4/5/79

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THE PRESIDENT'S SCHEDULE

Thursday - April 5, 1979 NOT ISSUED

#	6:00	Dr. William Lukash - Dr. Lukash's Office.
	7:45	Dr. Zbigniew Brzezinski - The Oval Office
	8:15	Mr. Frank Moore - The Oval Office.
#	8:30	Physical Examination - Dr. Lukash's Office.
	10:00 (15 min.)	Meeting with the Bishops of the African Methodist Episcopal Church. (Mr. Louis Martin) - The Cabinet Room.
	10:30	Mr. Jody Powell - The Oval Office.
	12:05 (5 min.)	Audio Taping/Congressman Harold Volkmer Fundraiser. (Mr. Frank Moore) - Cabinet Room.
	12:10 (5 min.)	Courtesy Call/Photograph with the Supreme Lodge of the Order of AHEPA. (Ms. Anne Wexler) - The Oval Office.
	12:20 (5 min.)	Greet the Cherry Blossom Princesses. (Ms. Nancy Willing) - The Cabinet Room.
	9:00	Television Address/Energy - The Oval Office.
	9:30	Drop-By Reception for Volunteers who Worked In the National Campaign Headquarters in Georgia - The State Floor

4/6 11:30 am

THE WHITE HOUSE
WASHINGTON

4/5/79

Mr. President:

Zbig now feels that because there will definitely be elections in Italy that you should see Amb. Gardner for 5 minutes. Shall I schedule?

✓ yes _____ no

Phil

J

Memo

Lanier Anderson

Albert Henderson

~~Bob Hale out~~

~~To Harold Brown~~

To Max Cleland

To Bob Bergland

In order to reduce inflation and alleviate shortages of scarce food items Such as ...ef and ...isins I would like for you to ~~inform me about~~ review with Alfred Kahn your food purchase plans for the rest of this year and through ~~FY80~~. FY1980.

Please report to me by April 12th the reductions you can reasonably make by substituting ~~for~~ other, equally nutritious ~~items~~ foods which are ~~less scarce~~ more plentiful and ~~more~~ whose prices ~~are~~ will be less severely impacted by supply shortages.

THE WHITE HOUSE
WASHINGTON

C

April 5, 1979

MR. PRESIDENT:

for your information

DALLAS TIMES HERALD
April 5, 1979

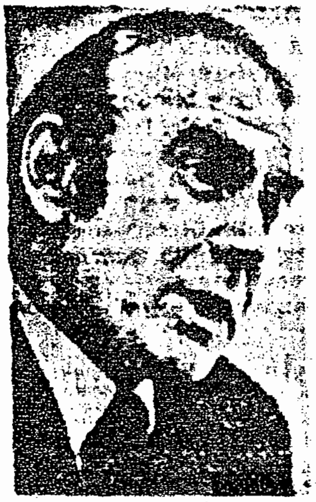
Frank Moore

THURSDAY

DALLAS TI

100th Year—No. 95 DALLAS, TEXA

Texans' tempers flare


Rep. Wright

Wright chastises Mattox for 'demagogue' vote

By PAUL WEST
Times Herald Washington Bureau

WASHINGTON — Tempers flared Wednesday as the House Budget Committee struggled to set federal spending limits for 1980.

In a rare outburst of emotion, House Majority Leader Jim Wright leaped from his seat to publicly chastise Rep. Jim Mattox for a "demagogue vote."

During a day-long shirtsleeves session, the budget panel continued its effort to modify President Carter's 1980 spending plan. The 25-member committee cut $58 million in administration-supported urban development programs and, on a motion by Wright, restored $35 million in previously reduced water project outlays.

The incident involving Wright and Mattox occurred at mid-afternoon during a vote on a Republican motion to eliminate $40 million in standby

See WRIGHT on Page 20

Wright denounces Mattox vote in marathon budget session

Continued from Page One

borrowing authority for the proposed Panama Canal Commission. Democrats argued that the budget item represents no actual U.S. spending for the commission, which expects a $98 million profit next year.

But when Mattox cast his vote in favor of the amendment, Wright rose up in anger.

As the voting continued, the Democratic leader left his chair and walked toward Mattox's seat.

"It (the amendment) won't save a g—— penny," said Wright. "That's a demagogue vote, Jim, and you know it."

Standing above the Dallas congressman, Wright continued his tirade.

"All you're doing is slapping the President and the State Department and our foreign policy right in the face," said the veteran Fort Worth representative. "That's just a demagogue slap at the President and we Democrats ought not to be a party to that."

Mattox, the only one of the panel's 17 Democrats to support the amendment, listened in silence. He did not change his vote.

[illegible]

cause.

Later, Wright apologized to Mattox.

"I guess I've just gotten too irascible in my old age," Wright told a reporter. "My colleagues know I'm quick to anger but I don't stay mad long."

Mattox attributed the outburst to growing tensions surrounding the marathon effort to set a spending limit for the 1980 federal budget.

"Everybody's just a little bit on edge," he said. During the first two days of deliberations, Wright and other old-line Democrats have fought to retain traditional liberal social spending programs in the Carter budget.

Mattox, who barely survived a re-election challenge last fall, has been a prime mover behind a budget-slashing coalition of young, conservative Democrats and the panel's eight Republicans.

Earlier this week, the panel approved a Mattox amendment to restore $500 million of a cut in defense spending recommended earlier by the committee's Democratic caucus.

Mattox is also proposing cuts in

Elec… …ade
for …oses

United States of America
Office of Personnel Management Washington, D.C. 20415

April 4, 1979

In Reply Refer To: Your Reference:

C

MEMORANDUM FOR THE PRESIDENT

FROM: Alan K. Campbell

SUBJECT: Labor Relations Implications of Charging Federal Employees for Parking

There is a significant labor relations dimension to any decision that would require the payment of parking fees by Federal employees. Twenty-four (24) per cent of all collective bargaining agreements contain parking provisions of one kind or another. These cover about 460,000 employees, some 75-100,000 in the Washington Metropolitan area.

