murder of Croatian dissident Stjepan Djurekovic inWolfsrathausen, outside Munich, in 1983.Based on this testimony, the court opened the case against Yugoslav-era Croatian intelligence officials Josip Perkovic and Zdravko Mustac and issued an arrest warrant for Boris Brnelic, whom Sindicic named as an accomplice in the Djurekovic murder.Perkovic's lawyer Ante Nobilo confirmed to Hina that Sindicic hasbeen arrested. The lawyersaid that he had pressed charges against Sindicic on behalf of Perkovic and Mustac, after which the State Prosecutor's Office in Rijeka launched an investigation and issued the arrest warrant.Nobilo believes that Sindicic was not extradited last time thanks to "his German protectors". "During the Perkovic trial, it was so obvious that Sindicic gave false testimony against Prates that the court never once mentioned him in their explanation of the verdict even though the indictment was based on his accusations," Nobilo said.In 2016, Munich High Court sentenced Perkovic and Mustac to life imprisonment for their roles inthe murder of Djurekovic in 1983.Ex-Croatian politician acquitted of defrauding Hypo bankZAGREB, Feb1(Hina) - A Klagenfurt court on Thursday acquitted, pending appeal, former Croatian politician Ivic Pasalic and five other defendants accused of defraudingHypo bank, Austrian media said.Neither an objectively nor a subjectively relevant breaking of the law was proven, the president of the panel of judges, Lisa Kuschinsky said, apologising to the accused on behalf of the prosecution.It is entirely inexplicable why the accused had to live with the accusation for so many ***years***, she said, adding that she had never seen such a violation of objectivity by the prosecution, ORF reported.The other accused were Croatian nationals Milan Lucic and Igor Mlinar, former Hypo executives Wolfgang Kulterer and Guenter Striedinger, and accountant Hermann Gabriel.They were charged with attempting to defraud Hypo bank of EUR 14 million via the Hilltop company from Liechtenstein by sellingland on the Croatian island of Pagworth EUR 4.4 million for EUR 37 million. The profits were to be used to repaythe Croatian businessmen's loans in the Austrian bank.Prosecutor Andreas Hoebl said he would appeal the acquittal.Mogherini calls on Bosnia to address electoral reform without delayZAGREB, Feb 1 (Hina) - The European Union'sHigh Representative for Foreign Affairs and Security Policy, Federica Mogherini, has called on the political parties in Bosnia and Herzegovina to deal with the issue of electoral legislation reform without delay to ensure that general elections, due in the autumn, are held in accordance with international and European standards."It is on the political parties of Bosnia and Herzegovina to address electoral reform without further delay to ensure that this ***year***'s general elections are held and implemented according to international and European standards," Mogherini said in a statement after meeting with the three members of the Bosnia and Herzegovina Presidency in Brussels on Thursday.They discussed the priorities facing the Bosnia and Herzegovina authorities, in particular the completion of the European Commission's questionnaire, and the further implementation of thereform agenda.In preparing an opinion on Bosnia and Herzegovina's EU membership application, the European Commission sent a questionnaire to Bosnia and Herzegovina in December 2016, which has not been completed yet.The Bosnia and Herzegovina authorities had promised to send in the answers by the first half of 2017, but failed to do so because of constant political conflicts and the complex administrative structure of the country. That's why Sarajevo is not expected to be given a green light for membership candidate status before 2019.Bosnian Presidency members meet with EPP president, no progress on election lawZAGREB, Feb 1 (Hina) - All three members of the Bosnia and Herzegovina Presidency have met with the president of the European People's Party (EPP) Joseph Daul, in Brussels and the talks focused on changing the country's election law, however, based on statements made after the meeting, no progress has been made.The Croat, Bosniak and Serb members of the Presidency, Dragan Covic, Bakir Izetbegovic and Mladen Ivanic respectively, met with Daul on Wednesday evening for a working dinner and on Thursday morning separatelyand once againtogether for a working lunch. All three are from parties that belong to the EPP."We spoke for several hours with President Daul about the circumstances in Bosnia and Herzegovina, with particular emphasis on the election law. We agreed that, as far as statements are concerned, all three of us should summarise similarly that we will continueto talkto find a solution as soon as possible," Covic said."I trust that we will meet in Sarajevo in February together with international community institutions so that we finally agreea solution tothe election law. That is approximately our joint stance," he added.Changes to the election legislation are a burning issuebecause, if they are not adopted, they could bring the implementation of election and its results into question. The elections should be held in October this ***year***.Covic said that the mere fact that they met with Daul and talked for several hours was a success in itself.Izetbegovic on the other hand described the talks with Daul as a mereexchange of information."This was practically an exchange of information. Mr Daul had the opportunity to hear our specific stances. I think that the international community can help us in this situation, not just the EPP. This is a joint matter of those in power and the opposition in Bosnia and Herzegovina.Matters of this nature were never resolved only by those in power. As such, we all have to share the responsibility for what will happen if the election law is not adopted and we all have to try to find an acceptable solution," Izetbegovic said.He added that the international community should help Bosnia and Herzegovina "just like it once hindered it," when it ordered that the number of representatives of national clubs in the House of Peoples in the Federation entity be reduced from 30 to 17. "That then narrowed the space. They should help us now to reinstate a greater number or to find some other solution. The situation we have now with the Constitutional Court ruling and the Federation's Constitutionmakes it almost impossible to find a proper solution," he said.Ivanic said that he saw his role in this matter as a mediator and it was up to the HDZ and the SDA to find solution."I don't carry as much weight as President Daul. However, it is up to me to be a mediator and to try and help. I tried and am trying and eight months ago I said that this crisis would erupt to this extent but no one took me seriously. I truly think that we are going to be faced with a permanent crisis for the next few ***years***," he said.In other news:Exhibitionby Slovak artist Lydia Patafta to be staged in ZagrebZAGREB, Feb1(Hina) - The exhibition of paintings made by Slovak artist Lydia Patafta will open in Mimara Museum on Thursday evening and will run through 14 February.The exhibition called"Skilled Sweetheart" contains mainlypaintings about women and "Lydia tells us about women, their strength, selfless work, dedication and also about their vulnerability and playfulness," the curator of the exhibition, Vanja Babic, writesin his invitation to the event.Lydia Patafta,born in Brtaislava in 1974,graduated from the University of Applied Art in Vienna in 1998. She moved toZagreb that ***year*** and has been active in the artscene in the Croatian capital since then. She has had a dozen of soloexhibitions and a few group shows.ZSE indices close in redZAGREB, Feb 1 (Hina) -The main Zagreb Stock Exchange (ZSE) indices dropped on Thursday, with a regular turnover of HRK 5 million and an additional HRK 12.8 million in block transactions.The Crobex decreased by 0.47% to 1,875.91 points and the specialised Crobex10 fell by 0.29% to 1,085.98 points.Regular turnover amounted to HRK 5.02 million, which was HRK 300,000 less than on Wednesday, butliquidity was increased by block transactions.Block transactions with shares of the CakoveckiMlinovi bakerycompany amounted to HRK 10.8 million at HRK 6,450 per share. Its sharesalso closed at the same price in regular trading and generated a turnover of HRK 645,000.The Koncar Elektroindustrija electricity transmission and distribution equipment manufacturer generated a turnover in block trading of HRK 2 million at HRK 705 per share.Not one stock crossed the million kuna mark in regular trading. The highest turnover, of HRK 704,200, was generated by the Podravka food company. The price of its shares fell by 0.37% to HRK 268.(EUR 1 =7.415170)THIS BULLETIN INCLUDES ITEMS RELEASED BY 0830 HRS ON THURSDAY (Hina) ha Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

Later today,senior state officials met in the President's Office to discuss current domestic and foreign policy issues.

"President Kolinda Grabar-Kitarovic, Prime Minister Andrej Plenkovic and Parliament Speaker Gordan Jandrokovic met in the President's Office on Thursday evening and discussed current domestic and foreign policy topics," the President's Office said in a press release.

ZAGREB, Feb1(Hina) - Parliament Speaker Gordan Jandrokovic said on Thursday he still did not know if he would meet with Serbian President Aleksandar Vucic as he did not yet know the official ***programme*** of his visit to Croatia, but that he expected the content and outcome of the visit tocontribute to the further development of Croatia-Serbia relations.

ZAGREB, Feb 1 (Hina) - Croatia's Defence Minister Damir Krsticevic on Thursday said that Serbia's President Aleksandar Vucic was welcome in Croatia, butthat he first expects an apology for the Great Serbia military aggression against Croatia.

ZAGREB, Feb 1 (Hina) - The UN Secretary-General's Special Adviser for the Prevention of Genocide, Adam Dieng, whoarrived in Bosnia and Herzegovinaon Wednesdayat the invitation of Minister of Human Rights and RefugeesSemiha Borovac,has called for thwarting any attempt to politicise the remembrance of genocide victims, explaining that the politicisation amounted to an insult to victims of atrocities.

ZAGREB, Feb 2 (Hina) - Justice Minister Drazen Bosnjakovic informed Savudrija Bay fishermen during their meeting in Umag on Thursday evening that the Croatian authorities provided them with legal assistance and accordingly hired a law firm in Ljubljana that would on Monday lodge appeals against penalty notices sent to the fishermen for what Ljubljana treats as crossing the Slovenian border without permission.

After the hour-long meeting in the coastal town of Umag, Minister Bosnjakovic said that he and the fishermen had discussed all the relevant issues.

There are several penalty notices sent to a certain number of the fishermen in Savudrija and we have provided them with legal assistance in line with our promise. The first important step is to lodge appeals against those penalty notices, the Croatian minister said adding that lawyer Miha Kozinc, who has the office in Ljubljana and who served as Slovenian justice minister in 1993, was proposed to the fishermen for the task of lodging the complaints.

Asked by the press what could be further expected given that hiring the law firm was just a stopgap measure, Bosnjakovic said that Croatia was committed to talks and dialogue.

"We are going step by step, now we are at the stage of lodging the appeals," the minister said.

As regards Slovenia's threats to ban fishermen from entering the Slovenian territory, Bosnjakovic said that Croatia "will launch constitutional and legal proceedings".

Our lawyer will call for constitutional and legal remedies that show that such ban is "neither proportionate nor justified and is not in accordance with the European spirit," the Croatian minister said.

A representative of the local fishermen, Robert Momic, said after the meeting that the participants had been satisfied with the talks and that they would continue cooperating with the Croatian government.

One of the fishermen who received fines, Diego Makovac, said that the law firm had been hired on their behalf and the fishermen would not pay the lawyer's costs, and for the time being the fishermen were satisfied.

Slovenia has started sending the first misdemeanour orders to Croatian fishermen it claims are fishing in its waters.

PM reassures Savudrija fisherman they can be at ease

Prime Minister Andrej Plenkovic said earlier on Thursday said that Justice Minister Bosnjakovic would visit Umag and Savudrija during the day to inform local fishermen of how they can get appropriate legal aid so that they would not be put in any unfavourable position as a result of not paying fines sent to them by Slovenia.

"Fisherman can be at ease, the government will persist with its stance and the obligations it has taken on," Plenkovic said.

Following Slovenia's unilateral and unnecessary move and its unilateral implementation of the arbitration ruling, he continued, "we have responded reciprocally and Croatian police have issued several fines to Slovenian fishermen."

"We will protect Croatian interests, territory and fishermen against this scenario but it is important to emphasise that this is all happening only because Slovenia embarked on unilaterally doing something that is neither in the spirit of good neighbourly relations nor in accordance with international law," the prime minister said, adding that that certainly wasn't the way of dialogue and agreement.

"The Slovenians are those who ***transferred*** a problem between countries onto the concrete lives of our fellow citizens, which is one of the unwanted and worst scenarios," he underscored.

ZAGREB, Feb1 (Hina) - Several Slovenian fishermen from Piran Bay on Thursday received fines from Croatia for unauthorised entry into Croatian waters in Savudrija Bay, Slovenia's media has reported.

ZAGREB, Feb 1 (Hina) - The project of the future Liquefied Natural Gas (LNG) terminal on the island of Krk is being treated by the Croatian government as a strategic project inall its stages from start to end, according to a decision made by the Croatian government at its meeting on Thursday.

ZAGREB, Feb1(Hina) - The Croatian government on Thursday tabled draft laws on ***payment*** services and electronic moneythat are adjusted to the new EU directive on ***payment*** services, with the aim of upgrading the protection of consumers and the safety of ***payments***.

ZAGREB, Feb 1 (Hina) - The government has declared strategic investments three water management projects with a total value of HRK 1.87 billion, with HRK 1.04 billion secured from EU funds, Economy Minister Martina Dalic said at acabinet meeting on Thursday.

ZAGREB, Feb 1 (Hina) - The government on Thursday put forward to parliament a bill of amendments to legislation onstate-subsidised housing, known as POS, in order to enable a new housing ***programme*** aimed at retaining and attracting personnel lacking in certain industries, primarily in under-developed areas, and to regulate the maximum sales price for POS accommodation and land.

ZAGREB, Feb 1 (Hina) - The General Director of the Croatian Employers' Association (HUP), Davor Majetic, has saidthat the country's National Development Strategy until2030 should indicate which segment Croatia considers it will be competitive in, how it intends to create better living standards and which industries it will focus on.

ZAGREB, Feb 1 (Hina) - After the first meeting ofthe steering committee for the preparation of the national development strategy until 2030 on Thursday, Minister of Regional Development and EU FundsGabrijela Zalacsaidthat the strategy would be a document that will define measures and goals that Croatia wishes to achieve by 2030.

ZAGREB, Feb 1 (Hina) - Austrian companies doing business in Croatia assessed Croatia's economy over the past 12 months as mainly positive to stable, while their expectations for 2018 areless optimistic, the ABC-indicator survey, presented on Thursday by the Austrian Foreign Trade Centre in Zagreb, shows.

ZAGREB, Feb 1 (Hina) - The headof the Croatian Farmers' Association, Tihomir Jaic, on Thursday called on the government-appointed emergency administrator in the ailing Agrokor food conglomerate, Ante Ramljak, to step down and urged Prime Minister Andrej Plenkovic to dismiss Ramljakif he did not resign of his own accord.

ZAGREB, Feb1(Hina) - The European Union's and the euro area's unemployment rates in December 2017 remained unchanged compared to the month before, while Croatia isone of the countries with a pronounceddecline in the jobless rate ***year*** on ***year***, according to a report provided by the EU's statistical office Eurostat.

ZAGREB, Feb1(Hina) - Croatian Deputy Parliament Speaker Milijan Brkic and his Israeli counterpart and head of the Israel-Croatia inter-parliamentary friendship group, EsawiFrej, on Thursday visited Vukovar, meeting with mayor Ivan Penava and representatives of ethnic minorities.

ZAGREB, Feb1(Hina) -Croatia's State Electoral Commission (DIP) on Thursday joined in markingGlobal Elections Day, which is observed on the firstThursday in February every ***year***.

ZAGREB, Feb 1 (Hina) - The parliamentary opposition on Thursday criticised government-proposed amendments to the law on improvement of business infrastructure, saying that they favoured the particular interests of local government leaders.

ZAGREB, Feb1(Hina) - War crimes suspect Slobodan Mutic, who lived in the US since 1999, was brought to a Sisak prison on Thursday. In the US he was convicted for lying in his immigration papers that he had not broken the law or been involved in genocide or ethnic cleansing.

ZAGREB, Feb 1 (Hina) - Former Yugoslav secret service agent Vinko Sindicic has been arrested in Burgos, Spain on a Croatian warrant, the Croatian Ministry of the Interior announced on Thursday.

ZAGREB, Feb1(Hina) - A Klagenfurt court on Thursday acquitted, pending appeal, former Croatian politician Ivic Pasalic and five other defendants accused of defraudingHypo bank, Austrian media said.

ZAGREB, Feb 1 (Hina) - The European Union'sHigh Representative for Foreign Affairs and Security Policy, Federica Mogherini, has called on the political parties in Bosnia and Herzegovina to deal with the issue of electoral legislation reform without delay to ensure that general elections, due in the autumn, are held in accordance with international and European standards.

ZAGREB, Feb 1 (Hina) - All three members of the Bosnia and Herzegovina Presidency have met with the president of the European People's Party (EPP) Joseph Daul, in Brussels and the talks focused on changing the country's election law, however, based on statements made after the meeting, no progress has been made.

ZAGREB, Feb 1 (Hina) -The main Zagreb Stock Exchange (ZSE) indices dropped on Thursday, with a regular turnover of HRK 5 million and an additional HRK 12.8 million in block transactions.

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[***Cipla***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SPX-RTS1-F0J5-839N-00000-00&context=1516831)

Business Monitor Online

July 4, 2018 Wednesday

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**Length:** 3493 words

**Highlight:** Cipla

**Body**

Company Details **Synopsis** Cipla was founded in Bombay in 1935, and released its first products in 1937. The company first gained US FDA approval for its bulk drug facilities in 1985. Cipla manufactures APIs and formulation drugs, and its products are sold in over 170 countries. A number of the company's dosage forms and APIs are approved by regulatory agencies including the US FDA, the UK MHRA, Germany's PIC, South Africa's MCC, Australia's TGA, Health Canada and the World Health Organization (WHO). Cipla claims to have been the first local manufacturer to introduce a number of products to the Indian market, including the antiretrovirals zidovudine, stavudine, lamivudine and nevirapine. Other firsts have included propranolol, ondansetron, salmeterol, montelukast, fluticasone propionate and doxazosin.

**Company Profile** Cipla, Chemical, Industrial & Pharmaceutical Laboratories, was founded in Bombay, in 1935 by Dr Khwaja Abdul Hamied, a German-trained chemist. The company's first products were released in 1937. In 1941, as the Second World War cut off drug supplies to the country, Cipla began producing its own fine chemicals. In 1952, the company set up its first research division, and in 1960, Cipla's second plant, at Vikhroli in Bombay, commenced operations; Cipla manufactured ampicillin for the first time in India in 1968. The company started an ***Agricultural*** Research Division at Bangalore in 1972, for the scientific cultivation of medicinal plants, and in 1982, Cipla's fourth factory commenced operations at Patalganga, Maharashtra. The US FDA first approved Cipla's bulk drug facilities in 1985, and in 1994, the company's fifth plant began commercial operations at Kurkumbh, Maharashtra.In 1998, Cipla launched its lamivudine, becoming one of the few companies in the world to offer all three antiretrovirals existing at the time, alongside zidovudine and stavudine. In 1999, Cipla launched its nevirapine antiretroviral.In 2002, four state-of-the-art manufacturing facilities were set up by Cipla in Goa, and in 2005 a formulations manufacturing facility was set up at Baddi, Himachal Pradesh. In 2007, another formulations plant was set up, this time at Sikkim, whilst in 2010, a formulations facility was set up at Indore.Cipla's foray into biosimilars commenced in 2010 when the firm acquired a 25% stake in BioMab Holding for USD25mn. Around the same time, the firm acquired a 40% stake in Goa-based Mabpharm for USD40mn. During FY14/15, ended March 31 2015, Meditab Specialties, a wholly-owned Cipla subsidiary, acquired a 75% stake in Mabpharm, with the result that Mabpharm itself became a wholly-owned Cipla subsidiary. Mabpharm then became Cipla BioTec. In October 2015, Cipla entered into a definitive agreement to sell its 25% stake in BioMab. The stake was to be sold to BioMab Brilliant, which held the other 75% of BioMab, for a consideration of some USD22.8mn. Following this, Cipla's biological business was to be consolidated under Cipla BioTec, with a focus on research, development, manufacturing and marketing of biosimilars in the fields of cancer, autoimmune diseases, respiratory diseases and diabetes.In April 2015, Cipla announced the acquisition of Brazilian pharmaceutical manufacturer, Duomed Produtos Farmaceuticos, as the next step of its global expansion strategy. The Brazilian business would be used by Cipla to import and distribute medicines throughout the country. The acquisition was valued at INR26mn (USD417,000) and was part of a larger series of the company's global mergers and acquisitions in recent ***years***. Cipla's entrance into Brazil would heighten its profile within the country.In September 2015, Cipla entered into agreements to acquire two US-based firms, InvaGen Pharmaceuticals and Exelan Pharmaceuticals, for USD550mn in an all-cash transaction. Cipla's UK subsidiary handled the transactions that brought in combined revenues of more than USD200mn for the ***year*** ended December 2014 and more than USD225mn up to June 2015. The acquisitions were intended to provide the company scale in the US generics market through a wide ranging product portfolio in central nervous system, cardiovascular system, anti-infectives, diabetes and other value-added generics. The InvaGen acquisition offered a large manufacturing facility in Hauppauge, New York, and a skilled US-based research and development organisation. In addition, InvaGen had 40 approved ANDAs, 32 marketed products and 30 pipeline products anticipated to be approved over the period ending 2019. The acquisitions were completed in February 2016. **Manufacturing Facilities** As at April 2017, Cipla had 43 manufacturing facilities worldwide.In September 2007, Cipla announced plans to build three new formulations facilities across India, at a cost of INR9,500mn (USD231.1mn). The company invested some INR1,800mn (USD43.8mn) in a tablet and injectable factory in Sikkim, approximately INR4,000mn (USD97.3mn) in an aerosols, capsules and tablets facility in Goa, and around INR3,500mn (USD85.1mn) in a plant manufacturing form-filled sealed units in Indore.During the quarter ended June 30 2008, the Sikkim facility went online and began commercial production of formulations. In 2008, Cipla also reported that work at its INR7,500mn (USD153.7mn) Special Economic Zone project for pharmaceutical formulations at Indore, Madhya Pradesh, was in full swing. The project includes facilities for the manufacture of aerosols, respules, liquid orals, pre-filled syringes, nasal sprays, large volume parenterals, eye drops, tablets and capsules. In April 2010, commercial production began at the Madhya Pradesh plant.During FY09/10, Cipla reported that it was investing in a new R&D and administration facility at Vikhroli, Mumbai. The firm added that it was setting up API facilities at Bengaluru for anti-cancer products. The company was upgrading its API facilities at Patalganga to scale-up production.In May 2010, Cipla acquired an undertaking by way of a slump sale arrangement. The undertaking has a manufacturing facility approved by the US FDA and the WHO for APIs and intermediates. It is located at Kurkumbh (Pune district).In October 2016, South Africa's Department for Trade and Industry confirmed that Cipla was to create a biosimilars manufacturing facility in the country. Cipla had announced plans in July 2016, with an initial Memorandum of Understanding during the state visit of India's Prime Minister to South Africa. At the time, Cipla noted that it was set to invest just over ZAR1.3bn (USD93.3mn) into the country's first state-of-the-art biotechnology manufacturing facility for the production of biosimilars. The proposed entity would be named Cipla BioTec South Africa. Construction of the new facility was planned to commence in 2017, with full operations expected to commence in Q318.Products **Company Portfolio** Cipla manufactures APIs and formulation drugs, including products such as ciprofloxacin, fluoxetine and omeprazole, both for domestic markets and for export. Overall, Cipla's products are sold in over 170 countries, and the company has over 6,000 product registrations worldwide. A number of the company's dosage forms and APIs are approved by a number of international regulatory agencies, including the US FDA, the UK MHRA, Germany's PIC, South Africa's MCC, Australia's TGA, Health Canada and the WHO. The company's formulations are exported to countries in North America, South America, Europe, Africa, the Middle East, Asia, New Zealand and Australia. Cipla has a strategy of developing alliances in the US and Europe with other generic manufacturers; through this, the company has been able to derive a significant proportion of its overseas revenues from developed markets.Cipla claims to have been the first local manufacturer to introduce a number of products to the domestic market. Included in these have been the antiretrovirals zidovudine, stavudine, lamivudine and nevirapine. Other firsts have included propranolol, used for the treatment of hypertension, ondansetron, a drug for post-surgical and drug-induced nausea, salmeterol and montelukast sodium, both used in the treatment of bronchial asthma, alendronate, used in the treatment of osteoporosis, fluticasone propionate, a topical corticosteroid, and doxazosin, used in the treatment of hypertension.In April 2013, Cipla announced that it had launched what it claimed as the first biosimilar version of etanercept in India, under the brandname Etacept. The product, used in the treatment of rheumatic disorders, is a biosimilar version of Pfizer/Amgen's Enbrel. Cipla's etanercept is manufactured by Shanghai CP Guojian Pharmaceutical, as part of a manufacturing alliance between the two firms.Shanghai CP Guojian Pharmaceutical first launched its etanercept in China in 2006. In India, Etacept would be available as a lyophilised powder to be given by subcutaneous injection; the recommended dose for adults is 25mg twice weekly. Cipla commented that the version was available through stockists across India at INR6,150 (USD135.7), and noted that this was around 30% lower than the innovator version. The launch signalled Cipla's entry into the biologic segment.In June 2014, Cipla reported that it had collaborated with fellow India-based company, Hetero Drugs, to launch a biosimilar darbepoetin alpha under the brand name Actorise. Darbepoetin alpha is a synthetic form of erythropoietin, used to treat anaemia in patients with chronic kidney disease. Under the collaboration, Cipla gained a licence to make the drug accessible in India. Commenting on the launch, Cipla noted that whilst it incubated its own biosimilar pipeline, it would partner with companies in India and around the world to bring wider access of biosimilars to patients in need.In 2016, Cipla received final approval from the FDA for its ANDA for 7.5 and 15mg darifenacin extended-release tablets. The product is a generic equivalent of Allergan's Enablex tablets, a muscarinic antagonist indicated for the treatment of an overactive bladder with symptoms of urge urinary incontinence, urgency and infrequency. Also Cipla, through its subsidiary, InvaGen Pharmaceuticals, received final FDA approval for its ANDA for 150 and 300mg bupropion hydrochloride extended-release tablets. The product is a generic equivalent of Wellbutrin XL tablets, currently marketed by Valeant Pharmaceuticals International. In December 2016, Cipla received final approval for its ANDA for entecavir tablets 0.5mg and 1mg and fenofibrate tablets 48mg and 145mg.In 2017, Cipla received final approval from the FDA of its ANDA for a generic version of Dacogen (decitabine) 50mg injection single-use sterile vial, for the treatment of myelodysplastic syndromes. The firm also received FDA final approval of its ANDA for a generic version of Pulmicort Respules (budesonide) inhalation suspension, 0.25mg/2mL, 0.5mg/2mL and 1mg/2mL, indicated to treat asthma as prophylactic therapy in children 12 months to eight ***years*** of age. Cipla's US subsidiary received final FDA approval for generic Renvela (sevelamer carbonate) 800mg tablets, indicated for the control of serum phosphorus in adults with chronic kidney disease on dialysis. In addition, Cipla received final FDA approval of its ANDA for generic Epzicom (abacavir and lamivudine) 600mg/300mg tablets, which are administered in combination with other antiretroviral agents for the treatment of HIV-1 infection.Also in 2017, Cipla launched an adult hepatitis B (HBV) vaccine in India. Under a co-exclusive agreement with Serum Institute of India (SII), Cipla will market the vaccine for adults while SII will market it for adults and children. Since 2002, the HBV vaccine has been a part of India's Universal Immunization ***Programme***. This vaccine is able to protect 95% of recipients from developing chronic HBV. The vaccine is given in three doses that include one after the first month of the first dose and the second after six months post the first dose. The vaccine can protect the recipient from this infection for decades. In addition, it is expected to bring down the number of cases of liver cirrhosis and liver cancer.In addition, in collaboration with the Medicines for Malaria Venture (MMV), Cipla launched its 100mg Artesunate Rectocaps (rectal artesunate suppositories), a pre-referral intervention for the management of severe malaria in young children. Initially developed by the World Health Organization (WHO) Tropical Diseases Research ***Programme***, the product was recently added to the Global Fund Expert Review Panel's list of quality-assured medicines. Cipla's product is indicated for use in children aged from six months to six ***years***. It was developed with the support of the MMV, with UNITAID financing, and was to be available in four sub-Saharan African countries.

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| Cipla ANDAs, 2008-2017 |
| Total ANDAs Approved |
|  |
| *Source: US FDA, BMI* |

**Cipla ANDA Approvals, January 2013 - December 2017**

|  |  |  |
| --- | --- | --- |
| Name/dose | Date Approved | ANDA # |
| Rizatriptan benzoate, EQ 5mg (base) and 10mg (base) tablets | Mar-13 | 77-526 |
| Levalbuterol hydrochloride, EQ 0.0103% (base), 0.021% (base) and 0.042% (base) inhalation solution | Dec-13 | 78-171 |
| Finasteride, 1mg tablets | Nov-14 | 77-335 |
| Nevirapine, 400mg extended-release tablets | Oct-15 | 206-448 |
| Darifenacin hydrobromide, EQ 7.5mg (base) and 15mg (base) extended-release tablets | Sep-16 | 207-664 |
| Montelukast sodium, EQ 10mg (base) tablets | Oct-16 | 207-463 |
| Entecavir, 0.5 and 1mg tablets | Dec-16 | 206-872 |
| Fenofibrate, 48 and 145mg tablets | Dec-16 | 208-709 |
| Oxaliplatin, 50mg/10mL (5mg/mL) and 100mg/20mL (5mg/mL) intravenous infusion | Feb-17 | 208-523 |
| Lamivudine, 150 and 300mg tablets | Mar-17 | 77-221 |
| Abacavir sulphate and lamivudine, EQ 600mg (base)/300mg tablets | Mar-17 | 91-144 |
| Olopatadine hydrochloride, EQ 0.1% (base) ophthalmic solution/drops | Jul-17 | 206-046 |
| Nevirapine, 50mg/5mL oral suspension | Aug-17 | 207-684 |
| Zoledronic acid, EQ 4mg (base)/100mL intravenous infusion injection | Oct-17 | 210-174 |
| Budesonide, 0.25mg/2mL, 0.5mg/2mL and 1mg/2mL inhalation suspension | Nov-17 | 205-710 |
| Decitabine, 50mg/vial intravenous injection | Nov-17 | 208-601 |
| Abacavir sulphate, EQ 300mg (base) tablets | Nov-17 | 78-119 |
| Olopatadine hydrochloride, EQ 0.2% (base) ophthalmic solution/drops | Dec-17 | 206-087 |

Source: US FDA, BMI. Company Financials **Latest Financial Results** For FY16/17, ended March 31 2017, Cipla reported that revenue from operations amounted to INR148,589.3mn (USD2,212.5mn) against INR139,983.1mn in the previous ***year***, recording an increase of 6.1%. However, total expenditure increased from INR122,712.8mn in FY15/16 to INR136,367.6mn (USD2,030.5mn). Profit for the ***year*** decreased by 25.2% to INR10,345.2mn (USD154.0mn) from INR13,834.2mn in FY15/16.

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| Cipla Financial Snapshot |
| Cipla's Annual Results (INRmn) |
|  |
| *Source: Cipla, BMI* |

**Cipla: Fiscal *Year* Consolidated Results In INRmn**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Year*** Ended March 31 | 2013 | 2014 | 2015 | 2016 | 2017 |
|  |  |  |  |  |  |
| Gross Sales | 83,880.2 | 102,175.3 | 114,544.7 | 137,901.0 | 146,302.4 |
| Other Income | 2,221.4 | 2,653.7 | 1,655.5 | 2,082.1 | 2,286.9 |
| Total Sales | 85,014.7 | 103,657.6 | 115,109.9 | 139,983.1 | 148,589.3 |
| *Total Expenditure* | *64,458.7* | *84,857.2* | *98,567.4* | *122,712.8* | *136,367.6* |
| Profit Before Tax | 20,556.0 | 18,800.4 | 16,542.5 | 17,270.3 | 12,221.7 |
| Profit After Tax | 15,448.5 | 13,884.1 | 11,807.7 | 13,834.2 | 10,345.2 |

Source: Cipla, BMI

**Cipla: Fiscal *Year* Consolidated Results In USDmn**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Year*** Ended March 31 | 2013 | 2014 | 2015 | 2016 | 2017 |
|  |  |  |  |  |  |
| Gross Sales | 1,545.1 | 1,675.7 | 1,872.8 | 2,107.1 | 2,178.4 |
| Other Income | 40.9 | 43.5 | 27.1 | 31.8 | 34.1 |
| Total Sales | 1,566.0 | 1,670.0 | 1,882.1 | 2,138.9 | 2,212.5 |
| *Total Expenditure* | *1,187.3* | *1,391.7* | *1,612.1* | *1,875.1* | *2,030.5* |
| Profit Before Tax | 378.6 | 308.3 | 270.5 | 263.9 | 182.0 |
| Profit After Tax | 284.6 | 227.7 | 193.1 | 211.4 | 154.0 |
|  |  |  |  |  |  |
| INR/USD Exchange Rate | 0.01842 | 0.0164 | 0.01635 | 0.01528 | 0.01489 |

Source: BMI Recent Developments **Recent Agreements***Cipla Enters Collaboration With MEDRx* In April 2017, Cipla's wholly owned US subsidiary, Cipla USA, signed a worldwide licensing agreement (except for East Asia) with MEDRx to further develop and commercialise MRX-4TZT, a tizanidine patch for the management of spasticity. Under the terms of the agreement, MEDRx is eligible to receive up to USD30mn cumulatively through up-front and developmental, regulatory and commercial milestone ***payments***. MEDRx will also receive tiered royalties on the net sales of commercialised licensed products. *Nacimbio/Cipla Sign MoU For Antiretroviral Drugs Production* In June 2016, National Immunobiological Company (Nacimbio) and Cipla signed a memorandum of understanding (MoU) on the technology ***transfer*** for manufacturing innovative antiviral medical products for HIV and hepatitis C treatment and on technology ***transfer*** and APIs manufacturing. *BioQ And Cipla Enter Ropivacaine Agreement* In January 2016, BioQ Pharma and Cipla entered into a strategic distribution, supply and development agreement for the registration and commercialisation of BioQ's ropivacaine infusion in India. BioQ commented that it was excited to expand its worldwide commercial footprint into India.BioQ's unit-dose infusion pharmaceuticals have been developed as ready-to-use presentations in which the drugs and administration systems are self-contained and delivered at the point of care. The ropivacaine infusion system is pre-filled, ready to use at the point of care, and intended to provide a safer, more efficient continuous-infusion post-operative pain solution. **Recent Company News***Cipla Divests Animal Health Business In South Africa And Sub-Saharan Africa* In March 2017, Cipla announced two agreements through its wholly owned subsidiary Inyanga Trading 386 with the group of companies of Ascendis Health, based in South Africa, to divest its animal health business in South Africa and Sub-Saharan Africa. Cipla was to divest its 100% stake in Cipla Agrimed and Cipla Vet, both based in South Africa. The total consideration of the transaction would be ZAR375mn with potential revision linked to FY17 performance along with customary adjustment in relation to working capital and net debt/cash adjustments. The deal was subject to customary closing conditions including approval from competition commission of South Africa and was expected to close in the next three months. *Cipla EU Divests Stake In Chase Pharmaceuticals To Allergan* In November 2016, Cipla announced that Chase Pharmaceuticals, a Delaware-based corporation in which Cipla's UK arm, Cipla (EU) Limited (Cipla UK) had a 16.7% stake, had been acquired by a subsidiary of Allergan. Allergan agreed to pay USD125mn upfront plus potential regulatory and commercial milestones of up to USD875mn to the shareholders of Chase. Cipla UK acquired a minority stake in Chase in May 2014 via a syndicated venture investment. **Recent Litigation***Dymista Litigation Settlement Announced* In July 2017, Perrigo settled Hatch-Waxman Act patent litigation relating to Dymista (azelastine hydrochloride+fluticasone propionate) nasal spray, marketed by Mylan Specialties. The litigation was brought against Perrigo by Meda Pharmaceuticals and Cipla; Sweden-based Meda was acquired by Mylan in 2016. In 2009, Meda and Cipla entered into a collaboration agreement to develop a drug for use in treating allergic rhinitis, an agreement that led to the creation of Dymista. In 2013, the agreement was broadened; the two firms pledged to cooperate on product development. Cipla was to be responsible for formulation development, whilst Meda was to be responsible for clinical development, registration, marketing and sales. Perrigo did not elaborate on the terms of the settlement, including when a generic may be marketed. However, the firm commented that the settlement was an example of its long-term investment in the development of difficult to manufacture products. *Cipla Loses Indacaterol Litigation* In March 2017, the Delhi High Court dismissed Cipla's appeal over litigation related to indacaterol, marketed by Novartis as Onbrez. Cipla had appealed a patent infringement judgement from 2015 in a case dating back to 2014. Indacaterol is a bronchodilator and provides symptomatic relief to patients with chronic obstructive pulmonary disease.According to the court's ruling, Cipla launched its generic version of Onbrez in October 2004, initially under the brand name Unibrez, but subsequently as Indaflo following a trademark infringement challenge from Novartis in 2015. The ruling noted that Novartis does not manufacture the active ingredient in India, but produces it in Switzerland after which it is imported into India and marketed by Lupin under an agreement dating back to March 2012.Cipla was challenging an earlier ruling that prevented it from using, manufacturing, importing or selling any pharmaceutical product containing indacaterol alone or in combination with any other active pharmaceutical ingredient; the court had found Cipla to be infringing Novartis's Indian Patent No. 222,346. Cipla had argued amongst other things that because Novartis' active ingredient is not manufactured in India, the firm was not working its patent in India and was therefore not entitled to an injunction. However, the court rejected Cipla's approach and upheld the earlier decision.

**Load-Date:** July 4, 2018

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[***India Agribusiness Key View***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SYY-SXF1-JD33-J0YX-00000-00&context=1516831)

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**Length:** 1612 words

**Highlight:** We hold a positive view on the outlook for India's agribusiness sector, as the country will remain an ***agricultural*** powerhouse and should be able to maintain high levels of self-sufficiency for major food crops. Production growth of various commodities will be driven by strong government support and robust demand growth for manufactured foodstuff. We see significant growth opportunities in sub-sectors such as dairy, coffee and livestock.

**Body**

*Key View: We hold a positive view on the outlook for India's agribusiness sector, as the country will remain an* ***agricultural*** *powerhouse and should be able to maintain high levels of self-sufficiency for major food crops. Production growth of various commodities will be driven by strong government support and robust demand growth for manufactured foodstuff. We see significant growth opportunities in sub-sectors such as dairy, coffee and livestock.* After a weak start for investment in ***agriculture*** (funds allocated to the sector under the 2015/16 budget decreased) coupled with a crisis in the sector driven by sub-par monsoons in 2014 and 2015, the Modi government is now attributing more importance to the country's agribusiness sector, declaring its intention to double ***agricultural*** income over 2016-2020. We continue to believe that by implementing reforms with a particular focus on yields and supply chains, India has the potential to overcome lingering under-nutrition problems as well as become a large and - more importantly - stable exporter of commodities. Increasing yields for grains will also allow farmers to diversify their crops and increase production for other more value-added commodities.

**Key ForecastsMilk production growth to 2021/22:** 19.3% to 194mn tonnes. Cattle management improvement, government support to the sector, dynamic investment in the downstream and supply chain segments and robust consumption growth will support milk output. **Palm oil consumption growth to 2022:** 22.7% to 12.5mn tonnes. Domestic palm oil consumption will be propelled by strong demand for domestic food use, which makes up about 80% of total domestic palm oil demand. **Beef and veal production to 2021/22:** 16.8% to 5.2mn tonnes. Growth will be driven by the improvements in breeding techniques and by the robust expansion of the milk sector. Export demand for Indian beef will also support investment in the sector. The sector is facing growing setbacks and we see downside risks to this bullish outlook. **Agribusiness market value:** USD306.5bn in 2019, up from USD293.5bn in 2018, forecast to grow annually by 4.5% on average from 2019 to 2022. **2018real GDP growth:** 7.3%, up from 6.5% in 2017, predicted to average 6.7% from 2019 to 2022. **2018consumer price inflation:** 5.0% y-o-y average, from 3.6% in 2017, predicted to average 4.4% from 2019 to 2022.

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| Strong Growth Ahead |
| India - Agribusiness Market (2008-2022) |
|  |
| *Sources: FAO, USDA, National Statistics, Fitch Solutions* |

**Industry Developments** The outlook for India's agribusiness sector is positive for the 2018/19 season amid sufficient summer monsoon rainfall so far this ***year*** and the ongoing rise in public spending in ***agriculture***. As of late July the monsoon had seen a shortfall of just 3% compared to the 50-***year*** average, with some regions, including Uttar Pradesh, Bihar and West Bengal, recording deficient rainfall.The government approved a steep increase in the minimum support prices of several commodities including for kharif rice (MSP up 13% y-o-y), coarse grains (MSP up 19% y-o-y), soybean (11.5% y-o-y) sugarcane and milk in July 2018 for the 2018/19 harvested crop. Modi's government aims to double farmers' incomes by 2022 and has recently been stepping up measures to boost rural vote ahead of the Lower House elections planned in May 2019.The rise in prices along with prospects for a good monsoon season this ***year*** bodes well for ***agricultural*** production. Production for most commodities in 2018/19 will grow (sugar, soybean, coffee) or be at near record levels (rice, wheat, corn). The grain output will decline slightly y-o-y following the bumper crop harvested in 2017/18. Dairy and poultry production will remain strong.Driven by increased confidence in ***agricultural*** production and farmers' revenue, sales of farm inputs such as machinery grew strongly in 2016 and 2017 despite the demonetisation initiative that began in November 2016 and temporarily slowed down sales. Sales growth is likely to taper off slightly in 2018 following two ***years*** of robust growth due to high base effects, even if the monsoon rains and crop come in plentifulIn the long term ongoing reforms to the ***agricultural*** sector will support gradual yield improvement. After a weak start for investment in ***agriculture*** at the beginning of his mandate, Prime Minister Modi has enacted a number of new schemes and allocated more generous funds to the sector aiming at increasing farm income and modernising ***agriculture***. The aim is to double farmers' incomes over 2016-2022. The budget allocated to the sector grew strongly in 2016/17 and 2017/18 and will remain on an uptrend under the new 2018/19 budget.The government has made progress on several fronts as it introduced a new insurance crop scheme and a reform of the marketing system, which will help support farmers' incomes. However, the government has failed to initiate some key reforms. For example, it has pushed back the important fertiliser subsidy policy this ***year***, which is a major drag on the country's large fiscal deficit.

