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2006 U.S. Mid-Term Elections Outlook for the Next Congress

November



Congressional Overview

- **Make-up of the new Congress**
 - **Leadership, Key Chairmen**
- **How the Congress will function**
 - **Gridlock? Working majority? Role of the Blue Dog Democrats and Mainstreet Republicans**
 - **How will the majority govern? What's the general agenda?**
 - **How lobbying reform will impact advocacy**
- **How the Administration will function in this environment**



Congressional Investigations

- **New Atmosphere – aggressive oversight**
- **Likely Topics – Support agenda on Health Care, Energy and Antitrust, Government Contracts (especially Iraq), Corporate Governance**
- **Typical Scenario – Media Coverage, Congressional Hearing, Agency Investigation, Possible DOJ Referral**



Congressional Investigations

Pitfalls for Corporations and Individuals

- **Reputational Damage – can happen early**
- **Little time for internal investigation/fact finding**
- **Dealing with Congress vastly different from Courtroom**
- **Executives on the hot seat – beware perjury trap**
- **Need to cover all the bases –
Democrat / Republican and
Conservative / Moderate / Liberal**
- **A Cover-up Hurts the Most**



Taxes and Executive Compensation

- **New Ratios, Chairman, and Members of Tax Writing Committees**
- **Tax Dynamic for '07**
 - **“Pay Go” means tax increases on some to “pay for” cutting taxes on lower and middle class**
 - **Intensive examinations of executive compensation and option “backdating”**
 - **Revenue Raisers focused on loopholes, the tax gap, oil companies, accounting methods, and companies doing business overseas**
 - **AMT reform a pressing issue**



Health Care

- **New Leadership of Health Care Committees**
- **Aggressive Agenda with Emphasis on Savings**
 - **Repeal Medicare Part D prohibition of government price negotiation with pharmaceutical companies**
 - **Prescription drug re-importation**
 - **PDUFA Reauthorization**
 - **FDA approval process and drug safety**
 - **Oversight of Medicare Advantage program**



Health Care

- **Aggressive Agenda with Emphasis on Savings (continued)**
 - **Examination of brand pharmaceuticals pricing and Hatch-Waxman**
 - **Oversight of non-profit hospitals**
 - **Federal funding for embryonic stem-cell research**
 - **Health insurance for uninsured**
- **Not on the Agenda**
 - **Medical malpractice liability reform**



Financial Services

- **New chairs and ranking members**
- **Jurisdictional tug-of-war between House Banking and Energy and Commerce?**
- **Agenda to be dominated by oversight and populist issues:**
 - **Mortgage products**
 - **Role of financial sector in preventing terrorism**
 - **Fannie Mae and Freddie Mac reform**
 - **Capital market regulation**



Financial Services

- **Agenda to be dominated by oversight and populist issues (continued)**
 - **Executive compensation – stock options**
 - **Consumer data protection**



Other Key Issues

- **Energy** – Renewed focus on global warming; examination of royalties on production from federal lands; competitiveness of U.S. electricity industry; renewable energy sources; effects of speculative energy trading
- **Immigration** – Renewed push for comprehensive immigration reform; expansion in business visas



Other Key Issues

- **Legal Reform – Affirmative efforts unlikely; defensive posture on class action reform, securities litigation, and bankruptcy**
- **Trade – Expiration of trade promotion authority in June 2007; potential for bi-partisan/bi-cameral legislation to address currency issues with China**



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