Clearly not all of these agreements guarantee that parking will be provided without charge. A careful review would be required of each contract to determine its impact on any new policy requiring fees for parking. Nevertheless, any statement in your speech on energy policy calling for the phasing in of parking fees could be interpreted as abrogating existing collective bargaining agreements. This, in turn, would raise the related issue of compliance with the labor relations provisions of the Civil Service Reform Act. The Act provides that negotiated agreements take precedent over new government-wide regulations for the life of each agreement. When the contract expires, the parties would be bound by any government-wide regulations.

Therefore, to avoid any confusion, I recommend that any language in your energy speech concerning parking fees be general enough to permit flexibility in dealing with those existing collective bargaining agreements which include a parking provision.

EIZENSTAT COMMENT

THE WHITE HOUSE

WASHINGTON

April 4, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT Stu

SUBJECT: Campbell Memo Re Labor Relations Implications of Charging Federal Employees for Parking

As I mentioned in the initial decision memorandum, I do not think it is good policy to end subsidized parking for federal employees because of the furor it will cause with employees. The point Scotty is bringing up is that there are certain collective bargaining agreements which must expire before all federal employees can be covered. The agreements expire at different times in different departments. For this reason we will have to phase in the effective date and your speech will have to be a little more qualified on this point. I have proposed language for the speech which recognizes this.

ID 791357

THE WHITE HOUSE

WASHINGTON

DATE: 04 APR 79

FOR ACTION: STU EIZENSTAT JERRY RAFSHOON

LANDON BUTLER

INFO ONLY: THE VICE PRESIDENT HAMILTON JORDAN

JODY POWELL

SUBJECT: CAMBELL MEMO RE LABOR RELATIONS IMPLICATIONS OF CHARGING FEDERAL EMPLOYEES FOR PARKING

++++++++++++++++++++ ++++++++++++++++++++ ++++++++++++++++++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

++++++++++++++++++++ ++++++++++++++++++++ ++++++++++++++++++++

ACTION REQUESTED: IMMEDIATE - TO PRESIDENT TODAY

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

ID 791357

THE WHITE HOUSE

WASHINGTON

DATE: 04 APR 79

FOR ACTION: STU EIZENSTAT JERRY RAFSHOON

~~LANDON BUTLER~~

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PLEASE NOTE OTHER COMMENTS BELOW:

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United States of America
Office of Personnel Management

Washington, D.C. 20415

April 4, 1979

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Your Reference:

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THE WHITE HOUSE
WASHINGTON

4/5/79

Secretary Vance

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: The Vice President
Hamilton Jordan
Frank Moore
Zbig Brzezinski

1388

United States of America
Office of Personnel Management
Washington, D.C. 20415

April 4, 1979

In Reply Refer To:

Your Reference:

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CON 114-24-3
January 1979

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
	✓	VICE PRESIDENT
		EIZENSTAT
	✓	JORDAN
		KRAFT
		LIPSHUTZ
	✓	MOORE
		POWELL
		WATSON
		WEXLER
	✓	BRZEZINSKI
		MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
✓		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

THE WHITE HOUSE
WASHINGTON

4/4/79

Mr. President --

Frank Moore has seen attached and concurs.

Brzezinski has not yet seen.

--ssc

THE SECRETARY OF STATE

WASHINGTON

cc Cy

What happens with no legislation?

J

April 4, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: Cyrus Vance CV

SUBJECT: Congressional Strategy for Panama Canal Implementing Legislation

Status of the Panama Legislation

Yesterday the House Merchant Marine and Fisheries Committee completed its mark-up of the implementing legislation introduced by Jack Murphy. A number of issues raising treaty violation questions were resolved favorably, albeit by narrow margins. Some were not, however, and will have to be dealt with in other forums.

The Post Office and Civil Service Committee and the Judiciary Committee have already marked up, having treated such issues as employee benefits and the immigration provision. The House Foreign Affairs Committee will mark up on April 5. The House Rules Committee will resolve differences among the four committees on return from Easter recess April 22. House floor action is not likely before early May. The Senate will probably not consider the legislation until the House acts.

During mark-up, the Merchant Marine Committee adopted favorable positions on the following issues:

-- It dropped the objectionable Murphy bill provision that no payments could be made to Panama so long as the Canal Commission asserted that a plausible U.S. expropriation claim was outstanding.

-- It deleted the provision that Panama's representatives on the board of the Commission would be subject to prosecution under U.S. bribery and conflict of interest laws.

-- It provided for monthly payments to Panama. Murphy had previously proposed quarterly payments.

-- It restored as separate binational entities the Joint Commission on the Environment and the Diplomatic Consultative Committee.

-- It eliminated the requirement that the tolls base should include amortization costs (although it retained the requirement that interest payments and early retirement payments would continue in the tolls base).

Issues which were not resolved favorably in the Merchant Marine mark-up include:

-- The bill provides that in wartime or national emergency the President would be authorized to displace the Commission with a U.S. military officer.

-- The Bauman-sponsored provision requiring that all costs of treaty implementation (including DOD costs until the year 2000) would be paid out of Commission profits before Panama could receive its "contingency" payment under Article XIII (4)(c) of the Treaty remains in the bill. This provision would insure that Panama would never receive this payment.

-- The bill now authorizes only those transfers of property which are required upon the entry into force of the treaty; all subsequent transfers must be approved by Congress. This approach reflects the view prevalent in the House that legislation is necessary to transfer U.S. property.