**India - Ongoing *Agricultural* Policy Reforms**

| **Topic** | **Policy** | **Description** | **Result** |
| --- | --- | --- | --- |
|  |  |  |  |
| Marketing | National ***Agriculture*** Market | Launched in Q216, this online trading portal for farming is supposed to widen the farmers' universe of buyers and enable farmers to get better prices for their produce. The former state-level system permitted the first sale of crops - after harvesting by farmers - to take place only in regulated market yards or mandis. | Adoption may be slow as farmers would in theory have to pool their produce via producer organisations or cooperatives to attract distant buyers. There is also a lack of a third party certification for quality monitoring. |
| Farm Insurance | Fasal Bima Yojana | This new crop damage insurance scheme was launched in January 2016 and allows for low premiums and faster claim processing. | The government has been increasing budget allocated to the scheme and aims to cover 40% of the crop area in 2017/18 and 50% in the subsequent ***year***, up from 30% in 2016/17. |
| Improvement In Farm Productivity | Soil Health Card Scheme | Distribute approximately 14mn soil health cards (SHCs) nationally in order to address imbalanced application of fertilisers in India, which has been a serious problem hampering yields. An SHC is meant to give each farmer the soil nutrient status of his holding and advise him on the dosage of fertilisers and the soil amendments that he should apply to maintain soil health in the long run. | Slow progress in the dispatch of the cards as of Q117. |
|  | Potential Relaxation Of GM Use | After ***years*** of strong government opposition to GM crops over the 2010-2014 period under the ANC rule, central authorities' interest in GM have revived since 2014 with Prime Minister Modi. India saw the resumption of field trials in some states for GM mustard seeds, rice, chickpeas, corn and aubergines. In 2016 the environment ministry's Genetic Engineering Appraisal Committee (GEAC), the regulator of GM crops in India received a proposal to allow the commercialisation of a Herbicide Tolerant GM mustard type (DMH-11) developed by the Centre for Genetic Manipulation and Crop Plants at Delhi University. A technical subcommittee of the GEAC deemed it safe in September 2016 but as of the beginning of 2017 neither the regulator nor the government has given the final go-ahead amid protests by opponents of GM foods. The matter is now in the hands of India's Supreme Court, as the central government announced it will not allow commercialisation without the court's permission. Given the court's significant backlog of pending cases, a decision will most likely take time to be reached. | The topic of GM food crops is highly contentious in India and opinions over biotechnology differ widely among the population and especially within Modi's Bharatiya Janata Party, which is likely to impede the commercialisation of GM food crops for now. |
| Reform Of Input Policy | Fertiliser Subsidies Policy | Although Narendra Modi and his government have pledged several times to reform India's urea subsidy arrangements, they appear to be taking a more careful attitude towards the needed changes to India's subsidies policy. Most of the progress has been seen regarding the Direct Benefit ***Transfer*** scheme for fertilisers, which is a new subsidy dues settlement system that has been being tested via a pilot ***programme*** since Q416. The scheme will, within a week, settle subsidy dues to companies for selling fertiliser at the state-set price, unlike the existing system where ***payments*** to companies often get delayed. This is aimed at improving the efficiency of fertiliser distribution and limiting subsidy misuse. Another aspect of fertiliser policy reform for which India has made little progress is the change in urea prices. Urea remains the only fertiliser yet to be de-controlled and very low set prices have encouraged farmers to increase the use of nitrogen fertiliser, creating severe imbalances in overall fertiliser consumption that have adversely impacted soil health and long-term yields. | Low fertiliser prices have helped alleviate the large fertiliser subsidy over recent ***years***. The total budget allocated to the Department of Fertilisers has remained broadly stagnant. |
| Upcoming Reforms | Development Of Contract Farming | A model law on contract farming in India would allow entry of private players into the sector as it would allow farmers to enter into advance agreements with private entities/buyers, for example ***agricultural*** processors. The latter may in turn invest in inputs and skills for the farm. The system could provide farmers with a better price for their products. | na |

na = not available/applicable. Source: Fitch Solutions

**Load-Date:** August 6, 2018

**End of Document**



[***Washington: President proposed $1.0 billion fiscal year 2019 budget for the Bureau of Reclamation***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RP3-61R1-F0YC-N18J-00000-00&context=1516831)

Impact News Service

February 12, 2018 Monday

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**Body**

Washington: US Department of Interior Bureau of Reclamation has issued the following news release:

Today, President Donald Trump proposed a $1.049 billion Fiscal ***Year*** 2019 budget for the Department of the Interior's Bureau of Reclamation. The budget supports the Department's goals of ensuring the provision of secure and reliable water supplies, the efficient generation of American energy, celebration of America's resources and recreational opportunities, and fulfilling commitments to tribal nations.

Reclamation is the nation's largest wholesale water supplier and second-largest producer of hydroelectric power; its projects and ***programs*** are an important driver of economic growth in the Western states. Reclamation manages water for ***agricultural***, municipal and industrial uses, and provides flood risk reduction and recreation for millions of people.

'President Trump's budget for Reclamation shows his strong commitment to our mission of delivering water and generating hydropower in the West,' Commissioner Brenda Burman said. 'The request also highlights how critical Reclamation's facilities are to the nation's infrastructure while also supporting tribal nations.'

Reclamation's budget is offset by current receipts in the Central Valley Project Restoration Fund of $62.0 million, resulting in net discretionary budget authority of $987.0 million. Of this amount, $891.0 million is for Water and Related Resources, $61.0 million is for Policy and Administration, and $35 million is for California Bay Delta. Permanent appropriations in FY 2019 total $101.0 million.

The funding proposed in Reclamation's FY 2019 budget emphasizes Reclamation's core mission of reliable water delivery and efficient hydropower generation to address the water demands of a growing population; and to assist states, tribes and local entities in solving water resource issues. It also emphasizes investment in modernizing existing infrastructure -- beyond the operation and maintenance of Reclamation facilities -- in a safe, economic and reliable manner, ensuring measures are in place to protect the public and Reclamation facilities for the next 100 ***years***.

Reclamation's dams, water conveyances and power generating facilities are critical components of the Nation's infrastructure. The safety and reliability of its dams is one of Reclamation's highest priorities. The Dam Safety ***Program*** is critical to effectively manage risks to the downstream public, property and natural resources. The budget request of $88.1 million for the Safety of Dams ***Program*** provides for risk management activities at Reclamation's high and significant hazard dams where loss of life or significant economic damage would likely occur if a dam was to fail. The budget also includes activities for several dam safety modifications, as well as for Interior's Dam Safety ***Program***, which Reclamation oversees.

Furthermore, the proposed budget includes $45.0 million for various projects for Extraordinary Maintenance (XM) activities across Reclamation. Reclamation's XM budget is part of its overall Asset Management Strategy that relies on condition assessments, condition/performance metrics, technological research and deployment, and strategic collaboration to continue to improve the management of its assets and deal with aging infrastructure challenges. Significant additional XM items are directly funded by revenues, water and power customers, or other federal agencies.

Reclamation's projects and ***programs*** support tribal nation efforts and Native American ***programs***. A total of $127.4 million in funding is requested for Indian water rights settlements. This includes $69.6 million for the Navajo-Gallup Water Supply Project, $12.8 million for the Crow Tribe Water Rights Settlement, $8.3 million for the Aamodt Litigation Settlement, and $10.0 million for the Blackfeet Water Rights Settlement. Other efforts to support tribal nations are long standing and range from species protection to rural water projects.

This budget request continues to support water delivery and quality concerns that address the special requirements in the Colorado River basin and in the state of California. While last ***year***'s precipitation was beneficial, the long-term impacts from droughts are not recovered in a few wet ***years***. Groundwater must be replenished and the hydrologic system will need time to recover. The FY 2019 budget request through ***programs***, such as the Lower Colorado River Operations ***Program*** ($31.2 million) and the Central Valley Project ($147.5 million), continues efforts to find a long-term solution to achieve a reliable water supply and quality for both areas.

The FY 2019 budget request supports and emphasizes activities designed to prevent and combat the infestation of quagga and zebra mussels across Reclamation states. These invasive species are rapidly reproducing and have infested multiple operational areas of Reclamation facilities. Research is continuing to find ways to impede the mussels' populations, and funding will support, in cooperation with the Western Governors Association, Reclamation activities established in the Quagga-Zebra Mussel Action Plan. This includes working with states and tribes to keep mussels from infesting the Columbia River Basin in the Pacific Northwest.

Other aspects of the FY 2019 budget proposal include:

Central Valley Project Restoration Fund - The budget of $62.0 million is expected to be offset in total by discretionary receipts, which are adjusted on an annual basis to maintain ***payments*** totaling $30.0 million (October 1992 price levels) on a three-***year*** rolling average basis. The budget for the CVPRF was developed after considering the effects of the San Joaquin River Restoration Settlement Act, which redirects certain fees, estimated at $2.0 million in FY 2019, collected from the Friant Division water users to the San Joaquin Restoration Fund.

Desalination and Water Purification Research ***Program*** - This ***program*** supports desalination research, development and demonstrations for converting unusable waters into useable water supplies. The FY 2019 request of $2.9 million supports projects in the laboratory-scale research studies, pilot-scale testing and full-scale testing. Funding also supports the operation and maintenance of Reclamation's Brackish Groundwater National Desalination Research Facility, which supports testing projects and potential work from Cooperative Research and Development Agreements, including one focused on produced waters from oil and gas extraction activities.

Science and Technology ***Program*** - The FY 2019 request of $11.0 million supports water and power technology prize competitions, technology ***transfer***, and dissemination/outreach activities addressing critical water and power management obstacles. The S&T ***Program*** also supports the monitoring, detection and control of invasive mussels.

The Site Security ***program*** - The budget request will continue Reclamation's ongoing site-security ***program*** at $26.2 million, which includes physical security upgrades at key facilities, guards and patrols, anti-terrorism ***program*** activities and security risk assessments.

WaterSMART ***Program*** - Endorsing Theodore Roosevelt's principles of land and wildlife conservation, Reclamation strives to ensure future water delivery through the conservation of the resources available now. The funding proposed in Reclamation's FY 2019 WaterSMART budget ($19.9 million) supports Reclamation's collaboration with non-federal partners in efforts to address emerging water demands and water shortage issues in the West.

**Load-Date:** February 19, 2018

**End of Document**



[***A brief look at Nigeria's tax regime and regulations***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4Y1-DXYV-7168-00000-00&context=1516831)

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**Body**

For Nigeria to experience meaningful and enduring economic growth and development, its ability to attract substantial foreign direct investment (FDI) is crucial, as it permits ***transfer*** of technology and skills to facilitate improvements in productivity, which in turn translates to an increase in the country's per capita income and an overall standard of living.

The uniqueness of the Nigerian business environment requires prospective investors, especially foreign investors, to understand the regulatory framework prior to commencing business operations. Industries such as energy, mining, telecoms and other viable investment vehicles have distinct rules and regulations which require careful adherence. There are also general regulatory issues such as formal registration for all companies and individuals intending to do business, tax requirements and liaising with various government agencies. All of these issues may require the service of a professional adviser.

One main area that investors should pay particular attention is the proper understanding of the Nigerian tax system, as non-compliance with tax rules and regulations could erode investments.

**Corporate Tax**

Taxation of companies in Nigeria, other than those involved in oil exploration and production is governed by the provisions of the Companies Income Tax Act (CITA), Cap. C4, LFN 2004. Companies Income Tax (CIT) is chargeable on the profits of a company accruing in, derived from, brought into, or received in Nigeria. The highlights of the provisions of the act include:

· CIT is usually levied on profit at 30%. However, a lower rate of 20% is applicable to manufacturing or ***agricultural*** production companies, and companies engaged wholly in exports within the first five ***years*** of operation and where the turnover does not exceed N1m ($3230).

· CIT is payable by all companies doing business in Nigeria (both resident and non-resident).

· Companies doing business in Nigeria, other than non-resident companies (NRCs) are assessed to the tax based on the preceding ***year*** basis. NRCs are assessed to tax on actual basis, except in the commencement and cessation ***years***.

· NRCs are assessed to tax on actual basis without recourse to commencement rules. However, with effect from the 2016 financial ***year***, NRCs are to file their returns on the actual basis alternative versus filing returns based on deemed income.

· Every company must file a return based on income for the accounting ***year*** with the tax authority within six months of the end of the accounting ***year***.

**Exempted Incomes**

Income in the ordinary course of business are subjected to CIT. However, CITA grants exemptions on certain income derived in the ordinary course of business. Some examples are:

· Profits derived from exports, provided the proceeds from the exports are repatriated to Nigeria and are used exclusively for the purchase of raw materials, plant, equipment and spare parts;

· Dividend received from companies net of withholding tax (WHT);

· Profits of pioneer companies earned during the tax holiday;

· Income earned from bond and short-term securities;

· Dividend distributed by a pioneer company during the tax-exempt period; and

· Dividend distributed from profits that have suffered tax.

**Reliefs & Deductions**

The reliefs and deductions are as follows:

· All expenses wholly, exclusively, necessarily and reasonably incurred in the production of those profits are deductible.

· Capital allowances are granted in lieu of depreciation on qualifying capital expenditures at an accelerated rate.

· Losses incurred by a company in any ***year*** can be carried forward and relieved against future profits indefinitely. However, losses incurred by an insurance company and losses incurred by a company during its commencement ***years*** can only be carried forward for four ***years***.

· Companies carrying out ***agricultural*** trade or business, companies with at least 25% imported equity and companies within the first four ***years*** of commencement of business are exempted from minimum tax.

**Tertiary Education Tax (TET)**

TET is payable by all Nigerian companies on assessable profit, that is, tax-adjusted profit before capital allowances. The relevant law is the Tertiary Education Trust Fund (Establishment, etc.) Act 2011. The highlights of the provisions of the act include:

· Tax is at the rate of 2% of assessable profit.

· All companies registered in Nigeria are liable to pay TET.

· NRCs and unincorporated entities are exempted from TET.

· The tax is on a self-assessment basis and usually assessed and filed together with company income tax.

· Failure to pay tax after two months of service of notice of assessment attracts a penalty of 5% of the tax. If failure continues, N1m ($3230) or six months' imprisonment, or both, applies for first-time offenders, while a penalty of N2m ($6470) or 12 months' jail term, or both, applies for second-time offenders.

**Personal Income Tax**

The Personal Income Tax Act (PITA), Cap. P8, LFN 2004 governs the taxation of individuals. PITA subjects individuals to tax in Nigeria based on their place of residence. Generally, an individual may be deemed to be resident if he or she is domiciled, resides in, or sojourns in Nigeria. Furthermore, an individual may also be deemed to be a resident in Nigeria if they exercises their duties of employment partly or wholly in the country.

Non-residents will be liable to tax in Nigeria, where they hold Nigerian employment. A foreign national will become liable to tax where he exercises the duty of his employment in Nigeria and satisfies the following conditions jointly:

· Their remuneration is borne by a fixed base of his employer in Nigeria.

· They are in Nigeria for 183 days or more in any 12-month period (including annual leave or temporary period of absence).

· Their income is subjected to tax in a country which does not have a double taxation treaty with Nigeria. Some of the highlights of the provisions of PITA are as follows:

· Self employed individuals are to pay tax by undertaking a self-assessment, while individuals in paid employment pay tax through the pay-as-you-earn system.

· The tax is levied on a graduated rate, with an effective rate of 19% due to available relief.

· Reimbursement expenses, removal expenses, compensation for loss of employment, and gratuities are exempted incomes under the act.

· The consolidated relief allowance is granted to all individuals at 20% of gross income plus higher of N200,000 ($647), or 1% of gross income as relief.

· Other allowable deductions are contributions to the National Housing Fund, National Health Insurance Scheme, life assurance premiums, pension contributions, gratuities, and interest on loan for developing an owner-occupier residential house.

· Every employer is required to file a return for the preceding ***year*** showing all emoluments paid to employees, on or before January 31 of every ***year***.

Individuals in self-employment are required to file a tax return for the preceding ***year*** within 90 days of the fiscal ***year*** (i.e., not later than March 31 of the corresponding ***year***). Late filing of returns will attract a penalty of 10% and interest at the ruling bank lending rates.

**Withholding Tax**

WHT is an advance ***payment*** of income tax and is not a type of tax. WHT credit can be used to offset income tax liabilities. Tax withheld on interest, dividend, rent and royalty paid by a NRC or individual is final tax.

WHT provisions are contained in all income tax acts (CITA, PITA, Petroleum Profits Tax Act [PPTA]), and other relevant regulations issued by the tax authority.

WHT rates range between 5% and 10%, depending on the nature of the transaction and the legal status of the entity involved.

**Petroleum Profits Tax (PPT)**

The PPTA governs the taxation of companies involved in oil exploration and production in Nigeria. The PPT is levied on the profits of a company engaged in petroleum operations (upstream activities) during an accounting period. The tax is administered by the Federal Inland Revenue Service (FIRS). Some highlights of the provisions of PPTA include:

· PPT is levied at 85%. A lower rate of 65.5% and 50% applies to companies engaged in petroleum operations and still in their first five ***years*** of operations, and those involved in production-sharing contracts (PSCs) respectively.

· Chargeable incomes under the act include proceeds and value of chargeable oil and related substances disposed by the company, except gas, plus any other incidental income arising from the company's petroleum operations.

· Tax is payable on an actual ***yearly*** basis in 12 equal monthly instalments with a 13-month instalment payable in the case of an underpayment.

· The submission of estimated returns for an accounting period usually precedes the actual returns and must be submitted in a form prescribed by FIRS within two months of the fiscal ***year*** (i.e., not later than the end of February). Actual returns must be filed no later than May 31 of the fiscal ***year***.

· Late submission of returns attracts a penalty of N10,000 ($32.33) in the first instance, and N2000 ($6.47) for each day failure continues. Furthermore, late ***payment*** of tax attracts a penalty of 5% of the tax payable.

· Niger Delta Development Commission levy is payable at the rate of 3% of the annual budget of oil and gas companies operating onshore and offshore in the Niger Delta. The exemptions and/or incentives are as follows:

· Dividend distribution is not liable to withholding tax.

· Graduated royalty rates and lower PSC tax rates to encourage offshore production;

· TET is treated as a tax deductible expense for petroleum companies.

· Gas income is taxable at a CIT rate of 30% while capital investment for gas are deductible as capital allowances against crude oil income at a higher PPT rate.

· Investment and annual allowances are capital allowances granted in lieu of depreciation.

**IT Tax**

IT Tax is payable by specified companies with turnover of N100m ($323,000) and above. The tax, when paid, is tax deductible for company income tax purposes. The tax is governed by the National Information Technology Development Agency Act 2007. The provisions are as follows:

· Tax is levied at 1% of profit before tax. Taxable companies include:

· GSM service providers and all telecoms companies;

· Cyber companies and internet providers;

· Pension managers and pension related companies;

· Banks and other financial institutions; and

· Insurance companies. IT tax is assessed by FIRS and is payable within 60 days of service of notice of assessment. Non-***payment*** of tax within the specified period attracts a penalty of unpaid tax plus 2% of the tax payable. Furthermore, where a penalty is not stated for an offence, then a penalty of N200,000 ($647) or one-***year*** imprisonment, or both, applies in the first instance, while a penalty of N500,000 ($1620), or three ***years***' imprisonment, or both, applies in subsequent instances.

**Value-Added Tax (VAT)**

VAT is an indirect tax governed by the VAT Act (VATA), Cap. V1, LFN 2007, as amended. VAT is administered by FIRS and it is charged at the rate of 5%. VAT is chargeable on supply of goods and services (including imported goods), except for items exempted in the first schedule of the act.

VAT is substantially invoice-based. VAT payable is the difference between VAT on sales (output VAT), and VAT incurred on purchases or imports meant for resale (input VAT). By comparison, VAT incurred on fixed assets and administrative expenses are not allowable inputs, and should be capitalised or expensed.

A company is expected to register as a VAT collection agent within six months of commencement of the act or business, whichever is earlier. NRCs carrying on business in Nigeria are expected to register for tax using the address of the party they have a subsisting contract with in Nigeria. VAT on imported goods are to be paid at the port of entry, while the recipient of an imported service in Nigeria should self-charge the tax and remit.

VAT returns must be filed within 21 days following the month of transaction using the prescribed form. Failure to file VAT results in a penalty of N5,000 ($16.16) for each month the default continues.

**Customs & Excise Duties**

Customs duties are levied on goods coming into Nigeria at varying rates, with the lowest rate at 5% and a maximum rate of 70% of import value at each port of entry. They are imposed by Customs, excise tariff, etc. (Consolidation) Act, Cap. C49, LFN 2007.

A detailed list of excisable items such as wines and spirits, tobacco and cigarettes and alcoholic beverages including the excise factories are available at the Nigeria Customs Service.

**Tax Treaty with Spain**

The ***year*** 2018 opened with a significant milestone in the tax space as the Nigerian government announced the ratification of the Nigeria-Spain avoidance of a double taxation agreement (DTA). The DTA has been awaiting ratification since 2009, when it was first negotiated. It was, however, presented to the National Assembly in 2016. The DTA applies to all taxes on income and capital gains. It includes other provisions such as a six-month threshold for employees before a permanent establishment is created in Nigeria and a reduced tax rate of 7.5% for income earned as dividend, interest, and royalties. The ratification of the DTA is a welcome development as we believe it will improve the flow of FDI into Nigeria.

**Excise Duty Regime**

The Federal Government of Nigeria (FGN) approved the changes to the rates and bases for levying excise duties on alcoholic beverages and tobacco. The new regime was communicated through a circular referenced 17642/II/172 and dated March 6, 2018. It became effective from June 4, 2018 and the increase in taxes has been designed to be phased on a graduated scale from June 2018 to 2020.

The new excise duty regime for alcoholic and tobacco products (currently the only excisable products in Nigeria) has shown a shift from ad valorem to specific rate taxation for beer, stout, wines and spirits. Cigarettes and tobacco would still be taxed on an ad valorem basis but would as well be subject to specific rates of duty.

**Tobacco**

For 2018, in addition to the 20% ad valorem rate, a specific rate of N1 ($0.003) will be paid on each cigarette stick (N20 [$0.06] per pack of 20 sticks). In 2019 the specific rate will increase to N2 ($0.006) per stick (N40 [$0.13] per pack of 20 sticks) and N2.90 ($0.009) per stick (N58 [$0.19] per pack of 20 sticks) in 2020. With respect to alcoholic beverages, no ad valorem rate is applicable.

**Beer & Stout**

In 2018, N0.30 ($0.001) per cl would be payable and N0.35 ($0.001) per cl for both 2019 and 2020.

**Wines**

N1.25 ($0.004) per cl is payable in 2018 and N1.50 ($0.005) per cl for both 2019 and 2020.

**Spirits**

N1.50 ($0.005) per cl was approved in 2018, N1.75 ($0.006) per cl in 2019 and N2 ($0.006) per cl in 2020.

One of the major impacts that this new tax regime would likely have is that the profit margins of companies playing in this industry would be reduced as all of the manufacturers involved may not be able to pass the extra cost resulting from the new rates to its final consumers.

**Extension of Amnesty**

In April 2018 the FGN extended the Voluntary Assets and Income Declaration Scheme (VAIDS) amnesty ***programme***, which was originally intended to elapse by June 30, 2018, meant to provide additional three months of grace to enable tax defaulters to file their returns. By this extension, the window period for compliance was increased to 12 months. Several companies and individual taxpayers took advantage of this window and remedied their tax compliance status in Nigeria.

It should be recalled that the VAIDS, which was conceived via an executive order on June 29, 2017 with an effective date of July 1, 2017, was designed to encourage defaulting taxpayers to voluntarily disclose previously undisclosed assets and income for the purpose of ***payment*** of all outstanding taxes in exchange for waiver of penalties, interest, tax audit and possible prosecution. The scheme was implemented by FIRS in collaboration with the 36 states' Internal Revenue Services (IRS) and the Federal Capital Territory-IRS.

Bank Verification Number, Corporate Affairs Commission and land registry were among the sources from which FIRS obtained information about defaulting tax payers and circularised them afterwards. The scheme enjoyed appreciable success as about 4m taxpayers were brought into the tax net, and N30bn ($97m) was generated from the scheme.

**Tax Appeal Tribunal (TAT)**

The TAT was reconstituted on July 12, 2018. TAT is an administrative body established by the FIRS (Establishment) Act 2007 to hear and resolve tax disputes. The TAT is the first point of call for aggrieved taxpayers before approaching the Federal High Court (FHC).

The tribunal operates in eight zones across the federation, with an office in each of the six geopolitical zones (Ibadan, Benin, Enugu, Kaduna, Jos and Bauchi), as well as Lagos and Abuja.

The tenure of the last set of commissioners expired in mid-2016, and since then, no cases were heard by the tribunal. However, with the recent development, it is expected that the aggrieved tax payers will have their cases resolved faster.

**FIRS Issuance**

FIRS issued a letter of substitution to banks in 2018, a ***year*** which also witnessed a strong drive by FIRS to increase its revenue, by writing to and appointing banks as collection agents of alleged tax defaulters in exercise of its powers as under section 31 of the FIRS (Establishment) Act.

This indicates that FIRS is increasingly committed to driving up tax revenue and compliance. There have been strong concerns expressed by stakeholders around the appropriateness in relation to due process and the uncertain effects this approach could have on the ambience of the business environment.

**Ruling on VAT Treatment**

With respect to transactions between resident companies and NRCs, on June 19, 2018, the FHC overruled the decision of the TAT in a case between Gazprom Oil and Gas Nigeria and FIRS. The FHC ruled that a resident company is liable to self-charge VAT in Nigeria on any transaction involving the supply of goods and services by an NRC.

Prior to the ruling of the FHC on this case, the TAT had ruled that Gazprom had no obligation to account for the VAT on the services rendered by the NRC on the premise that the NRC did not include VAT on its invoice to the company and the activities were not carried out in Nigeria.

**Executive Order**

The FGN and President Muhammadu Buhari had further confirmed its readiness for tax compliance and discouraging tax evasion by signing into law Executive Order No. 8 - Voluntary Offshore Assets Regularisation Scheme. This order became effective as of October 8, 2018 and it shall remain effective for the next 12 months.

It is aimed at expanding the tax net through encouraging wilful tax defaulters/evaders who hold offshore assets and generate offshore incomes to voluntarily and truthfully declare those assets and incomes for which no taxes have previously been paid.

Under the scheme, tax defaulters who hold offshore assets and generate offshore incomes are encouraged to make a one-off ***payment*** of 35% of the total value of the assets or undergo a forensic audit of the offshore assets and pay all outstanding taxes, together with the accrued interest and penalties. Furthermore, tax defaulters who take advantage of this scheme will enjoy immunity from prosecution for tax offences, and misdeeds related to the holding of such an offshore asset.

The scheme is therefore open to persons, companies and their intermediaries holding offshore assets that are in default of tax obligations, including those persons or companies that are not currently undergoing investigation by law enforcement agencies.

It is important for affected persons, companies and their intermediaries to take advantage of the scheme, otherwise, such persons or companies upon conviction shall face investigation and enforcement procedures at the expiration of the scheme.

***Transfer* Pricing (TP) Rules**

FIRS in the exercise of powers conferred on it by section 61 of the FIRS (Establishment) Act No. 13 recently published its revised TP regulations that became effective March 19, 2018. This clearly indicates that it is of retrospective application. The revised TP regulations automatically revoke the TP regulation of 2012 and closely aligns it with the OECD TP guidelines of July 2017. The regulation introduces several changes to the TP regime, geared towards increasing the tax compliance of multinational enterprises in Nigeria. The regulation brings within its coverage the VATA and Capital Gains Tax Act, in addition to the already covered PITA, CITA and PPTA.

**Intragroup Service Charge**

The regulations introduced the evaluation of an intragroup service charge for compliance with the arm's length principle by focusing on actual service rendered rather than the arbitrary allocation of cost.

**Tax Deductability**

The regulations seek to restrict tax deduction for ***payments*** made as consideration for the right of exploitation of an intangible to 5% of earnings before interest, tax, depreciation and amortisation derived from the commercial activity in which the rights ***transferred*** are exploited.

**Associated Risks**

Highly capitalised equity companies who fund investment activities of associated companies but do not have the capacity to manage the risk associated with such funding shall now be entitled to a risk-free return. The profits or losses associated with the financial risks will now be allocated to the entity (or entities) that manage those risks and have the capacity to bear them.

**Customs Valuation**

Customs duty valuation for imports and exports will no longer be automatically accepted by FIRS as a representation of arm-length price for TP purposes. Exports and imports shall now be priced at the price quoted in a recognised exchange (domestic or international), at the date of the transaction for income tax purposes, where there is a variance between the agreed price with the connected person and the quoted price. The exception to this rule will be where the person can provide evidence needed to show that adjustments are appropriate to the quoted price to be consistent with the arm's length principle.

**TP Declaration**

Regulations provide that a connected person is expected to submit an updated declaration where there is a merger or acquisition of 20% of the parent or a change in the entity's structure.

Connected persons are to maintain both a master file and a local file for their TP documentation. Also, the N250m ($808,000) materiality threshold for participation in the advanced pricing arrangement has been removed.

Companies with less than N300m ($970,000) related parties' transaction may elect not to maintain a contemporaneous TP documentation. However, the documentation must be provided to FIRS within 90 days of request. The penalties are as follows:

· Failure to file TP declaration will attract a fine of N10m ($32,300) in the first instance and N10,000 ($32.33) for every day the failure continues.

· Failure to file updated TP declaration/provide notification about directors attracts a fine of N25,000 ($80.82) for every day the default continues.

· Failure to file TP disclosure will attract a fine of more than N10m ($32,300) or 1% of the value of related party transaction not disclosed and N10,000 ($32.33) for every day the default continues.

· Incorrect disclosure of transaction will attract a fine of more than N10m ($32,300) or 1% of the value of related party transaction not disclosed.

· Failure to file TP documentation upon request will attract a fine of more than N10m ($32,300) or 1% of the value of related party transaction not disclosed; and N10,000 ($32.33) for every day the default continues.

· Failure to furnish information/documentation will attract a fine of 1% of the value of the related party transaction for which information/documentation relates and N10,000 ($32.33) for every day the default continues. However, the administrative penalties as prescribed in the new TP regulations shall not take effect until after December 31, 2018, as communicated by FIRS through a public notice and the guidelines recently released. It is therefore advisable for relevant taxpayers with any outstanding TP returns to take advantage of the brief grace period to avoid being hit with any or all of the subsequent TP declaration and documentation penalties.

**Outlook**

In 2018 we have seen FIRS increase its aggressiveness towards expanding its tax base, which has been demonstrated by various changes witnessed during the ***year***. Changes witnessed include:

· Extension of VAIDS ***programme*** by an additional three months;

· Introduction of new TP policy with a penalty of at least N10m ($32,300); and

· The freezing of tax defaulters' bank accounts. These are clear indications that the days of non-compliance and oil revenue dependency may just be over.

The government has demonstrated its readiness to simplify tax administration and ease of doing business in Nigeria through increased adoption of technology solutions and the reconstitution of the tax appeal tribunal. These should, in the long run, reduce the cost of tax administration and enable aggrieved taxpayers to get speedy redress.

In the coming ***years*** we expect to see the tax authorities further strengthen their effort to increase tax revenue, as currently the tax-to-GDP ratio remains low, at around 8% after VAIDS. Furthermore, we also expect to see the implementation of the recommendations of the national tax policy, especially the reduction of the corporate tax rate to 25%.

It is worth mentioning that FIRS commenced the full automation of the tax system as Nigerian taxpayers can now file returns from anywhere through the e-filing system and pay their taxes through the various electronic platforms available. We expect to see more effort to stabilise the system and make it more functional in the coming ***year*** and beyond.

**Load-Date:** March 12, 2020

**End of Document**



[***Côte D'Ivoire Banking Competitive Landscape***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SXW-Y7P1-F0J5-80JS-00000-00&context=1516831)

Business Monitor Online

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**Length:** 3436 words

**Highlight:** In general, the commercial banking sector provides attractive opportunities for market entrants, given the robust economic growth forecast for the country over the medium term, and its growing consumer base (which is being recognised by companies such as French retailers Fnac and Carrefour, as well as the likes of Burger King and Heineken). The physical presence of banks in Côte d'Ivoire has increased quite exponentially over the past decade or so. World Bank statistics indicate that there were only around 1.4 commercial bank branches per 100,000 adults in the country in 2004, and by 2015, this had grown to 4.8 commercial bank branches per 100,000 adults. The amount of ATMs in the country has grown from 3.76 per 100,000 people in 2010 to 6.9 per 100,000 people by 2015.

**Body**

In general, the commercial banking sector provides attractive opportunities for market entrants, given the robust economic growth forecast for the country over the medium term, and its growing consumer base (which is being recognised by companies such as French retailers **Fnac** and **Carrefour**, as well as the likes of **Burger King** and **Heineken**). The physical presence of banks in Cote d'Ivoire has increased quite exponentially over the past decade or so. World Bank statistics indicate that there were only around 1.4 commercial bank branches per 100,000 adults in the country in 2004, and by 2015 this had grown to 4.8 commercial bank branches per 100,000 adults. The amount of ATMs in the country has grown from 3.76 per 100,000 people in 2010 to 6.9 per 100,000 people by 2015.There is also opportunity for the country to emerge as a francophone West African banking and financial services hub in the long term, as the Ivorian banking and financial services sectors hold substantial potential for growth over the coming decade. This is being recognised by important players in the banking and financial services space, such as **Visa**. In May 2017, it was announced that the international electronic ***payments*** and cards company is set to establish its regional headquarters for its West and Central African markets in Abidjan.

Visa plans to help accelerate the digitisation of commercial activity in Cote d'Ivoire and the wider West African region, and work with local institutions to improve financial inclusion in the region. Visa's other regional offices are situated in South Africa, Kenya, Rwanda and Nigeria.A huge positive for international market players is that while banks require a license to operate in the country, there are no restrictions on foreign ownership of banks in the country. Consequently, several of Cote d'Ivoire largest banks are subsidiaries of foreign banks, with a European and Pan-African presence, and other notable international players include **Citibank** and **Standard Chartered**. The Ivorian banking sector is consequently well connected to the international banking system.Market players will nevertheless find several barriers to operation that are currently limiting or posing risks to banking sector growth. These largely include the low levels of public trust in the commercial banking sector, the low levels of financial inclusion rates among the Ivorian population, the risks posed to the banking sector by the poor performance of public banks, and the competition posed to banks from mobile money operators in Cote d'Ivoire.The majority of these barriers were confirmed by the findings of the World Bank's July 2016 Report on Cote d'Ivoire's financial sector entitled 'The race to emergence: why Cote d'Ivoire must adjust its financial system'. This report highlights that many Ivorians lost confidence in the local banking sector during the 2010-2011 political crisis (especially public banks), as many failed or historically have had to be closed, restructured or recapitalised.This loss of confidence has been one of the drivers of Cote d'Ivoire's very low levels of formal financial inclusion. Interestingly, the report found that only one in eight adult Ivorians chose to deposit their savings with a bank or financial institution. This is further confirmed by World Bank data found in their most recent Global Financial Inclusion Survey, which shows that in 2014 (latest available data), only around 34.3% of the adult Ivorian population had a bank account and that only around 0.7% of adults used a debit card to make ***payments***. Other factors that the World Bank's report cited as barriers to people making larger use of commercial banking services were the high associated travel costs of getting to a bank and expensive transaction fees. Other prevailing factors preventing higher levels of financial inclusion in Cote d'Ivoire are the high poverty rates in the country, as well as the fact that formal employment and urbanisation rates are still very low even by Sub-Saharan African standards.This distrust in the formal banking sector, paired with the growing levels of smartphone ownership in Cote d'Ivoire (and network coverage to more rural areas), has meant that an interesting trend has emerged of many Ivorians performing most of their money transactions (such as sending or receiving remittances) via mobile money accounts. The World Bank's 2016 report found that many Ivorians prefer to use mobile money accounts for ***payments*** and money ***transfers***. Furthermore, statistics show that around 24.3% of the adult Ivorian population had a mobile money account in 2014, and around 41.7% used mobile money accounts to send remittances, and over 50% used mobile money accounts to receive remittances. According to a 2014 report compiled by **Mastercard** and the **International Finance Corporation** (IFC), in terms of the volume distribution of mobile money transactions in 2014 across the WAEMU region, Cote d'Ivoire accounted for more than half of these.We expect that in the coming ***years***, banks are likely to pursue partnerships with telecoms companies in order to offer mobile financial services, which would support the introduction of the country's large unbanked population to the banking sector. This already saw some developments in 2017, as in early 2017, it was reported that **EcobankCote d'Ivoire** had launched the Ecobank Xpress mobile phone application in Abidjan. This mobile phone banking application allows customers to open an 'Xpress account' remotely, without paperwork. From there, customers can receive and make ***payments*** across borders to around 33 other African countries via their mobile phones, without paying additional fees for these routine transactions. Statistics indicate the Cote d'Ivoire is a good market for this, and since the launch of Ecobank's upgraded mobile banking application towards the end of 2017, it was reported in April 2018, that in a six-month period since its launch 3mn new customers have joined the bank using the application. Additionally, in December 2017, Standard Chartered announced that in January 2018, it would launching a digital bank (a new mobile bank) via its subsidiary in Cote d'Ivoire, which would serve as a pilot project for further launches in their other emerging markets. This means that clients can now complete all their banking activities purely from the mobile banking application, and there is no need for any face-to-face interaction. Standard Chartered's regional CEO stated that 'digitising Africa remains at the heart of our business strategy'. Opening a digital bank account using the app reportedly takes around 15 minutes.Societe Generale de Banques en Cote d'Ivoire (SGBCI), which is the largest bank in the country, has also launched a mobile banking service 'Sogepay'. The high preference rate of Ivorians preferring to have mobile money accounts to send money rather than accounts with formal banking institutions, paired with the impressive economic growth which the country has seen over the past few ***years***, means that Cote d'Ivoire is emerging as a strong SSA contender for innovative and digital banking trends. According to a new report on Africa's retail banking sector published by **McKinsey & Co** in March 2018, the top quintile of banks in South Africa, Egypt, Kenya, Ghana and Cote d'Ivoire were around four times more profitable and growing at double the rate of the banks in the bottom quintile. The success rate of these top quintile banks across these various African markets was attributed to them all applying one or more of several key strategies. These strategies include the adoption of a 'digital-first approach', the adoption of innovative risk-management approaches and the adoption of more simple and lean business models of banking.In terms of addressing the risks posed by public banks (which hold the bulk of the poor assets and NPL's in Cote d'Ivoire) and restoring public confidence in the banking sector, the Ivorian government has pledged since 2011 to clean up the sector and since 2013/2014 it has vowed to privatise or restructure various public banks. So far, the privatisation of the former **SocieteIvoirienne de Banque** (SIB) and the Banque Internationale pour l'Afrique Occidentale (BIAO) (which has been renamed as **NSIA Banque**) have been completed. The privatisation processes at **Banque de l'Habitat de Cote d'Ivoire** (BHCI) and **Versus Bank** are reportedly still occurring, and the BFA (which was an ***agricultural*** bank) has reportedly been fully liquidated.In December 2016, the IMF agreed to grant Cote d'Ivoire funding of around USD658.9mn under its tended Credit Facility (ECF) and the Extended Fund Facility (EFF) under two three-***year*** arrangements, in order to support the country's economic and financial reform ***programme***. As part of this ***programme***, the Ivorian government undertook to continue its efforts to recapitalise and strengthen public banks and to promote financial inclusion. The IMF released its first review of Cote d'Ivoire's performance under the ECF and EFF in June 2017. This review noted than Ivorian authorities are working on addressing the lingering weaknesses in public banks. There are reportedly four public banks in the portfolio in which the government is addressing weaknesses. Two are reportedly being privatised, one is being recapitalised and one's liquidity position is being strengthened. A recapitalisation plan for the public savings bank (CNCE) was submitted to the UMEOA Banking Commission at the end of 2016. Additionally, government stakes in two smaller private banks were still undergoing privatisation and the conversion of government debt held by state-owned BNI into marketable securities had improved the liquidity of the bank. This report also noted that the Ivorian government had hired a private consultant to further develop its public bank restructuring plans and had begun to implement them.In order to address the low levels of financial inclusion in the country, the Ivorian government is continuing to implement the Financial Sector Development Strategy, which is focusing on restoring public confidence in the banking sector via decreasing the risk posed by public banks and strengthening the microfinancing sector. In December 2017, the IMF completed its second review of Cote d'Ivoire's performance under the ECF/EFF-supported ***programmes***. The country's performance was announced as 'strong', and the IMF announced that 'all performance criteria and indicative targets for end-June 2017 were observed and all structural benchmarks were met' and that the country is continuing to implement structural reforms. The review notes that the future recapitalisation of one public bank will assist financial sector stability.Cote d'Ivoire's banking sector is dominated by foreign-owned and regional banks. According to the BCEAO, 26 banks manage the bulk (about 81%) of financial sector assets in Cote d'Ivoire. Of the banks, 10 are foreign-owned and control 51% of the assets, seven are subsidiaries of regional UEMOA banking groups with a 24% share, five are local private institutions with 16%, with the remaining 9% owned by four public banks. Given the concentration of borrowing among the country's largest firms and public entities, the degree of competition in the sector has put substantial pressure on operating margins.

