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Donald Trump's Cabinet Selections Signal Deregulation Moves Are Coming

Business leaders predict changes may come in everything from overtime pay to power-plant emission rules

President-elect Donald Trump picked Andy Puzder, chief executive of CKE Restaurants, to head the Labor Department. Above, the two met Nov. 19 in Bedminster, N.J. *PHOTO: ASSOCIATED PRESS*

By **NICK TIMIRAOS** and **ANDREW TANGEL**

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Business leaders are predicting a dramatic unraveling of regulations on everything from overtime pay to power-plant emission rules as Donald Trump seeks to fill his cabinet with determined adversaries of the agencies they will lead.

The president-elect's pick Thursday to head the Labor Department, fast-food executive Andrew Puzder, is an outspoken critic of the worker-pay policies advanced by the Obama administration. Mr. Trump's choice for the next administrator of the

Environmental Protection Agency, Oklahoma Attorney General Scott Pruitt, is a primary architect of legal challenges on President Barack Obama's environmental regulations.

Other cabinet nominees critical of regulations advanced under Mr. Obama include Rep. Tom Price to lead the Department of Health and Human Services, financier Wilbur Ross Jr. at the Commerce Department and retired neurosurgeon Ben Carson at the Department of Housing and Urban Development. All will require Senate confirmation.

Those picks suggest the Trump administration, backed by a Republican Congress, is determined to advance labor, environmental and financial regulatory policies more favorable to many American corporations, though not all will back his proposals.

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Appearing in Des Moines, Iowa, on Thursday as part of his postelection "thank you" tour, Mr. Trump said he will push to do away with regulations that are crimping job growth. “On regulations, we’re going to eliminate every single regulation that hurts our farms, our workers and our small businesses,” he said.

Business leaders say all Americans stand to benefit from a lighter regulatory touch that would boost profits, growth and hiring, particularly for small and midsize businesses.

“If government can stimulate business to hire more, rather than vilify us, that’s going to be a better milieu,” said Andrew Berlin, CEO of Chicago-based Berlin Packaging LLC, which makes glass and plastic bottles for consumer products.

“The continual onslaught of regulation over the last eight years—that probably has been pretty much our No. 1, overall concern as manufacturers,” said Jason Andringa, CEO of the Vermeer Corp., a Pella, Iowa-based maker of construction and farm machinery. “That there may be some relief from that is very appealing to us.”

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Mr. Andringa said mounting Obama-era regulations have drained the time of several employees dedicated to complying with them. That has eaten into profits, despite overall rising sales in recent years. But the company has’t resorted to layoffs in more than a decade, he added.

Mr. Andringa said he does have reservations about Mr. Trump’s trade policies because Vermeer exports around one-fifth of the equipment it makes in Iowa. “We certainly hope not to see tariffs that are implemented here that then cause corresponding tariffs overseas,” he said.

While a push to freeze and rollback new regulations could cheer some CEOs, Mr. Trump’s relationship with the business community has had plenty of rough spots. Throughout the campaign he threatened to impose taxes on companies that moved jobs overseas. He lambasted big banks and multinational corporations in a campaign video that ascribed dark motives to the forces of globalism.

Mr. Trump also has taken to Twitter since the election to confront individual businesses and labor leaders by name over specific disputes, a tactic some economists warn could amplify corporate uncertainty around his policies.

“That’s his style, so I guess we just need to get used to it,” said Bruce McFee, chief executive of Sullivan-Palatek Inc., a family-owned maker of industrial air compressors in Michigan City, Ind.

Mr. Puzder, the CEO of CKE Restaurants Holdings Inc., parent company of the Carl’s Jr. and Hardee’s burger chains, has been a vocal advocate for cutting back regulations he says have stifled growth in the restaurant industry, which employs 10% of the American workforce. He also has spoken in favor of more legal immigration.

“To remain competitive, restaurants will need to reduce labor costs by eliminating positions, reducing employee hours, accelerating automation and slowing expansion,” Mr. Puzder wrote in a September opinion column for The Wall Street Journal about the consequences of a Labor Department regulation that makes more managers eligible for overtime pay and other rules advances by the Obama administration.