Apart from the foregoing issues raised by the Merchant Marine Committee's mark-up, there are important differences between Merchant Marine and Post Office on employee issues. Generally the Post Office Committee has sought to reduce canal employee benefits to general Federal employee levels. If enacted, such provisions could cause a strike or slowdown. Merchant Marine has resisted any substantial watering down of the Administration's commitment to Canal employees.

House Strategy

Congressman David Bowen is planning to offer an amendment in the House Foreign Affairs Committee (HFAC) that would replace the provision authorizing the President to displace the Commission by a U.S. military officer in wartime. While we do not have the exact text of this amendment, we believe it will be acceptable and that it has an excellent chance of approval by the HFAC.

The "contingency payment" and "property transfer" issues are potentially more serious and must be resolved satisfactorily during the legislative process. At this stage, we do not have the strength to obtain corrections on the floor of the House.

The "contingency payment" issue is highly volatile politically since it relates to the costs of treaty implementation. Murphy and his committee do not feel that it would be possible to pass a bill on the House floor which, by implication, could be read as allowing profits for Panama while the American taxpayer foots the bill for costs associated with the transfer of the Panama Canal to Panama. We concur in this assessment and feel that the best chance to change this apparent treaty violation is in the Senate.

The "property transfer" issue may conceivably be properly resolved on the House floor, but only if our lobbying efforts succeed in raising the level of support for the implementing legislation generally and if the House leadership actively seeks to convince Members that subsequent votes on the transfer of property to Panama would be politically undesirable. In any event, as noted below, we believe the Senate will insist on a resolution of the "property transfer" issue that we will be able to accept.

Finally, we will be working with Tip O'Neill and the Rules Committee in an effort to sustain Merchant Marine's position on the employee benefits issue.

Senate Strategy

Senators are not anxious to confront Panama Canal matters again, and there will almost surely be no move to mark-up the legislation until the House has acted. On the other hand, the Senate will be more sensitive to possible treaty violation issues than the House, which accepts no responsibility for ratification.

The Armed Services Committee will have primary jurisdiction over this legislation in the Senate. Senator Stennis was an opponent of the Canal treaties, but we have had informal contacts with his staff and feel that he will be helpful. Other committees which will likely share jurisdiction with Armed Services are Foreign Relations, Governmental Affairs, Judiciary, and Commerce, Science and Transportation. These committees will apparently play a minor role.

Cy, I think you & Harold should talk to Stennis right away - I'll do it later

It will be important to make an early effort to alert Stennis to the two issues likely to be outstanding after House action, namely the "property transfer" and "contingency payment" issues. After House action, we believe it may be desirable to ask you to discuss this with Stennis. We expect him to uphold the Senate position that the treaty is self-executing in transferring property, but we would want to work with him on a compromise which would permit the House to preserve its formal legal position that transfers of U.S. property cannot be made without legislative authority.

$870 mil seems excessive to me. I've told OMB/DoD/NSC to try to hold it down

The "contingency payment" issue will be more difficult because the $870 million we now estimate as the cost of treaty implementation is considerably higher than that estimated during the treaty debate in the Senate. Nevertheless, we have already undertaken a public affairs campaign to demonstrate that our current estimate of the cost is commensurate with the benefits. With an intensive DOD lobbying effort, we feel that Stennis' Committee will support our position.

Conclusion

In sum, we believe the bill as it emerges from the House may well contain unacceptable provisions. We estimate our chances of eliminating such provisions in the Senate, and subsequently in conference, as reasonably good.

Warren and I will work closely with Frank Moore and Bob Beckel to try to achieve acceptable legislation which will not be seen as inconsistent with our Treaty obligations.

We are also studying ways to handle the situation if Congress does not produce acceptable legislation. We will be ready to report to you if legislative developments make it likely that this contingency will occur.

THE WHITE HOUSE
WASHINGTON

4/5/79

Stu Eizenstat
Jim McIntyre

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: The Vice President
Hamilton Jordan
Frank Moore
Jody Powell
Jerry Rafshoon
Jack Watson

1387

Prefer option 1 -
Let Jack, Frank & Jody get Pol benefit -
Stu: Should we add a sentence in tonight's speech? J

THE WHITE HOUSE

WASHINGTON

April 4, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES T. McINTYRE, JR./STU EIZENSTAT

Stu

SUBJECT: The Department of Energy's Proposal to Waive Petroleum Import Fees and Duties

In Thursday's meeting on energy, you favored the Department of Energy's (DOE's) proposal to waive petroleum import fees and duties, but stated you would be willing to reconsider your position after further review.

Background

Secretary Schlesinger proposes waiving import fees and custom duties for crude oil and petroleum products. This action could mitigate by a small amount the increase in oil prices to consumers caused by the Iranian situation.

Until 1973 custom duties and import quotas were used to protect domestic oil production from cheap foreign imports. In May 1973, a system of import fees was established replacing the previous quotas. In 1975, supplemental fees on both crude oil and products were temporarily imposed by President Ford to encourage Congress to pass comprehensive energy legislation.

For purposes of administering these and other regulations, the country is divided into a number of Petroleum Administration Districts (PADs). PAD 1 is the east coast. PAD 2 includes the State of Michigan, along with other states in the Midwest and South. Residual oil is used mainly for large commercial, industrial, and electric utility purposes on the east coast (PAD 1) and in the Michigan portion of PAD 2. Last winter you signed a proclamation waiving, until July 1, 1979, import fees on residual fuel oil imported into PAD 1. Congressman Dingell and the rest of the Michigan delegation believe that residual fuel oil imported into Michigan should also be exempted from the fee, and that the Administration has committed through Secretary Schlesinger to such an exemption.