**Top 10 Commercial And Retail Banks By Total Assets, XOFmn**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Total Assets** | **Total Common Equity** | **Date** |
| Ecobank Cote d'Ivoire | 1,481,710 | 114,664 | 31/12/2017 |
| Societe Generale de Banques en Cote d'Ivoire | 1,421,923 | 134,418 | 31/12/2016 |
| Banque Atlantique de Cote d'Ivoire | 1,259,730 | 57,279 | 31/12/2016 |
| Societe Ivoirienne de Banque | 995,509 | 72,986 | 31/12/2017 |
| NSIA Banque | 843,226 | 59,199 | 31/12/2016 |
| Banque Int. pour le Commerce et L'Industrie | 643,084 | 57,429 | 31/12/2016 |
| Banque of Africa | 623,026 | 39,013 | 31/12/2016 |
| Bridge Bank Group | 219,113 | 13,851 | 31/12/2015 |
| Citibank Cote d'Ivoire | 161,236 | 19,294 | 31/12/2016 |
| Standard Chartered Bank Cote d'Ivoire | 143,335 | 11,036 | 31/12/2016 |

na = not available. Note: All data is latest available. Source: Fitch Solutions, company reports As of the end of 2017, the largest bank in terms of assets is **Ecobank Cote d'Ivoire.** As of ***year***-end 2017, Ecobank had seen its assets increase by 11.2% from the previous financial ***year*** end. In terms of its overall profitability this was largely static, as Ecobank's return on average assets ratio stayed at 2.2% and its return on average equity ratio saw a mild decrease from 39.5% to 34.5%. In terms of the health of these banks' assets, bank specific non-performing loan (NPL) data is not available. This data suggests Ecobank may have seen a slight deterioration in asset quality, as loans as a percentage of customer deposits had increased very slightly from 77.5% to 79.4%.Ecobank was incorporated in 1985 and is headquartered in Togo. Ecobank is the largest pan-African bank, with operations in 36 countries across the continent. The Cote d'Ivoire affiliate was incorporated in 1989 through an acquisition of a Chase Manhattan subsidiary. The bank provides wholesale, retail, investment and transactional banking services. At end-2015, Ecobank reported USD23.6bn in total assets and USD2.5bn in total equity, servicing approximately 11mn customers through 1,268 branch offices. It operates affiliates in all eight members of the UEMOA, plus Cape Verde, where it counts 292 branches and USD7.1bn in assets.

**Top 10 Banks - Asset Quality**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Growth of Gross Loans (%)** | **NPL Charges (% of gross loans)** | **Date** |
| Ecobank Cote d'Ivoire | 18.7 | 0.9 | 31/12/2017 |
| Societe Generale de Banques en Cote d'Ivoire | 21.4 | na | 31/12/2016 |
| Banque Atlantique de Cote d'Ivoire | 12.8 | 0.6 | 31/12/2016 |
| Societe Ivoirienne de Banque | 4.6 | na | 31/12/2017 |
| NSIA Banque | 17.4 | 0.5 | 31/12/2016 |
| Banque Int. pour le Commerce et L'Industrie | 17.6 | 0.2 | 31/12/2016 |
| Banque of Africa | 14.4 | 1.4 | 31/12/2016 |
| Bridge Bank Group | 27.4 | na | 31/12/2015 |
| Citibank Cote d'Ivoire | 36.1 | na | 31/12/2016 |
| Standard Chartered Bank Cote d'Ivoire | -33.5 | na | 31/12/2016 |

na = not available. Note: All data is latest available. Source: Fitch Solutions, company reports The next largest bank by assets is **Societe Generale de Banques en Cote d'Ivoire (SGBCI)**, which is a local subsidiary of one of Europe's largest financial services organisations. As of January 2017, it was serving 31mn customers across 66 countries with the support of around 145,700 employees. Present in Cote d'Ivoire since 1962, SGBCI is a bank of reference on the Ivorian banking market.The group's total assets as of the end of 2015 stood at EUR1,334,391mn, up from EUR1,308,138mn a ***year*** earlier. Within this, loans to customers rose from EUR370,367mn in 2014 to EUR405,252mn a ***year*** later. Similarly, customer deposits increased across the course of 2015, reaching a total of EUR379,631mn by ***year***-end, up from EUR349,735mn a ***year*** earlier. As of the same date, the group's total liabilities had reached a level of EUR1,271,716mn, an increase from liabilities of EUR1,249,264mn as of December 2014.In terms of the balance sheet, the group saw its net income rise to EUR4,001mn in 2015, an increase from EUR2,679mn in 2014. Similarly, net banking income of EUR23,561mn in 2014 rose to EUR25,639mn by the close of 2015. Following the same trend, the group's consolidated net income reached EUR4,395mn by the end of 2015, an increase from EUR2,978mn in 2014.On a less positive note, operating expenses climbed to a level of EUR16,893mn by the 2015 ***year***-end, up from EUR16,037mn a ***year*** earlier. As of the end of 2015, the bank's fully loaded CET 1 ratio was at 10.9%, comparing positively with a ratio of 10.1% in 2014. Its total capital ratio reached as high as 16.3% by the 2015 ***year***-end, up from 14.3% in 2014.

**Top 10 Banks - Earnings And Profitability**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Net Interest Income (% of earning assets)** | **Expenses (% of gross revenues)** | **Operating Profit (% of average assets)** | **Net Income (% of average equity)** | **Date** |
| Ecobank Cote d'Ivoire | 3.4 | 54.6 | 2.2 | 34.5 | 31/12/2017 |
| Societe Generale de Banques en Cote d'Ivoire | 3.3 | 53.7 | 3.4 | 28.2 | 31/12/2016 |
| Banque Atlantique de Cote d'Ivoire | 1.5 | 55.4 | 1.8 | 39.3 | 31/12/2016 |
| Societe Ivoirienne de Banque | 3.0 | 51.6 | 2.9 | 33.9 | 31/12/2017 |
| NSIA Banque | 4.6 | 60.1 | 2.7 | 31.0 | 31/12/2016 |
| Banque Int. pour le Commerce et L'Industrie | 3.9 | 71.1 | 2.5 | 22.0 | 31/12/2016 |
| Banque of Africa | 1.4 | 51.9 | 1.6 | 27.7 | 31/12/2016 |
| Bridge Bank Group | 4.1 | 73.1 | 1.9 | 21.1 | 31/12/2015 |
| Citibank Cote d'Ivoire | 1.7 | 51.4 | 3.3 | 20.7 | 31/12/2016 |
| Standard Chartered Bank Cote d'Ivoire | 1.3 | 92.6 | 0.6 | 7.5 | 31/12/2016 |

Note: All data for financial ***year*** ending December 31 2016, excluding Bridge Bank Group (December 31 2015). Source: Fitch Connect, company reportsna = not available. Note: All data is latest available. Source: Fitch Solutions, company reports The third largest bank by assets, and the largest regional bank, is **Banque Atlantique de Cote d'Ivoire**, a subsidiary of the Morocco-based **Atlantic Business International** (ABI). Though Banque Atlantique was founded in Abidjan in 1978 and gradually expanded across the region, the bank now rests underneath ABI, the result of a partnership, active since September 2012, between the Atlantic Financial Group and the Groupe Banque Centrale Populaire du Maroc. ABI operates subsidiaries in all eight members of the UEMOA.

**Top 10 Banks - Capital And Leverage**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Tangible Common Equity (% of tangible assets)** | **Net Income Minus Cash Dividends (% of total equity)** | **Date** |
| Ecobank Cote d'Ivoire | 7.7 | 3.5 | 31/12/2017 |
| Societe Generale de Banques en Cote d'Ivoire | 9.3 | 11.4 | 31/12/2016 |
| Banque Atlantique de Cote d'Ivoire | 4.2 | 35.7 | 31/12/2016 |
| Societe Ivoirienne de Banque | 7.0 | 16.5 | 31/12/2017 |
| NSIA Banque | 6.5 | 28.9 | 31/12/2016 |
| Banque Int. pour le Commerce et L'Industrie | 8.8 | 12.1 | 31/12/2016 |
| Banque of Africa | 6.1 | 10.4 | 31/12/2016 |
| Bridge Bank Group | 6.2 | 20.4 | 31/12/2015 |
| Citibank Cote d'Ivoire | 12.0 | 20.3 | 31/12/2016 |
| Standard Chartered Bank Cote d'Ivoire | 7.7 | 7.3 | 31/12/2016 |

Note: All data for financial ***year*** ending December 31 2016, excluding Bridge Bank Group (December 31 2015). Source: Fitch Connect, company reportsna = not available. Note: All data is latest available. Source: Fitch Solutions, company reports The fourth largest bank by assets is currently **Societe Ivoirienne de Banque**. As of ***year***-end 2017, Societe Ivoirienne de Banque had seen its assets increase by around 9.8% from the previous financial ***year*** end. In terms of its overall profitability this saw a slight improvement, as Societe Ivoirienne de Banque's return on average assets ratio stayed increased from 2.7% to 2.9% and its return on average equity ratio also increased from 30.3% to 33.9%. In terms of the health of these banks' assets, bank specific NPL data is not available. However, data as to its total loan to customer deposit percentage, is available for this bank. Societe Ivoirienne de Banque's loan to customer deposit ratio saw improvement between 2016 and 2017 as it decreased from 94.1% to 90.9%.The fifth largest bank is NSIA Banque, which was incorporated in 1906 as Banque de l'Afrique Occidentale in Abidjan. In 1965, the bank's name was changed to BIAO and in 1980 the bank was sold to the state. As part of a wave of privatisations, the bank was sold to the Belgian bank **Belgolaise** in 2000, whose shares in the bank were taken over by the NSIA Group in 2006.The NSIA Group is a pan-African group operating in 12 countries and active in banking, insurance (non-life), financial intermediation and real estate. In 2014, the company rebranded its Ivorian operations as NSIA Banque. The bank's capital is split between the NSIA Group (70%), the government social security fund CNPSS (20%) and the state (10%). The bank has more than 70 branches in the country. Total assets increased by 18% across 2015 to close the ***year*** at a level of XOF784,940mn, up significantly from XOF662,990mn a ***year*** earlier. Total liabilities increased by the same rate across the ***year***. Within this, client deposits rose by 22% from a level of XOF478,663mn in 2014 to XOF586,161mn in 2015. The bank endured an increase in total charges in 2015, which as of December 31 2015 stood at XOF74,452mn, up from XOF62,999mn in 2014.

**Top 10 Banks - Funding And Liquidity**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Loans (% of customer deposits)** | **Interbank Assets (% of interbank liabilities)** | **Customer Deposits (% of total funding)** | **Date** |
| Ecobank Cote d'Ivoire | 79.4 | 48.7 | 64.4 | 31/12/2017 |
| Societe Generale de Banques en Cote d'Ivoire | 75.7 | 141.9 | 95.0 | 31/12/2016 |
| Banque Atlantique de Cote d'Ivoire | 70.4 | 46.8 | 70.1 | 31/12/2016 |
| Societe Ivoirienne de Banque | 90.9 | 23.0 | 75.7 | 31/12/2017 |
| NSIA Banque | 102.6 | 14.0 | 80.7 | 31/12/2016 |
| Banque Int. pour le Commerce et L'Industrie | 91.4 | 33.0 | 90.5 | 31/12/2016 |
| Banque of Africa | 90.4 | 21.1 | 60.6 | 31/12/2016 |
| Bridge Bank Group | 56.0 | 1,340,160.0 | 100.0 | 31/12/2015 |
| Citibank Cote d'Ivoire | 54.4 | 1,463.6 | 96.6 | 31/12/2016 |
| Standard Chartered Bank Cote d'Ivoire | 49.1 | 418.7 | 95.1 | 31/12/2016 |

na = not available. Note: All data is latest available. Source: Fitch Solutions, company reports

**Load-Date:** August 1, 2018

**End of Document**



[***Côte D'Ivoire Banking Competitive Landscape***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5THR-MCN1-JD33-J0R5-00000-00&context=1516831)

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Visa plans to help accelerate the digitisation of commercial activity in Cote d'Ivoire and the wider West African region, and work with local institutions to improve financial inclusion in the region. Visa's other regional offices are situated in South Africa, Kenya, Rwanda and Nigeria. Additionally, it was reported in July 2018 that **Western Union** (a leader in cross-border money and currency transactions) has announced that it will be opening up an office in Cote d'Ivoire. This office will serve as a headquarters for the company's West African operations and is been opened to capitalise on the growing consumer opportunities which are arising in the country.A huge positive for international market players is that while banks require a license to operate in the country, there are no restrictions on foreign ownership of banks in the country. Consequently, several of Cote d'Ivoire largest banks are subsidiaries of foreign banks, with a European and Pan-African presence, and other notable international players including **Citibank** and **Standard Chartered**. The Ivorian banking sector is consequently well connected to the international banking system.Market players will nevertheless find several barriers to operation that are currently limiting or posing risks to banking sector growth. These largely include the low levels of public trust in the commercial banking sector, the low levels of financial inclusion rates among the Ivorian population, the risks posed to the banking sector by the poor performance of public banks, and the competition posed to banks from mobile money operators in Cote d'Ivoire.The majority of these barriers were confirmed by the findings of the World Bank's July 2016 Report on Cote d'Ivoire's financial sector entitled 'The race to emergence: why Cote d'Ivoire must adjust its financial system'. This report highlights that many Ivorians lost confidence in the local banking sector during the 2010-2011 political crisis (especially public banks), as many failed or historically have had to be closed, restructured or recapitalised.This loss of confidence has been one of the drivers of Cote d'Ivoire's very low levels of formal financial inclusion. Interestingly, the report found that only one in eight adult Ivorians chose to deposit their savings with a bank or financial institution. This is further confirmed by World Bank data found in their most recent Global Financial Inclusion Survey, which shows that in 2014 (latest available data), only around 34.3% of the adult Ivorian population had a bank account and that only around 0.7% of adults used a debit card to make ***payments***. Other factors that the World Bank's report cited as barriers to people making larger use of commercial banking services were the high associated travel costs of getting to a bank and expensive transaction fees. Other prevailing factors preventing higher levels of financial inclusion in Cote d'Ivoire are the high poverty rates in the country, as well as the fact that formal employment and urbanisation rates are still very low even by Sub-Saharan African standards.This distrust in the formal banking sector, paired with the growing levels of smartphone ownership in Cote d'Ivoire (and network coverage to more rural areas), has meant that an interesting trend has emerged of many Ivorians performing most of their money transactions (such as sending or receiving remittances) via mobile money accounts. The World Bank's 2016 report found that many Ivorians prefer to use mobile money accounts for ***payments*** and money ***transfers***. Furthermore, statistics show that around 24.3% of the adult Ivorian population had a mobile money account in 2014, and around 41.7% used mobile money accounts to send remittances, and over 50% used mobile money accounts to receive remittances. According to a 2014 report compiled by **Mastercard** and the **International Finance Corporation** (IFC), in terms of the volume distribution of mobile money transactions in 2014 across the WAEMU region, Cote d'Ivoire accounted for more than half of these.We expect that in the coming ***years***, banks are likely to pursue partnerships with telecoms companies in order to offer mobile financial services, which would support the introduction of the country's large unbanked population to the banking sector. This already saw some developments in 2017, as in early 2017, it was reported that **EcobankCote d'Ivoire** had launched the Ecobank Xpress mobile phone application in Abidjan. This mobile phone banking application allows customers to open an 'Xpress account' remotely, without paperwork. From there, customers can receive and make ***payments*** across borders to around 33 other African countries via their mobile phones, without paying additional fees for these routine transactions. Statistics indicate the Cote d'Ivoire is a good market for this, and since the launch of Ecobank's upgraded mobile banking application towards the end of 2017, it was reported in April 2018, that in a six-month period since its launch 3mn new customers have joined the bank using the application. Additionally, in December 2017, Standard Chartered announced that in January 2018, it would launching a digital bank (a new mobile bank) via its subsidiary in Cote d'Ivoire, which would serve as a pilot project for further launches in their other emerging markets. This means that clients can now complete all their banking activities purely from the mobile banking application, and there is no need for any face-to-face interaction. Standard Chartered's regional CEO stated that 'digitising Africa remains at the heart of our business strategy'. Opening a digital bank account using the app reportedly takes around 15 minutes.Societe Generale de Banques en Cote d'Ivoire (SGBCI), which is the largest bank in the country, has also launched a mobile banking service 'Sogepay'. The high preference rate of Ivorians preferring to have mobile money accounts to send money rather than accounts with formal banking institutions, paired with the impressive economic growth which the country has seen over the past few ***years***, means that Cote d'Ivoire is emerging as a strong SSA contender for innovative and digital banking trends. According to a new report on Africa's retail banking sector published by **McKinsey & Co** in March 2018, the top quintile of banks in South Africa, Egypt, Kenya, Ghana and Cote d'Ivoire were around four times more profitable and growing at double the rate of the banks in the bottom quintile. The success rate of these top quintile banks across these various African markets was attributed to them all applying one or more of several key strategies. These strategies include the adoption of a 'digital-first approach', the adoption of innovative risk-management approaches and the adoption of more simple and lean business models of banking.In terms of addressing the risks posed by public banks (which hold the bulk of the poor assets and NPL's in Cote d'Ivoire) and restoring public confidence in the banking sector, the Ivorian government has pledged since 2011 to clean up the sector and since 2013/2014 it has vowed to privatise or restructure various public banks. So far, the privatisation of the former **SocieteIvoirienne de Banque** (SIB) and the Banque Internationale pour l'Afrique Occidentale (BIAO) (which has been renamed as **NSIA Banque**) have been completed. The privatisation processes at **Banque de l'Habitat de Cote d'Ivoire** (BHCI) and **Versus Bank** are reportedly still occurring, and the BFA (which was an ***agricultural*** bank) has reportedly been fully liquidated.In December 2016, the IMF agreed to grant Cote d'Ivoire funding of around USD658.9mn under its tended Credit Facility (ECF) and the Extended Fund Facility (EFF) under two three-***year*** arrangements, in order to support the country's economic and financial reform ***programme***. As part of this ***programme***, the Ivorian government undertook to continue its efforts to recapitalise and strengthen public banks and to promote financial inclusion. The IMF released its first review of Cote d'Ivoire's performance under the ECF and EFF in June 2017. This review noted than Ivorian authorities are working on addressing the lingering weaknesses in public banks. There are reportedly four public banks in the portfolio in which the government is addressing weaknesses. Two are reportedly being privatised, one is being recapitalised and one's liquidity position is being strengthened. A recapitalisation plan for the public savings bank (CNCE) was submitted to the UMEOA Banking Commission at the end of 2016. Additionally, government stakes in two smaller private banks were still undergoing privatisation and the conversion of government debt held by state-owned BNI into marketable securities had improved the liquidity of the bank. This report also noted that the Ivorian government had hired a private consultant to further develop its public bank restructuring plans and had begun to implement them.In order to address the low levels of financial inclusion in the country, the Ivorian government is continuing to implement the Financial Sector Development Strategy, which is focusing on restoring public confidence in the banking sector via decreasing the risk posed by public banks and strengthening the microfinancing sector. In December 2017, the IMF completed its second review of Cote d'Ivoire's performance under the ECF/EFF-supported ***programmes***. The country's performance was announced as 'strong', and the IMF announced that 'all performance criteria and indicative targets for end-June 2017 were observed and all structural benchmarks were met' and that the country is continuing to implement structural reforms. The review notes that the future recapitalisation of one public bank will assist financial sector stability.Cote d'Ivoire's banking sector is dominated by foreign-owned and regional banks. According to the BCEAO, 26 banks manage the bulk (about 81%) of financial sector assets in Cote d'Ivoire. Of the banks, 10 are foreign-owned and control 51% of the assets, seven are subsidiaries of regional UEMOA banking groups with a 24% share, five are local private institutions with 16%, with the remaining 9% owned by four public banks. Given the concentration of borrowing among the country's largest firms and public entities, the degree of competition in the sector has put substantial pressure on operating margins.

**Top 10 Commercial And Retail Banks By Total Assets, XOFmn**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Total Assets** | **Total Common Equity** | **Date** |
| Ecobank Cote d'Ivoire | 1,481,710 | 114,664 | 31/12/2017 |
| Societe Generale de Banques en Cote d'Ivoire | 1,421,923 | 134,418 | 31/12/2016 |
| Banque Atlantique de Cote d'Ivoire | 1,399,564 | 68,925 | 31/12/2017 |
| NSIA Banque | 1,044,110 | 98,038 | 31/12/2017 |
| Societe Ivoirienne de Banque | 995,509 | 72,986 | 31/12/2017 |
| Banque Int. pour le Commerce et L'Industrie | 643,084 | 57,429 | 31/12/2016 |
| Banque of Africa | 642,538 | 42,388 | 31/12/2017 |
| Bridge Bank Group | 322,123 | 17,391 | 31/12/2017 |
| Standard Chartered Bank Cote d' Ivoire | 181,721 | 10,448 | 31/12/2017 |
| Citibank Cote d'Ivoire | 135,963 | 20,497 | 31/12/2017 |

na = not available. Note: All data is latest available. Source: Company reports, Fitch Solutions As of the end of 2017, the largest bank in terms of assets is **Ecobank Cote d'Ivoire**. As of ***year***-end 2017, Ecobank had seen its assets increase by 11.2% from the previous financial ***year*** end. In terms of its overall profitability this was largely static, as Ecobank's return on average assets ratio stayed at 2.2% and its return on average equity ratio saw a mild decrease from 39.5% to 34.5%. In terms of the health of these banks' assets, bank specific non-performing loan (NPL) data is not available. However, growth in Ecobank's gross loans saw an increase of 18.7% over 2017, as opposed to contracting by 0.5% in 2016. This indicates that the bank was experiencing more favourable credit conditions in 2017 than in 2016, as it was more willing to give loans to customers.Ecobank was incorporated in 1985 and is headquartered in Togo. Ecobank is the largest pan-African bank, with operations in 36 countries across the continent. The Cote d'Ivoire affiliate was incorporated in 1989 through an acquisition of a Chase Manhattan subsidiary. The bank provides wholesale, retail, investment and transactional banking services. At end-2015, Ecobank reported USD23.6bn in total assets and USD2.5bn in total equity, servicing approximately 11mn customers through 1,268 branch offices. It operates affiliates in all eight members of the UEMOA, plus Cape Verde, where it counts 292 branches and USD7.1bn in assets.

**Top 10 Banks - Asset Quality**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Growth of Gross Loans (%)** | **NPL Charges (% of gross loans)** | **Date** |
| Ecobank Cote d'Ivoire | 18.7 | 0.9 | 31/12/2017 |
| Societe Generale de Banques en Cote d'Ivoire | 21.4 | na | 31/12/2016 |
| Banque Atlantique de Cote d'Ivoire | 25.0 | 0.8 | 31/12/2017 |
| NSIA Banque | 15.1 | 0.0 | 31/12/2017 |
| Societe Ivoirienne de Banque | 4.6 | na | 31/12/2017 |
| Banque Int. pour le Commerce et L'Industrie | 17.6 | 0.2 | 31/12/2016 |
| Banque of Africa | 16.5 | 1.4 | 31/12/2017 |
| Bridge Bank Group | 41.0 | 1.1 | 31/12/2017 |
| Standard Chartered Bank Cote d' Ivoire | -19.7 | na | 31/12/2017 |
| Citibank Cote d'Ivoire | -19.2 | na | 31/12/2017 |

na = not available. Note: All data is latest available. Source: Company reports, Fitch Solutions Financial results for the ***year*** 2017 for Cote d'Ivoire's second largest banks in terms of asset size - **Societe Generale de Banques en Cote d'Ivoire (SGBCI)** - have yet to be released. However, on the data available for the bank's financial performance in 2016, SGBCI is the second largest bank in terms of assets. In terms of SGBCI's profitability in the ***year*** 2016, the bank's average return on assets' ratio stood at 3.4%, and its average return on equity ratio stood at 28.2%. NPL data is not available for SGBCI, but the bank saw a growth in its gross loans of a strong 21.4% for the period January - December 2016.SGBCI is a local subsidiary of one of Europe's largest financial services organisations. As of January 2017, it was serving 31mn customers across 66 countries with the support of around 145,700 employees. Present in Cote d'Ivoire since 1962, SGBCI is a bank of reference on the Ivorian banking market.

**Top 10 Banks - Earnings And Profitability**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Net Interest Income (% of earning assets)** | **Expenses (% of gross revenues)** | **Operating Profit (% of average assets)** | **Net Income (% of average equity)** | **Date** |
| Ecobank Cote d'Ivoire | 3.4 | 54.6 | 2.2 | 34.5 | 31/12/2017 |
| Societe Generale de Banques en Cote d'Ivoire | 3.3 | 53.7 | 3.4 | 28.2 | 31/12/2016 |
| Banque Atlantique de Cote d'Ivoire | 1.7 | 53.0 | 2.0 | 40.2 | 31/12/2017 |
| NSIA Banque | 4.7 | 61.9 | 2.6 | 24.9 | 31/12/2017 |
| Societe Ivoirienne de Banque | 3.0 | 51.6 | 2.9 | 33.9 | 31/12/2017 |
| Banque Int. pour le Commerce et L'Industrie | 3.9 | 71.1 | 2.5 | 22.0 | 31/12/2016 |
| Banque of Africa | 1.6 | 51.2 | 1.8 | 26.7 | 31/12/2017 |
| Bridge Bank Group | 4.1 | 61.6 | 1.9 | 26.4 | 31/12/2017 |
| Standard Chartered Bank Cote d' Ivoire | 1.5 | 97.6 | 0.2 | -0.1 | 31/12/2017 |
| Citibank Cote d'Ivoire | 2.1 | 45.4 | 4.2 | 25.8 | 31/12/2017 |

Note: All data is latest available. Source: Company reports, Fitch Solutions As of the end of 2017, the third largest bank in the country is **Banque Atlantique de Cote d'Ivoire.** This bank experienced a growth of 11.1% in its total assets between the end of 2016 and end of 2017. Additionally, the bank also experienced much larger growth in its gross loans being granted in 2017 than in 2016. In 2016 only experienced a 12.8% increase in its gross loans, whereas in 2017 it experienced a far higher 25% increase in its gross loans. From a profitability perspective, 2017 was also a stronger ***year*** for Banque Atlantique than 2017 was. The bank's return on average assets ratio increased slightly to 2% in 2017 from 1.8% in 2016. We do note however that this was the lowest return on average assets ratio out of Cote d'Ivoire's top 4 banks for which financial performance data is available in 2017. Nevertheless, Banque Atlantique's return on average equity ratio increased from 39.3% in 2016, to 40.2% in 2017. We emphasise that this was the highest return on average equity ratio out of Cote d'Ivoire's top 4 banks for which financial performance data is available in 2017.Banque Atlantique de Cote d'Ivoire is a subsidiary of the Morocco-based Atlantic Business International (ABI). Although Banque Atlantique was founded in Abidjan in 1978 and gradually expanded across the region, the bank now rests underneath ABI, the result of a partnership, active since September 2012, between the Atlantic Financial Group and the Groupe Banque Centrale Populaire du Maroc. ABI operates subsidiaries in all eight members of the UEMOA.

**Top 10 Banks - Capital And Leverage**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Tangible Common Equity (% of tangible assets)** | **Net Income Minus Cash Dividends (% of total equity)** | **Date** |
| Ecobank Cote d'Ivoire | 7.7 | 3.5 | 31/12/2017 |
| Societe Generale de Banques en Cote d'Ivoire | 9.3 | 11.4 | 31/12/2016 |
| Banque Atlantique de Cote d'Ivoire | 4.6 | 18.4 | 31/12/2017 |
| NSIA Banque | 8.9 | 19.9 | 31/12/2017 |
| Societe Ivoirienne de Banque | 7.0 | 16.5 | 31/12/2017 |
| Banque Int. pour le Commerce et L'Industrie | 8.8 | 12.1 | 31/12/2016 |
| Banque of Africa | 6.5 | 10.1 | 31/12/2017 |
| Bridge Bank Group | 5.3 | 24.8 | 31/12/2017 |
| Standard Chartered Bank Cote d' Ivoire | 5.7 | -0.1 | 31/12/2017 |
| Citibank Cote d'Ivoire | 15.1 | 25.0 | 31/12/2017 |

Note: All data is latest available. Source: Company reports, Fitch Solutions The fourth largest bank in terms of assets in Cote d'Ivoire is currently **NSIA Banque**. NSIA Banque saw a significant 23.8% increase in its total assets for 2017, which was the highest percentage increase in total assets out of Cote d'Ivoire's top 4 banks for which financial performance data is available in 2017. We do note however that the bank's lending levels tailed off ever so slightly in 2017 as opposed to 2016, as its growth in gross loans stood at 15.1% in 2017 as opposed to 17.4% in the previous ***year***. NSIA Banque's profitability levels were also poorer in 2017 as opposed to 2016, as its return on average assets ratio decreased from 2.7% to 2.6% and its return on average equity ratio decreased from 31% to 24.9%. We highlight that NSIA Banque had the lowest return on average equity ratio in 2017 out of Cote d'Ivoire's top 4 banks for which financial performance data is available in 2017.NSIA Banque was incorporated in 1906 as Banque de l'Afrique Occidentale in Abidjan. In 1965, the bank's name was changed to BIAO and in 1980 the bank was sold to the state. As part of a wave of privatisations, the bank was sold to the Belgian bank Belgolaise in 2000, whose shares in the bank were taken over by the NSIA Group in 2006.The NSIA Group is a pan-African group operating in 12 countries and active in banking, insurance (non-life), financial intermediation and real estate. In 2014, the company rebranded its Ivorian operations as NSIA Banque. The bank's capital is split between the NSIA Group (70%), the government social security fund CNPSS (20%) and the state (10%). The bank has more than 70 branches across the Cote d'Ivoire.

**Top 10 Banks - Funding And Liquidity**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Loans (% of customer deposits)** | **Interbank Assets (% of interbank liabilities)** | **Customer Deposits (% of total funding)** | **Date** |
| Ecobank Cote d'Ivoire | 79.4 | 48.7 | 64.4 | 31/12/2017 |
| Societe Generale de Banques en Cote d'Ivoire | 75.7 | 141.9 | 95.0 | 31/12/2016 |
| Banque Atlantique de Cote d'Ivoire | 82.4 | 24.3 | 67.8 | 31/12/2017 |
| NSIA Banque | 96.8 | 22.3 | 82.0 | 31/12/2017 |
| Societe Ivoirienne de Banque | 90.9 | 23.0 | 75.7 | 31/12/2017 |
| Banque Int. pour le Commerce et L'Industrie | 91.4 | 33.0 | 90.5 | 31/12/2016 |
| Banque of Africa | 89.4 | 26.6 | 68.8 | 31/12/2017 |
| Bridge Bank Group | 64.5 | 397.5 | 93.9 | 31/12/2017 |
| Standard Chartered Bank Cote d' Ivoire | 33.0 | 765.6 | 94.6 | 31/12/2017 |
| Citibank Cote d'Ivoire | 61.4 | 1,064.3 | 95.2 | 31/12/2017 |

Note: All data is latest available. Source: Company reports, Fitch Solutions Cote d'Ivoire's fifth largest bank in terms of assets is currently **Societe Ivoirienne de Banque.** As of ***year***-end 2017, Societe Ivoirienne de Banque had seen its assets increase by around 9.8% from the previous financial ***year*** end. The bank appears to have experienced far tighter credit conditions in 2017 than it did in 2016, as its gross loans only grew by around 4.6% in 2017, as opposed to the 16.3% growth in gross loans seen in 2016. In terms of its overall profitability this saw a slight improvement, as Societe Ivoirienne de Banque's return on average assets ratio stayed increased from 2.7% to 2.9% and its return on average equity ratio also increased from 30.3% to 33.9%. Additionally, we emphasise that the bank had the highest return on average assets ratio in 2017 out of Cote d'Ivoire's top 4 banks for which financial performance data is available in 2017.

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**End of Document**



[***Meet the champions of global impact banking***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TF9-9XK1-F0GS-H189-00000-00&context=1516831)

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**Length:** 9134 words

**Byline:** Helen Avery

**Highlight:** Any important new market needs its innovators, cheerleaders and pioneers"¦ As banks try to build more responsible and sustainable businesses, these are the champions of impact banking at 10 of the world's biggest firms. From green and blue finance to financial inclusion and social banking, they are leading the way and setting an agenda for others to follow.

