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## US companies welcome power shift

By Stephanie Kirchgaessner in Washington

Published: November 7 2010 19:49 | Last updated: November 7 2010 19:49



Capitol Hill, where Republican control of the House of Representatives will radically alter the legislative agenda

It must have sounded like music to their ears. Barack Obama acknowledged at his first press conference after the **Democratic midterm rout** that – amid the turbulence of the financial crisis, the controversy over executive bonuses, healthcare and Wall Street reform and the BP oil spill – his administration failed to send the right message to business. Namely, that its success mattered.

"I think business took the message that, well, gosh, it seems like we may be always painted as the bad guy," Mr Obama said. So "I've got to take responsibility in terms of making sure that I make clear to the business community ... that the most important thing we can do is to boost and encourage our business sector and make sure they're hiring."

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Beyond Mr Obama's signal that the administration was seeking to **press the "reset" button** with business, there were other reasons why corporate America had reason to cheer the election of a new Republican majority in the House of Representatives.

Much attention in the new Congress is likely to remain on Wall Street, financial regulation, and addressing other lingering crisis-related issues, such as what to do with **Fannie Mae** and **Freddie Mac**, the mortgage guarantors, amid continuing turmoil in the housing market.

But for many other companies, the development could lead to less regulation, taxation and government oversight. The political shift will radically alter the legislative agenda of Congress and, potentially, which companies win and lose in Washington.

Here are some of the sectors likely to be most affected:

### Communications

The Republican victory is good news for **AT&T** and other telecommunications and cable providers but could spell trouble for **Google**, the internet search giant. Most analysts agree that whatever slim hope internet companies had that Congress might pass so-called "net neutrality" legislation, which would have barred internet service providers from giving certain content preferential treatment over their networks, has been reduced with the demise of the Democratic majority. Dozens of Democratic lawmakers who supported such legislation lost their election bids.

Republicans on the House energy and commerce committee will now have oversight of the

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Federal Communications Commission and will put pressure on the media regulator to abandon plans to set new rules for broadband companies.

Instead, some Republican lawmakers have signalled a readiness to take on the hot button issue of privacy, which could mark a challenge to Google and other internet groups that collect user information.

Joe Barton, who is vying to become chairman of the energy and commerce committee, said in a letter to Facebook that he was ready to put privacy policies "in the crosshairs" in the next Congress.

"I want the internet economy to prosper, but it can't unless the people's right to privacy means more than a right to hear excuses after the damage is done," he said.

One Republican industry lobbyist said he expected the new House majority to investigate the Federal Trade Commission's decision to drop an investigation into a privacy breach at Google. Such a probe would be a "twofer", giving the Republicans a chance "poke in to" Google and Jon Leibowitz, the FTC chairman, who was appointed by the Obama administration.

Google told the Financial Times it has been building relationships with Republicans "for years". Some of its senior policy officials include a former staffer for Senator John McCain and a former staffer for Denny Hastert, the previous speaker.

### Healthcare

The Republican mantra to "repeal and replace" Mr Obama's healthcare reform is not feasible as long as he is in office but insurance companies that adamantly opposed the legislation will nevertheless benefit from the Republican victories.

John Boehner, who will serve as the new Speaker of the House, called the legislation a "monstrosity", even as Mr Obama reiterated that one in two voters supported the measure. Republicans are expected to focus energy on disrupting the implementation and funding of the new law.

But Tony Butler, senior analyst at Barclays Capital, said the real action will take place many miles away from the nation's capital. The wave of Republican victories in gubernatorial races means many more states could challenge aspects of the bill, such as a mandate for every state to create its own healthcare exchange programme by 2014.

State agencies – many more of which will now be under Republican control – could also seek waivers from new federal regulations that force insurance companies to spend 85 per cent of premiums they receive from customers on medical claims. This figure is also known as a "medical loss ratio". "I think certainly as it relates to healthcare in general, Republicans tend to be viewed as less austere to the healthcare industry. Industry investors will assume that what has occurred in healthcare reform may not be repealed but it won't get any worse," Mr Butler said.

Mr Obama also said this week that he was prepared to reevaluate a controversial provision in the healthcare law that would have required all businesses to report expenditures of over \$600 to tax authorities. Mr Obama conceded that the measure was probably "counterproductive". Republicans could also seek to address medical malpractice reform, though the Democratic majority in the Senate, which gets financial support from trial attorneys, could resist such a proposal.

### Energy

The prospects of Congress passing a cap and trade bill were dead even before Republicans won the House last week. Indeed, energy is considered largely a regional issue in American politics, as opposed to one that is defined strictly by party allegiance. The new Republican majority will now – with strong support from some Democrats from coal-rich states and business lobby groups – try to rein in efforts by the Environmental Protection Agency to regulate carbon emissions.

Mr Obama last week pointed to areas where compromise might still be possible for new energy proposals, even while admitting through its omission that comprehensive reform was no longer feasible. He focused on natural gas and nuclear energy, two sectors he said could help the US to become more independent of foreign sources of energy.

Frank Maisano, an energy specialist at Bracewell & Giuliani, a lobby firm, said environmental concerns about hydraulic fracking, which is used to access natural gas, have hampered support for the industry among influential Democrats, such as Henry Waxman who chaired the energy committee. But Mr Maisano believes the new Republican majority would strongly support natural gas production. He added that Republicans could also seek to "break some of the shackles" of the federal loan guarantee programme, which he said had bogged down attempts to revive the nuclear industry.

Lawmakers failed to pass new drilling legislation that had been proposed in the wake of the BP oil spill even before Republicans won back the House. Chances of such regulations passing now have been greatly diminished.

### Defence

Republicans take control of the House of Representatives on the back of a promise to rein in government spending. But unlike deep budget cuts in the UK, Republicans are not looking to scale back the US defence budget.

Howard McKeon, a California Republican who is expected to be named the new chairman of the House armed services committee, said after the election that more money was needed in

the defence budget.

Bill Young of Florida, the likely next chairman of the defence subcommittee of the House appropriations committee, represents a district with high defence-related employment. One wild card facing defence companies will be the release on December 1 of recommendations by the bipartisan fiscal commission on deficit reduction, which could call for cuts to the US defence budget.

#### Food/agriculture

The shift in congressional power could diminish the chances of a food safety bill, designed to strengthen the Food and Drug Administration, ever being passed.

The latest version of the bill, approved on a bipartisan basis by the House this year, has been held up for months in the Senate.

One food industry lobbyist said the new Republican majority could also put pressure on the FDA to stop increasing its budget for food safety inspections – doubled since 2006.

Some prominent Tea Party activists have been critical of agriculture subsidies as an example of wasteful government spending and a handful of robust supporters of farm subsidies, including Democrat Earl Pomeroy of North Dakota, lost their re-election bids. But farm interests are still powerful on Capitol Hill.

"It is not certain that the fiscal conservatism exhibited during most Republicans' campaigns extends to farm policy," Sallie James of the Cato Institute wrote in a report. She pointed out that the probable new House Agriculture Committee chairman, Frank Lucas, opposed getting rid of "direct payments that flow to farmers regardless of what, or even whether, they farm".

If lawmakers do move to take on agriculture subsidies, it could affect subsidies for ethanol and other sustainable fuels.

#### Additional reporting by Greg Farrell

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