Although the current program no longer protects the petroleum industry from cheap crude imports, it does

(1) according to the refiners, protect the domestic refining industry from what might be cheaper product imports -- fees and duties are higher on petroleum products than crude (DOE believes product imports currently are desirable, and that this is therefore not a relevant consideration);

(2) raise revenue for the Federal Government; and

(3) provide a mechanism for the Federal Government to discriminate among refiners in order to alleviate particular hardships.

Alternatives

1. Waive all fees and duties on all imported crude oil and petroleum products until July 1. Provide DOE authority to extend this waiver for two additional six-month periods. (Proposed by DOE, CEA, and Fred Kahn.)

2. Waive fees for residual fuel oil only imported into PAD 2. (Recommended by OMB and DPS).

Pros and Cons

Alternative 1. Temporarily waive all fees and duties.

Pros

-- It would reduce oil prices to consumers by 15 to 28¢ per barrel.

-- The revenue loss would amount to only $118 million, if the waiver is in effect only for the first six months.

-- Represents the only action in the energy message that is supportive of your inflation program.

-- Because decontrol is perceived as most harmful to New England, waiving fees demonstrates your concern about energy prices in that region.

- -- Would satisfy the concerns of Congressman Dingell who believes the State of Michigan was discriminated against.

- -- There is no excuse for American consumers to pay oil prices above world levels.

Cons

- -- If the current political imperative is finding a solution to the Michigan problem, this option goes far beyond what is required.

- -- Waivers could have the following budget effects if the two six-month extensions are taken after the initial period.

	Lost Revenues ($ in millions)		
FY	1979	1980	1981
Initial Period	-118	--	--
With Two Six-Month Extensions	-105	-638	--
Permanent Waiver	--	-164	-911
Total	-233	-802	-911

- -- Domestic refiners strongly object to the elimination of fees on all crude and petroleum products.

- -- Eliminating import barriers for oil would call into question the seriousness of U.S. intentions to reduce imports.

Overall Budget Impact

Jim McIntyre and Stu argue that together with the impact of rising oil prices on the budget, this loss of revenues would threaten both your commitment to reduce the deficit each year and your commitment to an FY 1980 deficit of less than $30 billion. If DOE determines that the oil markets have stabilized and resumes purchases for the strategic petroleum reserve, we will be buying oil at much higher -- albeit stabilized -- prices than we had planned on when the FY 1980 budget was submitted. Thus, FY 1980 outlay estimates for the SPR will have to be revised upward by $500 million to $1.0 billion to account for those higher oil prices, as well as for any catch-up in the fill schedule.

With the waiver of all fees and duties and the Strategic Petroleum Reserve (SPR) adjustment, the FY 1980 deficit would be only $2.4 billion lower than FY 1979.

($ in billions) FY	1979	1980	1979-1980 Deficit Decrease
January Budget Deficit........	37.4	29.0	-8.4
March Update Deficit..........	33.2	28.4	-4.8
Fee/Duties Waiver..........	+0.2	+0.8	
SPR Catch-up...............	-0.8	+1.0	
Revised Estimate..............	32.6	30.2	-2.4

CEA, DOE and Fred Kahn believe the budget arguments made by Jim and Stu are not persuasive. The higher crude prices that will be allowed under your crude pricing plan will generate additional corporate tax receipts (above those collected under the windfall profits tax) that will help to hold down the deficit. Moreover the rate of inflation is likely to be higher this year and next than the forecast underlying the January and March budget estimates, and this will also help to reduce the 1980 deficit. Under these circumstances, a loss in revenues from the waiver of fees and duties should not be a compelling factor in your decision.

Alternative 2. Temporarily waive fees on residual fuel oil for PAD 2 (which includes the State of Michigan), consistent with your earlier action for PAD 1 (the East Coast States).

Pros

-- We could solve our most pressing political problem by meeting Congressman Dingell's concerns and those of the rest of the Michigan delegation, without incurring the substantial costs of Alternative 1.

-- The budget impact would be relatively small:

	($ in millions) FY 1979	1980	1981
Loss in revenues*..........	7	9	9

*Assumes exemption continued indefinitely.

Cons

-- Except in PAD 2, this action would not give the appearance of reducing petroleum prices to consumers

-- Import fees and duties on crude oil and petroleum products would be maintained at a time when we are striving to increase supplies.

Recommendation

McIntyre and Eizenstat recommend Option 2. Schlesinger, Schultze and Kahn recommend Option 1.

CEA COMMENT

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 3, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze CLS

Subject: McIntyre/Eizenstat Memo on DOE's Proposal to Waive Petroleum Import Fees and Duties

I strongly urge you to adopt Alternative 1 (Waiver of all fees and duties). I also wish to comment on four topics raised directly or indirectly in the McIntyre/Eizenstat memo.

1. Waiver of import fees and duties is the only energy-related option before you that would reduce the rate of inflation. Your crude oil pricing decision will necessarily raise the price level. The spending proposals that will be funded by the crude oil tax are important in their own right but will have no offsetting effect on the inflation rate. It is important that, in our efforts to satisfy diverse interests, we not overlook the importance of holding down the inflationary effect of rising oil prices.

2. Given the high level of world oil prices (and the threat of still higher prices to come), there is no excuse for asking American consumers to pay oil prices above world levels. The higher world prices, together with your impending energy actions, are more than sufficient to encourage conservation and stimulate production.

3. The budget arguments in the McIntyre/Eizenstat memo are not persuasive. The higher crude prices that will be allowed under your crude pricing plan will generate additional corporate tax receipts (above those collected under the windfall profits tax) that will help to hold down the deficit. Moreover the rate of inflation is likely to be higher this year and next than the forecast underlying the January and March budget estimates, and this will also help to reduce the 1980 deficit. Under these circumstances, a loss in revenues from the waiver of fees and duties should not be a compelling factor in your decision.