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Margaret AnaduManaging director, Goldman Sachs Urban Investment Group Margaret Anadu understands well the impact on communities of new investment and development. After spending her earlier ***years*** in Lagos, Nigeria, Anadu's family moved to the US to an area of Houston that had been starved of capital for decades."The schools, housing stock, amenities and services had not been invested in, and there was a tangible feeling that we didn't matter," says Anadu. Then "Magic Johnson developed a movie theatre in a dying neighbourhood mall, and after that, from my perspective, things began to turn around in the community."The mall came back to life, jobs were created and it made us feel better about living there. It was very clear to me at that young age "" although I would never have put it in these words "" that capital invested through the built environment can really move the needle on neighbourhood challenges of poverty, unemployment and inequality."That is precisely what the Urban Investment Group (UIG), run by Anadu at Goldman Sachs, does.When Anadu joined UIG 13 ***years*** ago, the group was financing $20 million to $30 million a ***year***, chiefly in housing. Now the group invests $1 billion a ***year*** in projects that span commercial real estate, schools, retail, affordable housing, environmental projects and community development. It targets low-income and underserved neighbourhoods in US cities and makes strong financial returns for Goldman Sachs in addition to the social returns.Anadu's gift, among many, is that she recognizes the ability of private capital to address unwieldy challenges like racial inequality and poverty when partnered with other stakeholders."Everyone deserves the ability and opportunity to be productive and to provide for oneself and one's family and community," she says. "For many reasons, that opportunity is unequal. While government has a role, and we have a robust not-for-profit sector, private capital must be part of the solution. There's no shortage of capital seeking returns; put these stakeholders together at the table and smart ideas become a reality, and social and financial returns can be generated." During the crisis we had to rethink some investments, but when we are clear about the goal, then that passion inspires us to come up with new solutions -Margaret Anadu UIG is a unique player among its financial peers. The group will go in early to cities where other banks have yet to venture "" like Newark. With excellent transport links and its proximity to an international airport and to New York City, Newark should be a thriving city in its own right, yet it has suffered decades of disinvestment and corruption and had high levels of poverty, unemployment and blight. Over 10 ***years***, UIG has financed apartments with affordable housing and several non-profit schools, replaced empty car parks with retail development and even financed an urban agritech business that is expanding nationally."There were raised eyebrows when we started investing, but now people see the fundamental strengths of that city, and today we compete on deals. It really shows how investment can be a spark to revitalization," says Anadu.Having been there from the beginning, acting more like a private equity firm rather than simply financing construction loans once projects have already been structured, there is a definite sense that Anadu's team can take some credit that streets in downtown Newark are thriving, safe and supporting low-income and affluent households in equal measure.Going in early requires great attention to detail around building long-term relationships and considering the much broader impact a project can have. An example is the environmental impact bond that Anadu's team put together in 2016 in Washington DC. The first of its kind, the bond is being used to green areas of the city to absorb rainwater and reduce pressure on the city's sewer systems.Returns are based on the effectiveness of the green infrastructure, but this is not where the transaction ends."The neighbourhoods targeted for greening are low-income neighbourhoods, where beautification just doesn't ordinarily occur," explains Anadu.A certification ***programme*** has been developed for the jobs required, to ensure that those being trained end up with a clear set of skills. And the project can be replicated in other cities around the US.It is not easy work, Anadu points out "" the structures are complex, the impacts are multi-faceted and the challenges require long-term commitment."Do we make mistakes? Yes," she admits. "But it helps that we all share this north star of purpose. During the crisis we had to rethink some investments, but when we are clear about the goal, then that passion inspires us to come up with new solutions."Recently UIG made its largest investment yet in Baltimore in a 177-acre development that could create 80,000 new jobs."It is nerve-wracking," confesses Anadu. "But, given the magnitude of the lost opportunity if the development does not achieve its goals, there should be a healthy level of anxiety. No matter how much due diligence and risk assessment we do, and no matter how our past projects have succeeded, I really won't sleep well until I know those jobs are created and that they've gone to people from Baltimore, and that that community is benefiting."Bob AnnibaleGlobal director of Citi Community Development and Inclusive Finance If anyone understands the financial steps that need to be taken for emerging economies to thrive and their populations to gain access to finance, it is Bob Annibale.In the first 15 ***years*** of his 30-***year*** plus career at Citi, Annibale worked in various roles in treasury risk management, often running treasury for whole regions in the Middle East, Africa and emerging Europe before moving to New York to become the global senior treasury risk officer.It was in his role there in 2005 that Annibale asked to create and run a new group, Citi Microfinance, with three colleagues, all of whom still work together today at Citi Inclusive Finance."Citi had such a deep knowledge of emerging markets because of our local footprint," says Annibale. "You could go to Chittagong or Jakarta and we would be there on the ground. We understood the issues of local economies and we understood the risk and how to structure it."And while the firm had been making grants in financial inclusion for decades, he felt that more could be done."Where I saw we could add value "" as did the senior management, who fully backed the new group "" was to lend to those that could go the last mile where we couldn't, applying our balance sheet to some of those organizations we had partnered with, working with innovators, treating them as we would a large corporate client, so that they could bring financial access and empowerment to many more, and support more inclusive economic growth for all."Annibale's group was ground-breaking. Indeed it is only in the last few ***years*** that other large consumer banks have recognized the value of considering inclusive finance or community development as business lines, in addition to philanthropic support.The impact of Annibale's tireless work travelling the globe to come up with solutions in micro-finance and inclusive finance is shown in the numbers.His group has reached more than one million women borrowers in 25 countries through its financing of micro and inclusive finance institutions with the Overseas Private Investment Corporation. Through the One Acre Fund, 250,000 rural farmers in Kenya will make an anticipated six million ***payment*** ***transfers*** this ***year*** with a value of under $6, without having to leave their farm or village. In Mexico, the development of the ***Transfer*** account at Citi Banamex has added more than seven million clients "" 80% of whom are entirely new to banking "" and is adding 9,000 new accounts every day. It takes many different institutions and organizations to provide the mosaic of services that communities and households need -Bob Annibale In every division Annibale has uncovered how to grow financial access: through retail banking, philanthropy, corporate lending and even the investment bank "" Citi was the lead manager on the first investment-grade bond issue and the first IPO of a microfinance institution (MFI), for example.More recently, Annibale has sought to help grow inclusive finance in developed economies, such as opening up the microfinance market in the US through its work with Grameen."Most MFIs were engaged but never reached scale, but Grameen had a group model that, while entirely new to the US, was hugely successful in Bangladesh," says Annibale. "They couldn't take deposits, so we looked at a way to create accounts for women, mostly new immigrants, through our bank and then launched it together. The first branch was next to a sari shop in Jackson Heights, Queens."It was a bold move, and Annibale is well-recognized for his courage to bring about change "" the Obama administration honoured him as a White House Champion of Change for his work in 2014. More than 20,000 accounts for women have been opened at Grameen across a dozen cities in the US in immigrant communities. Citi also helped the MFI move from cheques to pre-paid cards, and to raise funding. It is now the largest microlender in the US.Also in the US, Annibale has spearheaded the launch of a platform to enable customers of participating minority-owned banks and credit unions in the US to get fee-waived access to Citi's 2,300 branch ATMs "" creating a sustainable future for small institutions that cater to the underserved.It illustrates what makes Annibale so invaluable in inclusive finance: he understands the need for a diversified financial services industry. Whether it is supporting the Mexican consulate to bank new Mexican immigrants or figuring out how to bring better financial access to people with disabilities in the US or advising policy on credit unions in the UK, Annibale understands the responsibilities of, and the opportunities for, a large financial institution."Our collaboration has helped us as a bank understand how we can improve access also," he says. Citi launched its own Access account in the US, for example, which provides a basic online checking account to many low- and middle-income households for the first time "" 370,000 of them since 2014."It takes many different institutions and organizations to provide the mosaic of services that communities and households need," says Annibale. "We are one of them and, given our history and size, our role can also be to bring commercially viable and scalable tools, solutions and products that can help us all work towards greater inclusive economic growth."Colleen BriggsExecutive director of community innovation for JPMorgan Since starting the Financial Solutions Labs centre in 2014, JPMorgan Chase has helped support and fund 34 inclusive finance fintech companies that together have now reached more than 2.7 million Americans, saving them more than $1 billion.The five-***year*** inclusive finance initiative is the creation of Colleen Briggs, the executive director of community innovation for JPMorgan Chase, whose commitment to understanding financial health is now influencing consumer banking beyond the US in markets such as India.Briggs saw early in life that financial health was not a given when she worked in a homeless shelter as a teen."I recognized a classmate as one of the individuals living there, whose family had ended up at the shelter because they did not have the savings to weather a financial struggle," she says. "And it set me on a path to look at how we can better improve financial health."That path took her initially to policy making. During the financial crisis, Briggs helped draft the Recovery Act, the Troubled Asset Relief ***Program*** and the Dodd-Frank Act "" during a period that saw the emergence of fintech and big data. Briggs said it was clear that harnessing innovation in the financial industry itself would bring about practical changes."There had to be a way to switch the mindset of the industry to create products and services that promoted the financial wellbeing of a consumer, rather than just treating them as a transaction," she says. "And fintech was going to help do that."So Briggs got her MBA and joined JPMorgan Chase.While the financial crisis was a turning point in Briggs' career, she says it was also when people woke up to the fact that inclusive finance was not just an emerging markets issue."The US had a robust financial industry with thousands of banks, but the crisis drove home the point that you can have the infrastructure and people can have bank accounts, but does that mean they can weather a shock or manage their finances?"In the recession, 44% of Americans couldn't cover an unexpected $400 expense without having to sell something or borrow. Ten ***years*** on, the wealth of low-income households has yet to recover, especially in communities of colour."Our definition of financial inclusion as simply having access to banking products has been wrong," says Briggs. "Data collection and technology are the tools to help us rethink and solve the challenge, and do so in a cost-effective manner for both the consumer and the financial institution."The Financial Solutions Lab is a philanthropic venture for the firm, but Briggs points out that the initiative is teaching Chase Bank about how to develop its own consumer bank offering."What we have learned is that financial literacy is not the key to financial health that we had once thought, because even if we know what's good for us, we don't always act on it. So people need relevant engaging information delivered at a time when they are thinking about their money "" pay day, tax time "" and then they need the right product to put that into action then and there." The only way we're going to make a change around equality and financial health is by experimenting and sharing what we're learning -Colleen Briggs All the research collected by the Lab is shared publicly."It was a leap of faith to do so, but the only way we're going to make a change around equality and financial health is by experimenting and sharing what we're learning," says Briggs. "There are billions of people whose financial health needs to improve."Briggs has thought carefully about the initiative. Small startups can be hindered in later financing if tied to a large institution like JPMorgan Chase in their earlier financing rounds, so the bank provides capital to inclusive finance non-profit Center for Financial Services Innovation, which manages the fund. Together they hire design firms and behavioural economists to work with small fintechs, as well as 150 of the bank's employees also mentoring the startups selected from the thousands of applicants.The startups are varied, targeting specialist but large sectors such as students, post-graduates, seniors, young savers and employers."A one-size-fits-all model has left too many people receiving the wrong products," says Briggs. She believes the success metrics of banks will change. "We'll be realigning products and services so that they focus on and track economic outcomes for the customer."Such a change is critical to address growing inequality in the US. For too long, outcomes-based banking has been reserved only for the private client industry.Now Briggs has brought the work of the Lab to India."There is lot of fintech taking place in India, but it's not focusing on low-income households," says Briggs. "That tends to be the realm of non-profits, but we're taking the model of the Lab and talking to startups looking specifically at this sector. We need to create solutions that are affordable and profitable. That's when things will really change. And it's a model we want to be able to do globally."In addition to the work of the Financial Solutions Lab, Briggs also works with JPMorgan Chase's Catalyst Fund and the Gates Foundation to support fintech companies in Africa and Latin America before these startups raise institutional venture capital.Audrey ChoiChief sustainability officer and chief marketing officer, Morgan Stanley For a bank to set up a global sustainable finance group in the middle of a financial crisis takes a certain conviction about the future. Audrey Choi at Morgan Stanley had that conviction. Indeed, she was an early convert to the idea that finance could have a positive impact on clients and society alike.Choi joined Morgan Stanley in 2007. Earlier, she had worked as a bureau chief at the Wall Street Journal interviewing corporate chief executives about their business strategies, before joining the Clinton Administration in several roles including as adviser to vice-president Al Gore and as chief of staff of the Council of Economic Advisers."It showed me that while enlightened public policy is critical to set parameters, the private sector had an amount of strength, speed and decision-making autonomy," she says. "If you could harness private capital in the right way, it could be turned into the most dramatic force for positive change on the planet."What Choi had also seen was that the coming together of the public and private sectors only worked if there were long-term positive outcomes for both sides."It was clear we had to figure out how to align business models and financial results with social outcomes," she says.Choi joined Morgan Stanley initially to oversee the Women's Leadership Development team, which quickly expanded into Global Leadership Development."In speaking to different leaders across all areas of the business, it led to a broader discussion of how do our businesses interact with the communities we operate in. What is our impact?" says Choi.As a result, the bank set up the global sustainable finance group, charged with putting capital to work to strengthen low-income communities and protect the environment."We brought our bankers' expertise to projects in microfinance, and while it worked well, these were small deals," says Choi. "To be of real benefit, we were going to have to bring social impact to mainstream banking "" rather than bringing banking to social impact."If impact investing is becoming mainstream across the industry, it is thanks to Choi and Morgan Stanley's bold early move.In 2012, the bank launched its Investing with Impact Platform (IIP), which now has more than 140 products across asset classes, with a five-***year*** goal to have $10 billion invested by the end of 2018."It seemed like an astronomical target back then," says Choi, but today, it is on track to exceed that. We need to be hiring and supporting young people who want to combine their intellect and financial acumen with the desire to fulfil the values they most care about -Audrey Choi Some 74% of its financial advisers use at least one impact strategy and nearly a third use five or more. The bank has also managed to lower the minimum investment to just $5,000."Mainstreaming means bringing access to everyone," says Choi. "We have investments now for early savers all the way to customized portfolios for the sophisticated high net-worth investor."Morgan Stanley also launched Integro, a first-of-its-kind private equity fund of funds targeting positive social and environmental investments.Then came an even bigger commitment from Morgan Stanley. In 2013, chief executive James Gorman launched the Institute for Sustainable Investing within the bank, with Choi as chief executive. Its advisory board, chaired by Gorman, brings together external cross-sector leaders and the bank's senior managers to discuss how they are integrating sustainability into their business lines.The institute has three aims. The first is to drive sustainable products and strategies."If we want to build out the piece of the pie that goes into sustainable investments, we need to build out rigorous investment opportunities, including helping to develop the green bond market," says Choi. Morgan Stanley issued its own green bond in 2015.The second aim is in thought leadership. The institute puts out all of its sustainability thought leadership for free to help accelerate adoption broadly and it develops tool kits for clients and advisers to help them invest in line with their values.The third aim is capacity building."This is the future of finance," says Choi, "so we need to be hiring and supporting young people who want to combine their intellect and financial acumen with the desire to fulfil the values they most care about."As part of developing a deeper understanding of how the broader ecosystem of society and environment influences earnings, Choi also serves on the Sustainability Accounting Standards Board.Choi's mission it seems is that of deeply embedding social and environmental impact in business lines. In equity research at Morgan Stanley, valuations now take sustainability, reputational risk and social risk into consideration; so much so that analysts have changed their calls."There's still so much we need to understand and data we can't get to, but this is going to be the future "" a future where a prudent investor or corporate couldn't imagine not incorporating social and environmental factors into their decision making," says Choi. "As an industry and a field, we haven't fully cracked it "" how to fully holistically think about sustainability. But our role as product and service providers is to be as rigorous as possible with ourselves "" not compromising on either the economics or impact. It's only with both that we can bring about the most change."Tanguy ClaquinHead of sustainable banking, Crédit Agricole CIB Tanguy Claquin is different to most bankers in the green bond market. Before joining Crédit Agricole CIB in the 1990s, where he is now head of sustainable banking, Claquin was a climate scientist with a background in atmospheric physics."As far back as 1994 I realized that climate change was a very important topic and spent many ***years*** studying it," he says.It was specifically green finance that Claquin saw as being a tool for combating climate change; and some banks were looking to hire climate specialists to trade their weather books."They thought they could teach a few of us climate scientists to trade a derivative, and they were right," says Claquin, who joined the banking industry to trade catastrophe bonds and weather derivatives.It was later, in 2008, that the idea to include climate change more formally in discussions with investors and clients came to Claquin. He had then joined Crédit Agricole CIB, where climate was a natural part of the make-up. It is the investment bank of the cooperative group whose members were originally France's ***agricultural*** banks. As the third largest bank in Europe, where Crédit Agricole puts its resources matters.Claquin was given the freedom to start a small business unit."We began with smaller scale projects: a private equity fund to do reforestation and agri-forestry projects in India and Africa, and mandates around accessing clean energy in developing countries," he says.But green bonds were starting to be discussed more. The World Bank and the EIB had recently launched the first climate-related and green bonds. And although green bonds had been the realm of development banks, other issuers were beginning to be interested.In 2012, Crédit Agricole CIB helped lead the first green bond outside a development bank "" for French local authority, ÃZle-de-France. Electricité de France's â,¬1.4 billion green bond followed and Crédit Agricole issued its own green bond "" the first investment bank to do so.With his technical expertise and his work in developing green finance at Crédit Agricole CIB, Claquin was invited to draft the Green Bond Principles alongside Citi's Mike Eckhart, Bank of America Merrill Lynch's Suzanne Buchta and Marilyn Ceci at JPMorgan. He was the only European at the table."It wasn't obvious in 2013 that Europe would play a key role in the development of the market," says Claquin. "But we have a deep and diversified green investor base, and most of the large European corporate issuers have a willingness to demonstrate they are finding solutions to climate change." If we are saying something is "~green,' we have to say what isn't. So far, we've avoided that kind of discussion in finance -Tanguy Claquin By region, Europe is the largest issuer of green bonds "" with issuance volume more than five times that of the US.Globally, Crédit Agricole has led more green bond issues than any other bank, and consistently ranks in first or second place in the league tables for green bonds. It also led France's â,¬7 billion issue that opened up the sovereign green bond market.Now Claquin's team is 12 strong, spread across the globe "" including others with climate science backgrounds. They advise clients and investors in every part of the firm's business. That technical view is crucial, he says, in terms of convincing clients and investors to consider climate change as a risk. Indeed, conversations with Claquin about climate change are sobering."Sadly, most of humanity doesn't realize it's already too late," he says. "The world in 2050 is going to be very different, and there will be places that are not pleasant to live in. The social consequences will be huge. Air and water quality is already a challenge "" and that will worsen. This is really a war that everybody should focus on."Despite his technical knowledge, Claquin considers himself today first and foremost an investment banker."I love my job, and if I'm good at it we can grow the green finance market and help influence the flow of capital that will help to slow the pace of climate change or provide solutions for its outcome," he says.Despite the severity of the challenges, Claquin is optimistic."There's a willingness, although finance alone cannot help: $100 billion of green bonds or even double or triple that amount cannot make a large impact when administrations are rolling back environmental policy. We need their support."While that support cannot be expected from the US, or now Australia, the European Union is pushing ahead. Claquin is part of the technical expert group on sustainable finance at the European Commission that is developing an EU green bond standard and its taxonomy "" defining what economic activity is environmentally sustainable."It's my dream that we clearly define what is "~green'. It would help and incentivize asset owners and asset managers, and could accelerate an environmental movement," he says.The challenge, says Claquin, is that policy change may be slow in coming."If we are saying something is "~green,' we have to say what isn't. So far, we've avoided that kind of discussion in finance "" it's green bonds and everything else "" but with definitions, some administrations might feel their industries threatened. I hope we are successful, but it is still early."Jonathan DrewManaging director, Infrastructure and Real Estate Group Asia at HSBC Jonathan Drew's impact on the growth of green finance in Asia is perhaps not immediately obvious from his title "" but then one does the maths.Infrastructure requirements in Asia are estimated to be $2 trillion to $5 trillion annually for the next 12 ***years***. It is key to growth, and with growth comes urbanization. Getting that infrastructure and the built environment right is critical to sustainable growth. It is the natural place to start when mobilizing the capital eager to finance the transition.It was not obvious to Drew that he would end up in green finance; his background is in structured debt. But he found himself working increasingly on renewable project financing transactions as the appetite for them began to grow in the region about 15 ***years*** ago. And then came the launch of green bonds. Drew, who had been putting together the first limited recourse debt deals for renewable energy in India and the Chinese market, was asked to look at the new market.He was sceptical."I thought it was just corporate greenwashing," he says, "but the more I looked into it, it became evident that the underlying challenge is very real and urgent action is required. The timeframes and scale of the sustainable challenges were not widely known or understood. It was certain capital owners or managers would be voicing their concerns. They had too much money in the wrong places and wanted financial products to help them shift to sustainable investments. Green bonds were clearly going to be an important and effective way to facilitate that and Asia needed them. All eyes had been on growth, not sustainability or sustainable growth."There was resistance to change initially, says Drew. Treasurers did not always see the benefits quickly and it often took owners to understand the strategic rationale. At the same time, he led work at HSBC to raise internal awareness of environmental risks, urging bankers to consider the questions: how is this impacting our clients? And what solutions are we proposing?Since that time Drew has worked on numerous green bonds "" including the first sovereign green sukuk for Indonesia this ***year***. Indonesia embodies many of the challenges facing emerging Asia."It's a relatively low-income economy, substantially reliant on the hydrocarbon sector, that needs to grow, but it also has a responsibility to look after the incredible natural resources that it has, such as its rainforests," says Drew. "And if all that were not enough, it is a nation in the path of the adverse consequences of climate change "" including the El NiÃ±o storm system that brings extreme weather to the country's most vulnerable communities."Indonesia recognized the challenge and its responsibilities. It was the first emerging nation to submit its commitments to carbon reductions in the run up to the Paris Agreement. And its green bond and sukuk ***programme*** links its sovereign funding ***programme*** to direct sustainable development projects: supporting transition in the energy sector, green buildings, awareness through ecotourism, sustainable ***agriculture*** and helping rural communities adapt to climate change."For the financial markets to be able to provide a mechanism to fund that plan really shows the positive force green finance can be," says Drew. As Asia's commitment to green finance becomes clear, there is an opportunity for institutions like our own to show some leadership around complex issues -Jonathan Drew But it is in green loans that Drew is really changing the landscape of green finance in Asia. He chairs the Asia Pacific Loan Market Association (APLMA)'s green loan committee and has been integral to the development of a green loan market in the region. In March this ***year***, APLMA launched its Green Bond Principles alongside the European LMA."We need efficient markets to deliver large volumes of capital to support the sustainable investments required. Hopefully as green loans become adopted more widely, green bonds to finance those green loans will also get a boost," says Drew.Essentially green loans will provide funding to companies that do not typically tap public markets. The banks writing such loans can provide institutional money with the opportunity to support the lending through participation in the banks' green bond issues."As Asia's commitment to green finance becomes clear, there is an opportunity for institutions like our own to show some leadership around complex issues," says Drew.And there are complex issues. It is a continent in transition; in the energy sector, that means from hydrocarbons to renewables. Drew points out it cannot happen overnight for some economies. In Hong Kong, for example, renewables capacity is very constrained."Where there are no alternatives for now, the need is to finance energy companies' investment in reducing emissions. These are an important positive impact, pending identification of longer-term solutions. So, the evaluation of what is "~green' needs to take account of local conditions and be dynamic over time."Drew says his hope is for sustainability issues to become part of the mainstream decision-making analysis across asset classes."That's something we all have to work on together," he says. "We can't have this mentality of waiting for someone else to move, be that a customer or a regulator. By actively engaging with all stakeholders we can reach the ultimate goal of getting to a low-carbon, non-polluting economy where we don't need these "~green' labels anymore."Hervé DuteilChief sustainability officer, Americas, BNP Paribas Hervé Duteil's background isn't one you might expect for a role in sustainability and corporate responsibility. For 20 ***years*** he traded derivatives and managed capital market activities, across commodity, currency, fixed income and electronic markets. But Duteil began to see his activities as increasingly disconnected from genuine economic value creation."Through the course of my personal life I launched a not-for-profit organization and committed to countless causes, yet I started to feel a lack of purpose. The majority of my day was simply not meaningful enough to me, even if intellectually challenging," says Duteil.In 2014, BNP Paribas was hiring for a new position to head corporate social responsibility for the Americas and Duteil convinced the bank that despite his background, a trader's mindset could be an asset."At the time, CSR in an investment bank was primarily thought of as a social and environmental risk function, or as a platform to promote good citizen behaviour, but I believed that bankers could bring even more to society," he says. "Banks build the bridges between capital and projects; they therefore have a unique opportunity to connect purposeful capital with impactful projects. Furthermore, investment bankers are wizards of risk transformation. They are in a position to structure liquidity-risk-return profiles that can make impact investing financially acceptable to retail investors."Duteil saw from his previous role that there needed to be a change in mindset about how to engage with corporates on sustainability."As bankers, we mostly speak to treasurers, but we are often not fully aware of their firm's core sustainability strategy," says Duteil."You could be committed to financing clean energy and missing that Apple, Google or Amazon, to name a few, are actually among the largest corporate investors in clean energy. To create further value for our clients, society and ourselves, we needed to embed sustainability as a value proposition in every relevant business line from the ground upward. We had to be innovative and proactive beyond solely analyzing companies' environmental and social practices."With the support of BNPP's senior management, Duteil knew that he could trigger a behavioural shift by starting a grassroots movement."We had 4,500 employees in the US and, according to the law of innovation diffusion, a 16.5% adoption rate is needed to create a self-propelling movement," he says. "That meant I needed to convince 750 people "" or rather I needed to convince 100 to 200 people and let them convince the other 500." If you want to change the world, it will have to be through your job, because this is where you are 10 hours a day -Hervé Duteil So he launched what he dubbed "the CSR Business School", which is now legendary among those who attended. It was a month-long course that Duteil ran for 160 employees with case studies he himself created, daily introspective tweets and mock scenarios that forced them to reconnect with what really matters in life."Everyone wants their life to be meaningful and I am convinced that every single employee entered the workforce with a dream to leave behind a positive impact on society," says Duteil. "But people also tend to quickly forget their inner dreams."The ***programme*** was designed to get people to realize what Duteil had himself understood."If you want to change the world, it will have to be through your job, because this is where you are 10 hours a day "" so what can you do in your line of work to achieve that?" he asks. "It was very intense, but it created a lot of interest and passion, leading many to rethink how they could make a difference through their work. That genuineness sparked creativity."That motivational groundswell has spread throughout BNPP in a few ***years***, transforming the bank into a sustainable finance leader that has created innovative structures that are now influencing the industry in every region.Under Duteil, BNPP has worked on a social impact bond in the US that ties financial returns to the success of a ***programme*** aimed at decreasing opioid addiction in Connecticut. It will soon announce a similar structure that uses proceeds to support unemployed veterans suffering from post-traumatic stress disorder.In the UK, BNPP has worked with L&amp;Q, a regulated charitable housing association, to help issue a new credit facility of £100 million tied to social outcomes. In France, the bank has been prominent in the structuring of positive incentive loans, such as the â,¬2 billion environmental, social and governance criteria-linked revolving credit facility for Danone, as well as creating products that channel retail private-sector money towards the achievement of the United Nations' Sustainable Development Goals.In Asia, the bank spearheaded the Tropical Landscape Finance Facility to develop a natural rubber plantation and ultimately create 16,000 jobs for local communities. In Brazil, it has developed a philanthropy kicker note to promote sustainable giving to cancer treatment.But leading is not only about creating new products, says Duteil. Difficult decisions also need to be made. BNPP said a ***year*** ago, for example, that it would no longer do business with companies whose primary business activity is connected with oil and gas from shale or oil from tar sands."Such choices sometimes mean losing business, but as a bank we have a responsibility to be consistent," says Duteil. "That requires courage and creativity. This is what we have to aim for as an industry if we truly want to solve the world's most pressing challenges."Mark HaefeleCIO, UBS Global Wealth Management In 2015, it was clear to me that the concept of social impact bonds made sense, but less than $200 million had been done in SIBs at that point," says Mark Haefele. "Given the vastness of the world's problems, I knew we had to find a way to scale the basic idea and add some zeros to that number."If there is an individual who understands the importance of large numbers it is Haefele. As the global chief investment officer of UBS Global Wealth Management he is charged with overseeing the investment of $2.4 trillion "" a lot more zeroes.This is what Haefele is committed to doing at UBS "" finding out not only if that $2.4 trillion can be directed into sound and profitable investments but how it can be directed to further the aims of the SDGs."There are many wonderful philanthropic ventures, but if you can move people's savings for their kids' college, or retirement funds, that pool of money is so much larger. With the right plumbing, we can get that moving," he says. "That is my role here "" to show clients it is possible to invest in a way that pays attention to the SDGs and that it will not harm performance."Haefele understands well how to invest client money and what it means to be a client. He was a successful hedge fund manager, retiring to run his own money for several ***years*** before joining UBS Wealth Management as head of investment and then moving into his current role.The first step Haefele took towards seeing if a social challenge could be solved by a scalable investment opportunity was a personal one. Haefele was familiar with emerging cancer research having lost his mother to pancreatic cancer when she was in her 50s."It was an area I had dealt with philanthropically and I had stayed in touch with the oncology doctors. One suggested it was time for a new way of using finance to help prevent and cure cancer."That led him to spearhead at UBS the first ever oncology impact fund to invest in public and private companies developing oncology therapies. It raised $471 million "" well above expectations "" and broke the mold in innovation, targeting internal rates of return of 15% to 20% and making donations to oncology-related causes from the performance fee and from royalties.Just two ***years*** in, the fund has made a $2.5 million pay-out split between cancer research and UBS's Optimus Foundation that matches client's philanthropic donations. Once people see that it's trustworthy "" not greenwashing "" then sustainable investing will become part of the mainstream and trillions of dollars can be moved towards it -Mark Haefele For Haefele, the success of the fund and response from clients and employees that worked on the fund was an encouragement to get money moving on a grander scale. At the beginning of 2017, UBS announced at the World Economic Forum it intended to raise $5 billion in impact investments towards the 17 UN SDGs.One ***year*** later, it announced the formation of a 100% sustainable investing portfolio to facilitate that goal. Under Haefele, SFr2.5 billion ($2.58 billion) has already moved into the portfolio and it is one of the firm's best performing strategies."We're at a tipping point," says Haefele. "Post crisis, people are looking for more meaning, at a time when we're facing worsening global challenges. Millennials and women are gaining more voice around investments, and technology has put us in a place where we now have possibilities to solve our challenges, be those solutions electric cars or collecting better data on companies' behaviour."Haefele says that partnerships will be crucial to take advantage of this moment when sustainable investing could become mainstream.Working with Hermes Investment Management, UBS has created a shareholder engagement strategy that fits within its 100% sustainable allocation in public equities. The bank has also teamed up with the World Bank to create a pooled vehicle of World Bank debt that brings high-grade but SDG-targeted debt to the UBS portfolio.Both have opened up entirely new ways for private clients to access sustainable investments, while more pooled vehicles are being created using development bank bond indices that UBS created alongside index provider Solactive."We're showing what is possible "" that this doesn't have to be only a small part of your portfolio and that it can be diversified and does not harm performance," says Haefele. "Once people see that and see that it's trustworthy "" not greenwashing "" then sustainable investing will become part of the mainstream and trillions of dollars can be moved towards it. That's really my dream "" that people can come to UBS and flip a switch on their investments and know that, without any doubt, every one of their dollars is going to help the goals of the UN SDGs."Haefele says it is the responsibility of the whole investment industry to start scaling up sustainable investing."It won't be without its challenges," he says. "We have to stick to quantitative analysis, stay true to our definitions of sustainability and then share the information with clients to let them make their decisions. Our role is to find good investments that answer the goals of the UN SDGs and get the plumbing done to allow as many clients to access those investments as possible."Fabian HuwylerHead of green solutions, Impact, Advisory and Finance Department, Credit Suisse In 2014, Credit Suisse, the World Wildlife Fund (WWF) and McKinsey put together a research report on conservation finance. It was the first attempt by any bank to understand the role of finance in conservation and it brought attention to a big gap.The estimate of annual fund flows from philanthropic and public sectors to conserving oceans, forests and natural habitats was $50 billion, yet some $400 billion was needed. The report pointed out that much of this could be sourced from the private sector through new structures and markets.The report's co-author was Fabian Huwyler, who now runs green solutions in the new Impact, Advisory and Finance Department at Credit Suisse."I was an economist by background, but was excited about how finance could be used to prevent the destruction of our natural world," he says. "It was an area very few were looking at. Most of the focus on conservation was on the work of NGOs."After the report, Huwyler was no longer alone in his excitement "" Credit Suisse's clients were interested in being part of a new movement. But in 2014 there were no broad-based conservation investment products, so Huwyler and his colleagues set about developing them."We knew we needed to appeal to a broad range of clients and create products with a long-term horizon but that were not as illiquid as a private equity fund," he says. "We also needed the conservation project manager of the investments, Althelia Ecosphere, to be able to make capital calls "" without us having to call hundreds of investors."The result was an innovative structured note with a minimum investment threshold and some liquidity. Financial returns for the notes' investors are generated through the sale of sustainably certified commodities such as cocoa and wood, and revenues from ***payments*** for ecosystem services such as forest carbon credits.Cash not drawn down is invested in a green bond portfolio that can be called on by Althelia to put to use. It was the first-ever nature conservation note by a global investment bank and it came less than a ***year*** after the report.Small in scale, the appetite for the notes encouraged Credit Suisse's senior management to back conservation finance through the creation of the Impact, Advisory and Finance Department. Chief executive Tidjane Thiam, for example, spoke about the importance of conservation finance when Huwyler and the Credit Suisse team published a follow-up report in 2016 that laid out more direct financial solutions for conservation. The key players in the sector have to acknowledge what their roles are. It is no good thinking you can do everything -Fabian Huwyler It also encouraged Huwyler to start gathering people together to look at seemingly insurmountable challenges, such as saving the oceans."The conservation finance world is relatively straightforward, and while conservation finance is itself small right now, it has the potential to grow massively over the next few ***years***," says Huwyler. "The challenge, however, is the pipeline of investable projects, and that needed new partnerships and collaboration."He encouraged Credit Suisse to cofound the Coalition for Private Investment in Conservation (CPIC) along with the Nature Conservancy/NatureVest, Cornell University and the International Union for Conservation of Nature.Since launching in September 2016, CPIC has picked up over 70 members, including universities, NGOs, impact investors, consultants, foundations and non-profits "" although Credit Suisse remains the only private-sector bank.CPIC's goal is to create a pipeline of investments in areas such as sustainable forestry and fisheries, as well as coastal resilience ***programmes*** that can also serve as a blueprint for more scalable projects.It is a challenge for Huwyler, who recognizes the sense of urgency but also that building an entirely new market is a steep and slow process at the beginning. He has been working for some time on the creation of blue notes, for example, that would match private capital with investment projects in ocean conservation, but the collective parts have yet to come together."Across the investment world, we're now all looking at the SDGs [UN sustainable development goals], but if we don't figure out 14 and 15 "" oceans and land "" then there'll be no planet left," he says. "That's the urgency I feel every day "" that we need to crack these or else the other SDGs will simply get worse or will become irrelevant. That said, there is no benefit to be had in rushing. You have to do what you can with what you have. Not all governments, for example, are open to letting private capital have a say in how to protect their coastal areas, just as not all investors are willing to accept illiquid investments."As organizations and institutions around the world look at how they can help the UN meet its SDGs, Huwyler says the tendency can be to try to go beyond your expertise."What we learned early on, however, is that the key players in the sector have to acknowledge what their roles are. It is no good thinking you can do everything. As a bank, we are good at intermediating money, building a network and structuring financial products. But we don't necessarily have scientific expertise around which projects will work and how to build them. That's why for any financial institution looking at conservation finance, joining a community is crucial."Jackie VanderBrug

Investment strategist, Bank of America Global Wealth Management

Jackie VanderBrug has made gender diversity and equality part of investment analysis, to create more positive social, environmental and financial outcomes.

That gender lens investing has now become part of the lexicon of mainstream investors is in no small part due to VanderBrug. She began talking about it publicly back in 2006 as a senior adviser at Good Capital, an early impact investing fund. After joining US Trust to head up its impact investing platform, VanderBrug continues to lead in the field of capital and gender in her role co-chairing impact investing for Bank of America Global Wealth Management.

It was perhaps inevitable that impact investing would be VanderBrug's path. Her background was a combination of entrepreneurship "" working with her father on a telecoms company that was taken public "" and social policy "" developing computer models in Congress to analyze the impact of domestic legislation on social policy.

But it was when she was working for Good Capital and consulting for the Women's Funding Network that she began to notice the role gender played across her work.

"From how to fund women, through how women wanted to invest, to how the role of women in industry impacted the companies they worked for, as well as the communities in which they lived and the broader economy "" it seemed that gender had an impactful role within investment that had not been given much attention," she says.

Yet while investors "" particularly female investors, who were becoming a larger part of the investment community "" were sold on the idea of investing in firms that embraced gender diversity or built gender diversity into their products, there were few investment funds in the early/mid 2000s that catered to that appetite.

"It was sort of: "~You had me at hello! But where can I invest?' I realized this needed to be addressed and to be done at scale," says VanderBrug. That took her to US Trust to build gender lens investing. Much of it came about as she worked with the Women's Foundation of California to design a portfolio that reflected the foundation's values of equality for women and girls and sought risk-adjusted market-rate returns.

"This was back when there was less investment research about diversity and little transparency from firms around how they looked at gender internally or for consumers."

VanderBrug and a few like-minded others began to collect data that showed that gender diversity leads to multiple benefits for firms and that, with an increasing number of women earning more, companies that consider women from design down to supply chain have a more sustainable business model than those that do not. Crucially, as gender lens investing has become a more familiar term, a spotlight has been shone on how equality positively impacts all areas of society.

Gender plays a large role in our collective interest in supporting sustainable cities and infrastructure -Jackie VanderBrug

More recently, VanderBrug has been talking about the connection between gender and the environment.

"You can't separate the two," she says. "If we want solutions to issues like climate change, we need as many minds around the table as possible "" so it's in our interest to make sure girls are educated to increase that pool of talent."

She also points out that women are critical to behavioural shifts.

"For example, women use energy. In most countries they are the ones who are responsible for cooking. If you want to move to lower carbon solutions, of course it is women you need to be working with."

She points to a case study of a firm that designed an energy-efficient stove for women and recognized women could be the distributors.

"When they created the training for the saleswomen, it turned out the women sold more than their male counterparts. And when the company put the men through the women's training ***programme***, they too increased their sales. When we start to think inclusively, then everyone benefits."

Wharton, where VanderBrug advises on work around gender in public markets, estimates about $900 million is invested in gender-mandated strategies in the US. The Forum for Sustainable and Responsible Investment in the US estimates there is some $4 billion in gender-related investments.

"We have a long way to go," says VanderBrug. "Our role as large investors is to keep exploring the evidence that gender is material within investment considerations. That, rather than gender investing being akin to screening things out, what it does is illuminate risk and opportunity. It's important for companies to understand the link to sustainability."

Part of the vision is also for scalable gender-related instruments.

"Gender plays a large role in our collective interest in supporting sustainable cities and infrastructure," she says. "It stands to reason that instruments whose proceeds support an inclusive society could be branded as a gender lens bond."

VanderBrug says standards around gender would be useful.

"Should there be standards or principles? It's something many of us are discussing right now, akin to work taking place around green bonds and responsible investing," she says. "It may be different for different sectors. Transparency will naturally play a role, as will tracking outcomes or introducing due diligence questions around diversity. The key is to create a consistency that allows capital to move without being constrained. If we hope to uncover more data about the positive correlation between equality and sustainable economies, we need to create a big tent."

**Load-Date:** October 8, 2018

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[***BRIEF NEWS BULLETIN NO. 10532***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T40-S4N1-F12K-R3HH-00000-00&context=1516831)

HINA Digest

25 August 2018

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**Length:** 3617 words

**Body**

Zagreb, 25 August 2018 (Hina) - Grabar-Kitarovic says civil society required for changes in AfghanistanZAGREB, Aug25(Hina) - Croatian President and Armed Forces Supreme Commander Kolinda Grabar-Kitarovic spoke during a visit to Camp Marmal in Mazar-i-Sharif, Afghanistan, on Saturday about current political processes affecting the security situation in the country and the importance of civil society for launching the necessary changes.Grabar-Kitarovic was visiting Croatian soldiers stationed in Mazar-i-Sharif who are about to complete their six-month stint in NATO's Resolute Support mission in the country.More than 100 members of the Croatian Army advise Afghan military and police forces as part of the noncombat operation launched in 2015 and involving 16,000 troops from 39 countries - NATO member states and their partners.Grabar-Kitarovic expressed satisfaction with the cooperation between the Croatian contingent and German troops in Afghanistan.At Camp Marmal she met with thecommander of Train, Advise and Assist Command-North (TAAC-N), German Army Brigadier General Gerhard Ernst-Peter Klaffus, and the civilian representative for TAAC-N, Karsten Diethelm Geier.They informed the Croatian president of the security situation in their area of responsibility and the progress made in the development of capabilities of Afghan security forces.Klaffus expressed great satisfaction with the professional conduct and motivation of members of the Croatian contingent under his command.Grabar-Kitarovic and Klaffus underlined the importance of coming parliamentary elections for the stabilisation of the situation in Afghanistan and expressed satisfaction with the voter registration rate so far.Parliamentary elections in the country are set for October, however, the Taliban, the SunniIslamic militants who are mostly members of the largest ethnic group, the Pashtuns,have said that they will not take part in them.During a visit to Kabul on Friday, Grabar-Kitarovic said that she expected a political solution to be found for the Afghan conflict and that the Taliban would have to demonstrate more moderate positions during the process.Croatia, a member of NATO since 2009, has participated in missions in Afghanistan since 2003.Uljanik management says will step down after solution is foundZAGREB, Aug 25 (Hina) - Members of the management and supervisory boards of the Uljanik Group said on Saturday, after meeting to discuss a general strike that started in that group last Wednesday, that they did not have the moral right, despite the pressure they were exposed to, to abandon Uljanik and its workers amidst efforts to find a solution in close cooperation with the government, and that they would step down after a solution was found.Workers of the Uljanik shipbuilding group, which comprises seven companies, including the Uljanik dock in Pula and the 3. Maj shipyard in Rijeka, have been striking since Wednesday because they have not received their wages for July.The group's management and supervisory boards said they were working on models to resolve the problem of wage ***payment***."The management's resignation would activate the previously announced resignation of all three members of the Supervisory Board, which would mean that in the coming week, when a solution for unpaid wages is expected to be found, Uljanik would be left without any management body," the two boards said in a statement, noting that a new Supervisory Board would be appointed at an extraordinary session of the group's shareholders assembly but that before that happened, the group could not be left without any management body as it would lead to its blockade.Recalling that the group was owned by institutional and small shareholders as well as the state, which has a stake of more than 25% and is the biggest shareholder, the management and supervisory boards said that it was only logical that a solution to the current situation should be sought in cooperation with the government and the relevant ministers.The two boards also noted that they were not seeking new state aid but rather the implementation of a previously defined restructuring plan even before the European Commission approves it.Striking workers prepare for protest rally in ZagrebUljanik's striking workers will go to Zagreb on Monday to hold a protest rally outside Government House, the head of the striking committee, Veljko Todorovic, said earlier in the day.The striking committee has said that the strike will continue until workers receive their wages.Workers of 3. Maj also demand that the dock be supplied with material in order to recommence production and complete ships already under construction.Human Shield reports Bridge leader Petrov for conflict of interestZAGREB, Aug 25 (Hina) -Human Shield party secretary-general Tihomir Lukanichas reported Bridge party leader Bozo Petrov to the Conflict of Interest Commission as it is obvious from a report by the Office of the Chief State Prosecutor (DORH) that Petrov lied about meetings of atask force that worked on Lex Agrokor,the party said in a press release on Saturday."For months, Bozo Petrov kept repeating that he didn't know anything about the meetings with the Borg group, however, DORH's report shows that Mr Petrov was indeed informed of everything," the press release said, listing all the meetings Petrov attended as noted in DORH's report."Mr Petrov, you knew everything but kept silent.

The entire Bridge party knew. They kept silent for a ***year*** and a half. Not only were they silent but they lied. On 12 April 2017, they knew that the same people who wrote Lex Agrokor were hired as consultants to siphon hundreds of millions of kuna (from Agrokor)," the press release said.Farm minister says Croatia's ***agriculture*** has a bright futureZAGREB, Aug 25 (Hina) - ***Agriculture*** Minister Tomislav Tolusic on Saturday saidthat Croatia's ***agriculture*** sector had a bright future as evidenced by abetter absorption of funding from the Rural Development ***Programme*** and a growing market of farming machinery.Opening the 5th Farm Show of farmmachinery in Osijek, which will run until Sunday on about ten thousand square metres of exhibition space with about 30 exhibitors,Tolusic recalled that in 2015 there were only 150 tractors sold, whereas last ***year*** that number was 720 and this ***year*** he expectedmore than a thousand tractors to be sold."That has not happened by accident but is aresult of the Rural Development ***Programme*** and increased use of financing through that ***programme*** and EU funds. Modern machines for our farmers meana more efficient use of arable land, better yields and I hope, better earnings," Tolusic underscored.The Farm Show is organised by the association of farm machinery retailers whose president, Darko Aracic, said that he was pleased with the market recovery but noted that for Croatia to be competitive in relation to neighbouring countries, it was necessary to sell between 1,500 and 2,000 tractors ayear.Not one month went by without some lawmaker being inexcusably absentZAGREB, Aug 25 (Hina) - More than HRK 40,000 have been paid by lawmakers in fines since July 2017 when the institute of fining inexcusable absences from plenary sessions was introduced, and not one month has gone by in the past 12 months without at least one lawmaker being absent without due justification.The most inexcusable absences occurred in December 2017 (27) and the least (1) in April this ***year***.In July, when parliament sat for a total of nine days, nine lawmakers were absent for one to three days.Social Democratic Party (SDP) MP Ivan Klarin recorded the highest number of unjustified absences (17) beforehe withdrew from parliament to take up office as Mayor of Tisno.MPs clocked up a significant number of inexcusable absences despite the fact that the law and the stance of theparliamentary Elections, Appointments and Administration Committee providefairly flexible leeway for justified absences.Fines for inexcusable absences were introduced following a motion by the Bridge party and in practice that means deducting HRK 150 for each day of absence from an MP's flat-rate allowance of HRK 1,500 per month.Round table held on ethnic minorities in context of migrations, security in democratic societiesZAGREB, Aug 25 (Hina) - Ethnic minorities do not deprive the Croatian state or the majority ethnic group of anything, they rather enrich them, minority representatives said at a round table discussion on ethnic minorities in the context of migrations and security in democratic societies, held as part of the Lipovljanski Susreti event, taking place in that town in Sisak-Moslavina County on August 24-26.The event, organised by the National Minorities Council, consists of concerts and presentations of cultural and traditional customs of ethnic minorities living in Croatia.Speaking of the possible impact of migration trends and the arrival of migrants on the status of ethnic minorities in Croatia, National Minorities Council chair Aleksandar Tolnauer said that the acquired level of rights of ethnic minorities might start to deteriorate.Antonia Petricusic of the Zagreb Faculty of Law Department for Sociology and Law disagreed with Tolnauer, underscoring that the issue of ethnic minorities and policies regulating their rights were an internal matter of Croatia that could not be impacted by migration trends.She warned that some social groups in the country attacked minority rights and that the incumbent government was failing to respond to that. In that context, the question of why democratic consolidation in Croatia has not happened over the past 20 ***years*** is of the utmost importance, she said.The 9th Lipovljanski Susreti event is taking place under the auspices of President Kolinda Grabar-Kitarovic and Zagreb Mayor Milan Bandic.Plaque commemorating Split Partisan unit damagedZAGREB, Aug 25 (Hina) - A plaque commemorating the First Split Partisan Detachment in Split was damaged on Saturday, the Association ofAnti-Fascists and Anti-Fascist Fighters and the Association of Homeland War Veterans and Anti-Fascists said in a press release showing a picture of the damagedplaque."The vandals, so-called Croatian patriots, almost every ***year*** ahead of the day commemorating the execution (of 26 August 1941) once again 'execute' the fighters who, led by their ideals of freedom joined the national liberation anti-fascist struggle, and even refer to them as Partisan criminals. Given their impoverished spirit, theyprobably think that by smashing monuments they will change history," the press release said.The plaque, unveiled in 1981, carries the inscription"Carried by adream of freedom,on 11 August 1941 Partisans of the First Split Detachment embarked on their struggle here. Patriotic Split will never forget them."The press release shows another photo of the plaque, from 2016, with aswastika sprayed on it.Close to 3,000 illegal migrants enter Montenegro this ***year***, army, police control borderZAGREB, Aug 25 (Hina) - Since the start of this ***year***, 2,850 illegal migrants have entered Montenegro and the number of illegal border crossings has been halved since a week ago the army joined police forces in controlling the border with Albania, the head of the Montenegrin border control agency, Vojislav Dragovic, said on Saturday.Joint police and army patrols previously reported between 20 and 30 crossings aday while now they are reporting only about 15 crossings a day, Dragovic told the national public broadcaster."All our estimates so far show that they all use Montenegro as a transit country because very soon after they apply for asylum, they leave the country, again illegally," said Dragovic."The Sixth Bus", a film about the battle of Vukovar on the cardsZAGREB, Aug 25(Hina) - The filming is set to begin in January next yearof a five-episode seriesand film entitledThe Sixth Bus, portraying the battle of Vukovar from its very start to the atrocity committed on the nearby Ovcara farm and trials conducted for those crimes in Belgrade, director Eduard Galic and the author of the screenplay, Dominik Galic, told a press conference on Friday."This is the first large project about the war in Vukovar," Dominik Galic said, underscoring that they hadbeen working on the seriesand the film that would emerge later, for the past ten ***years***, and that the project was a result ofthe experience of making the "Heroes of Vukovar" series.He added that the project hadreceived support from the Croatian Audio-Visual Centre (HAVC) in the amount of HRK 4 million and that its total cost wasestimated at HRK 20 million, adding that the national broadcaster HRT wasalso involved.Eduard Galic underlined that he hadbeen dealing with the topic of Vukovar for the past twenty ***years*** and that he hadalways wanted to make a film about Vukovar, in particular since he worked on the Heroes of Vukovar series."The film will cover two aspects - firstly the enormous resistance by Vukovar's heroic defenders and secondly, the victims and suffering and the problem of the missing," the film's director said, adding that he had spoken to more than 300 Vukovar veterans and that a hundred films could be made about their heroic struggle.HAVC directorDanijel Rafaelic underscored that HAVC hadthe duty and obligation to support films of this nature. "This is about a Vukovar topic that is rarely dealt with and when it is, that is done disastrously and shamefully, and we have been waiting all this time for a real and important film about Vukovar," said Rafaelic.First national hiking festival to take place in Lika on Sept 1-2ZAGREB, Aug25(Hina) - The tourism board of the central Croatian Lika-Senj County on September 1-2organises the First Croatian Hiking Festival, to start in Gospic and Otocac.Online registration for the event, which includes two long trails - the 20-kilometre Gospic Tesla trail and the 34-kilometre Otocac Gacka trail, ispossible until August 28.The head of the county tourism board, Ivan Radosevic, said interest in the event was great andthat participants were mostly from Zagreb and Zadar as well as from other parts of the country.Additional mini trails have been introduced due to inquiries by a large number of people with small children.Radosevic said that the event would be officially included in the International March Association ***calendar*** of events in 2019.He said that the region of Lika boasted a beautiful, almost pristinenature and that on September 1-2 the weather was expected to be good.THIS BULLETIN INCLUDES ITEMS RELEASED BY 2120HRS SATURDAY. (Hina) rml Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulicev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentic, DirectorEditor in Chief: Serdo Obratov Bulletin Editor: Marija Sestan

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Recalling that the group was owned by institutional and small shareholders as well as the state, which has a stake of more than 25% and is the biggest shareholder, the management and supervisory boards said that it was only logical that a solution to the current situation should be sought in cooperation with the government and the relevant ministers.