Mr. Obama defended his administration’s regulatory record after last month’s election. “They’re well considered. They’re the right thing to do. They’re part of my task of finishing my work,” he said at a news conference.

Critics say a broad deregulation push dating to the early 1980s has coincided with an increase in income inequality, corporate consolidation and an economy prone to market bubbles.

“The public overwhelmingly favors a much higher minimum wage and wants to expand overtime protections for salaried workers,” said Lawrence Mishel, president of the Economic Policy Institute, a liberal think tank. Added AFL-CIO President Richard Trumpka: “The president-elect campaigned on standing up for working people, yet his actions thus far have undermined these claims.”

While it is relatively easy to undo executive orders, Democrats in Congress, organized labor and environmental groups have some levers to slow the deregulatory bent.

Regulations take longer to enact because agencies must solicit public comment and base their decisions on evidence. They can take just as much time to repeal because they must follow the same process. And just as pro-business groups have sued to block Mr. Obama’s regulations, left-leaning groups could sue to stop their reversal.

Repealing regulations “can’t be done with one fell swoop,” said Susan Dudley, a top regulatory czar for President George W. Bush. An across-the-board rollback risks "taking on more than is possible."

On the environmental front, Mr. Pruitt's selection to head the EPA has sparked cheers from energy companies and from auto makers seeking relief from stringent Obama administration regulations calling for them to sell vehicles averaging 54.5 miles a gallon, or roughly 40 mpg in real-world driving, by 2025.

The EPA in November proposed keeping the future mileage and emission targets intact and could render a final decision before Inauguration Day, accelerating a review process that wasn't expected to be completed until 2018.

"We are extremely disappointed that 11th-hour politics are short-circuiting" the regulatory review, said Ford Motor Co. Chief Executive Mark Fields in a recent interview. The car maker plans to "work with the new administration on a way forward," he said. "What form or fashion it would take, it's probably too early to say."

Some energy companies would benefit from changes to the EPA's ethanol mandate, which requires biofuels to be blended into the nation's gasoline pool.

Mr. Pruitt has criticized how the EPA is implementing that requirement, as has Carl Icahn, the hedge fund billionaire who controls CVR Energy Inc., which runs refineries in Kansas and Oklahoma, and who has been an adviser to Mr. Trump during his transition into the presidency.

Mr. Icahn said on CNBC Thursday that he had discussed the current ethanol standard's impact on refiners with Mr. Pruitt. "I think he certainly gets it and understands it," Mr. Icahn said.

Valero Energy Corp., the largest independent refiner in America, has also struggled to meet EPA requirements and had to spend $370 million on ethanol credits in the spring and summer, according to company filings. Valero shares are up nearly 6% on news of Mr. Pruitt's appointment and the stock is up more than 17% since Mr. Trump's election.

While businesses will embrace a halt to new regulation, some large companies, especially in banking, are encouraging the administration to make regulation simpler and less costly without scrapping new rules altogether.

Big banks have spent the last six years and hundreds of millions of dollars to adapt to the post-financial crisis landscape ushered in by the 2010 Dodd-Frank Act. They've exited businesses such as proprietary trading and retooled corporate structures to focus on compliance.

“We’re not asking for wholesale throwing out Dodd-Frank,” J.P. Morgan Chase & Co. chief James Dimon said at a conference this week. The Trump team has talked about dismantling the law but hasn’t been specific about how to do that.

“The first thing I would ask for is nothing new, no new rules,” said Citigroup Inc. finance chief John Gerspach. “If you haven’t figured out yet how all the existing rules work together, don’t put on anything else.”

Doug Parker, CEO of American Airlines Group Inc., said Wednesday he could relate to President-elect Donald Trump’s gripes that replacing two Boeing Co. 747s used to transport the president with new planes was too costly.

“We have a great relationship with Boeing,” Mr. Parker said on CNBC. “But Donald Trump’s not the first person (who has) complained about their prices, I can assure you that.”

The nation’s largest airline by traffic is in the midst of an aggressive upgrade of its fleet and many of the new airplanes are built by Boeing. He said he viewed Mr. Trump’s criticism as “someone trying to save money for the U.S. government and negotiate a price, just like we do all the time.”

—Julie Jargon, Bob Tita, Peter Nicholas and Christina Rexrode contributed to this article.

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