4. Finally, I question the assertion that the recent Treasury national security finding cannot be used to justify a waiver of import duties. All that Section 232(b) of the Trade Expansion Act requires is that if the Secretary of the Treasury finds that the importation of oil threatens the national security (as he has) that the President "shall take action, and for such time, as he deems necessary to adjust the imports of (oil) so that such imports will not threaten to impair the national security". You have many tools at your disposal to "adjust" the importation of oil -- including fees, duties, and <u>administrative pricing authority over crude oil.</u> A decision to waive fees should not be treated in isolation, especially when at the same time you are embarking on a crude price trajectory that will significantly <u>raise</u> crude prices and thereby discourage oil imports.

For all of these reasons, I feel that waiver of fees and duties is an important action that should be taken.

THE WHITE HOUSE
WASHINGTON

4/11

DF - Thurs McI/SE

memo turns out to have only been a DRAFT memo. A McI memo re this subject expected soon. Schultze will send in new comment to Thurs.

TS

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 3, 1979

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For all of these reasons, I feel that waiver of fees and duties is an important action that should be taken.

THE WHITE HOUSE
WASHINGTON

4/4/79

from Jody Powell...
per your request this
morning.

--ssc

National Energy Program

Fact Sheet on the President's Program. April 20, 1977

The President tonight addressed a joint session of Congress and presented the outline of a national energy plan to be submitted to the Congress next week.

I. National Energy Policy Principles, Strategies, and Goals

A. PRINCIPLES

The National Energy Plan is based on 10 fundamental principles.

1. We can have an effective and comprehensive energy policy only if the Government takes responsibility for it and if the people understand the seriousness of the challenge and are willing to make sacrifices.

2. Healthy economic growth must continue. Only by saving energy can we maintain our standard of living and keep our people working.

3. We must protect the environment. Our energy problems have the same cause as our environmental problems—wasteful use of resources. Conservation helps us solve both at once.

4. We must reduce our vulnerability to potentially devastating embargoes. We can protect ourselves from uncertain supplies by reducing our demand for oil, making the most of our abundant resources such as coal, and developing a strategic petroleum reserve.

5. We must be fair. Our solutions must ask equal sacrifices from every region, every class of people, every interest group. Industry will have to do its part to conserve, just as consumers will. The energy producers deserve fair treatment, but we will not let the energy companies profiteer.

6. The cornerstone of our policy is to reduce demand through conservation. Our emphasis on conservation is a clear difference between this plan and others which merely encouraged crash production efforts. Conservation is the quickest, cheapest, most practical source of energy.

7. Prices should generally reflect the true replacement cost of energy. We are only cheating ourselves if we make energy artificially cheap and use more than we can really afford.

8. Government policies must be predictable and certain. Both consumers and producers need policies they can depend on so they can plan ahead.

9. We must conserve the fuels that are scarcest and make the most of those that are more plentiful. We cannot continue to use oil and gas for 75 percent of our consumption when they make up only 8 percent of our domestic reserves. We need to shift to plentiful coal while taking care to protect the environment, and to apply stricter safety standards to nuclear energy.

10. We must start now to develop the new, unconventional sources of energy we will rely on in the next century.

B. STRATEGY

1. The objectives of the National Energy Plan are:

a. In the short term, to reduce dependence on foreign oil and to limit supply disruptions.

b. In the medium term, to weather the eventual decline in the availability of world oil supplies caused by capacity limitations.

c. In the long term, to develop renewable and essentially inexhaustible sources of energy for sustained economic growth.

2. The major strategies for reaching these objectives are:

a. Implementation of an effective conservation program for all sectors of energy use so as to reduce the rate of demand growth to less than 2 percent, thereby helping to achieve both the short- and medium-term goals.

b. The conversion of industry and utilities using oil and natural gas to coal and other more abundant fuels to reduce imports and make natural gas more widely available for household use, thereby helping to achieve both the short- and medium-term goals.

c. A vigorous research and development program to provide renewable and essentially inexhaustible resources to meet United States energy needs in the next century, thereby helping to achieve the long term goal.

C. NATIONAL ENERGY GOALS

A national energy plan is not something that can be adopted and then forgotten. There is no quick or easy solution to the energy problem.

The President will propose as part of his comprehensive energy legislation the following energy goals to be achieved between now and 1985. The Congress will be requested to support these goals by enacting a Joint Resolution of the Senate and House committing the Nation to:

- —reducing annual growth of United States energy demand to less than 2 percent;
- —reducing oil imports from a potential level of 16 million barrels a day to less than 6 million barrels, about one-eighth of total energy consumption;
- —achieving a 10 percent reduction in gasoline consumption;
- —insulating 90 percent of all residences and other buildings;
- —increasing coal production on an annual basis by at least 400 million tons;
- —using solar energy in more than 2½ million homes.

II. Effects of the President's Energy Plan

The President's energy plan, if implemented effectively, is projected to save about 4.6 million barrels of oil per day (MMB/D) of oil over the amount of oil we would otherwise require by 1985. These savings would reduce oil imports to about 7 MMB/D by 1985, a 40-percent decrease. The President has established a goal of reducing imports to below 6 MMB/D, which would require voluntary conservation efforts by the American public.

Based on econometric projections, the President's program is forecasted to have small, but generally positive impacts on the economy. The program would stimulate about 100,000 jobs by 1985. It would increase GNP by 0.7 percent in 1978 and about 0.4 percent in 1985. It would increase the GNP deflator by about 0.4 percent annually through 1985. Even if the standby gas tax were triggered, GNP would still increase and the inflation impact would still be small.

III. The President's Energy Program

The elements of the total program are summarized in the pages that follow.