The two boards also noted that they were not seeking new state aid but rather the implementation of a previously defined restructuring plan even before the European Commission approves it.

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"All our estimates so far show that they all use Montenegro as a transit country because very soon after they apply for asylum, they leave the country, again illegally," said Dragovic.

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THIS BULLETIN INCLUDES ITEMS RELEASED BY 2120HRS SATURDAY.

**Load-Date:** August 25, 2018

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[***FEDERAL REGISTER: Consumer Leasing (Regulation M) Pages 286 - 291 [FR DOC # 2017-27325]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RB7-WV21-JDG9-Y20W-00000-00&context=1516831)

Impact News Service

January 3, 2018 Wednesday

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**Length:** 6838 words

**Body**

Washington: Office of the Federal Register has issued the following notice:

FEDERAL RESERVE SYSTEM 12 CFR Part 213 [Docket No. R-1591] RIN 7100 AE-92 Consumer Leasing (Regulation M) AGENCY: Board of Governors of the Federal Reserve System. ACTION: Notice of proposed rulemaking; request for public comment. ----------------------------------------------------------------------- SUMMARY: The Board of Governors of the Federal Reserve System (Board) is proposing to revise its Regulation M, which was issued to implement the Consumer Leasing Act (CLA). Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) ***transferred*** rulemaking authority for a number of consumer financial protection laws, including the CLA, from the Board to the Bureau of Consumer Financial Protection (Bureau). Under section 1029 of the Dodd-Frank Act, however, the Board retains authority to issue rules for motor vehicle dealers that are predominantly engaged in the sale and servicing of motor vehicles, the leasing and servicing of motor vehicles, or both, and are otherwise not subject to the Bureau's regulatory authority.

The Board is proposing to revise its Regulation M and the accompanying Official Staff Commentary to reflect this change in the persons covered by the Board's Regulation M. DATES: Comments must be received on or before March 5, 2018. ADDRESSES: You may submit comments, identified by Docket No. R-1591 and RIN 7100-AE-92, by any of the following methods:  Agency Website: [*http://www.federalreserve.gov*](http://www.federalreserve.gov) Follow the instructions for submitting comments at   [*http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm*](http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm)      Federal eRulemaking Portal:   [*http://www.regulations.gov*](http://www.regulations.gov) Follow the instructions for submitting comments.      Email: [*regs.comments@federalreserve.gov*](mailto:regs.comments@federalreserve.gov) Include the docket number in the subject line of the message.      FAX: (202) 452-3819 or (202) 452-3102.      Mail: Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551.     All public comments are available from the Board's website at   [*http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm*](http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm) as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room 3515, 1801 K Street NW (between 18th and 19th Street NW), between 9:00 a.m and 5:00 p.m on weekdays.

FOR FURTHER INFORMATION CONTACT: Lorna M. Neill, Senior Counsel, Division of Consumer and Community Affairs, at (202) 452-3667, Board of Governors of the Federal Reserve System. For users of Telecommunications Device for the Deaf (TDD) only, contact (202) 263- 4869.

SUPPLEMENTARY INFORMATION:

I. Background and Legal Authority

    The Consumer Leasing Act of 1976 (CLA), 15 U.S.C 1667-1667f, was enacted as an amendment to the Truth in Lending Act (TILA), 15 U.S.C 1601 et seq. The purpose of the CLA is to ensure meaningful and accurate disclosure of the terms of personal property leases for personal, family, or household use ``so as to enable the lessee to compare more readily the various lease terms available to him, limit balloon ***payments*** in consumer leasing, enable comparison of lease terms with credit terms where appropriate, and to assure meaningful and accurate disclosures of lease terms in advertisements.'' TILA Section 102(b), 15 U.S.C 1601(b).\1\ Before Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act),\2\ the CLA was implemented by the Board's Regulation M, published at 12 CFR part 213. An Official Staff Commentary interprets the requirements of the Board's Regulation M (12 CFR part 213 (Supp. I)). The CLA and Regulation M have generally applied to consumer leases for the use of personal property in which the contractual obligation has a term of more than four months and the lessee's total contractual obligation under the lease does not exceed a specified dollar threshold.\3\ They require lessors to provide consumers with uniform cost and other disclosures about consumer lease transactions. ---------------------------------------------------------------------------

    \1\ See also 12 CFR 213.1(b).     \2\ Public Law 111-203, 124 Stat. 1376 (2010).     \3\ The threshold was $54,600 for 2017. See 81 FR 86256 (Nov. 30, 2016). From January 1, 2018, through December 31, 2018, the threshold is set at $55,800. See 82 FR 51977 (Nov. 9, 2017). ---------------------------------------------------------------------------

    Title X of the Dodd-Frank Act ***transferred*** rulemaking authority for the CLA to the Bureau of Consumer Financial Protection (Bureau).\4\ This ***transfer*** was effective on July 21, 2011. In connection with the ***transfer***, the Bureau published its own version of Regulation M, 12 CFR part 1013, to implement the CLA (Bureau's Regulation M).\5\ The Bureau's Regulation M substantially duplicates the Board's Regulation M and covers financial institutions and other persons for which the Bureau has rulemaking authority under section 1022 of the Dodd-Frank Act (12 U.S.C 5512). ---------------------------------------------------------------------------

    \4\ Public Law 111-203, sections 1061 and 1100A, 124 Stat. 1376, 2035 and 2107 (2010).     \5\ 12 CFR part 1013. See 76 FR 78500 (Dec. 19, 2011) (Interim Final Rule). In April 2016, the Bureau adopted the Interim Final Rule as final, subject to any intervening final rules published by the Bureau. See 81 FR 25323 (Apr. 28, 2016). ---------------------------------------------------------------------------

    Under section 1029(a) and (c) of the Dodd-Frank Act (12 U.S.C 5519(a) and (c)), the Board retains rulemaking authority under the CLA over certain motor vehicle dealers that are predominantly engaged in the sale and servicing of motor vehicles, the leasing and servicing of motor vehicles, or both.\6\ Thus, except as described below,

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these motor vehicle dealers remain subject to the Board's Regulation M. Authority to enforce Regulation M against motor vehicle dealers subject to the Board's Regulation M is assigned by statute to the FTC.\7\ ---------------------------------------------------------------------------

    \6\ Dodd-Frank Act section 1029(a) states as follows: ``Except as permitted in subsection (b), the Bureau may not exercise any rulemaking, supervisory, enforcement or any other authority, including any authority to order assessments, over a motor vehicle dealer that is predominantly engaged in the sale and servicing of motor vehicles, the leasing and servicing of motor vehicles, or both.'' 12 U.S.C 5519(a).     Dodd-Frank Act section 1029(c) states as follows: ``Except as provided in subsections (b) and (d) [concerning the Federal Trade Commission (FTC)], nothing in this title [X, Bureau of Consumer Financial Protection], shall be construed as modifying, limiting, or superseding the operation of any provision of Federal law, or otherwise affecting the authority of the Board of Governors, the Federal Trade Commission, or any other Federal agency, with respect to a person described in subsection (a).'' 12 U.S.C 5519(c).     \7\ See TILA section 108(c), 15 U.S.C 1607(c). See also Dodd- Frank Act section 1029(c) and (d), 12 U.S.C 5519(c) and (d). ---------------------------------------------------------------------------

    Section 1029(b) of the Dodd-Frank Act provides that the Bureau's rulemaking authority applies to motor vehicle dealers only to the extent that the dealer is engaged in any of the following activities:      Providing consumers with services related to residential or commercial mortgages or self-financing transactions involving real property;      Operating a line of business (A) that involves the extension of retail credit or retail leases involving motor vehicles; and (B) in which (i) the extension of retail credit or retail leases is provided directly to consumers; and (ii) the contract governing such extension of retail credit or retail leases is not routinely assigned to an unaffiliated third party finance or leasing source; or      Offering or providing a consumer financial product or service not involving or related to the sale, financing, leasing, rental, repair, refurbishment, maintenance, or other servicing of motor vehicles, motor vehicle parts, or any related or ancillary product or service.     12 U.S.C 5519(b).     As a result of the ***transfer*** of rulemaking authority under the CLA to the Bureau, the Board's Regulation M covers only motor vehicle dealers excluded from the Bureau's rulemaking authority by section 1029 of the Dodd-Frank Act (12 U.S.C 5519). Consequently, the Board is publishing proposed revisions to Regulation M and the accompanying Official Staff Commentary to reflect the narrower scope of the Board's rulemaking authority. Specific proposed revisions are discussed in the section-by-section analysis below.

II. Section-by-Section Analysis

Section 213.1 Authority, Scope, Purpose, and Enforcement

    Section 213.1 addresses matters relating to authority, scope, purpose, and enforcement for Regulation M. To reflect the changed scope of the Board's Regulation M, the Board is proposing revisions to Sec.   213.1 and the Official Staff Commentary to Sec.  213.1, as described below. 1(a) Authority     Section 213.1(a) states that Regulation M is issued by the Board to implement the CLA. It also states that information collection requirements contained in Regulation M have been approved by the Office of Management and Budget under the Paperwork Reduction Act (PRA), 44 U.S.C 3501 et seq. The Board proposes to remove the sentence referencing information collections. Under the PRA, collections of information are not approved one time; instead collections of information must be reapproved every three ***years***. As discussed in Part V, below, the proposed rule would not impose additional information collections or revise existing information collections for covered entities. 1(b) Scope and Purpose     Section 213.1(b) states, in relevant part, that Regulation M applies to all persons that are lessors of personal property under consumer leases as those terms are defined in Sec.  213.2(e)(1) and (h). The Board proposes to revise this section to state additionally that the Board's Regulation M covers only persons identified as persons excluded from the Bureau's rulewriting and other authorities under section 1029 of the Dodd-Frank Act, namely, ``motor vehicle dealers to which 12 U.S.C 5519(a) applies.''     The Board also proposes to add a new comment 1-1. New comment 1-1 would follow the statutory language to explain the meaning of ``motor vehicle dealers to which 12 U.S.C 5519(a) applies.'' The proposed comment would clarify that section 1029 of the Dodd-Frank Act (12 U.S.C 5519) excludes certain motor vehicle dealers from the authority of the Bureau, and that the persons excluded are subject to the rulemaking authority of the Board and the Board's Regulation M. The proposed comment would explain that the Board's regulation generally covers motor vehicle dealers predominantly engaged in the sale and servicing of motor vehicles, the leasing and servicing of motor vehicles, or both. The comment would further state that, for purposes of the CLA, a motor vehicle dealer is subject to the authority of the Bureau instead of the Board's Regulation M to the extent that the dealer operates a line of business that involves the extension of retail leases involving motor vehicles directly to consumers and the contract governing such extension of retail leases is not routinely assigned to an unaffiliated third party financing or leasing source.\8\ ---------------------------------------------------------------------------

    \8\ See 12 U.S.C 5519(b). ---------------------------------------------------------------------------

    The proposed comment also would clarify that, for determining the persons covered by the Board's Regulation M, the terms ``motor vehicle'' and ``motor vehicle dealer'' have the meanings assigned to them by section 1029 of the Dodd-Frank Act.\9\ Otherwise, in applying the Board's Regulation M, determining whether leased property is a motor vehicle would continue to be governed by state or other applicable law. See comment 4(f)-1. ---------------------------------------------------------------------------

    \9\  See 12 U.S.C 5519(f). ---------------------------------------------------------------------------

    The Board also proposes to re-number current comment 1-1 as comment 1-2 and revise it. Current comment 1-1 explains the applicability of Regulation M to foreign entities. This comment states that Regulation M applies to all persons (including branches of foreign banks or leasing companies located in the United States) that offer consumer leases to residents of any state (including foreign nationals) as defined in Sec.  213.2(p). This comment further explains that Regulation M does not apply to a foreign branch of a U.S bank or to a leasing company leasing to a U.S citizen residing or visiting abroad or to a foreign national abroad. The Board proposes to revise comment 1-1 (which would be re-numbered 1-2) to reflect that the Board's Regulation M now applies solely to ``motor vehicle dealers to which 12 U.S.C 5519(a) applies.'' Thus, in the first sentence of proposed comment 1-2, the reference to U.S branches of foreign banks and leasing companies and to foreign branches of U.S banks would be replaced by a reference to ``motor vehicle dealers to which 12 U.S.C 5519(a) applies.'' The revised comment would state that the Board's Regulation M applies to ``motor vehicle dealers to which 12 U.S.C 5519(a) applies'' that offer consumer leases to residents of any state (including foreign nationals) as defined in Sec.  213.2(p).     The Board proposes to remove the second sentence of the comment, which states that Regulation M does not apply to ``a foreign branch of a U.S bank or to a leasing company leasing to a U.S citizen residing or visiting abroad or to a foreign national abroad.'' This sentence addresses financial institution lessors that have worldwide branching networks. The Board does not believe that motor vehicle dealers intended to be covered by the Board's Regulation M operate in this way, and therefore believes that this guidance is inapplicable.     These proposed changes are intended to reflect only the new scope of the Board's Regulation M under the Dodd-Frank Act and are not intended to

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change the substantive principles of foreign applicability expressed in the comment. The Board invites comments on the proposed changes.

Section 213.2 Definitions

2(e) Consumer Lease     Section 213.2(e) defines ``consumer lease'' under Regulation M. The Board proposes no changes to the current definition, but proposes to eliminate comment 2(e)-7 and comment 2(e)-8 as unnecessary because the regulation's coverage is now limited to certain motor vehicle lessors and these comments address leases outside of motor vehicle and motor vehicle-related leasing. Accordingly, the Board also proposes to re- number comments 2(e)-9, 2(e)-10, and 2(e)-11 as comments 2(e)-7, 2(e)- 8, and 2(e)-9, respectively, and make certain non-substantive technical revisions.     Current comment 2(e)-7 identifies the specific types of leases of personal property considered incidental to a service and therefore not subject to Regulation M. These are home entertainment systems requiring the consumer to lease equipment that enables a television to receive the transmitted ***programming***; security alarm systems requiring the installation of leased equipment intended to monitor unlawful entries into a home and in some cases to provide fire protection; and propane gas service where the consumer must lease a propane tank to receive the service. Comment 2(e)-8 states that the lease of a safe deposit box is not a consumer lease under Sec.  213.2(e).

Section 213.4 Content of Disclosures

    Section 213.4 identifies the information that a lessor must disclose to a consumer before consummation of a consumer lease. The Board is not proposing any revisions to the content of disclosures for motor vehicle leases. Comment is solicited on whether any revisions to Sec.  213.4 are appropriate in light of the narrower coverage of the Board's regulation as a result of the Dodd-Frank Act. 4(t) Non-Motor Vehicle Open-End Leases     Section 213.4(t) applies to non-motor vehicle, open-end leases and refers to the statutory requirement to provide certain disclosures if the lessee is liable at the end of the lease term for the anticipated fair market value of the leased property. The Board is proposing to delete this provision as unnecessary in light of the regulation's application only to certain motor vehicle dealers. The Board solicits comment on whether covered dealers might offer non-vehicle open-end leases for ``related or ancillary products'' that would be covered by the Board's Regulation M \10\ and, if so, whether such leases would have end-of-term liability as referenced in existing Sec.  213.4(t). ---------------------------------------------------------------------------

    \10\ Dodd-Frank Act section 1029(b)(3), 15 U.S.C 5519(b)(3). ---------------------------------------------------------------------------

Section 213.7 Advertising

7(a) Authority     Section 213.7 prescribes rules for advertising consumer leases. Comment 7(a)-1 explains who is covered by the advertising rules. Currently, the comment states that all ``persons'' must comply with the advertising rules, not just those that meet the definition of a lessor. Thus, ``automobile dealers, merchants, and others'' must comply with the advertising rules if they advertise consumer lease transactions, even if they are not themselves lessors. The comment clarifies, however, that owners and personnel of the media in which an advertisement appears or through which it is disseminated are not subject to civil liability for violations under section 185(b) of the CLA (15 U.S.C 1667d(b)).     The Board proposes to revise this comment to reflect the limited scope of the Board's Regulation M. Thus, the proposed comment would state that ``motor vehicle dealers to which 12 U.S.C 5519(a) applies'' must comply with the advertising provisions in this section. The Board also proposes to revise the subsequent sentence, which would state that motor vehicle dealers to which 12 U.S.C 5519(a) applies that are not themselves lessors also must comply with the advertising provisions of the regulation if they advertise consumer lease transactions.     In addition, the Board proposes to remove the last sentence of comment 7(a)-1, which states that owners and personnel of the media in which an advertisement appears or through which it is disseminated are not subject to civil liability for violations of the advertising provisions.\11\ The sentence is no longer necessary because those persons are no longer covered by the Board's Regulation M. ---------------------------------------------------------------------------

    \11\ See 15 U.S.C 1667c(b) and 1667d(b). ---------------------------------------------------------------------------

Appendix A to Part 213--Model Forms

Appendix A-3--Model Furniture Lease Disclosures     Appendix A-3 to part 213 contains model disclosures for furniture leases. The Board proposes to eliminate the model furniture lease disclosures in appendix A-3 and accompanying Official Staff comment 4 to appendix A as inapplicable given the limited scope of the Board's Regulation M prescribed by section 1029 of the Dodd-Frank Act. 15 U.S.C 5519. Furniture leases are no longer covered by the Board's Regulation M because furniture leasing is not an activity related to the sale, financing, leasing, rental, repair, refurbishment, maintenance, or servicing of motor vehicles.\12\ ---------------------------------------------------------------------------

    \12\ Dodd-Frank Act section 1029(b)(3), 15 U.S.C 5519(b)(3). ---------------------------------------------------------------------------

Appendix B--Federal Enforcement Agencies     Appendix B to part 213 identifies which federal agency enforces Regulation M for particular classes of businesses. The Bureau eliminated this appendix in its Regulation M.\13\ The Board proposes to simplify the regulation by also eliminating this appendix, which is not necessary to implement the CLA. Enforcement of Regulation M is appropriately addressed in Sec.  213.1(c), which references the relevant CLA provisions on enforcement and liability. ---------------------------------------------------------------------------

    \13\ 76 FR 78500 (Dec. 19, 2011) (``Appendix B, entitled `Federal Enforcement Agencies,' has been eliminated, because it was designed to be informational only and is unnecessary for purposes of implementing the CLA.''). See also 81 FR 25323 (Apr. 28, 2016). ---------------------------------------------------------------------------

III. Request for Comment

    The Board requests comment on the proposed revisions, which are not intended to alter the substantive requirements of the CLA and existing Regulation M, and invites commenters to identify any additional revisions to the Board's Regulation M that commenters believe are necessary in light of section 1029 of the Dodd-Frank Act (12 U.S.C 5519).

IV. Initial Regulatory Flexibility Analysis

    The Regulatory Flexibility Act (5 U.S.C 601 et seq.) (RFA) generally requires an agency to perform an assessment of the impact a rule is expected to have on small entities. Based on its analysis, and for the reasons stated below, the Board believes that this proposed rule will not have a significant economic impact on a substantial number of small entities. A final regulatory flexibility analysis will be conducted after consideration of comments received during the public comment period.     1. Statement of the need for, and objectives of, the proposed rule. Title X of the Dodd-Frank Act ***transferred*** rulemaking authority for a number of

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consumer financial protection laws from the Board to the Bureau, effective July 21, 2011, including the CLA. The Bureau issued the Bureau Interim Final Rule to implement CLA in connection with the ***transfer*** of CLA rulemaking authority to the Bureau. Pursuant to Section 1029 of the Dodd-Frank Act, however, the Board retains rulemaking authority for consumer financial protection laws to the extent that such laws could cover motor vehicle dealers identified in Section 1029(a) of the Dodd-Frank Act. The Board does not believe that any motor vehicle dealers identified in Section 1029(a) would incur any additional compliance burden as a result of the Board's proposal, because these entities are already subject to the Board's Regulation M and no substantive changes to Regulation M's requirements are proposed.     2. Small entities affected by the proposed rule. The Board does not believe that any motor vehicle dealers identified in Section 1029(a) would incur additional compliance burden as a result of the Board's proposal, because these entities are already subject to the Board's Regulation M. Therefore, the Board believes the proposed rule would not affect any entity, including any small entity.     3. Recordkeeping, reporting, and compliance requirements. The proposed rule would re-state, without substantive revisions, the Board's Regulation M, 12 CFR part 213, and would therefore not impose any new recordkeeping, reporting, or compliance requirements on any entities.     4. Other federal rules. The Board has not identified any federal rules that duplicate, overlap, or conflict with the proposed restatement of the Board's Regulation M, 12 CFR part 213.     5. Significant alternatives to the proposed revisions. The Board is not aware of any significant alternatives that would further minimize any significant economic impact of the proposed rule on small entities, but solicits comment on this matter.

V. Paperwork Reduction Act

    In accordance with the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C 3501-3521) (PRA), federal agencies may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Board reviewed the proposed rule and determined that it does not create any new or revise any existing collection of information under section 3504(h) of title 44.

List of Subjects in 12 CFR Part 213

    Advertising, Consumer leasing, Consumer protection, Federal Reserve System, Reporting and recordkeeping requirements.

    For the reasons discussed in the Supplementary Information, the Board proposes to amend Regulation M, 12 CFR part 213, as follows:

PART 213--CONSUMER LEASING (REGULATION M)

0 1. The authority citation for part 213 is revised to read as follows:

    Authority:  12 U.S.C 5519; 15 U.S.C 1604 and 1667f; Sec. 1100E, Pub. L. 111-203, 124 Stat. 1376 (15 U.S.C 1603 note).

0 2. Section 213.1 is amended by revising paragraph (a) and paragraph (b) introductory text to read as follows:

Sec.  213.1  Authority, scope, purpose, and enforcement.

    (a) Authority. The regulation in this part, known as Regulation M, is issued by the Board of Governors of the Federal Reserve System to implement the consumer leasing provisions of the Truth in Lending Act, which is title I of the Consumer Credit Protection Act, as amended (15 U.S.C 1601 et seq.).     (b) Scope and purpose. This part applies to all persons that are lessors of personal property under consumer leases as those terms are defined in Sec.  213.2(e)(1) and (h) and that are motor vehicle dealers to which 12 U.S.C 5519(a) applies. The purpose of this part is-- \* \* \* \* \*

Sec.  213.4   [Amended]

0 3. Section 213.4(t) is removed.

Appendix A to Part 213--[Amended]

0 4. Appendix A to part 213 is amended by removing and reserving section A-3.

Appendix B to Part 213--[Removed and Reserved]

0 5. Appendix B to part 213 is removed and reserved. 0 6. In supplement I to part 213: 0 a. Section 213.1--Authority, Scope, Purpose, and Enforcement is revised. 0 b. Under Section 213.2--Definitions, subsection 2(e) Consumer lease is revised. 0 c. Under Section 213.7--Advertising, subsection 7(a) General rule is revised. 0 d. Appendix A--Model Forms is revised.     The revisions read as follows:

Supplement I to Part 226--Official Staff Commentary to Regulation M

\* \* \* \* \*

Section 213.1--Authority, Scope, Purpose, and Enforcement

    1. Motor vehicle dealers to which 12 U.S.C 5519(a) applies. Section 1029 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203, 124 Stat. 1376 (2010), excludes certain motor vehicle dealers from the authority of the Bureau of Consumer Financial Protection (Bureau). See 12 U.S.C 5519. The persons excluded from the authority of the Bureau by that provision are subject to the authority of the Board and this part, and generally are motor vehicle dealers predominantly engaged in the sale and servicing of motor vehicles, the leasing and servicing of motor vehicles, or both. However, for purposes of the Consumer Leasing Act, 15 U.S.C 1667- 1667f, a motor vehicle dealer is subject to the authority of the Bureau instead of the Board's Regulation M to the extent that the dealer operates a line of business that involves the extension of retail leases involving motor vehicles directly to consumers and the contract governing such extension of retail leases is not routinely assigned to an unaffiliated third party financing or leasing source. See 12 U.S.C 5519(b). Accordingly, for determining the persons covered by the Board's Regulation M, ``motor vehicle'' and ``motor vehicle dealer'' have the meanings assigned to them by section 1029 of the Dodd-Frank Act. See 12 U.S.C 5519(f). Otherwise, in applying the Board's Regulation M, whether leased property is a motor vehicle is determined by state or other applicable law. See comment 4(f)-1.     2. Foreign applicability. Regulation M applies to motor vehicle dealers to which 12 U.S.C 5519(a) applies that offer consumer leases to residents of any state (including foreign nationals) as defined in Sec.  213.2(p).

Section 213.2--Definitions

\* \* \* \* \*     2(e) Consumer lease.     1. Primary purposes. A lessor must determine in each case if the leased property will be used primarily for personal, family, or household purposes. If a question exists as to the primary purpose for a lease, the fact that a lessor gives disclosures is not controlling on the question of whether the transaction is covered. The primary purpose of a lease is determined before or at consummation and a lessor need not provide Regulation M disclosures where there is a subsequent change in the primary use.     2. Period of time. To be a consumer lease, the initial term of the lease must

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be more than four months. Thus, a lease of personal property for four months, three months or on a month-to-month or week-to-week basis (even though the lease actually extends beyond four months) is not a consumer lease and is not subject to the disclosure requirements of the regulation. However, a lease that imposes a penalty for not continuing the lease beyond four months is considered to have a term of more than four months. To illustrate:     i. A three-month lease extended on a month-to-month basis and terminated after one ***year*** is not subject to the regulation.     ii. A month-to-month lease with a penalty, such as the forfeiture of a security deposit for terminating before one ***year***, is subject to the regulation.     3. Total contractual obligation. The total contractual obligation is not necessarily the same as the total of ***payments*** disclosed under Sec.  213.4(e). The total contractual obligation includes nonrefundable amounts a lessee is contractually obligated to pay to the lessor, but excludes items such as:     i. Residual value amounts or purchase-option prices;     ii. Amounts collected by the lessor but paid to a third party, such as taxes, licenses, and registration fees.     4. Credit sale. The regulation does not cover a lease that meets the definition of a credit sale in Regulation Z, 12 CFR 226.2(a)(16), which is defined, in part, as a bailment or lease (unless terminable without penalty at any time by the consumer) under which the consumer:     i. Agrees to pay as compensation for use a sum substantially equivalent to, or in excess of, the total value of the property and services involved; and     ii. Will become (or has the option to become), for no additional consideration or for nominal consideration, the owner of the property upon compliance with the agreement.     5. ***Agricultural*** purpose. ***Agricultural*** purpose means a purpose related to the production, harvest, exhibition, marketing, transportation, processing, or manufacture of ***agricultural*** products by a natural person who cultivates, plants, propagates, or nurtures those ***agricultural*** products, including but not limited to the acquisition of personal property and services used primarily in farming. ***Agricultural*** products include horticultural, viticultural, and dairy products, livestock, wildlife, poultry, bees, forest products, fish and shellfish, and any products thereof, including processed and manufactured products, and any and all products raised or produced on farms and any processed or manufactured products thereof.     6. Organization or other entity. A consumer lease does not include a lease made to an organization such as a corporation or a government agency or instrumentality. Such a lease is not covered by the regulation even if the leased property is used (by an employee, for example) primarily for personal, family or household purposes, or is guaranteed by or subsequently assigned to a natural person.     7. Threshold amount. A consumer lease is exempt from the requirements of this part if the total contractual obligation exceeds the threshold amount in effect at the time of consummation. The threshold amount in effect during a particular time period is the amount stated in comment 2(e)-9 for that period. The threshold amount is adjusted effective January 1 of each ***year*** by any annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) that was in effect on the preceding June 1. Comment 2(e)-9 will be amended to provide the threshold amount for the upcoming ***year*** after the annual percentage change in the CPI-W that was in effect on June 1 becomes available. Any increase in the threshold amount will be rounded to the nearest $100 increment. For example, if the annual percentage increase in the CPI-W would result in a $950 increase in the threshold amount, the threshold amount will be increased by $1,000. However, if the annual percentage increase in the CPI-W would result in a $949 increase in the threshold amount, the threshold amount will be increased by $900. If a consumer lease is exempt from the requirements of this part because the total contractual obligation exceeds the threshold amount in effect at the time of consummation, the lease remains exempt regardless of a subsequent increase in the threshold amount.     8. No increase in the CPI-W. If the CPI-W in effect on June 1 does not increase from the CPI-W in effect on June 1 of the previous ***year***, the threshold amount effective the following January 1 through December 31 will not change from the previous ***year***. When this occurs, for the ***years*** that follow, the threshold is calculated based on the annual percentage change in the CPI-W applied to the dollar amount that would have resulted, after rounding, if decreases and any subsequent increases in the CPI-W had been taken into account.     i. Net increases. If the resulting amount calculated, after rounding, is greater than the current threshold, then the threshold effective January 1 the following ***year*** will increase accordingly.     ii. Net decreases. If the resulting amount calculated, after rounding, is equal to or less than the current threshold, then the threshold effective January 1 the following ***year*** will not change, but future increases will be calculated based on the amount that would have resulted.     9. Threshold. For purposes of Sec.  213.2(e)(1), the threshold amount in effect during a particular period is the amount stated below for that period.     i. Prior to July 21, 2011, the threshold amount is $25,000.     ii. From July 21, 2011 through December 31, 2011, the threshold amount is $50,000.     iii. From January 1, 2012 through December 31, 2012, the threshold amount is $51,800.     iv. From January 1, 2013 through December 31, 2013, the threshold amount is $53,000.     v. From January 1, 2014 through December 31, 2014, the threshold amount is $53,500.     vi. From January 1, 2015 through December 31, 2015, the threshold amount is $54,600.     vii. From January 1, 2016 through December 31, 2016, the threshold amount is $54,600.     viii. From January 1, 2017 through December 31, 2017, the threshold amount is $54,600.     ix. From January 1, 2017 through December 31, 2018, the threshold amount is $55,800. \* \* \* \* \*

Section 213.7--Advertising

    7(a) General rule.     1. Persons covered. Motor vehicle dealers to which 12 U.S.C 5519(a) applies must comply with the advertising provisions in this section, not just those that meet the definition of a lessor in Sec.   213.2(h). Thus, motor vehicle dealers to which 12 U.S.C 5519(a) applies who are not themselves lessors must comply with the advertising provisions of the regulation if they advertise consumer lease transactions.     2. ``Usually and customarily.'' Section 213.7(a) does not prohibit the advertising of a single item or the promotion of a new leasing ***program***, but prohibits the advertising of terms that are not and will not be available. Thus, an advertisement may state terms that will be offered for only a limited period or terms that will become available at a future date.     3. Total contractual obligation of advertised lease. Section 213.7 applies to advertisements for consumer leases, as defined in Sec.   213.2(e). Under Sec.  213.2(e), a consumer lease is exempt

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from the requirements of this Part if the total contractual obligation exceeds the threshold amount in effect at the time of consummation. See comment 2(e)-9. Accordingly, Sec.  213.7 does not apply to an advertisement for a specific consumer lease if the total contractual obligation for that lease exceeds the threshold amount in effect when the advertisement is made. If a lessor promotes multiple consumer leases in a single advertisement, the entire advertisement must comply with Sec.  213.7 unless all of the advertised leases are exempt under Sec.  213.2(e). For example     i. Assume that, in an advertisement, a lessor states that certain terms apply to a consumer lease for a specific automobile. The total contractual obligation of the advertised lease exceeds the threshold amount in effect when the advertisement is made. Although the advertisement does not refer to any other lease, some or all of the advertised terms for the exempt lease also apply to other leases offered by the lessor with total contractual obligations that do not exceed the applicable threshold amount. The advertisement is not required to comply with Sec.  213.7 because it refers only to an exempt lease.     ii. Assume that, in an advertisement, a lessor states certain terms (such as the amount due at lease signing) that will apply to consumer leases for automobiles of a particular brand. However, the advertisement does not refer to a specific lease. The total contractual obligations of the leases for some of the automobiles will exceed the threshold amount in effect when the advertisement is made, but the total contractual obligations of the leases for other automobiles will not exceed the threshold. The entire advertisement must comply with Sec.  213.7 because it refers to terms for consumer leases that are not exempt.     iii. Assume that, in a single advertisement, a lessor states that certain terms apply to consumer leases for two different automobiles. The total contractual obligation of the lease for the first automobile exceeds the threshold amount in effect when the advertisement is made, but the total contractual obligation of the lease for the second automobile does not exceed the threshold. The entire advertisement must comply with Sec.  213.7 because it refers to a consumer lease that is not exempt. \* \* \* \* \*

Appendix A--Model Forms

    1. Permissible changes. Although use of the model forms is not required, lessors using them properly will be deemed to be in compliance with the regulation. Generally, lessors may make certain changes in the format or content of the forms and may delete any disclosures that are inapplicable to a transaction without losing the act's protection from liability. For example, the model form based on monthly periodic ***payments*** may be modified for single-***payment*** lease transactions or for quarterly or other regular or irregular periodic ***payments***. The model form may also be modified to reflect that a transaction is an extension. The content, format, and headings for the segregated disclosures must be substantially similar to those contained in the model forms; therefore, any changes should be minimal. The changes to the model forms should not be so extensive as to affect the substance and the clarity of the disclosures.     2. Examples of acceptable changes.     i. Using the first person, instead of the second person, in referring to the lessee.     ii. Using ``lessee,'' ``lessor,'' or names instead of pronouns.     iii. Rearranging the sequence of the nonsegregated disclosures.     iv. Incorporating certain state ``plain English'' requirements.     v. Deleting or blocking out inapplicable disclosures, filling in ``N/A'' (not applicable) or ``0,'' crossing out, leaving blanks, checking a box for applicable items, or circling applicable items (this should facilitate use of multipurpose standard forms).     vi. Adding language or symbols to indicate estimates.     vii. Adding numeric or alphabetic designations.     viii. Rearranging the disclosures into vertical columns, except for Sec.  213.4(b) through (e) disclosures.     ix. Using icons and other graphics.     3. Model closed-end or net vehicle lease disclosure. Model A-2 is designed for a closed-end or net vehicle lease. Under the ``Early Termination and Default'' provision a reference to the lessee's right to an independent appraisal of the leased vehicle under Sec.  213.4(l) is included for those closed-end leases in which the lessee's liability at early termination is based on the vehicle's realized value.

    By order of the Board of Governors of the Federal Reserve System. Ann E. Misback, Secretary of the Board. [FR Doc. 2017-27325 Filed 1-2-18; 8:45 am]  BILLING CODE 6210-01-P

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[***House of Commons Votes and Proceedings Tuesday 30 January 2018***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RJ6-PV21-JDG9-Y15F-00000-00&context=1516831)

Impact News Service

January 31, 2018 Wednesday

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**Length:** 4349 words

**Body**

London: UK Parliament has issued the following news release:

The House met at 11.30 am.

Prayers

1Questions to the Secretary of State for Business, Energy and Industrial Strategy

2Urgent Questions: (1) Leaving the EU: economic analysis (Mr Steve Baker)

**(2) Personal Independence *Payment* back *payments* (Sarah Newton)**

3Kew Gardens (Leases): Motion for leave to bring in a Bill (Standing Order No. 23)

Ordered, That leave be given to bring in a Bill to provide that the Secretary of State’s powers in relation to the management of the Royal Botanic Gardens, Kew, include the power to grant a lease in respect of land for a period of up to 150 ***years***;

That Zac Goldsmith, Mr Ian Liddell-Grainger, Richard Benyon, Ruth Cadbury, Theresa Villiers, Dr Matthew Offord, Robert Neill, Bob Blackman, Paul Scully, Mr Iain Duncan Smith, Chris Philp and Andy Slaughter present the Bill.

Zac Goldsmith accordingly presented the Bill.

Bill read the first time; to be read a second time on Friday 2 February, and to be printed (Bill 158).

4High Speed Rail (West Midlands - Crewe) Bill: Second Reading

Motion made and Question proposed, That the High Speed Rail (West Midlands - Crewe) Bill be now read a second time.

Amendment moved, to leave out from 'That' to the end of the Question and add 'this House, while recognising the increasing need for additional north-south rail line capacity to relieve congestion on the West Coast Main Line south of the Midlands and to improve connectivity between major cities and with London, declines to give the High Speed Rail (West Midlands - Crewe) Bill a Second Reading because (1) there are better ways to address any rail capacity issues north of the Midlands, (2) the line set out in the Bill is routed through unspoiled countryside unnecessarily damaging the environment including wildlife habitats, ancient woodlands and waterways, fails to connect via HS2 Phase 1 with HS1, the Channel Tunnel and the European continent, fails to connect directly through HS2 Phase 1 with potential airport hubs for London and the south-east of England, and fails to connect directly to existing major mainline stations and the existing rail network, (3) the Bill provides inadequate compensation to those blighted by the route and those whose property is subject to compulsory purchase orders, (4) the Bill fails to provide for sufficient public transport to disperse HS2 passengers disembarking at London Euston, and (5) the Bill does not implement a more environmentally sympathetic, better integrated, and more cost-effective route, such as the route originally proposed by Arup which would have used existing transport corridors minimising environmental damage and reducing costs by around £10 billion, and which would have connected directly with HS1 and the continent, London Heathrow Airport, Birmingham International Airport, and major conurbations.'.—(Michael Fabricant.)

Question proposed, That the Amendment be made.

Amendment, by leave, withdrawn.

Question put, That the Bill be now read a second time.

The House divided.

Division No. 109.

Ayes: 295 (Tellers: Kelly Tolhurst, Mims Davies).

Noes: 12 (Tellers: Ben Lake, Jeremy Lefroy).

Question accordingly agreed to.

Bill accordingly read a second time.

5High Speed Rail (West Midlands - Crewe) Bill: Money

Queen’s Recommendation signified.

Motion made and Question put forthwith (Standing Order No. 52(1)(a)), That, for the purposes of any Act resulting from the High Speed Rail (West Midlands - Crewe) Bill, it is expedient to authorise the ***payment*** out of money provided by Parliament of:

(1) any expenditure incurred by the Secretary of State in consequence of the Act, and

(2) any increase attributable to the Act in the sums payable out of money so provided under any other enactment.—(Chris Heaton-Harris.)

Question agreed to.

6Business of the House

That at this day’s sitting the Motion in the name of Andrea Leadsom relating to Business of the House may be proceeded with, though opposed, until any hour, and Standing Order No. 41A (Deferred divisions) will not apply.—(Chris Heaton-Harris.)

7Business of the House (Today)

Ordered, That in respect of the Motions in the name of Secretary Chris Grayling relating to

(1) the High Speed Rail (West Midlands - Crewe) Bill; and

(2) Positions for which additional salaries are payable for the purposes of section 4A(2) of the Parliamentary Standards Act 2009,

the Speaker shall put the Questions necessary to dispose of proceedings not later than one and a half hours after the commencement of proceedings on the Motion for this Order (notwithstanding, in respect of item (2) above, the provisions of paragraph (1) of Standing Order No. 16); such Questions shall include the Questions on any Amendments selected by the Speaker which may then be moved; proceedings may continue, though opposed, after the moment of interruption; and Standing Order No. 41A (Deferred divisions) shall not apply.—(Chris Heaton-Harris.)

8High Speed Rail (West Midlands - Crewe) Bill: Committal

Ordered,

1. That the Bill be committed to a Select Committee of five members, all of whom are to be nominated by the Selection Committee.

2. That in determining the composition of the Select Committee the Selection Committee shall nominate three members from the Government and two from the Opposition.

3. That there shall stand referred to the Select Committee—

(a)   any petition against the Bill submitted to the Private Bill Office between 30 January 2018 and 26 February 2018, and

(b)  any petition which has been submitted to the Private Bill Office and in which the petitioners complain of any amendment as proposed in the filled-up Bill or of any matter which has arisen during the progress of the Bill before the Select Committee, (and references in this sub-paragraph to the submission of a petition are to its submission electronically, by post or in person).

4. That, notwithstanding the practice of the House that appearances on petitions against an opposed private bill be required to be entered at the first meeting of the Select Committee on the bill, in the case of any such petitions as are mentioned in paragraph 3(a) above on which appearances are not entered at that meeting, the Select Committee shall appoint a later day or days on which it will require appearances on those petitions to be entered.

5. That any petitioners whose petitions stand referred to the Select Committee shall, subject to the rules and orders of the House, be entitled to be heard upon their petition by themselves, their counsel, representatives or parliamentary agents provided that the petition is prepared in conformity with the rules and orders of the House; and the member in charge of the Bill shall be entitled to be heard through counsel or agents in favour of the Bill against any such petition.

6. That in applying the rules of the House in relation to parliamentary agents, any reference to a petitioner in person shall be treated as including a reference to a duly authorised member or officer of an organisation, group or body.

7. That the Select Committee have power to sit notwithstanding any adjournment of the House, to adjourn from place to place and to report from day to day the minutes of evidence taken before it.

8. That the Select Committee have power to make special reports from time to time.

9. That three be the quorum of the Select Committee.—(Chris Heaton-Harris.)

9High Speed Rail (West Midlands - Crewe) Bill: Instruction

Ordered, That it be an Instruction to the Select Committee to which the High Speed Rail (West Midlands - Crewe) Bill is committed to deal with the Bill as follows:

1. The Committee shall treat the principle of the Bill, as determined by the House on the Bill’s Second Reading, as comprising—

(a) the provision of a high speed railway between a junction with Phase One of High Speed 2 near Fradley Wood, in Staffordshire, and a junction with the West Coast Mainline near Crewe in Cheshire,

(b) in relation to the railway set out on the plans deposited in July 2017 in connection with the Bill in the office of the Clerk of the Parliaments and the Private Bill Office of the House of Commons, its broad route alignment, and

(c) the fact that there are to be no new stations on, or additional spurs from, the railway mentioned in sub-paragraph (b);

and those matters shall accordingly not be at issue during proceedings of the Committee.

2.–   (1) The Committee shall have power to consider any amendments proposed by the member in charge of the Bill which, if the Bill were a private bill, could not be made except upon petition for additional provision.

(2) Sub-paragraph (1) applies only so far as the amendments proposed by the member in charge of the Bill fall within the principle of the Bill as provided for by paragraph 1 above.

That these Orders be Standing Orders of the House.—(Chris Heaton-Harris.)

10High Speed Rail (West Midlands - Crewe) Bill: Carry-over

Ordered, That the following provisions shall apply to proceedings on the High Speed Rail (West Midlands - Crewe) Bill:

**Suspension at end of current Session**

1. Further proceedings on the Bill shall be suspended from the day on which this Session of Parliament ends (“the current Session”) until the next Session of Parliament (“the next Session”).

2. If a Bill is presented in the next Session in the same terms as those in which the Bill stood when proceedings on it were suspended in the current Session—

(a)   the Bill so presented shall be ordered to be printed and shall be deemed to have been read the first and second time;

(b)   the Standing Orders and practice of the House applicable to the Bill, so far as complied with or dispensed with in the current Session, shall be deemed to have been complied with or (as the case may be) dispensed with in the next Session; and

(c)    the Bill shall be dealt with in accordance with—

(i)  paragraph 3, if proceedings in Select Committee were not completed when proceedings on the Bill were suspended,

(ii)  paragraph 4, if proceedings in Public Bill Committee were begun but not completed when proceedings on the Bill were suspended,

(iii)  paragraph 5, if the Bill was waiting to be considered when proceedings on it were suspended,

(iv)  paragraph 6, if the Bill was waiting for proceedings in legislative grand committee when proceedings on it were suspended,

(v)  paragraph 7, if the Bill was waiting for third reading when proceedings on it were suspended, or

(vi)  paragraph 8, if the Bill has been read the third time and sent to the House of Lords.

3. If this paragraph applies—

(a)    the Bill shall stand committed to a Select Committee of such Members as were members of the Committee when proceedings on the Bill were suspended in the current Session;

(b)   any instruction of the House to the Committee in the current Session shall be an instruction to the Committee on the Bill in the next Session;

(c)    all petitions submitted in the current Session which stand referred to the Committee and which have not been withdrawn, and any petition submitted between the day on which the current Session ends and the day on which proceedings on the Bill are resumed in the next Session in accordance with this Order, shall stand referred to the Committee in the next Session;

(d)   any minutes of evidence taken and any papers laid before the Committee in the current Session shall stand referred to the Committee in the next Session;

(e)    only those petitions mentioned in sub-paragraph (c), and any petition which may be submitted to the Private Bill Office and in which the petitioners complain of any proposed additional provision or of any matter which has arisen during the progress of the Bill before the Committee in the next Session, shall stand referred to the Committee;

(f)    any petitioners whose petitions stand referred to the Committee in the next Session shall, subject to the rules and orders of the House, be entitled to be heard upon their petition by themselves, their counsel, representatives or parliamentary agents provided that the petition is prepared and signed in conformity with the rules and orders of the House; and the Member in charge of the Bill shall be entitled to be heard through counsel or agents in favour of the Bill against any such petition;

(g)   in applying the rules of the House in relation to parliamentary agents, any reference to a petitioner in person shall be treated as including a reference to a duly authorised member or officer of an organisation, group or body;

(h)   the Committee shall have power to sit notwithstanding any adjournment of the House, to adjourn from place to place, and to report from day to day minutes of evidence taken before it;

(i)     the Committee shall have power to make special reports from time to time;

(j)     three shall be the quorum of the Committee;

(k)   any person registered in the current Session as a parliamentary agent entitled to practise as such in opposing Bills only who, at the time when proceedings on the Bill were suspended in the current Session, was employed in opposing the Bill shall be deemed to have been registered as such a parliamentary agent in the next Session.

4. If this paragraph applies, the Bill shall be deemed to have been reported from the Select Committee and to have been re-committed to a Public Bill Committee.

5. If this paragraph applies—

(a)    the Bill shall be deemed to have been reported from the Select Committee and from the Public Bill Committee, and

(b)   the Bill shall be set down as an order of the day for consideration.

6. If this paragraph applies—

(a)    the Bill shall be deemed to have been reported from the Select Committee and from the Public Bill Committee and to have been considered, and

(b)   the Bill shall be set down as an order of the day for further consideration.

7. If this paragraph applies—

(a)    the Bill shall be deemed to have been reported from the Select Committee and from the Public Bill Committee, to have been considered and to have completed any proceedings in legislative grand committee, and

(b)   the Bill shall be set down as an order of the day for third reading.

8. If this paragraph applies, the Bill shall be deemed to have passed through all its stages in this House.

**Other**

9. In paragraph 1 above the reference to further proceedings does not include proceedings under Standing Order 224A(8) (deposit of supplementary environmental information).

10. In paragraph 3 above references to the submission of a petition are to its submission electronically, by post or in person.

That the above Orders be Standing Orders of the House.—(Chris Heaton-Harris.)

11Positions for which additional salaries are payable for the purposes of section 4A(2) of the Parliamentary Standards Act 2009

Ordered, That the Order of the House of 19 March 2013 (Positions for which additional salaries are payable for the purposes of section 4A(2) of the Parliamentary Standards Act 2009) be amended, in paragraph (1)(a), by inserting, in the appropriate place, “the Select Committee on the High Speed Rail (West Midlands - Crewe) Bill”.—(Chris Heaton-Harris.)

12Statutory Instruments: Motions for Approval

(1) Motion made and Question put forthwith (Standing Order No. 118(6)), That the draft Double Taxation Relief and International Tax Enforcement (Colombia) Order 2017, which was laid before this House on 14 September 2017, be approved.—(Chris Heaton-Harris.)

Question agreed to.

(2) Motion made and Question put forthwith (Standing Order No. 118(6)), That the draft Double Taxation Relief and International Tax Enforcement (Lesotho) Order 2017, which was laid before this House on 14 September 2017, be approved.—(Chris Heaton-Harris.)

The Deputy Speaker’s opinion as to the decision of the Question was challenged.

Division deferred until tomorrow (Standing Order No. 41A).

(3) Motion made and Question put forthwith (Standing Order No. 118(6)), That the Local Government Finance Act 1988 (Non-Domestic Rating Multipliers) (England) Order 2017, which was laid before this House on 20 December 2017, be approved.—(Chris Heaton-Harris.)

Question agreed to.

(4) Motion made and Question put forthwith (Standing Order No. 118(6)), That the draft Gambling Act 2005 (Amendment of Schedule 6) Order, which was laid before this House on 14 December 2017, be approved.—(Chris Heaton-Harris.)

Question agreed to.

(5) Motion made and Question put forthwith (Standing Order No. 118(6)), That the draft Community Infrastructure Levy (Amendment) Regulations 2018, which were laid before this House on 13 December 2017, be approved.—(Chris Heaton-Harris.)

Question agreed to.

(6) Motion made and Question put forthwith (Standing Order No. 118(6)), That the draft ***Transfer*** of Responsibility for Relevant Children (Extension to Wales, Scotland and Northern Ireland) Regulations 2017, which were laid before this House on 7 December 2017, be approved.—(Chris Heaton-Harris.)

Question agreed to.

13Public petitions

A public petition from residents of Bishop Auckland, Shildon, Spennymoor and Teesdale relating to the Universal Credit ***programme*** was presented and read by Helen Goodman.

14Adjournment

Subject: Lorry parking (Helen Whately)

Resolved, That this House do now adjourn.—(Chris Heaton-Harris.)

Adjourned at 7.41 pm until tomorrow. Other Proceedings Changes to Notices Given

15Leasehold Reform Bill

Order for Second Reading on Friday 2 February, read and discharged.

Bill to be read a second time on Friday 26 October. Explanatory Notes to Bills

16Kew Gardens (Leases) (No. 2) Bill

Explanatory Notes to the Bill to be printed (Bill 158-EN). General Committees: Reports

17Fifth Delegated Legislation Committee

Phil Wilson (Chair) reported the Draft Financial Assistance Scheme (Increased Cap for Long Service) Regulations 2018.

18Taxation (Cross-border Trade) Bill Committee

Mrs Anne Main (Chair) reported written evidence submitted to the Committee.

Written evidence to be published.

19Trade Bill Committee

Joan Ryan (Chair) reported written evidence submitted to the Committee.

Written evidence to be published. General Committees: Appointments

The Speaker appoints the Chair of General Committees and members of ***Programming*** Sub-Committees, and allocates Statutory Instruments to Delegated Legislation Committees.

The Selection Committee nominates Members to serve on General Committees (and certain Members to serve on Grand Committees).

20Third Delegated Legislation Committee (draft Human Fertilisation and Embryology (Amendment) Regulations 2018 and the draft Human Tissue (Quality and Safety for Human Application) (Amendment) Regulations 2018)

Members: Richard Burden discharged and John Woodcock nominated in substitution.

21Fifth Delegated Legislation Committee (draft Financial Assistance Scheme (Increased Cap for Long Service) Regulations 2018)

Members: Jo Churchill discharged and Nigel Adams nominated in substitution.

22Sixth Delegated Legislation Committee (draft Littering From Vehicles Outside London (Keepers Civil Penalties) Regulations 2018)

Members: Kate Hoey discharged and Catherine West nominated in substitution. Reports from Select Committees

23Defence Committee

Sunset for the Royal Marines? The Royal Marines and UK amphibious capability:

(i) Third Report, to be printed, with the formal minutes relating to the Report (HC 622);

(ii) Written evidence, to be published (HC 622)

(Dr Julian Lewis).

24Digital, Culture, Media and Sport Committee

(1) BBC pay: Written evidence, to be published (HC 732);

(2) Fake news: Written evidence, to be published (HC 363)

(Damian Collins).

25Education and Health Committees

Transforming children and young people’s mental health provision: Oral and written evidence, to be published (HC 642) (Robert Halfon).

26Environmental Audit Committee

(1) Chinese restrictions on imported waste: Oral and written evidence, to be published (HC 741);

(2) Correspondence with the Administration Committee on disposable packaging: Written evidence, to be published (HC 339);

(3) Correspondence with the Secretary of State for Education on sustainable development goals: Written evidence, to be published;

(4) Nitrates: Written evidence, to be published (HC 656);

(5) The future of chemicals regulation after the EU referendum: Written evidence, to be published (HC 389)

(Mary Creagh).

27Foreign Affairs Committee

(1) Global Britain: Oral evidence, to be published (HC 780);

(2) Kurdish aspirations and the interests of the UK: Written evidence, to be published (HC 518);

(3) Quarterly update on FCO management issues October to December 2017: Written evidence, to be published

(Tom Tugendhat).

28Home Affairs Committee

(1) Counter-terrorism: Oral evidence, to be published (HC 750);

(2) Hate crime and its violent consequences: Written evidence, to be published (HC 683);

(3) Home Office delivery of Brexit: immigration: Written evidence, to be published (HC 421);

(4) Policing for the future: Written evidence, to be published (HC 515)

(Yvette Cooper).

29International Development Committee

(1) DFID’s work in Bangladesh, Burma and on the Rohingya crisis: Written evidence, to be published (HC 504);

(2) Definition and administration of ODA: Written evidence, to be published (HC 547)

(Stephen Twigg).

30Justice Committee

(1) Transforming rehabilitation: Part of the oral evidence, to be published (HC 482);

(2) Correspondence with the Secretary of State for Justice relating to Carillion: Written evidence, to be published

(Robert Neill).

31Petitions Committee

Record of the Committee’s decisions relating to e-petitions, to be published (Helen Jones).

32Public Administration and Constitutional Affairs Committee

(1) The Report of the Lord Speaker’s Committee on the size of the House of Lords: Oral evidence, to be published (HC 662);

(2) Parliamentary Boundary Reviews after 2018: Written evidence, to be published (HC 559)

(Mr Bernard Jenkin).

33Science and Technology Committee

(1) Research integrity: Oral and written evidence, to be published (HC 350);

(2) Genomics and genome-editing in the NHS: Written evidence, to be published (HC 349);

(3) Pre-appointment hearing for Medical Research Council and UK Research and Innovation chairs: Written evidence, to be published (HC 747)

(Norman Lamb).

34Scottish Affairs Committee

(1) Immigration and Scotland: Oral evidence, to be published (HC 488);

(2) RBS branch closures: Written evidence, to be published (HC 682)

(Pete Wishart).

35Treasury Committee

(1) RBS Global Restructuring Group and its treatment of SME customers: Oral evidence, to be published (HC 737);

(2) Correspondence from the Chief Executive of the Financial Conduct Authority relating to its consultation on redress for SMEs: Written evidence, to be published

(Nicky Morgan).

36Welsh Affairs Committee

(1) Brexit: ***Agriculture***, trade and the repatriation of powers: Oral evidence, to be published (HC 402)

(2) The cancellation of rail electrification in South Wales: Written evidence, to be published (HC 403)

(David T. C. Davies).

37Work and Pensions and Business, Energy and Industrial Strategy Committees

Carillion: Oral and written evidence, to be published (HC 769)

(Frank Field).

John Bercow

Speaker Westminster Hall The sitting began at 9.30 am. Business appointed by the Chairman of Ways and Means (Standing Order No. 10(6))

1Marriage and Government policy

Resolved, That this House has considered marriage and Government policy.—(Derek Thomas.)

2NHS negligence cases

Resolved, That this House has considered NHS negligence cases.—(Andrew Gwynne.)

The sitting was suspended between 11.27 am and 2.30 pm (Standing Order No. 10(1)(b)).

3Treatment of adults with autism by the criminal justice system

Resolved, That this House has considered the treatment of adults with autism by the criminal justice system.—(Kevin Brennan.)

The sitting was suspended between 3.47 pm and 4.00 pm.

4Youth activities and sport within the Erasmus Plus ***programme***

Resolved, That this House has considered youth activities and sport within the Erasmus Plus ***programme***.—(Lloyd Russell-Moyle.)

The sitting was suspended between 4.27 pm and 4.30 pm.

5Town and village plans

Motion made and Question proposed, That this House has considered town and village plans.—(George Freeman.)

The Chair announced a time limit on backbench speeches (under the authority of the Chairman of Ways and Means and Standing Order No. 47(1)).

At 5.30 pm, the Motion lapsed (Standing Order No. 10(14)).

Sitting adjourned without Question put (Standing Order No. 10(14)).

Adjourned at 5.30 pm until tomorrow.

Lindsay Hoyle

Chairman of Ways and Means Papers Laid Papers subject to Affirmative Resolution

1Criminal Law

Draft Electronic Commerce Directive (Miscellaneous Provisions) Regulations 2018 (by Act), with an Explanatory Memorandum (by Command) (Margot James) Papers subject to Negative Resolution

2Environmental Protection

Fluorinated Greenhouse Gases (Amendment) Regulations 2018 (S.I , 2018, No. 98), dated 26 January 2018 (by Act), with an Explanatory Memorandum (by Command) (Secretary Michael Gove)

3Telecommunications

Explanatory Memorandum and Impact Assessment for the Radio Equipment Regulations 2017 (S.I , 2017, No. 1206), laid 5 December 2017 (by Act) (Andrew Griffiths) Other papers

4Trunk Road Charging Schemes (Bridges and Tunnels) (Keeping of Accounts)

Dartford–Thurrock River Crossing Charging Scheme Accounts 2016-17 (by Statutory Instrument) (Secretary Chris Grayling)

5UK Borders

(1) An inspection of the Home Office's mechanisms for learning from immigration litigation April–July 2017 (by Act) (Secretary Amber Rudd)

(2) An inspection of the Home Office's production and use of Country of Origin Information April–August 2017 (by Act) (Secretary Amber Rudd)

(3) An inspection of the review and removal of immigration, refugee and citizenship 'status' April–August 2017 (by Act) (Secretary Amber Rudd) Withdrawn papers

6Telecommunications

Explanatory Memorandum to the Radio Equipment Regulations 2017 (S.I , 2017, No. 1206) (laid 5 December 2017)

Speaker's Certificate

The Speaker has certified, for the purposes of Standing Order No. 83P, and on the basis of material put before him, that, in his opinion, the following instrument relates exclusively to England and Wales and is within devolved legislative competence, as defined in Standing Order No. 83P.

Draft Waste Enforcement (England and Wales) Regulations 2018

**Load-Date:** February 1, 2018

**End of Document**



[***On the origins of welfare stigma: Comparing two social assistance schemes in rural China***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BGX-BK31-DY41-74DB-00000-00&context=1516831)

Critical Social Policy

November 2018

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Robert Walker

**Body**

**ABSTRACT**

While stigma has often been implicated in the low take-up of benefits, its aetiology is not well understood. Drawing distinctions from earlier research, notably differentiating personal, social and institutional stigma, the article explores how each is related to each other and how each alone, and in concert, is framed by political and local culture. As case-studies, two of the world’s largest social assistance schemes, Dibao and Wubao, are compared in a village in south central China based on ethnographic work with recipients, village cadre charged with implementing both schemes and non-recipients. In explaining the reasons for the very different level of stigma attaching to each scheme, the article unearths processes of salience to academics and policymakers.

**FULL TEXT**

**Introduction**

There is a long history of research on stigma, shame and social assistance, much of it concerned with explaining poor targeting and the low take-up of benefits (Blank and Ruggles, 1996). Discussed initially in the context of the Elizabethan Poor Law in Britain, the phenomenon has been found across time and cultures, but the specific processes and mechanisms are still not well understood (Chase and Bantebya-Kyomuhendo, 2014; Walker, 2014).

Research points to multiple factors causing recipients of social welfare to feel ashamed: the equating of poverty with deficiencies in behaviour and character (Stuber and Schlesinger, 2006); undignified treatment meted out in the implementation of social assistance (Edmonds, 2005); and unequal power relations in interactions between recipients and others (Lister, 2004; Roelen and Gassmann, 2011). Van Oorschot (1991, 2006) has also speculated about the importance of cultural and policy context as well as the design of social assistance schemes, topics addressed directly in the current article, which exploits the rare opportunity to compare the generation of stigma with respect to two social assistance schemes within the same cultural context. Specifically, this article explores how the framing, design and delivery of social assistance can work together with culture to shape the stigma experienced by recipients.

Chinese social security has been reconstructed since the mid-1990s in response to new social problems caused by transformation to a market economy. The system comprises social insurance, social assistance and public services with a key feature of ‘duality’, meaning substantial differences between rural and urban areas with typically more generous provision in urban areas (Liu et al., 2016). This study is set in rural China where two social assistance schemes were chosen for comparison: *Dibao* (‘Minimum Living Security System’), the largest social assistance scheme in the world, reaching 46 million people in rural China in June 2016 (Ministry of Civil Affairs, 2016a) and *Wubao* (‘The Five Guarantees System’, now officially renamed as ‘Relief for the Extremely Poor’). *Wubao* was the first social assistance to be implemented in rural China and some 60 ***years*** later still benefited over 5 million people in 2015 (Ministry of Civil Affairs, 2016b). Fieldwork was conducted in a village where people shared the same local culture, which means that many exogenous variables are controlled by design. This permits exploration of how different policy designs and implementation structures combine and differentially interact with a common culture to generate varying degrees of stigmatisation.

**On the types and causes of welfare stigma**

Stigma has long been recognised to diminish the well-being of welfare recipients as well as imposing limits on benefit take-up (Besley and Coate, 1992). Precisely why stigma is associated with welfare provision, however, is contested. Williamson (1974) groups the competing reasons into four categories:

personal characteristics of recipients that are considered anti-social and undesirable;

recipients’ own perception that their dependence on welfare affords them lower status than being economically self-sufficient;

negative labelling of social assistance claimants by others;

humiliating treatment, actual, perceived or both, during the application process and/or subsequently

Although Williamson was writing 40 ***years*** ago, his analysis remains pertinent. However, whereas Williamson treats stigma as a unitary concept, others have distinguished three types of stigma – personal, social and institutional – that have different causes (Baumberg, 2013; Walker, 2014).

*Personal stigma* refers to the widely reported phenomenon that welfare recipients themselves feel that claiming benefits is shameful (Baumberg et al., 2012; Edmonds, 2005; Hernanze et al., 2004). Two kinds of explanation for personal stigma have been proposed by researchers: self-comparison and lack of reciprocity. The first describes the shame felt when welfare recipients contrast their present status, often taken to be symbolic of ‘personal failure’, with their ideal (Walker, 2005). The second equates benefit receipt with state charity; whereas most social interaction involves reciprocity, charity makes no such demands being a ‘freely given gift’ while simultaneously denying recipients the status and respect that reciprocity affords (Spicker, 1984; Stuber and Schlesinger, 2006). Personal stigma has been implicated in many studies and is one important reason for low take-up of social assistance (Hernanz et al., 2004; Van Oorschot, 1991).

*Social stigma* relates to the attitudes and behaviour of non-recipients, which in turn helps to shape personal stigma both directly, as when welfare recipients are humiliated, and indirectly through affecting their self-evaluation (Lister, 2004). Social stigma may be least severe in societies where poverty is believed to be the result of structural factors and people have a strong sense of social rights. Elsewhere, when poverty is attributed to personal failure, recipients tend to be labelled as ‘wasters’, ‘lazy’, ‘dependent’ or worse (Baumberg et al., 2012; Walker, 2014). Besley and Coate (1992) employ the term ‘statistical discrimination’ to summarise this mechanism of social stigma through which welfare claimants are negatively categorised on the presumption that they all fail to meet societal expectations. Social stigma is likely to be most prevalent in countries where much of the population opines that the main reason for poverty is ‘laziness and lack of willpower’; these include China and Japan in the East, and the USA and Australia in the West (Walker, 2014: 134). Nevertheless, social assistance can be heavily stigmatised in social democratic countries because its coverage is so residual and recipients are thereby atypical and often socially excluded (Simpson and Walker, 1993). Additionally, the fact that welfare recipients are often unable adequately to perform their social roles as parents, citizens or organisation members due to lack of resources (Chase and Bantebya-Kyomuhendo, 2014: 2) contributes to the perception of a bifurcated society comprising active citizens and welfare recipients, the latter being labelled as ‘losers’ (Lister, 2004; Jo, 2013).

*Institutional stigma* has its source in the framing, design and implementation of social assistance policies (Walker, 2014). Stuber and Schlesinger (2006: 944), for example, suggest that ‘perceptions of stigma are determined, in part, by the nature of the benefit that is being provided, noting that social assistance is widely reported to be more stigmatising than universal benefits (Williamson, 1974). Politicians, in seeking to reconcile competing pressure to prevent destitution while lowering taxation, often adopt the language of deserving and undeserving to signal that only the neediest will be helped while abuse will be prevented (Yaniv, 1997; Walker, 2005).

Turning to design, stigma or shaming is used to contain the problem of moral hazard by providing minimal benefits to prevent people choosing welfare over work, and by policing eligibility very publicly. In urban China, home visits are used to seek out ‘profligate’ spending on basic consumer durables; in South Korea, applicants are obliged to demonstrate eligibility by supplying evidence that relatives will not support them; while, in Britain, ‘Spot the Cheater’ campaigns have put all benefit recipients under public scrutiny (Jo and Walker, 2014; Walker, 2014).

In terms of implementation, Gray (2005) describes three pathways by which stigma is conferred on claimants. First, on application, claimants confront suspicion of weakness, laziness and fraud while feeling that their strengths are rarely recognised. Waiting times are often long, security checks officious and accommodation inadequate (Krause, 1996; Wright 2003). Nicolas and Baptiste (2001: 304), for example, report that most women applicants of public assistance in the USA described ‘the process of entering the system as “degrading,” “devaluing,” “dehumanizing,” and “belittling”’. Second, in their interaction with caseworkers, recipients find that they are not believed, that they are treated with contempt, coerced and even abused by often overworked and low paid staff who are sometimes openly envious of the benefits being paid out (Finn et al., 2008; Rank, 1994). Third, social assistance recipients risk stigma in the community. Gray (2005) notes the humiliation encountered due to the public visibility of Food Stamps (now the Supplemental Nutrition Assistance ***Program*** (SNAP)) in the USA, while workfare recipients in community schemes in, for example, New York and Seoul are compelled to wear distinctive uniforms.

The three-fold distinction between personal, social and institutional stigma proves to be a helpful device in understanding the distinctive experiences of recipients of *Wubao* and *Dibao*.

**Method**

The research was conducted between July 2014 and November 2015 in a village in south-central China which we call Stone-bridge with ethical approval granted by the first author’s university. To maintain anonymity, all names are pseudonyms and figures are rounded. The population of 2,500 in 2014 was divided between 700 households. One person in ten was aged over 60 (elders) while almost one in five were children aged under 14 ***years*** old. Households were divided into 11 quasi-administrative village groups which varied in size by a factor of four. These groups were involved similarly in the administration of *Dibao* and *Wubao.*

Average annual household income of 3,450 yuan RMB (about £350) was typical of the county and Stone-bridge was designated as ‘poor’ by the provincial government. Benefits paid through the two social assistance schemes, *Dibao* and *Wubao*, constituted between a third and a half of village incomes.

The first author had established research links in the village over many ***years***. Fifty-six semi-structured qualitative face-to-face interviews were conducted complemented by 18 telephone interviews with an overall response rate of 86 per cent. All interviews were conducted in the local dialect, audio recorded and translated into Mandarin Chinese for analysis, with quotations subsequently translated into English for publication.

All 12 *Wubao* recipients and 28 of the 216 *Dibao* recipients were interviewed along with 34 non-recipients, including six of the seven village cadres comprising the village committee (the seventh refused) so as simultaneously to explore personal, social and institutional stigma. Respondents were sampled using a systematic, iterative snowballing methodology with assistance from three villager informants. A person randomly selected from the list of Stone-bridge residents was first interviewed and also asked to suggest a person likely to receive benefit. The person named was interviewed and then their neighbour, who was also asked to suggest a further potential recipient. Village cadres were separately identified.

The age profile of the sample (Table 1) is as anticipated in that, reflecting differing eligibility criteria, all *Wubao* recipients were aged over 60 compared to just 29 per cent of *Dibao* recipients. The fact that most *Dibao* recipients were aged over 46 ***years*** reveals a local departure from the national policy intended to support individuals rather than families. The substance of these matters is discussed below. As is commonly the case in rural China, many younger villagers had moved to cities as migrant workers but necessarily remained registered in the village under the official Hukou registration system, which determines where a person is allowed to live and to which public services they have access (Wang and Liu, 2016). This explains why non-recipient respondents were correspondingly older than the village average recorded in official records. The finding that about three-fifths of respondents were male mirrors the eligibility criteria of *Wubao* and ***payment*** of benefit to male heads of household. There was also a tendency, resisted by the lead author in the field, for households to nominate a male as respondent.

**Table 1.**

Characteristics of interviewees.

|  | **Dibao recipients** | **Wubao recipients** | **Non-recipients(including cadres)** | **All** |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **N** | **%** | **N** | **%** | **N** | **%** | **N** | **%** |
| **Age** |  |  |  |  |  |  |  |  |
| Younger than 30 | 0 | 0 | 0 | 0 | 4 | 12 | 4 | 5 |
| 30–45 | 3 | 11 | 0 | 0 | 11 | 32 | 14 | 19 |
| 46–60 | 17 | 61 | 0 | 0 | 10 | 29 | 27 | 36 |
| Older than 60 | 8 | 29 | 12 | 100 | 9 | 26 | 29 | 39 |
| **Gender** |  |  |  |  |  |  |  |  |
| Male | 16 | 57 | 8 | 67 | 19 | 56 | 43 | 58 |
| Female | 12 | 43 | 4 | 33 | 15 | 44 | 31 | 42 |
| **Total** | 28 | 100 | 12 | 100 | 34 | 100 | 74 | 100 |

**Objectives, design and implementation of *Dibao* and *Wubao***

The Five Guarantees Scheme (*Wubao*) was established in the mid-1950s while the Minimal Living Security System (*Dibao*), which was rapidly adopted by cities after its introduction in Shanghai in 1993, became universal in rural areas after 2007 when central government funding was substantially increased. Both schemes are administered at village level. Applications are received by quasi-administrative village groups, leaders of which – with village representatives – make recommendations to the Villagers’ Committee that decides on awards, subject to Township approval. Targeting, as legislation prescribes and as actually delivered, differs with significant implications for the subjective experience of recipients.

**Wubao**

*Wubao* is not designed as a comprehensive social assistance system but rather to meet the needs of certain kinds of people who live in poverty. The target groups are defined in terms of demographic characteristics which assume the status of identity groups in Chinese cultural politics and serve to exclude from eligibility most people experiencing poverty. The dual nature of *Wubao*, defining eligibility in terms of the conjunction of economic and identity status, was present from its introduction.

*Wubao* was a product of both the scale of persistent poverty and the collectivisation of ***agriculture*** in rural China stemming from the First Five ***Year*** Plan (1953–57). While a social security system was established in cities in 1951, no comparable system was introduced in rural areas creating demands for some basic provision to prevent mass starvation. Land reform ***transferred*** ownership from individuals to collectives as a critical phase in the transformation to socialism such that, by 1956, over 96 per cent of ‘peasant households’ belonged to cooperatives (Wong, 1998: 50). The collectives were soon generating the resources necessary to underwrite the basic needs of the most vulnerable allowing the central government to lay the foundations of the Five Guarantees Scheme in the *Outline of National* ***Agricultural*** *Development 1956–1967*, which decreed that: ***Agricultural*** cooperatives should make suitable arrangement for persons who are widowed or orphaned and without support from family, and guarantee their food, fuel, clothing, education and burial. (National People’s Congress, 1957, item 30)

These five guarantees became a fundamental component of policy in rural China with *Wubao* established for unsupported widows, widowers, singletons and orphans without the resources to feed themselves. In 2015, the legacy of this original identity-targeting mechanism was still branded on the memory of villagers: In 1960s, every family in our village was poor, but not everyone could get *Wubao* … The conditions were so strict that few of people could meet the threshold. Only elders without sons or daughters, or children without parents, or the disabled without any working ability could get the benefit. (Li T.K., villager, over 75 ***years*** old)

*Wubao* was modified several times after the collectivist era during the Reform and Opening-up periods in China but most importantly in 2006 when financial responsibility was ***transferred*** from collectives to central and local government (Gao and Huang, 2007). This reform, which facilitated the expansion of the scheme, altered the five guarantees, with fuel being subsumed under the broader category of housing, medical care being added and education being more clearly bracketed as for orphans only. The 2006 Regulations established the following eligibility criteria, the ‘Three Nos’: Elders, the disabled, and children who meet all the following conditions: first, incapability of work; second, no income; third, no persons statutorily required to provide maintenance. (Ministry of Civil Affairs, 2006)

Village cadres have no discretion in applying these criteria, not least because people meeting them are well known to villagers. Consequently, only 12 people, all widows or widowers, received *Wubao* in Stone-bridge in 2015, each getting 250 yuan RMB (about £30) per month. Numerous other families were excluded: Frankly speaking, elders without sons or daughters are pitiful because they cannot work and cannot get any support from other family member, and the only hope for them is the benefit from *Wubao*. But it is even harder for some families with sons or daughters. For example, one family with three school-age children have had to go into debt to support their children’s education, given the father is disabled. But this family cannot get the benefit [because they have offspring]. (Li Q.H., Leader of Villagers’ Committee)

**Dibao**

As already noted, *Dibao* became the dominant social assistance in rural China from 2007. It is jointly funded by central and local government and administered by village committees. Unlike *Wubao, Dibao* is formally targeted on income rather than identity or demographic group with the legislation making clear its anti-poverty intent: The aim of rural *Dibao* is to reach all people who live in poverty in rural China, alleviating poverty in a stable, durable, and efficient way. (State Council, 2007)

In theory, therefore, everyone whose income is below the *Dibao* threshold has the right to receive benefit irrespective of identity. In 2014, the per capital threshold in Stone-bridge, which is set annually by the county government, was 1,600 yuan RMB per ***year*** (£168). However, the county also stipulates the number of awards that can be made and the allocation (200 individuals) was insufficient to meet the actual level of need. Faced with this conundrum, the village committee chose not to pay benefit to all people living in families below the threshold as stipulated, but instead to make one ***payment*** to each household deemed to be eligible, thereby maximising the number of families who benefit (Li and Walker, 2016). Each *Dibao* award was worth 133 yuan per month, about half that of *Wubao*.

The different characteristics of the two social assistance schemes, summarised in Table 2, were widely recognised in the village. This is important because it directly influenced the types of stigma imposed on recipients.

*Dibao* and *Wubao* are different things. *Wubao* is a policy for special people like widows or widowers, while *Dibao* is not. *Dibao* is for everyone who is poor, no matter how you fell into poverty. (Xiao H., villager, female, 55 ***years*** old)

**Table 2.**

Comparison of *Wubao* and *Dibao.*

|  | **Wubao** | **Dibao** |
| --- | --- | --- |
| Nature of policy | Social assistance, alleviating poverty | Social assistance, alleviating poverty |
| Targeting mechanism | Identity targeting | Income targeting |
| Targeting group | Elders, the disabled, orphans who are poor | Anyone who is poor |
| Source of funding | From collective-based to public finance supported | Public finance supported |
| Guarantee standard | Higher | Lower |
| Coverage | Narrow | Broad |

**Differentiating stigma**

The different goals and design of *Dibao* and *Wubao* interact with village culture to affect the relative importance of the three kinds of stigma identified in the literature reviewed above.

**Institutional stigma**

While institutional stigma is a product of the framing, structure and delivery of benefit (Walker, 2014), its precise expression reflects the conjunction of policy and culture. Different histories shape the framing of both schemes. *Wubao* is a product of collectivism dating from a time when local needs were met locally at considerable personal cost. In contrast, *Dibao* is an example of modernity, an income-based scheme that was introduced when poverty had come to signify personal failure rather than, as in the Maoist era, a sacrifice made for the common good. Moreover, *Dibao* has been co-opted locally for purposes of social control rather than poverty relief (Li and Walker, 2016). These framings affect the design and implementation of *Dibao* and *Wubao* and their social acceptability.

Although *Wubao* and *Dibao* both target low incomes, *Wubao* recipients additionally have to meet the ‘Three Nos’ criteria. These additional conditions mean that, while *Wubao* targets the ‘poorest of the poor’, it also excludes some of the very poorest. With these restrictive rules, *Wubao* divides villagers making recipients special and conspicuous for culturally the worst of reasons: *Wubao* is a special policy just for those special persons, and we don’t want to be the special ones. (Li J.Y., villager, female, over 65 ***years*** old)Frankly speaking, to be a *Wubao* household is not what I want. There was no *Dibao* system in the past, so I had to apply for *Wubao*. But now, I would like to give up *Wubao* and apply for *Dibao*. My request was refused by village cadres; they said that if I quit *Wubao* for *Dibao* … other villagers would have less opportunity to receive it. … If I quit the *Wubao* scheme, I would get less money. But I am still willing to do so because people would stop addressing me as ‘old bachelor’ [which is insulting]. (Qin X.Z., Wubao recipient, over 68 ***years*** old)

Because any person meeting the ‘Three Nos’ criteria is likely to be poor, *Wubao* clearly targets financial need but, understood from the perspective of culture, this threshold has another totally different meaning: having ‘no family support’. In Chinese culture, having no descendant is the worst of the ‘three unfilial acts’, for it means not only failing to give purpose to one’s own life, but preventing the continued existence of one’s family. Although this doctrine has been weakened in modern times, illustrated by the growth in ‘dual income, no kids’ (DINK) families in urban areas (Wang, 2009), the idea of procreation as a basic duty punishable within the extended family remains very influential in rural China. While logically it is not *Wubao* that causes recipients to have no descendants, having no descendants entitles them *Wubao* and adds to its stigma. In combination, childlessness and *Wubao* create a heavily stigmatised cultural identity that acts as a deterrent to applying for benefit, sometimes powerful enough for people to resist overtures from the village committee: In the past, we didn’t have much collective resource to take care of *Wubao* recipients, so we just involved a few single elders … But now, expenditures on *Wubao* are from government, so we would like to expand the coverage and involve some who are disabled. But, when we asked some of them to apply for *Wubao*, they got to be angry and refused our suggestion rudely. It is very strange, and Li Z.M. is an example. (Xi X.H., major member of Villagers’ Committee, female, nearly 50 ***years*** old)

This ‘very strange’ behaviour was explained by Li Z.M. himself when interviewed: I don’t know whether I can apply for *Wubao*. Even if I can, I am not willing to do so. Which kind of people are *Wubao* households? Everyone knows that only those who have no sons and daughters would become *Wubao* households. Families without descendants will disappear in the future, and that is a dreadful thought to behold. (Li Z.M., disabled, Dibao recipient, about 40 ***years*** old)

*Dibao* is very different. While the regulations circumscribe who may receive benefit defining, for example, ‘family members’ and what counts as family income (e.g. awards under the One Child Policy, medical aid and students’ scholarships are excluded), these criteria relate to socioeconomic status and do not distinguish special groups of people. This distinction was widely recognised: It is nothing (special to get *Dibao*). Although some families are rich now, they would fall into poverty if they encountered a problem requiring great expenditure, such as an unexpected serious disease. It is a valuable institution for every peasant. I think we should not consider recipients as a special group because you may need it one day in the future. Of course, benefit is distributed to people who are not poor which is another story. (Xiao H., villager, female, 55 ***years*** old)

In sum, *Dibao* does not carry the same innate stigma as *Wubao*. However, Xiao H.’s words point to the importance of implementation, which adds further to the distinctiveness of *Dibao* and *Wubao* (see below). Both schemes include a review of circumstances that is expected to lead to a turnover of recipients. So, for example, under *Wubao*, a young person reaching the age of 16 would cease to be eligible as an orphan. However, because in many villages the *Wubao* scheme is paid only to elders without family support, recipients tend to receive the benefit until they die. While this is clearly appropriate, since without *Wubao* their financial circumstances might become desperate, the permanence of benefits adds to the divisiveness of *Wubao* by creating a separate welfare ‘class’ of beneficiaries different from other villagers. Not only are some members of this class stigmatised for their failure to procreate, all are considered to be paupers, people who are incapable of making good and forever reliant on society and others’ charity.

Once you become a *Wubao* household, you will be a *Wubao* household forever. The hat of ‘*Wubao* household’ will be put on your head in all your life, and once the hat is on your head it means that you cannot feed yourself and you are a loser. (Ying S.H., Senior member of Villagers’ Committee)

*Dibao*, on the other hand, is an annually adjusted ***programme*** meaning that recipients will be different every ***year*** although in practice longer-term recipients confronting sustained financial insecurity are likely to constitute a growing proportion of the total. Nevertheless, the perception was that *Dibao* is a temporary benefit tiding people over difficult circumstances that is available to anyone who might encounter hardship (see respondent Xiao H. cited above).

For *Dibao* recipients themselves, the annual adjustment must lead to some ambivalence: on one hand, there is the risk of losing benefit; on the other hand, the stigma of dependency is reduced, and the chances of social exclusion lessened. This ambivalence is clear in the following quotation: It is true that some of recipients, including me, cannot get the benefit anymore because of the adjustment. But in my opinion, the adjustment is necessary and reasonable as long as it is implemented accurately. Without adjustment, *Dibao* system would become like *Wubao*, and people would look down on Dibao recipients like they do *Wubao* recipients. (Yu D.M., *Dibao* recipient, female, over 45 ***years*** old)

The proviso in the above quotation that the adjustment should be accurately implemented is revealing because, as is explained in the next section, *Dibao* is very often not administered per regulations leading to bad targeting (Li and Walker, 2016). While the principle of annual review might be widely supported, mal-administration is not. Equally, because *Dibao* awards are not infrequently made to reward good behaviour rather than to address need, *Dibao* can sometimes be seen as a badge of high social standing rather than a mark of personal failure (Li and Walker, 2016). The readjustment increases the incentive for such good behaviour since it annually frees up *Dibao* resources to be used in this way.

**Social stigma**

Institutional stigma may be amplified or muted by social norms as expressed in the attitudes and behaviour of the public towards welfare recipients. Individual welfare recipients may be more or less sensitive to social stigma with some internalising the same values and others not. Irrespective of whether social stigma is internalised to be felt personally, the labelling involved creates a generally negative environment that can frame the lives of welfare recipients.