A. CONSERVATION

1. *Transportation*

a. *Gas guzzler tax and rebate* (legislative): Because present law and regulations are insufficient to assure that needed conservation will take place in this sector, a graduated excise tax would be imposed on new automobiles and light duty trucks whose fuel economy fails to meet the applicable fuel economy standard under existing law. Graduated rebates would be given for automobiles and light duty trucks whose fuel economy is better than the standard.

The tax schedule would be fixed by statute, and taxes would begin in model year 1978, increase each year through 1985, and remain constant thereafter. The rebate schedule will be adjusted each year in advance by the IRS so that total estimated rebate payments will not exceed the estimated tax receipts. The proposed tax and rebate table is attached as Appendix A.

Electric vehicles will be eligible for the maximum rebate. Rebates will be available for vehicles manufactured in the United States and Canada. Rebates would be available for vehicles manufactured in other countries on the basis of treaties or executive agreements entered into between these countries and the United States. The President's Special Representative for Trade Negotiations will work with other nations to develop equitable rebate agreements.

b. *Auto efficiency standards* (administrative): In order to continue the progress made to date on automobile fuel efficiency, the Secretary of Transportation will begin the analysis necessary to exercise his authority to raise mileage standards above 27.5 mpg after 1985.

c. *55 mph speed limit* (administrative): The President has requested that the national 55 mph speed limit be vigorously enforced by States and municipalities. The Secretary of Transportation may, if he finds it necessary, withhold highway trust fund revenues from States not enforcing the limit.

d. *Standby gasoline tax* (legislative): A standby gasoline tax is proposed to go into effect if targets for gasoline consumption are not met. The targets take into account the effects of the gas-guzzler tax and compliance with mandatory fuel economy standards for new cars, and assume some additional reduction in consumption through such items as observing speed limits and more carpooling.

The goals, listed below permit limited increases in gasoline consumption until 1980; from 1980 to 1987, the goal constitutes an achievable reduction in gasoline consumption despite increases in total miles traveled.

If gasoline consumption nationwide in 1978 exceeds the target set for 1978 by one percent or more, a 5-cents-per-gallon tax will be imposed on January 15, 1979. In any subsequent year, the tax will amount to 5 cents per gallon for each percent that consumption in the prior year exceeded the target, except that the tax could not be increased or reduced more than 5 cents per year. The tax will rise, remain the same, or fall, depending on the prior year's record. The cumulative amount of taxes applicable in any one year may not exceed 50 cents per gallon.

Any funds collected would be rebated to the American people progressively through the Federal income tax system and by direct payments to people who do not pay taxes.

e. *Expand use of Highway Trust Fund:* By reducing gasoline consumption, State revenues from gasoline taxes would also be reduced. These funds are used by the States for repair and maintenance of highways. The administration will develop a program which will reduce their hardships and, to insure adequate highway maintenance, will compensate them for this loss through sources such as the Highway Trust Fund.

f. *Efficiency standards for light duty trucks* (administrative): The Secretary of Transportation is authorized under the Energy Policy and Conservation Act to promulgate efficiency standards for trucks weighing 10,000 pounds or less. He is currently in the process of promulgating standards for trucks weighing 6,000 pounds or less. The President has directed the Secretary to commence a proceeding to cover trucks weighing more than 6,000 pounds.

g. *Removal of 10-percent excise tax on intercity buses* (legislative): Since buses, like railroads, are fuel-efficient forms of transportation, the current 10-percent excise tax on intercity buses would be removed to encourage expansion in use of this form of transportation.

h. *Tax on aviation and marine fuel* (legislative): The existing Federal excise tax preferences for general aviation and motorboat fuel would b liminated. This change would not affect commercial airlines or commercial fishermen. The tax on aviation fuel would increase from 7 to 11 cents a gallon. The current 2 cents rebate for motorboat fuel would be collected and transferred to the Land and Water Conservation Fund.

i. *Federal Energy Management Program*

—The President will direct Federal agencies to alter their auto purchasing practices so that new cars purchased by the Government will, on the average, exceed the average fuel economy standard under the EPCA by at least 2 mpg in 1978, and by at least 4 mpg in 1980 and thereafter (administrative).

—Legislation will be proposed to initiate a Federal vanpooling program. This program will demonstrate the energy conservation and pollution control potential of this form of commuter transportation by the largest employer in the Nation. About 6,000 vans will be purchased by the Government and made available for use by Federal employees. All costs of the program will be repaid to the Federal Government by the riders (legislative).

2. *Buildings*

a. *National Residential Energy Conservation Program for Existing Buildings*

—Homeowners will be entitled to a tax credit of 25 percent of the first $800 and 15 percent of the next $1400 spent on approved conservation measures. The credits will be available for measures undertaken between April 20, 1977, and December 31, 1984 (legislative).

—State public utility commissions will be required to direct utilities to offer their customers a residential energy conservation service performed by the utility and financed by loans repaid through monthly utility bills. The utilities must also inform customers of other available residential conservation programs and how to obtain financing, materials, and labor to perform residential conservation themselves. Other fuel suppliers would be encouraged to offer similar programs, with the help of their State energy offices (legislative).

—The Federal Government will remove the barriers to opening a secondary market for residential energy conservation loans through the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. This action should help to ensure that capital is available to homeowners at reasonable interest rates for residential energy conservation through private lending institutions (legislative).

—Funding for the existing low-income residential conservation program (weatherization) will be increased to $130 million in fiscal year 1978; and $200 million in FY 1979 and in FY 1980 (budget).

—The Secretary of Labor will take all appropriate steps to ensure that recipients of funds under the Comprehensive Employment and Training Act (CETA) will supply labor for the residential conservation program. The CETA program's employment levels, as proposed by the administration, would meet the labor requirements of the program (administrative/budget).

—The Secretary of Agriculture will vigorously implement a rural home weatherization program in cooperation with the Nation's 1,000 rural electric cooperatives, with loans provided through the Farmer's Home Administration (administrative).

—Businesses will be entitled to a 10-percent tax credit, in addition to the existing investment tax credit, for investments made in approved conservation measures (legislative).

—A Federal grants program will assist public and nonprofit schools and hospitals in installing conservation measures, funded at the rate of $300 million per year for 3 years (legislative/budget).

—The Secretary of Commerce will encourage State and local governments to include items that will contribute to energy conservation in their proposals under the Department's Local Public Works program (administrative).

Except for participation by electric and gas utilities, the residential energy conservation program is voluntary. However, if the programs described above are insufficient in achieving widespread residential energy conservation, then mandatory measures will be considered; e.g., a requirement that homes must be insulated before they are sold.

b. *Mandatory efficiency standards for new buildings* (administrative/budget): The Secretary of Housing and Urban Development will advance by one year, from 1981 to 1980, the effective date of the mandatory standards required for new residential and commercial buildings by the Energy Conservation and Production Act, with funds to be made available to States to help them in this effort.

c. *Federal buildings* (administrative/budget): The President will direct all Federal agencies to adopt procedures which aim at reducing energy use per square foot by 1985 by 20 percent from 1975 energy consumption levels for *existing* Federal buildings and by 45 percent for *new* Federal buildings. Investments which are not cost-effective would not be funded under the program. The Director of the Office of Management and Budget and the Administrator of the Federal Energy Administration will implement this program.

d. *Solar energy in Federal buildings* (legislative/budget): The Federal Government will, in addition, spend up to $100 million over the next 3 years to add solar hot water and space heating to suitable Federal structures to help demonstrate the commercial potential of such measures.

3. *Appliances* (legislative): The present appliance efficiency program will be strengthened. Voluntary targets will be replaced by mandatory standards on certain home appliances, such as air conditioners, furnaces, water heaters and refrigerators, as soon as possible. The program under existing law to develop test procedures and to establish labeling requirements for appliances will be continued.

4. *Industrial conservation* (legislative): Legislation will be proposed for a 5-year, 10-percent investment tax credit for investment in approved energy-saving industrial equipment, including solar energy equipment, that could be incorporated in existing plants. This credit would be in addition to the present 10-percent tax credit.

5. *Cogeneration of electricity and process steam* (legislative):

—In order to utilize effectively the enormous quantities of heat wasted in the production of electric power, legislation will be submitted to encourage cogeneration—production of electric power and other useful forms of energy (such as heat or process steam) from the same facility.

—An exemption from Federal and State public utility regulations would be available to industrial cogenerators.

—The Federal Power Commission would be required to establish procedures to assure fair rates for both sale of power by cogenerators and for purchase of backup power.

—Industries using cogeneration would be entitled to intertie with utility transmission facilities to sell surplus power and buy backup power at fair prices.

—A tax credit of 10 percent, in addition to the current 10-percent tax credit, would be provided for the purchase of cogeneration equipment. Those industries which invest in equipment could be exempted from the requirement to convert from oil and gas in cases where an exemption is necessary to stimulate cogeneration.

6. *District heating* (administrative/budget):

—State public utility commissions will be encouraged to use district heating as a criterion in siting certification and ratemaking for new generating facilities.

—The Administrator of the Energy Research and Development Administration will initiate in FY 1978 a new demonstration program to make use of waste heat generated by ERDA's uranium enrichment plants at Oak Ridge, Tenn., Paducah, Ky., and Portsmouth, Ohio. The recovered waste heat would be used on site and by nearby households, industry, and farms.

7. *Utility rate reform* (legislative): Conventional utility pricing policies discourage conservation. The smallest users commonly pay the highest per unit price due to practices such as declining block rates. Rates often do not reflect the costs imposed on society by the actions of utility consumers. The result is waste and inequity. The President will therefore submit legislation which contains the following provisions:

—State public utility commissions must require their regulated electric utilities to phase out and eliminate promotional, declining, and other rates for electricity that do not reflect cost incidence.

—To shift energy use from peak to nonpeak periods, electric utilities would be required to offer daily off-peak rates to each customer who is willing to pay metering costs and to offer lower rates to customers willing to have their power interrupted at times of highest peak demand.

—Master metering for electricity would generally be prohibited in new structures.

—State public utility commissions would require gas utilities to eliminate declining block rates and to implement such rules as FPC may prescribe with respect to master metering, summer-winter rate differentials, and interruptible rates.

—By amendment to the Federal Power Act, the Federal Power Commission would be authorized to require interconnection and power pooling between utilities even if they are not presently under FPC jurisdiction, and to require "wheeling" (the transmission of power between two noncontiguous utilities across a third utility's system).

8. *Taxes on oil and natural gas:* The oil and natural gas pricing and tax policy discussed in Part F will achieve substantial savings in natural gas and petroleum consumption. The oil and gas consumption taxes are directed primarily at industrial and utility use, and will encourage investments by industry to use these scarce fuels more efficiently.

B. MANAGEMENT INFORMATION SYSTEMS

—To carry out the President's energy plan and to protect the energy consuming public generally, the Government needs more detailed and reliable information on oil and gas reserves, on oil company operations, and on local energy supplies and demand.

—Accordingly, a three-part energy information program will be proposed. They represent the beginning of implementation of a National Energy Information System which will, when fully developed, provide a comprehensive and authoritative source of energy information.

1. *Petroleum Production and Reserves Information System* (administrative/budget): The proposed Department of Energy, upon its creation, would take over the audit and verification roles now performed by the American Gas Association and the American Petroleum Institute. These industry associations and their member companies would be required to open their reserve estimation process to Federal officials, who would supervise the collection and preparation of reserve data. Information collected and submitted through this system would be randomly audited at the company level. Existing law regarding the protection of confidential, proprietary information would not be changed. This system will consolidate the reserves information gathering activities of

Government agencies, where possible, and will eliminate redundant reporting which now occurs among the various agencies.