While *Wubao* has its origins in the collectivist era when mutual support was encouraged and people in poverty were sometimes favoured politically, the historic antipathy towards poverty remains strong; poverty is described as ‘the greatest of evils’ in the Confucian *Book of Rites*. Therefore, although villagers often looked on *Wubao* recipients with mixed emotions, the social stigma of poverty was generally added to that attaching to childlessness. The financial circumstances of beneficiaries were self-evidently desperate but equally villagers often felt that there must be some character flaw, some deficit, to cause the destitution experienced by *Wubao* recipients. Many referred to the paradox inherent in the traditional saying ‘kelian zhiren biyou kehen zhichu’, sometimes translated as ‘there is reason to despise those who could be pitied’: I know that *Wubao* households are really pitiful. No one would deny that. But, as we always say, ‘there is reason to despise those who could be pitied’. Take Li Z.T. as an example. He was so lazy when we worked for the cooperative together and he always went gambling and got heavily into debt. I was sure that he would become a *Wubao* household when he got old. You see, it has come true. In my opinion, he is an irresponsible person not only for himself but also for the society. (Li T.M., villager, about 70 ***years*** old)

In the eyes of common villagers, recipients of *Wubao* were often considered to be ‘losers’, the ‘dregs of society’ and ‘pitiful’, in other words both disgraceful and pathetic. Some parents even used *Wubao* recipients as negative role models: I always educate my son that if he does not study hard, he will not get a good job nor get married. So, he will become a *Wubao* household like Qin X.Z. That would be a disgrace not only for him but also for our whole family. (Jiang J.X., villager, female, about 40 ***years*** old)

The stigma against *Wubao* was so severe that it resulted in social exclusion, causing recipients often to experience great loneliness: Although I live in the centre of the village and many neighbours live around me, I almost make no contact with them. Even at the Spring Festival, few villagers come to me and say ‘Happy New ***Year***’. One reason maybe that I am so poor and they gain nothing in return from meeting with me. And the other reason would be I am a *Wubao* household, and they look down upon me. (Li Q.Y., *Wubao* recipient, over 66 ***years*** old)

Li Q.Y.’s reasoning was confirmed by non-recipients: I don’t mean that *Wubao* recipients are separate from us because they really need help from us and society, but it is true that we have less interaction with them than with others, although we provide help for them sometimes as neighbours. First, it is not necessary for us to interact with them. Secondly, there are reasons for everyone who becomes a *Wubao* household and we don’t want those factors influence our family members, especially our children. (Ying Y.H., villager, female, about 35 ***years*** old)

In marked contrast, the profound social stigma imposed on *Wubao* recipients was largely absent with respect to *Dibao*, despite villagers’ general antipathy towards poverty. Paradoxically this may partly be due to the maladministration of *Dibao*, which has been commandeered as an instrument of village governance to effect social control and order rather than primarily to mitigate the effects of poverty (Li and Walker, 2016). In Stone-bridge, *Dibao* was allocated to four kinds of recipient:

people in demonstrable, unredeemable poverty caused by something like profound disability;

relatives and friends of village cadres/elites who might or might not be poor but who received benefit based on social status, reciprocity and the promise of political support;

village elites and common villagers who similarly received benefit not due to poverty but as a reward for, or encouragement of, ‘good behaviour’;

people deemed ‘trouble makers’ by the local cadre who had demonstrated their willingness to complain to higher authorities but who could be ‘bought off’ through the ***payment*** of *Dibao*.

It will be evident that only the first group carries the unqualified stigma of poverty; the others exhibit a positive status albeit slightly tarnished by the taint of corruption. Moreover, in a Chinese rural context held together by a network of mutual obligations, corruption is often understood and condoned as a manifestation of *guanxi*, a traditional form of social currency. Hence, to the extent that receipt of *Dibao* is evaluated based on ability, personality or behaviour, the outcome is broadly positive, the negative consequences of any poverty being offset by the positive associations of good social behaviour and high *guanxi* and social influence.

I don't feel something special when I talk to my neighbours even though I benefit from *Dibao*. If you ask anyone you meet on the road ‘would you like to get *Dibao*’, the answer would be ‘yes’. Since everyone wants to get the benefit, no one would laugh at the recipients. (Liu X.Q., *Dibao* recipient, 64 ***years*** old)

This is not to say that there was universal approval of *Dibao* being abused: How do I evaluate the recipients of *Dibao*? It depends. Some people should get it, such as the disabled. However, some of recipients should not get it because they are not poor. I know that they get the benefit because they are related to village cadres or previous village cadres. This is wrong, and I have informally told them so. (Wang X.M., villager, about 40 ***years*** old)

However, people with such reservations were quite often dismissed as expressing sour grapes. Moreover, the belief that anyone could receive *Dibao* based on good behaviour or good connections seemed to achieve the social harmony sought by the village cadre. Such complex machinations contribute further to destigmatising *Dibao* (while helping to explain its poor targeting (Golan et al., 2014; Li and Walker, 2016)). In contrast, the shame of poverty adds to the social stigma of *Wubao*; so strong is contempt for *Wubao* that it has no value as a tool of social control to be used by village cadre: nobody wants to be a *Wubao* household.

**Personal stigma**

The stigma felt personally by benefit recipients is a complex amalgam. It fuses social and institutional stigmatisation with individuals’ own values and sensibilities that are themselves partly shaped by social norms including stigmatisation. The more that recipients align themselves with the social values, the more stigmatisation is experienced as shame with all the negative consequences documented by others (Tangney and Dearing, 2003; Walker, 2014).

In Stone-bridge, *Dibao* was generally viewed as a positive good, a community resource often enjoyed by the worthy and influential. Applications for *Dibao* far exceeded awards, which is explicable in terms of the balance between two kinds of shame: that attached to poverty and that attributable to injustice (Li and Walker, 2017). People, knowingly ineligible, claim *Dibao* with little sense of shame or guilt because it has become the accepted norm. On the other hand, the stigma associated with poverty has perhaps increased over time with personal financial success now being encouraged by national government while economic failure is despised. This was certainly the perception of the comparatively few people who claimed *Dibao* out of need. They considered themselves to have failed when measured against their own aspirations and those of their neighbours: Earning much money is the best indicator of success and if you cannot do that, you will be a loser. I am a loser as I cannot feed myself, but have to wait for assistance from government. (Wang Z., 55 ***years*** old, *Dibao* recipient).

People in poverty who applied for *Dibao* explained that they had no alternative but to do so despite it making them feel ‘uncomfortable’. Shamed by the confession of poverty and the failure that *Dibao* represented, they were seldom comforted by the fact that *Dibao* was received by many people who were much better off than they were; this merely drew attention to their low income and limited *guanxi*: Dibao *always makes me uncomfortable but I must apply for it every* ***year*** *because I have no choice. You know, I just have one hand now and cannot do any heavy work to earn enough money to feed myself and my daughter.* (Hu J., *Dibao* recipient, 43years old)

As noted earlier, *Wubao* recipients also experience a deficit of *guanxi* and the shame of both being poor and needing state welfare. But, additionally, all the recipients interviewed reported belonging to a special group of people defined in negative and derogatory terms. For *Wubao* recipients, social stigma translated directly into personal stigma that applied not only to their economic circumstances or even their behaviour, but to their sense of self. This is personal stigma experienced as shame.

I don’t like getting Wubao, but I don’t have any other choice! … A lot of people think that I am pathetic, while others think that I deserve it because I did too many wrong things when I was young. I agree that it is my destiny to be a *Wubao* household … The only thing I wait for is death. (Li Z.T., recipient of *Wubao*)

To summarise, stigma associated with *Wubao* is more severe than for *Dibao*, and cumulative, leading at a personal level to the negation of self; at a social level to exclusion; and at an institutional level to cultural marginalisation (Table 3). In contrast, *Dibao* is generally viewed as inclusive in that it was potentially available to all; ironically, stigma was experienced only by recipients who were truly eligible for benefit who carried and internalised the stigma attached to being poor.

**Table 3.**

*Wubao, Dibao* and stigma.

| **Types of stigma** | **Wubao** | **Dibao** |
| --- | --- | --- |
| Institutional | Cultural marginalisation | Cultural inclusion |
| Social | Social exclusion | No clear social exclusion |
| Personal | Negation of self | Shame of poverty |

**Reflections and conclusion**

This article has explored the interrelationships between the various forms of stigma (personal, social and institutional) associated with the receipt of social assistance benefits. It has also considered the influences likely to affect them, notably the framing, design and delivery of benefits as they interact with local culture and social and individual expectations. While appertaining to just two social assistance schemes (albeit very large ones) observed in a single village in China, the findings should give pause to generic assertions as to the nature and causes of welfare stigma.

The study nonetheless confirms the merits of Williamson’s 1974 typology of causation: personal characteristics; status differentials; labelling; and humiliating treatment. The first three sets of causes clearly apply to *Wubao*: childlessness as a despised characteristic; poverty as a symbol of economic failure; and labelling as irresponsible. Moreover, while these causes were less evident in the case of *Dibao*, because villagers often do not perceive it to be an income-based benefit, they do apply with respect to those recipients who were actually poor. Space precluded detailed consideration of the humiliating treatment meted out to recipients as a source of stigma. However, this has been well documented elsewhere (Chen et al., 2017; Li and Walker, 2017).

The study similarly affirms, as predicted by Van Oorschot (1991), the importance of both culture and policy context in shaping stigma. It is traditional rural culture that makes the targeting of *Wubao* towards elders without family support so toxic. This cultural combination is evident in many countries in the developing world that are introducing minimal social protection schemes for the first time and seems to be re-emerging in advanced urban economies (NIA, 2011; Span, 2013). Culture, too, combined with hierarchical, authoritarian policy structures, allowed *Dibao* to be captured as a governance tool, severely curtailing its value as an anti-poverty measure but reducing the social stigma attached to it. Elites, who exploit social assistance for personal and other ends, are similarly not unknown outside China (Pellissery and Mathews, 2014; Sim et al., 2015;). However, it is the unique conjunction of policy design (very specific identity targeting) and culture (the social stigma attaching to childlessness) that prevented *Wubao* from being commandeered for illicit purposes: village cadres had minimal discretion in targeting benefit while the sums of money involved were insufficient to offset the shame of being a *Wubao* household.

The utility of Baumberg et al.’s (2012) three-fold categorisation of stigma is similarly demonstrated. *Dibao* and *Wubao* are differentiated with respect to the different kinds of stigma and the ways in which they interact. In the case of *Wubao*, stigma is cumulative, a phenomenon commonly reported elsewhere (Pellissery and Mathews, 2014). Heavy institutional stigma (a product of historic collectivist funding, negative perceptions of poverty and selectivity based on identity targeting) is reinforced by social stigmatisation. The latter comprises self-evident contempt for, and active discrimination against, aged and childless recipients who themselves generally accept this negative social evaluation. Because of this accumulation, and despite categorical targeting, *Wubao* is much more heavily stigmatised than *Dibao*.

One might have expected *Dibao* to have been heavily stigmatised. It is selective, nominally targeted on poverty and was introduced to benefit people experiencing poverty at a time when poverty was much despised. Indeed, institutional stigma is evident in the imposition of tough eligibility criteria and public scrutiny. However, social stigma is countered by the temporary nature of the support and by national rather than local funding (Simpson and Walker, 1993; Michalopoulos, 2004: 64–68). It is further countered by the perception that *Dibao* is a public resource, available to everyone, even those not experiencing poverty. The stigma felt by recipients varies according to the route through which they are accorded benefit. So, whereas for *Wubao* recipients the stigma of benefit receipt adds to the shame of poverty, this is less so for *Dibao* recipients.

Finally, the study introduces a couple of paradoxes that warrant attention. First, it is widely assumed that categorical targeting is less stigmatising than detailed means-tests; universal benefits are similarly considered to be more status-protecting than income-selective ones (Walker, 2005). *Dibao* and *Wubao* demonstrate the reverse pattern and for two reasons. First, targeting by social category rather than circumstance can signal permanence, long-term receipt, dependency and the creation of a welfare class. Villagers saw *Wubao* this way and disliked it. Second, *Wubao* targeted heavily stigmatised groups and this stigma ***transferred*** to *Wubao* itself.

The second paradox is that stigma attaching to *Dibao* is much reduced by what might be called corruption. Rather than, as intended, being a highly selective scheme personally benefiting only people who are extremely poor, it is also received by other families, many of whom would be ineligible on income grounds. The political and cultural rationale for this phenomenon is explained briefly above and in detail elsewhere (Li and Walker, 2016). It is not that the effectiveness of *Dibao* is improved by maladministration; it reduces stigma but massively lessens the resources reaching people in poverty. Rather, the paradox demonstrates the importance of achieving an appropriate fit between policy objectives and cultural realities rather than assuming that an ‘off-the-shelf’ policy design will work anywhere. It is perhaps less surprising, though, that villagers in Stone-bridge preferred a scheme that could meet villagers’ expectation of local culture, and that cultural factors would matter in design and implementation of social policy.

**Notes**

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**Graphic**

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[***FEDERAL REGISTER: Notice of Request for an Extension of Existing Information Collection Package Pages 5240 - 5242 [FR DOC # 2018-02329]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RP3-6201-F0YC-N4FP-00000-00&context=1516831)

Impact News Service

February 6, 2018 Tuesday

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**Body**

Washington: Office of the Federal Register has issued the following notice:

DEPARTMENT OF ***AGRICULTURE*** Commodity Credit Corporation Natural Resources Conservation Service [Docket No. NRCS-2018-0001] Notice of Request for an Extension of Existing Information Collection Package AGENCY: Natural Resources Conservation Service (NRCS) and the Commodity Credit Corporation (CCC), United States Department of ***Agriculture*** (USDA). ACTION: Notice and request for comments. ----------------------------------------------------------------------- SUMMARY: In accordance with the Paperwork Reduction Act of 1995, this notice announces that NRCS will request an extension for a currently approved information collection for long-term contracting forms. DATES: Comments must be received 60 days after publication in the Federal Register to be assured of consideration. FOR FURTHER INFORMATION CONTACT: Kim Berns, Easement ***Programs*** Division, Room 5241-S, U.S Department of ***Agriculture***, 1400 Independence Ave. SW, Washington, DC 20250; telephone (202) 720-5074. SUPPLEMENTARY INFORMATION: Title: Long-Term Contracting. OMB Number: 0578-0013. Expiration Date of Approval: 3 ***years*** from approval date.

Type of Request: Extension of a currently approved information collection. Abstract: The primary objective of NRCS is to work in partnership with the American people and the farming and ranching community to protect, conserve, and sustain our Nation's natural resources on privately owned land. The purpose of the long-term contracting information collection is to allow for ***programs*** to provide Federal technical and financial cost-sharing assistance through long-term contracts to eligible producers, landowners, and entities. These long- term contracts provide for making land use changes and installing conservation measures and practices to protect, conserve, develop, and use the soil, water, and [[Page 5241]] related natural resources on private lands. Under the terms of the agreement, the participant agrees to apply, or arrange to apply the conservation treatment specified in the conservation plan. In return for this agreement, Federal financial assistance ***payments*** are made to the land user, or third party, upon successful application of the conservation treatment. Additionally, NRCS purchases easements for the long term protection of the property and provides for the protection and management of the property for the life of the easement. The information collected through this package is used by NRCS to ensure the proper use of ***program*** funds. The conservation ***programs*** in this information collection that are subject to the requirements of the Paperwork Reduction Act are listed in Table A. No changes or adjustments are proposed at this time; this notice is limited to the request for an extension of the currently approved information collection package used by NRCS for long-term contracting for the ***programs*** listed in Table A. Table B shows the burden for those ***programs*** subject to the requirements of the Paperwork Reduction Act. Table A--Conservation ***Programs*** Subject to the Requirements of the Paperwork Reduction Act ------------------------------------------------------------------------ ***Program*** Description ------------------------------------------------------------------------ Emergency Conservation ***Program*** USDA Farm Service Agency's ECP (ECP) (7 CFR part 701). provides emergency funding and technical assistance for farmers and ranchers to rehabilitate farmland damaged by natural disasters and for carrying out emergency water conservation measures in periods of severe drought. Funding for ECP is appropriated by Congress. Emergency Watershed ***Program*** (EWP) The EWP was initiated in 1950 and is (7 CFR part 624). administered by NRCS. It provides technical and financial assistance to local institutions for the removal of storm and flood debris from stream channels and for the restoration of stream channels and levees to reduce the threat to life and property. The ***program*** also provides for establishing permanent easements in floodplains with private landowners. Healthy Forests Reserve ***Program*** HFRP is a voluntary ***program*** (HFRP) (7 CFR part 625). established for the purpose of restoring and enhancing forest ecosystems to: (1) Promote the recovery of threatened and endangered species; (2) improve biodiversity; and (3) enhance carbon sequestration. The HFRP was signed into law as part of the Healthy Forests Restoration Act of 2003 and amended by the 2008 Act. The ***Agricultural*** Act of 2014 made minor changes to HFRP land eligibility and funding. Resource Conservation and The RC&D was initiated in 1962 and Development ***Program*** (RC&D). was administered by NRCS. Through this ***program***, NRCS assisted multi- county areas in enhancing conservation, water quality, wildlife habitat, recreation, and rural development. The ***program*** provided technical and limited financial assistance for the planning and installation of approved projects. Watershed Protection and Flood The WPFPP, otherwise known as P.L Prevention ***Program*** (WRFPP) (7 CFR 566, was initiated in 1954 and is part 622). administered by NRCS. It assists State and local units of government in flood prevention, watershed protection, and water management. Part of this effort involves the establishment of conservation practices on private lands to reduce erosion, sedimentation, and runoff. ------------------------------------------------------------------------ Table B--Burden for Required ***Programs*** Under the Paperwork Reduction Act ---------------------------------------------------------------------------------------------------------------- \* Number submitted Form Purpose ***Program***(s) annually ---------------------------------------------------------------------------------------------------------------- AD-1153.............................. Application............ EWP, WPFPP, HFRP....... 750; Estimated time per participant is .30 per response. AD-1154.............................. Contract or Agreement.. EWP, HFRP.............. 150; Estimated time per participant is .37 per response. AD-1155 AD-1155A..................... Schedule of Practices/ EWP, WPFPP, HFRP....... 300; Estimated time per Costs and signature participant is .373 sheet. per response. AD-1156.............................. Schedule Modification.. EWP, WPFPP, HFRP....... 25; Estimated time per participant is .375 per response. AD-1157.............................. Option Agreement to EWP, HFRP.............. 170; Estimated time per Purchase. participant is .40 per response. AD-1157A............................. Option Agreement to EWP, HFRP.............. 170; Estimated time per Purchase Amendment. participant is .40 per response. AD-1158.............................. Subordination Agreement EWP, HFRP.............. 100; Estimated time per and Limited Lien participant is .495 Waiver. per response. AD-1159.............................. Notice of Intent to Not used by any non- ....................... Continue. exempt ***programs***. AD-1160.............................. Compatible Use EWP, HFRP.............. 200; Estimated time per Authorization. participant is .40 per response. AD-1161.............................. Application for ***Payment*** CTA, WPFPP, HFRP....... 200; Estimated time per participant is .30 per response. NRCS-CPA-68.......................... Conservation Plan...... EWP, WPFPP, HFRP....... 2,700; Estimated time per participant is .75 per response. NRCS-LTP-13.......................... Status/Contract Review. EWP, HFRP.............. 250; Estimated time per participant is .375 per response. NRCS-LTP-20, NRCS-CPA-260............ Warranty Easement Deed, HFRP................... 170; Estimated time per Conservation Easement participant is .40 per Deed. response. NRCS-LTP-70.......................... Agreement for the EWP.................... 50; Estimated time per Purchase of participant is .69 per Conservation Easement. response. NRCS-LTP-80.......................... Agreement for the EWP, HFRP.............. 120; Estimated time per Purchase of participant is .69 per Conservation Easement.. response. NRCS-LTP-151......................... Contract Violation EWP, HFRP.............. 20; Estimated time per Notification. participant is .495 per response. [[Page 5242]] NRCS-LTP-152......................... ***Transfer*** Agreement..... EWP, HFRP.............. 5; Estimated time per participant is .495 per response. NRCS-LTP-153......................... Agreement Covering Non- EWP, HFRP.............. 10; Estimated time per Compliance With participant is 1.5 per Provisions of the response. Contract. ---------------------------------------------------------------------------------------------------------------- Estimate of Burden: Public reporting burden for this collection of information is estimated to average 0.30 to 1.5 hours per response. Type of Respondents: ***Program*** participants. Estimated Number of Respondents: 5,390. Estimated Number of Responses: 5,390. Estimated Number of Responses per Respondent: 1. Estimated Total Annual Burden on Respondents: 3,058.70 hours. Comments are invited on: (1) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility, (2) the accuracy of the agency's estimate of the burden of the proposed collection of information including the validity of the methodology and assumptions used, (3) ways to enhance the quality, utility, and clarity of the information to be collected, and (4) ways to minimize the burden of the collection of information on those who are to respond, including the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology. Comments may be sent to Kim Berns, Natural Resources Conservation Service, Easement ***Programs*** Division, 1400 Independence Ave. SW, Room 5241-S, Washington, DC 20250. All comments received will be available for public inspection during regular business hours at the same address. All responses to this notice will be summarized and included in the request for Office of Management and Budget approval. All comments will become a matter of public record. Signed this day of January 18, 2018, in Washington, DC. Leonard Jordan, Acting Chief, Natural Resources Conservation Service and Vice President, Commodity Credit Corporation. [FR Doc. 2018-02329 Filed 2-5-18; 8:45 am] BILLING CODE 3410-16-P

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[***FEDERAL REGISTER: Notice of Request for an Extension of Existing Information Collection Package Pages 5240 - 5242 [FR DOC # 2018-02329]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RP3-61V1-F0YC-N00K-00000-00&context=1516831)

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Part of this effort involves the establishment of conservation practices on private lands to reduce erosion, sedimentation, and runoff. ------------------------------------------------------------------------ Table B--Burden for Required ***Programs*** Under the Paperwork Reduction Act ---------------------------------------------------------------------------------------------------------------- \* Number submitted Form Purpose ***Program***(s) annually ---------------------------------------------------------------------------------------------------------------- AD-1153.............................. Application............ EWP, WPFPP, HFRP....... 750; Estimated time per participant is .30 per response. AD-1154.............................. Contract or Agreement.. EWP, HFRP.............. 150; Estimated time per participant is .37 per response. AD-1155 AD-1155A..................... Schedule of Practices/ EWP, WPFPP, HFRP....... 300; Estimated time per Costs and signature participant is .373 sheet. per response. AD-1156.............................. Schedule Modification.. EWP, WPFPP, HFRP....... 25; Estimated time per participant is .375 per response. AD-1157.............................. Option Agreement to EWP, HFRP.............. 170; Estimated time per Purchase. participant is .40 per response. AD-1157A............................. Option Agreement to EWP, HFRP.............. 170; Estimated time per Purchase Amendment. participant is .40 per response. AD-1158.............................. Subordination Agreement EWP, HFRP.............. 100; Estimated time per and Limited Lien participant is .495 Waiver. per response. AD-1159.............................. Notice of Intent to Not used by any non- ....................... Continue. exempt ***programs***. AD-1160.............................. Compatible Use EWP, HFRP.............. 200; Estimated time per Authorization. participant is .40 per response. AD-1161.............................. Application for ***Payment*** CTA, WPFPP, HFRP....... 200; Estimated time per participant is .30 per response. NRCS-CPA-68.......................... Conservation Plan...... EWP, WPFPP, HFRP....... 2,700; Estimated time per participant is .75 per response. NRCS-LTP-13.......................... Status/Contract Review. EWP, HFRP.............. 250; Estimated time per participant is .375 per response. NRCS-LTP-20, NRCS-CPA-260............ Warranty Easement Deed, HFRP................... 170; Estimated time per Conservation Easement participant is .40 per Deed. response. NRCS-LTP-70.......................... Agreement for the EWP.................... 50; Estimated time per Purchase of participant is .69 per Conservation Easement. response. NRCS-LTP-80.......................... Agreement for the EWP, HFRP.............. 120; Estimated time per Purchase of participant is .69 per Conservation Easement.. response. NRCS-LTP-151......................... Contract Violation EWP, HFRP.............. 20; Estimated time per Notification. participant is .495 per response. [[Page 5242]] NRCS-LTP-152......................... ***Transfer*** Agreement..... EWP, HFRP.............. 5; Estimated time per participant is .495 per response. NRCS-LTP-153......................... Agreement Covering Non- EWP, HFRP.............. 10; Estimated time per Compliance With participant is 1.5 per Provisions of the response. Contract. ---------------------------------------------------------------------------------------------------------------- Estimate of Burden: Public reporting burden for this collection of information is estimated to average 0.30 to 1.5 hours per response. Type of Respondents: ***Program*** participants. Estimated Number of Respondents: 5,390. Estimated Number of Responses: 5,390. Estimated Number of Responses per Respondent: 1. Estimated Total Annual Burden on Respondents: 3,058.70 hours. Comments are invited on: (1) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility, (2) the accuracy of the agency's estimate of the burden of the proposed collection of information including the validity of the methodology and assumptions used, (3) ways to enhance the quality, utility, and clarity of the information to be collected, and (4) ways to minimize the burden of the collection of information on those who are to respond, including the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology. Comments may be sent to Kim Berns, Natural Resources Conservation Service, Easement ***Programs*** Division, 1400 Independence Ave. SW, Room 5241-S, Washington, DC 20250. All comments received will be available for public inspection during regular business hours at the same address. All responses to this notice will be summarized and included in the request for Office of Management and Budget approval. All comments will become a matter of public record. Signed this day of January 18, 2018, in Washington, DC. Leonard Jordan, Acting Chief, Natural Resources Conservation Service and Vice President, Commodity Credit Corporation. [FR Doc. 2018-02329 Filed 2-5-18; 8:45 am] BILLING CODE 3410-16-P

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[***The limits of leapfrogging; The rapid spread of smartphones, mobile money and solar power has raised hopes that Africa could leap ahead in its development. But grassroots use of new technology cannot take the place of good governance. By David Pilling***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T1H-WBC1-JCBX-G1H2-00000-00&context=1516831)

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**Body**

Kotiogo Ng'usilo vividly remembers the first time he saw a car. It was the 1950s and Mr Ng'usilo, a hunter-gatherer from the Ogiek tribe in Kenya's Mau forest, thought it was a "moving house".

These days, at 86, though he still tries to preserve a hunter-gatherer lifestyle, foraging for honey and secretly bagging the odd hyrax, he has moved with the times. He wears western clothes, buys food at the market and, like his younger relatives, uses a mobile phone. His story about the old days - which he recounts over sacred honey beer - is interrupted by incessant chirruping, not from birds but handsets bringing news to the forest from the city.

The rapid spread of mobile technology in the developing world - especially in Africa, which has lagged behind most of Asia and Latin America in closing the income gap with the west - has given rise to the theory of "leapfrogging". This has it that, in the words of a World Bank study, countries can make "a quick jump in economic development" by harnessing technological innovation.

Some see in the power of technology an almost miraculous potential to solve problems that many governments, particularly in Africa, have failed properly to address; poor health, poor schools, lack of roads, lack of electricity and lack of jobs. Last week Alibaba founder Jack Ma announced a $10m "Netpreneur" prize for young African tech entrepreneurs who, Mr Ma said, were "paving the way for a better future".

Ban Ki-moon, the former UN secretary-general who will sit on the prize's board, articulated the optimism that technology can help poor countries catch up, or even overtake, their richer peers. "With the rapid development of the global digital economy and the availability of technology," he said, "the next century belongs to Africa."

The term "leapfrogging" is often applied to Africa, though it is also used to describe a path supposedly being charted by India, which is said to have skipped straight to a technology-driven economic model without the intensive manufacturing phase that spurred growth in Japan, South Korea and China. As in Africa, India's tech entrepreneurs are said to be succeeding where the government has failed. The author Gurcharan Das has said India grows at night "when the government sleeps".

The spread of mobile and digital technology is seen as the key to leapfrogging. According to Miles Morland, a veteran investor in Africa, Nigeria in 2001 had 100,000 working landlines for a population then around 140m. When in that ***year***, MTN, a South African telecoms company, bid $285m for a mobile operating licence, it estimated that no more than 15m Nigerians would ever own a mobile phone. Today, the country has 162m subscribers, according to Jumia, an online retailer.

In sub-Saharan Africa as a whole, GSMA Intelligence estimates there were 444m unique mobile subscribers in 2017, a penetration rate of 44 per cent. That compares with a global average of 66 per cent, though in countries like South Africa and Nigeria, where nearly nine in 10 people subscribe, mobile phones are as common as in the US, according to Pew Research.

Although mobile phone sales have slowed, many of the 50 countries in sub-Saharan Africa are expected gradually to close the gap on the rest of the world as handsets become more affordable. In Ethiopia, Transsion Holdings, a Chinese company, is already manufacturing handsets costing as little as $10 in an industrial park outside Addis Ababa.

"Access to mobile phones is now virtually ubiquitous," says Precious Lunga, a Zimbabwean neuroscientist who founded Baobab Circle, a health tech company that uses artificial intelligence to give consultations to patients in Kenya and Zimbabwe. "There are places where there's still no running water, but you can stream a video," she says.

Mobile money The spread of smartphones, which count for a third of all handsets in Africa, opens up the transformative possibilities of mobile technology still further, say technology advocates.

In teeming cities such as Lagos in Nigeria or Dar es Salaam in Tanzania, both among the fastest growing in the world, a slice of the urban elite is using ride-hailing apps such as Uber and Taxify and ordering takeaway food and goods online. In Ivory Coast, Standard Chartered has launched its first digitalonly retail bank, saying it will use the west African country as a testing ground for digital services worldwide.

Even more important for the leapfrogging argument is the impact that mobile technology is having on the countryside, where six of every 10 Africans live. Starting in Kenya, with the 2007 launch of Mpesa - Safaricom's mobile money ***transfer*** and ***payment*** service - much of Africa is experiencing a revolution in financial inclusion. Tens of millions of previously unbanked people like Mr Ng'usilo can now ***transfer*** money to relatives or pay for goods by pressing a few buttons on their phone.

"The mobile handset in the hands of an ordinary African has become the symbol of leapfrogging," Calestous Juma, the Kenya-born former chair of the innovation for economic development executive ***programme*** at Harvard's Kennedy School, wrote shortly before he died last ***year***. "The mobile revolution has given hope to Africans that they too can be dynamic and innovative players in the global economy." The spread of mobile money - now used by an estimated 690m people, of which half are African, according to GSMA - forms the digital backbone for a host of other services. In cities and towns, small businesses can advertise online and collect ***payments*** by phone. In the countryside, there has been a rapid spread of pay-as-you go solar-generated power in which customers buy electricity with mobile money for as little as 50 cents a day and panels are deactivated remotely if ***payments*** stop.

Going off-grid In the village of Sahabevava in northeast Madagascar, several hours down a bone-jolting road to the nearest town and far from the nearest electricity grid, Lydia Soa, a farmer, is the proud owner of a solar panel. It produces enough power to light her home - good for when the children do homework - power a boombox and, of course, recharge her mobile phone.

Africa accounts for 16 per cent of the world's population but has only 2.8 per cent of its power generation capacity, according to the World Bank. Only 37 per cent of people in sub-Saharan Africa have access to electricity, leaving some 600m in the dark.

However, according to an industry report, 73m households, mostly in African countries, had access to off-grid solar power by 2017. This rapid spread, which has enabled remote parts of Africa to jump from having no electricity straight to green power, is the quintessence of the leapfrogging argument. If technology can leapfrog landlines, banking and electricity grids, say enthusiasts, surely it can impact all industries and all areas of life.

Keun Lee, professor of economics at Seoul National University, has studied how technological advances can jumpstart development. In the late 1990s, he says, South Korea's Samsung used the shift to digital television technology to overtake Sony, its Japanese rival, which had dominated the analogue market with its Trinitron range of TVs.

"When a new technology or paradigm emerges, everyone starts on the same line, so latecomers are not behind," he says. "Forerunners are the last to switch to new technologies," he adds.

Mr Lee, who advises the Rwandan government on its ambitions to make the tiny central African country a digital hub, says technological shifts give the likes of India, Brazil and some African economies the chance to skip ahead. "African countries used to use kerosene as a source for lighting, but they can bypass grid-based electricity and go straight to solar-based electricity."

Few would dispute that, either by piggybacking off technologies developed in the west or through their own innovations such as mobile money, countries in Africa and elsewhere can compress development. Britain took 150 ***years*** or more, via an industrial revolution that harnessed water, wind and steam power, to move from an ***agricultural*** to an advanced economy. Japan achieved the same transition more quickly and countries such as Singapore, Taiwan, South Korea and China have taken just a couple of generations to leap from poverty to middle- or high-income status. The leapfroggers' definition of technology tends to focus on the digital revolution and the power of "shiny new apps", in Ms Lunga's phrase, to transform society. However, Robert Gordon, an economist at Northwestern University, says the greatest gains in productivity were made not through the internet and mobile phones, but in technologies that we now take for granted: indoor plumbing, roads and steam power.

If Mr Gordon is right, then skipping over those developments and moving straight to what a World Economic Forum conference held in Rwanda in 2016 called the fourth industrial revolution would see Africa miss out on the most significant gains in productivity - and therefore growth. Indeed, for all the hype about leapfrogging, Africa's growth rates, particularly in per capita terms, have rarely reached the sustained double-digit levels that transformed lives in north-east Asia. Bill Gates says lots of the technology that is changing lives in Africa was developed in the past. Yet now it can be adopted in some of the remotest places on earth. "By the time what I call 'technology' gets out to the village, the community healthcare worker is doing a simple injection, or you're swallowing the pill or planting the seed," he says.

Mr Gates, whose Bill &Melinda Gates Foundation contributes billions of dollars to spreading such advances, says the relative ease of dissemination allows countries to catch up faster, particularly in health.

Some leapfrogging claims smack of "solutionism", the idea that technology can fix even the most intractable of problems. Africa, according to sceptics, demonstrates the limitations of technological solutions in the absence of good government and basic infrastructure.

Developments in ***agriculture*** and health show both the potential and the shortcoming of technology.

Take farming, which employs more than half of Africa's adult population. Across the continent, tech-based solutions are addressing a crisis of low productivity. In Ghana, Cocoa Link delivers information to farmers via text message, dispensing practical advice and market prices. In Kenya, Twiga Foods, an online marketplace, uses technology to disintermediate thousands of wholesalers and ensure a transparent market for farmers. Grant Brooke, Twiga's chief executive, says the greater certainty provided by mobile-based technology can help farmers raise yields.

Yet flashy apps cannot hide a basic truth. African farming yields are stuck in the 19th century. The majority of farms have no irrigation, no government help with seed or fertiliser, no access to market and hazy ownership rights. Farmers do not bother to grow crops that, in the absence of refrigeration, would rot before they reach the consumer. Only 44 per cent of rural Kenyans and 32 per cent of Ethiopians live within 2km of an all-season road, a metric that former prime minister Meles Zenawi considered more critical than GDP in determining development.

Health is another example. Around the continent, technologists are seeking to solve a basic problem: lack of decent, affordable public healthcare. Babyl Health Rwanda, the subsidiary of Babylon, a UK creator of a "doctor in your pocket" app, offers online consultations to villagers who live miles from the nearest clinic. Ms Lunga, whose Baobab Circle offers tele-consultations to hypertension and diabetes patients, argues that technology can fill a gap.

"There are not enough doctors, there are not enough nurses," she says. "That's when you need AI to leapfrog that."

Yet, as with ***agriculture***, innovations in healthcare smack of patching up failed systems. Many African governments are too poor, too badly organised or too busy lining their own pockets to provide decent healthcare for their people.

If there is leapfrogging in health, it is when Africa's wealthy skip over dilapidated systems to get treatment abroad. "No one can suggest that great technology is in any way a substitute for good governance," says Mr Gates. "I certainly don't think giving everyone computers helps their malaria or solves the problem of the teacher not being there or not having a schoolroom."

Calestous Juma, the professor who was passionate about the power of technology to transform African lives, argued that leapfrogging cannot overcome bad leadership. He warned of "a faulty narrative that assumes Africa can leap into the service economy without first building a manufacturing base".

Although it was right to see "technological innovation as an essential driver of economic growth, and as the key to moving beyond the vagaries of commodity exports", innovation depended on industrial development to build infrastructure and capacity. "That", he wrote, "cannot be leapfrogged".

444m Estimated number of mobile phone service subscribers in sub-Saharan Africa by 2017 44% Estimated mobile phone penetration rate in that region, compared with a global average of 66 per cent. The figure is far higher in South Africa and Nigeria 32% Ethiopians who live within 2km of an all-season road; for Kenyans the figure is 44% 2.8% Percentage of the world's power generation capacity that is in African countries 73m Estimated number of homes with access to off-the-grid solar power, shown above in Kenya, where a laptop-sized solar panel provides LED light and smartphone charging Smart route The spread of mobile money forms the digital backbone for a host of other services Clean source Off-grid solar power has enabled remote parts of Africa to jump to a green source of energy supply Need for infrastructure ***Agriculture*** and health show both the shortcomings and potential of 'leapfrogging' technologies

'Access to mobile phones is now virtually ubiquitous. There are places where there's still no running water, but you can stream a video.'

'No one suggests great technology is a substitute for good governance. Giving computers does not help with malaria.'

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[***Algeria focuses on transport infrastructure and housing***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4X1-DXYV-73V8-00000-00&context=1516831)

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**Body**

As a key industry for Algeria's economic development and diversification, the construction sector's growth forecast remains positive despite the slowdown of the wider economy. There are major projects in transport and housing in the pipeline, though a flatter rate of expansion is expected due to investment cutbacks, and the buoyant curve of the sector's inflow throughout 2012-16 has begun to dip.

With the aim of building on previous advancements, the government launched a (EURO)233.7bn five-***year*** investment plan (2015-19), which should ensure sustained expansion in construction as far as 2021.

However, with oil prices remaining relatively low for the last three ***years***, Algeria faces subdued revenues and a shift towards austerity. This has led the government to put several projects on hold and resort to using the country's sovereign wealth fund to meet expenditure commitments.

**Contribution & Funding**

The construction industry's contribution to GDP was nearly 6% at the end of 2016, upheld by earlier large-scale investments. In October 2017 the government stressed that housing and infrastructure development are key priorities, and the 2018 budget will see an 8% rise from 2017 in funding allocated to social ***transfers***, including social housing. In the Finance Law of 2018, AD384.9bn ((EURO)3.2bn) was allocated to housing.

For the first quarter of 2017 the growth rate of the buildings, public works and water segments fell to 3.7%, from 4.4% in the same period of 2016. Moreover, low oil prices have affected the hydrocarbons sector, which is vital for domestic construction. The growth rate of infrastructural development of the energy sector dropped ***year***-on-***year*** in the first quarter of 2017, from 4.7% to 4.4%. Works in the pipeline across these sectors are being rearranged, and reprioritisation has halted many projects.

Ricardo Acabado, general director of Portuguese building firm Teixeira Duarte's Algerian office, told OBG that elements of the five-***year*** plan have been delayed. "Projects such as the Sports Stadium and the 50,000-unit housing scheme in Constantine have been brought to a halt. Others with less feasibility, which were in the pipeline because of the economic boom, have been set aside for redefinition."

The downturn in the oil market has resulted in a lack of liquidity and delays. Over 70% of ongoing construction projects have ***payment*** delays of six months to a ***year***. Nonetheless, public entities are providing leverage for companies to venture into public calls for tenders. National petroleum company Sonatrach - along with Sonelgaz, the state-owned utility in charge of electricity and natural gas distribution - has a $50bn investment plan for 2016-21. The hydrocarbons exploitation activities of these two companies entail a constant need for the construction of energy plants, housing to accommodate workers, transport, infrastructure and more.

To meet the demands of a dense, rising population that mainly resides on the northern coastline, the government has identified the development of transport infrastructure as vital for economic growth. There are several projects on the horizon for 2021, including the enhancement of ports and rail networks, while the National Roads Agency is providing financing for the expansion of roads.

**Investment**

The budgetary scale-down has resulted in long delays for companies in recovering their investments, affecting their balance sheets. In May 2017 information on the effects of the drop in investment was released by the General Association of Algerian Entrepreneurs (Association Générale des Entrepreneurs Algérien, AGEA). The association encompasses more than 1600 companies in the construction sector and, according to its assessment, around 60% of these were experiencing difficulties.

AGEA estimated that the overdue amount reaches AD750bn ((EURO)6.2bn). Often companies cannot afford the costs of non-***payment***, resulting in the temporary ceasing of activity. When a project is paused the banking system does not allow the extension of credit immediately, and resuming works can take up to three months. Working with or for public entities can be unappealing for companies, and the market is seen as lacking in competition and possibilities for new stakeholders. The government filtering process has screened out many firms and discouraged some entrepreneurs aiming to access the market.

Few players have been able to avoid the impact of constraints and cutbacks. The economic situation is having a draining effect on the construction industry, and the smaller firms that manage to pull through are increasingly rallying under bigger ones with the capacity to sign contracts with state entities. "Today's solid companies in Algeria are the ones that have survived the impact of the crisis through adaptation and diversification," Rachid Bouabdallah, managing director of DOKA, a producer and supplier of wall and slab formwork, told OBG.

**Housing**

Population growth and rapid urbanisation have seen the government draw on public investment to meet rising housing demand. The ever-growing inflow from the countryside to urban areas is a challenge that the government addresses through subsidised housing provision.

Supplying affordable properties at a rate that matches the current pace of growth of Algeria's cities requires the synergy of various national industries, as new housing needs to be followed up by social and logistics infrastructure to cover health, schooling and transport. Hence, despite budgetary limitations, housing ***programmes*** remain a priority for the government, both politically and economically, especially in the growing metropolitan areas of Algiers, Oran, Sétif and Annaba. To this end, the previous five-***year*** investment plan for 2010-14 provided over (EURO)55bn that proved beneficial both to major companies and to local small and medium-sized enterprises involved in residential projects.

In the 2015-19 investment plan, the public funding projection for housing development alone amounts to (EURO)58bn, and the Ministry of Housing, Urban Planning and the City (Ministre de l'Habitat, de l' Urbanisme et de la Ville, MHUV) expects to deliver 2m more turnkey units by 2019. It is forecast that by 2020 residential construction will account for 41% of the industry's total value, thanks largely to budgetary support from the government.

However, the slow progress of construction - combined with migration to urban areas - has resulted in the appearance of shanty towns, which severely degrade welfare due to overcrowding and a lack of basic amenities. The state is addressing this issue as part of its social policy, and the MHUV is carrying out a strategy that involves relocating the inhabitants of informal housing*.*The government is aiming to develop underprivileged areas by providing affordable, high-quality houses. This approach takes into consideration the revalorisation of sites where the new neighbourhoods areestablished, allocating funds to the construction of schools, medical facilities, commercial and leisure areas, as well as the expansion of transport connections. The strategy also includes the rehabilitation of old buildings. More than 20 districts in Algiers are currently being renovated with an eye to preserving the unique colonial-era historic buildings.

The government is aware of the need to be cost-effective while at the same time meeting sustainability goals. It is therefore seeking to establish a housing regulation institution that will also serve as a mechanism to combat corruption and, in the long term, transform the subsidisation system, which is currently seen as fostering dependence on the state.

**Water Management**

The expansion of Algeria's construction industry and housing development goes hand-in-hand with ensuring the availability of water. Its provision and management is crucial for a country with a vast desert and challenging geography. To address basic consumption demand, the future of ***agricultural*** irrigation, water potabilisation and desalination are among the key issues outlined in plans to upgrade infrastructure.

The state has also been pursuing the expansion of the country's water management facilities. The current network has been in place since 2005 and comprises 75 dams across Algeria. Nine new dams are under construction, all of which are expected to be operational by 2019. According to the Ministry of Water Resources, five of them - with a joint capacity of 500m cu metres - will be in service in 2018. In early 2017 the government announced its aim to achieve a storage capacity of 12bn cu metres by 2030 with the aid of 139 dams.

Public-private partnerships (PPPs) are key to ensuring investment in water management and treatment facilities. For example, the (EURO)443m Magtaa Desalination Plant near Oran is the result of a PPP. Algerian banks provided 70% of the financing for the project, with the remaining 30% coming from the Singapore-based Hyflux group. Launched in 2015, the plant is the largest of its kind in Africa.

In addition, the 2015-19 investment plan allocates (EURO)15bn for works on water treatment and management facilities, including the rehabilitation of some existing dams. Earth movements and natural degradation have caused a reduction in storage capacity, and a proposed project to drain and repair the dams is currently under assessment.

**Ports**

Algeria also plans to upgrade its ports in the hope of making the country a competitive Mediterranean shipping hub. Planned developments include adapting existing infrastructure to accommodate larger vessels in the Port of Algiers, and construction of the Port of El Hamdania in Cherchell.

With 1200 km of coastline, 11 commercial ports and 95% of its merchandise transport activity being conducted by sea, the performance of Algeria's port facilities is of the utmost importance. The current strong government focus on increasing capacity for both passenger and freight transport will entail the development of facilities and supporting infrastructure - such as roads, railways and logistics platforms - and will be accompanied by huge public expenditure, as well as private and foreign investment.

Planned government spending on port projects for 2015-19 totals AD550bn ((EURO)4.6bn). The new deepwater Port of El Hamdania is the biggest infrastructure project in Algeria. Under construction and experiencing delays, its completion is expected in 2024. Algerian Port Services Public Group holds 51% of the venture, and a consortium of China State Construction Engineering Corporation (CSCEC) and China Harbour Engineering Company has 49%.

The AD784m ((EURO)6.5m) project to modernise the Port of Djen Djen launched in 2015 and is progressing, while plans for the ports of Ghazaouet (west of Oran) and Ténès (between Oran and Algiers) aiming to improve various operational features are experiencing delays. Meanwhile, the capacity of the Port of Algiers' piers is being expanded.

**Roads**

Motorway expansion is also on the agenda. A key project will be the construction of the Trans-Saharan Highway in 2019. Algeria is set to deliver its segment of the highway, Route Nationale 1, a 2400-km road running from Algiers to Niger, 90% of which is complete. By July 2017 less than 600 km was unfinished, and 200 km remained to be built of a 500-km branch road to Mali.

The African Development Bank estimates the cost of the project to be around $3bn. It is likely to create construction opportunities in Algeria on all fronts. For example, demand for housing, hospitals and schools is expected to rise as regions develop their respective sections along the route.

The National Public Works Company (Société Nationale de Travaux Publics, SNTP), a state-owned company responsible for public works and transport infrastructure construction, has been entrusted to carry out the national ***programme*** to connect the remote regions in the south with the high plains. The company's primary goal in the short term is to provide a road network to these areas to improve the distribution infrastructure for energy, water and food, as well as improving the development of ***agriculture***. The SNTP's pipeline for the next few ***years*** includes a 130-km route from Oud Ali Dema to Djanet, in Illizi Province in the south-east of the country, paving a 70-km road in Illizi and the completion of the East-West Highway.

**Air**

Work is under way on a new 650,000-sq-metre terminal at Houari Boumediene Airport, comprising a 200,000-sq-metre building, adjoined parking lot and an energy centre. CSCEC is undertaking the construction, valued at AD90.3bn ((EURO)749m).

**Rail**

The (EURO)32bn, 5000-km expansion of the rail network is a priority under the current five-***year*** investment plan. There is a pressing need to reduce road traffic congestion, and improve capacity for moving both passengers and freight across the country beyond urban areas by rail.

There is a particular focus on the north-east, for two main reasons. The first is the opening of the line linking Annaba with Tunisia, which is a major landmark for Algeria's regional connections. The second is the drive to boost mining activity in the region, particularly phosphate extraction around Tébessa. Reinforcement of the lines linking Tébessa, Ouenza and the rest of the area's mines to the Port of Annaba is already under way.

In addition, annual output of 3.5m-7m tonnes of steel products in Jijel has driven efforts to ensure a reliable rail route to the port of Skikda. The construction of a high-speed line running parallel to the East-West Highway is also planned.

**Self-Sufficiency**

The price of construction materials has been rising rapidly in recent ***years*** due to increasing domestic demand, particularly in the cement and steel markets.

Inflation has also been halting projects, and there is a shortage of building materials on over 80% of construction sites, according to AGEA.

The import ban enforced in early 2017 also affected the sector. Among other products, imports of cement, steel and the metal wire used in form-works and tiles are restricted.

In July 2017 this was extended to industrial equipment, such as electrical transformers, plumbing products, and marble and granite. The restrictions are a result of the current five-***year*** investment plan's objective to promote and capitalise on Algeria's natural resources. Although development of the country's capacity to produce iron, steel, cement and phosphates has been slow so far, these Algerian-sourced materials have been used in the construction of several facilities. Currently, there are 21 provinces being explored for these resources.

**Cement**

To meet growing demand for construction materials, the Algerian cement market is undergoing a transformation, with self-sufficiency the goal. Though demand does not currently surpass the available supply, Groupe Industriel des Ciments d'Algérie is implementing a ***programme*** to ensure the availability of cement by increasing production from 12m to 20m tonnes per ***year***. By 2019-20 the group expects to have reached its goal thanks to the expansion of cement plants in Chlef, Ain El Kebira and Zahana, in addition to the construction of two new plants in Oum El Bouaghi and Béchar.

In January 2017 Abdeslam Bouchouareb, then-minister of industry and mining, announced the inauguration of a second production line at Ain El Kebira, in Sétif Province. Bouchouareb said it would help in the pursuit of annual cement production of 5.5m tonnes from the site, setting the stage to begin exporting the surplus in 2018.

The tender for one of the new plants was awarded to Germany's Thyssenkrupp, which announced plans for construction in Oum El Bouaghi Province in January 2017. The plant is due to be operational in 2019 and will have a production capacity of 6000 tonnes of cement per day. Located in the north-east, it will benefit from proximity to the ports of Annaba and Skikda. Both the expansion of existing plants and the construction of new ones will follow an energy-efficiency approach. Some of the measures comprise recycling schemes for the plant's waste, water treatment and the rehabilitation of quarries. In July 2016 the CILAS cement plant - a (EURO)270m joint venture between Lafarge Algeria and Souakri Group with a capacity of 2.7m tonnes per ***year*** - commenced activity in the city of Biskra.

"Ensuring cement production locally will be a positive development for everybody in the sector," Paul Magera, CEO of specialty chemicals company Sika El Djazaïr, told OBG. "Importing cement does not make sense logistically, and means that the quality can fluctuate, because we are never sure of the origin."

The construction sector is relying on several major projects to expand its capacity. In correlation with transport infrastructure development, the $2bn Bellara steel complex, in Jijel Province, is expected to be operational by 2018.

The new plant will have an initial annual production capacity of up to 2m tonnes of steel, with plans to double this to 4m tonnes from 2019. The Bellara project is being executed by Algerian Qatari Steel, a subsidiary of the Sider Group. The facility will require a power plant with a capacity of 1400 MW and an investment of AD89bn ((EURO)738.2m).

Increasing local production of phosphate and reducing imports is a priority in the area around Tébessa, while the new mine in Bled El Hadba there has also provided an employment boost.

**Investment**

The economic strategy includes further promotion of private investment as well as boosting foreign partnerships. Under its current legal framework, Algeria's appeal has waned due to restrictive requirements and complex administrative processes. Investments must be executed under the 51:49 rule - a regulation that limits foreign companies to a minority stake in local joint ventures. Foreign investors must therefore partner with an Algerian-owned shareholder, and are bound to retaining most of their capital in local currency.

For public works, a PPP in road construction requires a 30% investment in Algerian dinars. This rises to 45% for rail works and 50% for housing projects. Taking into consideration the devaluation of the dinar, present conditions for investment are uncompetitive as they do not offer attractive returns. However, there are signs of improvement. A new investment code was approved in 2016 aimed at fostering PPPs, simplifying administrative processes and easing liaison between stakeholders by removing the 51:49 rule under some circumstances. The ministries of health, public works and tourism have given clear instructions to their branches to encourage PPPs to ensure more investment flow.

Thus, while around 70% of construction projects are owned by the state, there is a growing movement of smaller investors and entrepreneurs seeking bank credit for projects. Foreign investors with an eye to long-term strategies and an understanding of the dynamics of the market may find opportunities.

The process of diversification is also set to benefit local companies, but dependence on Chinese investment is a reality across Africa, and Algeria is no exception. Of the major ongoing building works being carried out by Chinese companies, the construction of the Great Mosque in Algiers by CSCEC is particularly representative of foreign capital development projects. The layout was designed by German architectural firm KSP Jürgen Engel Architekten and is expected to be finished by 2020. External players are slowly entering the Algerian construction market, with Egyptian and Turkish firms also benefitting from the momentum in housing.

**Adding Value**

Major construction projects have resulted in an increased number of housing developments in surrounding areas. For instance, the Technopark being developed in Sidi Abdellah is already attracting real estate development to that area in Algiers province. The 100-ha park will host companies specialising in technology. In July 2017 then-prime minister Abdelmadjid Tebboune announced the delivery of 16,000 units later in the ***year***, with a total of 26,000 to come by 2019.

Construction of the Great Mosque and the new Houari Boumediene Airport terminal provide opportunities for developers, especially in the luxury segment. There are several projects in the pipeline in the Algiers district of Bab Ezzouar, including towers with housing and office space.

**Outlook**

A catalyst for socio-economic progress for the country despite the recent austerity measures, Algeria's construction sector is likely to continue to expand, albeit at a slow rate, with increased focus on priority projects. Public expenditure should sustain construction levels as the current five-***year*** investment plan unfolds further. Public budget cuts are likely to encourage private, domestic and foreign PPP ventures, building on previous efforts to address insufficient infrastructure and rising demand for housing. In the near future, the Banque Extérieure d'Algérie is set to step up its activity in an effort to leverage Algerian companies by establishing offices in other countries, enabling it to support firms in their efforts to expand into foreign markets.

In addition, to comply with international standards, modernisation is necessary in the sector. Meeting these will depend on the use of upgraded equipment, skilled personnel and up-to-date organisational schemes. In turn, this is driving the government to restructure its strategy, broadening the possibilities for investors in the construction sector.

**Load-Date:** March 12, 2020

**End of Document**



[***The limits of leapfrogging; The rapid spread of smartphones, mobile money and solar power has raised hopes that Africa could leap ahead in its development. But grassroots use of new technology cannot take the place of good governance. By David Pilling***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T1H-WBC1-JCBX-G162-00000-00&context=1516831)

Financial Times (London, England)

August 14, 2018 Tuesday

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**Section:** NEWS; Pg. 7

**Length:** 2361 words

**Byline:** David Pilling

**Body**

Kotiogo Ng'usilo vividly remembers the first time he saw a car. It was the 1950s and Mr Ng'usilo, a hunter-gatherer from the Ogiek tribe in Kenya's Mau forest, thought it was a "moving house".

These days, at 86, though he still tries to preserve a hunter-gatherer lifestyle, foraging for honey and secretly bagging the odd hyrax, he has moved with the times. He wears western clothes, buys food at the market and, like his younger relatives, uses a mobile phone. His story about the old days - which he recounts over sacred honey beer - is interrupted by incessant chirruping, not from birds but handsets bringing news to the forest from the city.

The rapid spread of mobile technology in the developing world - especially in Africa, which has lagged behind most of Asia and Latin America in closing the income gap with the west - has given rise to the theory of "leapfrogging". This has it that, in the words of a World Bank study, countries can make "a quick jump in economic development" by harnessing technological innovation.

Some see in the power of technology an almost miraculous potential to solve problems that many governments, particularly in Africa, have failed properly to address; poor health, poor schools, lack of roads, lack of electricity and lack of jobs. Last week Alibaba founder Jack Ma announced a $10m "Netpreneur" prize for young African tech entrepreneurs who, Mr Ma said, were "paving the way for a better future".

Ban Ki-moon, the former UN secretary-general who will sit on the prize's board, articulated the optimism that technology can help poor countries catch up, or even overtake, their richer peers. "With the rapid development of the global digital economy and the availability of technology," he said, "the next century belongs to Africa."

The term "leapfrogging" is often applied to Africa, though it is also used to describe a path supposedly being charted by India, which is said to have skipped straight to a technology-driven economic model without the intensive manufacturing phase that spurred growth in Japan, South Korea and China. As in Africa, India's tech entrepreneurs are said to be succeeding where the government has failed. The author Gurcharan Das has said India grows at night "when the government sleeps".

The spread of mobile and digital technology is seen as the key to leapfrogging. According to Miles Morland, a veteran investor in Africa, Nigeria in 2001 had 100,000 working landlines for a population then around 140m. When in that ***year***, MTN, a South African telecoms company, bid $285m for a mobile operating licence, it estimated that no more than 15m Nigerians would ever own a mobile phone. Today, the country has 162m subscribers, according to Jumia, an online retailer.

In sub-Saharan Africa as a whole, GSMA Intelligence estimates there were 444m unique mobile subscribers in 2017, a penetration rate of 44 per cent. That compares with a global average of 66 per cent, though in countries like South Africa and Nigeria, where nearly nine in 10 people subscribe, mobile phones are as common as in the US, according to Pew Research.

Although mobile phone sales have slowed, many of the 50 countries in sub-Saharan Africa are expected gradually to close the gap on the rest of the world as handsets become more affordable. In Ethiopia, Transsion Holdings, a Chinese company, is already manufacturing handsets costing as little as $10 in an industrial park outside Addis Ababa.

"Access to mobile phones is now virtually ubiquitous," says Precious Lunga, a Zimbabwean neuroscientist who founded Baobab Circle, a health tech company that uses artificial intelligence to give consultations to patients in Kenya and Zimbabwe. "There are places where there's still no running water, but you can stream a video," she says.

Mobile money The spread of smartphones, which count for a third of all handsets in Africa, opens up the transformative possibilities of mobile technology still further, say technology advocates.

In teeming cities such as Lagos in Nigeria or Dar es Salaam in Tanzania, both among the fastest growing in the world, a slice of the urban elite is using ride-hailing apps such as Uber and Taxify and ordering takeaway food and goods online. In Ivory Coast, Standard Chartered has launched its first digitalonly retail bank, saying it will use the west African country as a testing ground for digital services worldwide.

Even more important for the leapfrogging argument is the impact that mobile technology is having on the countryside, where six of every 10 Africans live. Starting in Kenya, with the 2007 launch of Mpesa - Safaricom's mobile money ***transfer*** and ***payment*** service - much of Africa is experiencing a revolution in financial inclusion. Tens of millions of previously unbanked people like Mr Ng'usilo can now ***transfer*** money to relatives or pay for goods by pressing a few buttons on their phone.

"The mobile handset in the hands of an ordinary African has become the symbol of leapfrogging," Calestous Juma, the Kenya-born former chair of the innovation for economic development executive ***programme*** at Harvard's Kennedy School, wrote shortly before he died last ***year***. "The mobile revolution has given hope to Africans that they too can be dynamic and innovative players in the global economy." The spread of mobile money - now used by an estimated 690m people, of which half are African, according to GSMA - forms the digital backbone for a host of other services. In cities and towns, small businesses can advertise online and collect ***payments*** by phone. In the countryside, there has been a rapid spread of pay-as-you go solar-generated power in which customers buy electricity with mobile money for as little as 50 cents a day and panels are deactivated remotely if ***payments*** stop.

Going off-grid In the village of Sahabevava in northeast Madagascar, several hours down a bone-jolting road to the nearest town and far from the nearest electricity grid, Lydia Soa, a farmer, is the proud owner of a solar panel. It produces enough power to light her home - good for when the children do homework - power a boombox and, of course, recharge her mobile phone.

Africa accounts for 16 per cent of the world's population but has only 2.8 per cent of its power generation capacity, according to the World Bank. Only 37 per cent of people in sub-Saharan Africa have access to electricity, leaving some 600m in the dark.

However, according to an industry report, 73m households, mostly in African countries, had access to off-grid solar power by 2017. This rapid spread, which has enabled remote parts of Africa to jump from having no electricity straight to green power, is the quintessence of the leapfrogging argument. If technology can leapfrog landlines, banking and electricity grids, say enthusiasts, surely it can impact all industries and all areas of life.

Keun Lee, professor of economics at Seoul National University, has studied how technological advances can jumpstart development. In the late 1990s, he says, South Korea's Samsung used the shift to digital television technology to overtake Sony, its Japanese rival, which had dominated the analogue market with its Trinitron range of TVs.

"When a new technology or paradigm emerges, everyone starts on the same line, so latecomers are not behind," he says. "Forerunners are the last to switch to new technologies," he adds.

Mr Lee, who advises the Rwandan government on its ambitions to make the tiny central African country a digital hub, says technological shifts give the likes of India, Brazil and some African economies the chance to skip ahead. "African countries used to use kerosene as a source for lighting, but they can bypass grid-based electricity and go straight to solar-based electricity."

Few would dispute that, either by piggybacking off technologies developed in the west or through their own innovations such as mobile money, countries in Africa and elsewhere can compress development. Britain took 150 ***years*** or more, via an industrial revolution that harnessed water, wind and steam power, to move from an ***agricultural*** to an advanced economy. Japan achieved the same transition more quickly and countries such as Singapore, Taiwan, South Korea and China have taken just a couple of generations to leap from poverty to middle- or high-income status. The leapfroggers' definition of technology tends to focus on the digital revolution and the power of "shiny new apps", in Ms Lunga's phrase, to transform society. However, Robert Gordon, an economist at Northwestern University, says the greatest gains in productivity were made not through the internet and mobile phones, but in technologies that we now take for granted: indoor plumbing, roads and steam power.

If Mr Gordon is right, then skipping over those developments and moving straight to what a World Economic Forum conference held in Rwanda in 2016 called the fourth industrial revolution would see Africa miss out on the most significant gains in productivity - and therefore growth. Indeed, for all the hype about leapfrogging, Africa's growth rates, particularly in per capita terms, have rarely reached the sustained double-digit levels that transformed lives in north-east Asia. Bill Gates says lots of the technology that is changing lives in Africa was developed in the past. Yet now it can be adopted in some of the remotest places on earth. "By the time what I call 'technology' gets out to the village, the community healthcare worker is doing a simple injection, or you're swallowing the pill or planting the seed," he says.

Mr Gates, whose Bill &Melinda Gates Foundation contributes billions of dollars to spreading such advances, says the relative ease of dissemination allows countries to catch up faster, particularly in health.

Some leapfrogging claims smack of "solutionism", the idea that technology can fix even the most intractable of problems. Africa, according to sceptics, demonstrates the limitations of technological solutions in the absence of good government and basic infrastructure.

Developments in ***agriculture*** and health show both the potential and the shortcoming of technology.

Take farming, which employs more than half of Africa's adult population. Across the continent, tech-based solutions are addressing a crisis of low productivity. In Ghana, Cocoa Link delivers information to farmers via text message, dispensing practical advice and market prices. In Kenya, Twiga Foods, an online marketplace, uses technology to disintermediate thousands of wholesalers and ensure a transparent market for farmers. Grant Brooke, Twiga's chief executive, says the greater certainty provided by mobile-based technology can help farmers raise yields.

Yet flashy apps cannot hide a basic truth. African farming yields are stuck in the 19th century. The majority of farms have no irrigation, no government help with seed or fertiliser, no access to market and hazy ownership rights. Farmers do not bother to grow crops that, in the absence of refrigeration, would rot before they reach the consumer. Only 44 per cent of rural Kenyans and 32 per cent of Ethiopians live within 2km of an all-season road, a metric that former prime minister Meles Zenawi considered more critical than GDP in determining development.

Health is another example. Around the continent, technologists are seeking to solve a basic problem: lack of decent, affordable public healthcare. Babyl Health Rwanda, the subsidiary of Babylon, a UK creator of a "doctor in your pocket" app, offers online consultations to villagers who live miles from the nearest clinic. Ms Lunga, whose Baobab Circle offers tele-consultations to hypertension and diabetes patients, argues that technology can fill a gap.

"There are not enough doctors, there are not enough nurses," she says. "That's when you need AI to leapfrog that."

Yet, as with ***agriculture***, innovations in healthcare smack of patching up failed systems. Many African governments are too poor, too badly organised or too busy lining their own pockets to provide decent healthcare for their people. If there is leapfrogging in health, it is when Africa's wealthy skip over dilapidated systems to get treatment abroad. "No one can suggest that great technology is in any way a substitute for good governance," says Mr Gates. "I certainly don't think giving everyone computers helps their malaria or solves the problem of the teacher not being there or not having a schoolroom."

Calestous Juma, the professor who was passionate about the power of technology to transform African lives, argued that leapfrogging cannot overcome bad leadership. He warned of "a faulty narrative that assumes Africa can leap into the service economy without first building a manufacturing base".

Although it was right to see "technological innovation as an essential driver of economic growth, and as the key to moving beyond the vagaries of commodity exports", innovation depended on industrial development to build infrastructure and capacity. "That", he wrote, "cannot be leapfrogged".

Smart route The spread of mobile money forms the digital backbone for a host of other services Clean source Off-grid solar power has enabled remote parts of Africa to jump to a green source of energy supply Need for infrastructure ***Agriculture*** and health show both the shortcomings and potential of 'leapfrogging' technologies

'No one suggests great technology is a substitute for good governance. Giving computers does not help with malaria.'

444m Estimated number of mobile phone service subscribers in sub-Saharan Africa by 2017 44% Estimated mobile phone penetration rate in that region, compared with a global average of 66 per cent. The figure is far higher in South Africa and Nigeria 32% Ethiopians who live within 2km of an all-season road; for Kenyans the figure is 44%

2.8% Percentage of the world's power generation capacity that is in African countries 73m Estimated number of homes with access to off-the-grid solar power, shown above in Kenya, where a laptop-sized solar panel provides LED light and smartphone charging

'Access to mobile phones is now virtually ubiquitous. There are places where there's still no running water, but you can stream a video.'

**Graphic**

Kenyan stallholder Janeffer Wacheke checks an order on the Twiga online marketplace, which helps cut out middlemen from the fruit and veg market - Bloomberg

**Load-Date:** August 13, 2018

**End of Document**



[***FEDERAL REGISTER: Notice of Request for an Extension of Existing Information Collection Package Pages 5240 - 5242 [FR DOC # 2018-02329]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RP3-6201-F0YC-N4GK-00000-00&context=1516831)

Impact News Service

February 6, 2018 Tuesday

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**Body**

Washington: Office of the Federal Register has issued the following notice:

DEPARTMENT OF ***AGRICULTURE*** Commodity Credit Corporation Natural Resources Conservation Service [Docket No. NRCS-2018-0001] Notice of Request for an Extension of Existing Information Collection Package AGENCY: Natural Resources Conservation Service (NRCS) and the Commodity Credit Corporation (CCC), United States Department of ***Agriculture*** (USDA). ACTION: Notice and request for comments. ----------------------------------------------------------------------- SUMMARY: In accordance with the Paperwork Reduction Act of 1995, this notice announces that NRCS will request an extension for a currently approved information collection for long-term contracting forms. DATES: Comments must be received 60 days after publication in the Federal Register to be assured of consideration. FOR FURTHER INFORMATION CONTACT: Kim Berns, Easement ***Programs*** Division, Room 5241-S, U.S Department of ***Agriculture***, 1400 Independence Ave. SW, Washington, DC 20250; telephone (202) 720-5074. SUPPLEMENTARY INFORMATION: Title: Long-Term Contracting. OMB Number: 0578-0013. Expiration Date of Approval: 3 ***years*** from approval date.

Type of Request: Extension of a currently approved information collection. Abstract: The primary objective of NRCS is to work in partnership with the American people and the farming and ranching community to protect, conserve, and sustain our Nation's natural resources on privately owned land. The purpose of the long-term contracting information collection is to allow for ***programs*** to provide Federal technical and financial cost-sharing assistance through long-term contracts to eligible producers, landowners, and entities. These long- term contracts provide for making land use changes and installing conservation measures and practices to protect, conserve, develop, and use the soil, water, and [[Page 5241]] related natural resources on private lands. Under the terms of the agreement, the participant agrees to apply, or arrange to apply the conservation treatment specified in the conservation plan. In return for this agreement, Federal financial assistance ***payments*** are made to the land user, or third party, upon successful application of the conservation treatment. Additionally, NRCS purchases easements for the long term protection of the property and provides for the protection and management of the property for the life of the easement. The information collected through this package is used by NRCS to ensure the proper use of ***program*** funds. The conservation ***programs*** in this information collection that are subject to the requirements of the Paperwork Reduction Act are listed in Table A. No changes or adjustments are proposed at this time; this notice is limited to the request for an extension of the currently approved information collection package used by NRCS for long-term contracting for the ***programs*** listed in Table A. Table B shows the burden for those ***programs*** subject to the requirements of the Paperwork Reduction Act. Table A--Conservation ***Programs*** Subject to the Requirements of the Paperwork Reduction Act ------------------------------------------------------------------------ ***Program*** Description ------------------------------------------------------------------------ Emergency Conservation ***Program*** USDA Farm Service Agency's ECP (ECP) (7 CFR part 701). provides emergency funding and technical assistance for farmers and ranchers to rehabilitate farmland damaged by natural disasters and for carrying out emergency water conservation measures in periods of severe drought. Funding for ECP is appropriated by Congress. Emergency Watershed ***Program*** (EWP) The EWP was initiated in 1950 and is (7 CFR part 624). administered by NRCS. It provides technical and financial assistance to local institutions for the removal of storm and flood debris from stream channels and for the restoration of stream channels and levees to reduce the threat to life and property. The ***program*** also provides for establishing permanent easements in floodplains with private landowners. Healthy Forests Reserve ***Program*** HFRP is a voluntary ***program*** (HFRP) (7 CFR part 625). established for the purpose of restoring and enhancing forest ecosystems to: (1) Promote the recovery of threatened and endangered species; (2) improve biodiversity; and (3) enhance carbon sequestration. The HFRP was signed into law as part of the Healthy Forests Restoration Act of 2003 and amended by the 2008 Act. The ***Agricultural*** Act of 2014 made minor changes to HFRP land eligibility and funding. Resource Conservation and The RC&D was initiated in 1962 and Development ***Program*** (RC&D). was administered by NRCS. Through this ***program***, NRCS assisted multi- county areas in enhancing conservation, water quality, wildlife habitat, recreation, and rural development. The ***program*** provided technical and limited financial assistance for the planning and installation of approved projects. Watershed Protection and Flood The WPFPP, otherwise known as P.L Prevention ***Program*** (WRFPP) (7 CFR 566, was initiated in 1954 and is part 622). administered by NRCS. It assists State and local units of government in flood prevention, watershed protection, and water management. Part of this effort involves the establishment of conservation practices on private lands to reduce erosion, sedimentation, and runoff. ------------------------------------------------------------------------ Table B--Burden for Required ***Programs*** Under the Paperwork Reduction Act ---------------------------------------------------------------------------------------------------------------- \* Number submitted Form Purpose ***Program***(s) annually ---------------------------------------------------------------------------------------------------------------- AD-1153.............................. Application............ EWP, WPFPP, HFRP....... 750; Estimated time per participant is .30 per response. AD-1154.............................. Contract or Agreement.. EWP, HFRP.............. 150; Estimated time per participant is .37 per response. AD-1155 AD-1155A..................... Schedule of Practices/ EWP, WPFPP, HFRP....... 300; Estimated time per Costs and signature participant is .373 sheet. per response. AD-1156.............................. Schedule Modification.. EWP, WPFPP, HFRP....... 25; Estimated time per participant is .375 per response. AD-1157.............................. Option Agreement to EWP, HFRP.............. 170; Estimated time per Purchase. participant is .40 per response. AD-1157A............................. Option Agreement to EWP, HFRP.............. 170; Estimated time per Purchase Amendment. participant is .40 per response. AD-1158.............................. Subordination Agreement EWP, HFRP.............. 100; Estimated time per and Limited Lien participant is .495 Waiver. per response. AD-1159.............................. Notice of Intent to Not used by any non- ....................... Continue. exempt ***programs***. AD-1160.............................. Compatible Use EWP, HFRP.............. 200; Estimated time per Authorization. participant is .40 per response. AD-1161.............................. Application for ***Payment*** CTA, WPFPP, HFRP....... 200; Estimated time per participant is .30 per response. NRCS-CPA-68.......................... Conservation Plan...... EWP, WPFPP, HFRP....... 2,700; Estimated time per participant is .75 per response. NRCS-LTP-13.......................... Status/Contract Review. EWP, HFRP.............. 250; Estimated time per participant is .375 per response. NRCS-LTP-20, NRCS-CPA-260............ Warranty Easement Deed, HFRP................... 170; Estimated time per Conservation Easement participant is .40 per Deed. response. NRCS-LTP-70.......................... Agreement for the EWP.................... 50; Estimated time per Purchase of participant is .69 per Conservation Easement. response. NRCS-LTP-80.......................... Agreement for the EWP, HFRP.............. 120; Estimated time per Purchase of participant is .69 per Conservation Easement.. response. NRCS-LTP-151......................... Contract Violation EWP, HFRP.............. 20; Estimated time per Notification. participant is .495 per response. [[Page 5242]] NRCS-LTP-152......................... ***Transfer*** Agreement..... EWP, HFRP.............. 5; Estimated time per participant is .495 per response. NRCS-LTP-153......................... Agreement Covering Non- EWP, HFRP.............. 10; Estimated time per Compliance With participant is 1.5 per Provisions of the response. Contract. ---------------------------------------------------------------------------------------------------------------- Estimate of Burden: Public reporting burden for this collection of information is estimated to average 0.30 to 1.5 hours per response. Type of Respondents: ***Program*** participants. Estimated Number of Respondents: 5,390. Estimated Number of Responses: 5,390. Estimated Number of Responses per Respondent: 1. Estimated Total Annual Burden on Respondents: 3,058.70 hours. Comments are invited on: (1) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility, (2) the accuracy of the agency's estimate of the burden of the proposed collection of information including the validity of the methodology and assumptions used, (3) ways to enhance the quality, utility, and clarity of the information to be collected, and (4) ways to minimize the burden of the collection of information on those who are to respond, including the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology. Comments may be sent to Kim Berns, Natural Resources Conservation Service, Easement ***Programs*** Division, 1400 Independence Ave. SW, Room 5241-S, Washington, DC 20250. All comments received will be available for public inspection during regular business hours at the same address. All responses to this notice will be summarized and included in the request for Office of Management and Budget approval. All comments will become a matter of public record. Signed this day of January 18, 2018, in Washington, DC. Leonard Jordan, Acting Chief, Natural Resources Conservation Service and Vice President, Commodity Credit Corporation. [FR Doc. 2018-02329 Filed 2-5-18; 8:45 am] BILLING CODE 3410-16-P

**Load-Date:** February 19, 2018

**End of Document**



[***The limits of leapfrogging; The rapid spread of smartphones, mobile money and solar power has raised hopes that Africa could leap ahead in its development. But grassroots use of new technology cannot take the place of good governance. By David Pilling***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T1H-WBC1-JCBX-G19P-00000-00&context=1516831)

Financial Times (London, England)

August 14, 2018 Tuesday

Edition 1, European Edition

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**Section:** NEWS; Pg. 7

**Length:** 2387 words

**Byline:** David Pilling

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Even more important for the leapfrogging argument is the impact that mobile technology is having on the countryside, where six of every 10 Africans live. Starting in Kenya, with the 2007 launch of Mpesa - Safaricom's mobile money ***transfer*** and ***payment*** service - much of Africa is experiencing a revolution in financial inclusion. Tens of millions of previously unbanked people like Mr Ng'usilo can now ***transfer*** money to relatives or pay for goods by pressing a few buttons on their phone.

"The mobile handset in the hands of an ordinary African has become the symbol of leapfrogging," Calestous Juma, the Kenya-born former chair of the innovation for economic development executive ***programme*** at Harvard's Kennedy School, wrote shortly before he died last ***year***. "The mobile revolution has given hope to Africans that they too can be dynamic and innovative players in the global economy." The spread of mobile money - now used by an estimated 690m people, of which half are African, according to GSMA - forms the digital backbone for a host of other services. In cities and towns, small businesses can advertise online and collect ***payments*** by phone. In the countryside, there has been a rapid spread of pay-as-you go solar-generated power in which customers buy electricity with mobile money for as little as 50 cents a day and panels are deactivated remotely if ***payments*** stop.

Going off-grid In the village of Sahabevava in northeast Madagascar, several hours down a bone-jolting road to the nearest town and far from the nearest electricity grid, Lydia Soa, a farmer, is the proud owner of a solar panel. It produces enough power to light her home - good for when the children do homework - power a boombox and, of course, recharge her mobile phone.

Africa accounts for 16 per cent of the world's population but has only 2.8 per cent of its power generation capacity, according to the World Bank. Only 37 per cent of people in sub-Saharan Africa have access to electricity, leaving some 600m in the dark.

However, according to an industry report, 73m households, mostly in African countries, had access to off-grid solar power by 2017. This rapid spread, which has enabled remote parts of Africa to jump from having no electricity straight to green power, is the quintessence of the leapfrogging argument. If technology can leapfrog landlines, banking and electricity grids, say enthusiasts, surely it can impact all industries and all areas of life.

Keun Lee, professor of economics at Seoul National University, has studied how technological advances can jumpstart development. In the late 1990s, he says, South Korea's Samsung used the shift to digital television technology to overtake Sony, its Japanese rival, which had dominated the analogue market with its Trinitron range of TVs.

"When a new technology or paradigm emerges, everyone starts on the same line, so latecomers are not behind," he says. "Forerunners are the last to switch to new technologies," he adds.

Mr Lee, who advises the Rwandan government on its ambitions to make the tiny central African country a digital hub, says technological shifts give the likes of India, Brazil and some African economies the chance to skip ahead. "African countries used to use kerosene as a source for lighting, but they can bypass grid-based electricity and go straight to solar-based electricity."

Few would dispute that, either by piggybacking off technologies developed in the west or through their own innovations such as mobile money, countries in Africa and elsewhere can compress development. Britain took 150 ***years*** or more, via an industrial revolution that harnessed water, wind and steam power, to move from an ***agricultural*** to an advanced economy. Japan achieved the same transition more quickly and countries such as Singapore, Taiwan, South Korea and China have taken just a couple of generations to leap from poverty to middle- or high-income status. The leapfroggers' definition of technology tends to focus on the digital revolution and the power of "shiny new apps", in Ms Lunga's phrase, to transform society. However, Robert Gordon, an economist at Northwestern University, says the greatest gains in productivity were made not through the internet and mobile phones, but in technologies that we now take for granted: indoor plumbing, roads and steam power.

If Mr Gordon is right, then skipping over those developments and moving straight to what a World Economic Forum conference held in Rwanda in 2016 called the fourth industrial revolution would see Africa miss out on the most significant gains in productivity - and therefore growth. Indeed, for all the hype about leapfrogging, Africa's growth rates, particularly in per capita terms, have rarely reached the sustained double-digit levels that transformed lives in north-east Asia. Bill Gates says lots of the technology that is changing lives in Africa was developed in the past. Yet now it can be adopted in some of the remotest places on earth. "By the time what I call 'technology' gets out to the village, the community healthcare worker is doing a simple injection, or you're swallowing the pill or planting the seed," he says.

Mr Gates, whose Bill &Melinda Gates Foundation contributes billions of dollars to spreading such advances, says the relative ease of dissemination allows countries to catch up faster, particularly in health.

Some leapfrogging claims smack of "solutionism", the idea that technology can fix even the most intractable of problems. Africa, according to sceptics, demonstrates the limitations of technological solutions in the absence of good government and basic infrastructure.

Developments in ***agriculture*** and health show both the potential and the shortcoming of technology.

Take farming, which employs more than half of Africa's adult population. Across the continent, tech-based solutions are addressing a crisis of low productivity. In Ghana, Cocoa Link delivers Smart route The spread of mobile money forms the digital backbone for a host of other services Clean source Off-grid solar power has enabled remote parts of Africa to jump to a green source of energy supply Need for infrastructure ***Agriculture*** and health show both the shortcomings and potential of 'leapfrogging' technologies information to farmers via text message, dispensing practical advice and market prices. In Kenya, Twiga Foods, an online marketplace, uses technology to disintermediate thousands of wholesalers and ensure a transparent market for farmers. Grant Brooke, Twiga's chief executive, says the greater certainty provided by mobile-based technology can help farmers raise yields.

Yet flashy apps cannot hide a basic truth. African farming yields are stuck in the 19th century. The majority of farms have no irrigation, no government help with seed or fertiliser, no access to market and hazy ownership rights. Farmers do not bother to grow crops that, in the absence of refrigeration, would rot before they reach the consumer. Only 44 per cent of rural Kenyans and 32 per cent of Ethiopians live within 2km of an all-season road, a metric that former prime minister Meles Zenawi considered more critical than GDP in determining development.

Health is another example. Around the continent, technologists are seeking to solve a basic problem: lack of decent, affordable public healthcare. Babyl Health Rwanda, the subsidiary of Babylon, a UK creator of a "doctor in your pocket" app, offers online consultations to villagers who live miles from the nearest clinic. Ms Lunga, whose Baobab Circle offers tele-consultations to hypertension and diabetes patients, argues that technology can fill a gap.

"There are not enough doctors, there are not enough nurses," she says. "That's when you need AI to leapfrog that."

Yet, as with ***agriculture***, innovations in healthcare smack of patching up failed systems. Many African governments are too poor, too badly organised or too busy lining their own pockets to provide decent healthcare for their people. If there is leapfrogging in health, it is when Africa's wealthy skip over dilapidated systems to get treatment abroad. "No one can suggest that great technology is in any way a substitute for good governance," says Mr Gates. "I certainly don't think giving everyone computers helps their malaria or solves the problem of the teacher not being there or not having a schoolroom."

Calestous Juma, the professor who was passionate about the power of technology to transform African lives, argued that leapfrogging cannot overcome bad leadership. He warned of "a faulty narrative that assumes Africa can leap into the service economy without first building a manufacturing base".

Although it was right to see "technological innovation as an essential driver of economic growth, and as the key to moving beyond the vagaries of commodity exports", innovation depended on industrial development to build infrastructure and capacity. "That", he wrote, "cannot be leapfrogged".

Kenyan stallholder Janeffer Wacheke checks an order on the Twiga online marketplace, which helps cut out middlemen from the fruit and veg market - Bloomberg

'Access to mobile phones is now virtually ubiquitous. There are places where there's still no running water, but you can stream a video.'

'No one suggests great technology is a substitute for good governance. Giving computers does not help with malaria.'

444m Estimated number of mobile phone service subscribers in sub-Saharan Africa by 2017 44% Estimated mobile phone penetration rate in that region, compared with a global average of 66 per cent. The figure is far higher in South Africa and Nigeria 32% Ethiopians who live within 2km of an all-season road; for Kenyans the figure is 44%

2.8% Percentage of the world's power generation capacity that is in African countries 73m Estimated number of homes with access to off-the-grid solar power, shown above in Kenya, where a laptop-sized solar panel provides LED light and smartphone charging

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