2. *Petroleum Company Financial Data System* (administrative/budget): This system would require all large companies, and a sample of small firms, engaged in crude oil or natural gas production to submit detailed financial information to the Federal Government. Companies would have to conform, ultimately, to a uniform system of accounts and to report capital expenditures and operating results by geographic region and type of fuel. They would be required to submit information relating to functional areas, including refining, production, marketing, and pipelines, and information relating to foreign as well as domestic operations. This comprehensive reporting system would enable the Government to assess the performance of individual firms and the industry, as a whole, providing accountability of vertical operations of the integrated companies. Existing law regarding the protection of confidential, proprietary information would not be changed.

3. *Emergency Management Information System* (administrative/budget): This system would provide Government with the information on local energy supplies and demand needed to respond to an oil embargo, a natural gas shortage, or other energy emergency. Examples of potential future shortages include possible electrical power shortages in the West this coming summer and natural gas shortages in future winters. State energy offices, assisted by the Federal Government, would collect and maintain the data.

C. INDUSTRY COMPETITION

—Promotion and maintenance of competition is a critical aspect of public policy. Since energy is an essential commodity for all Americans, effective competition in the energy industries is a matter of vital concern. The President's energy plan calls for continuous vigilance to ensure that the structure, behavior, and performance of the energy industries are vigorously competitive.

—The Under Secretary for Policy and Evaluation within the proposed Department of Energy would have prime responsibility to ensure that all policies and programs of the Department promote competition. The Department of Energy would seek to preserve the competitive viability of independents in all segments of the energy industry.

—In recent years, trends and practices in the energy industries have created substantial public concern. Attention has focused particularly on the oil and natural gas industry, but also on situations in other energy industries, such as coal and uranium, joint ventures, and the international activities of the major multinational firms.

—Horizontal diversification by oil and gas producers, particularly into the coal industry, has aroused fears that the major firms will be able to restrict the development of alternative fuel sources. The existence of such power could be very detrimental to the Nation as it increases its reliance on coal, uranium, and renewable energy sources. The trend of oil and gas company entry into coal mining merit continuous close attention.

—From information available at the present time, it does not appear that new laws mandating either vertical or horizontal divestiture are required in order to promote or maintain competition in the energy industries. That conclusion is subject to change. If it should appear that there are anti-competitive problems in the energy industries that cannot be reached under current laws, new legislation would be proposed.

D. STATE AND LOCAL GOVERNMENT PARTICIPATION

—A National Energy Plan can be built only on a foundation of partnership and understanding among the Federal Government, the States, local governments, and the Nation's Indian tribes, which own a substantial part of the Nation's energy resources.

—The President is committed to ensuring that no State, local community, or Indian tribe suffers as a result of energy development. In order to assess the adequacy of existing impact assistance programs and make certain that there are no gaps, he has ordered that his Assistant for energy and the Director of OMB undertake a careful review of such programs. If gaps are found to exist in coverage, legislation to remedy those problems will be proposed.

E. ASSISTANCE FOR LOW-INCOME PERSONS

Government at all levels has the responsibility for protecting low-income citizens from the most severe effects of the energy crisis. The Plan contains several programs to carry out the responsibility.

—The weatherization program, by insulating large numbers of low-income homes, would protect low-income people not only from the cold but also from rising fuel bills. The rebate system for the wellhead tax on oil and the standby gasoline tax would distribute funds to low-income persons in a progressive manner. The price controls on natural gas and the allocation of high cost sources to industry will protect low-income consumers whose homes are heated with natural gas. The price controls on oil and the rebate system to exempt home heating oil from the impact of taxes on oil will protect low-income consumers whose homes are heated with oil. For the longer run, protection for low-income people from the gradually increasing cost of energy, lies in a reformed welfare system on which the administration is at work.

—The remaining major problem is the possibility that the Nation will experience future supply disruptions, such as the natural gas shortage last winter or another oil embargo. Such events could cause temporary, but sharp increases in the cost of basic energy in some regions, or to users of particular fuels. Such increases are particularly harmful to low-income people, who have little or no discretionary income with which to meet energy price rises. Present programs have deficiencies in meeting these emergency needs. The President has, therefore, directed the Secretary of Health, Education, and Welfare to complete work on a revised emergency assistance program for prompt submission to the Congress.

F. OIL AND NATURAL GAS

—Oil and natural gas account for three-quarters of the Nation's energy needs, yet constitute less than 8 percent of current domestic energy reserves. These fuels are priced domestically below their marginal replacement costs; as a result, the Nation uses them wastefully with little regard to their true value.

—The Federal Government must provide for prices that provide adequate incentives for producers while preventing industry from receiving windfall profits. Price controls will protect consumers from profiteering by producers, while taxes on utility and industrial use of oil and gas will encourage conservation and conversion to coal. The residential sector is sheltered as the Plan would keep natural gas prices to residential users down and provide tax rebates for home oil use.

1. *Oil pricing* (legislative): The President is committed to the retention of domestic oil price controls for the foreseeable future to prevent windfall profits for oil producers who would otherwise be able to charge the OPEC-determined world price of oil. The basic pricing mechanism adopted by the Energy Policy and Conservation Act would be revised and extended to create a new long-range oil pricing system which would:

—continue indefinitely the current price ceilings of $5.25 and $11.28 per barrel for previously discovered oil, subject only to escalation at the general rate of inflation;

—allow newly discovered oil to rise over a 3-year period to the current world price (adjusted for the rate of inflation); thereafter, newly discovered oil would continue to be priced at the 1977 world price with adjustments for any domestic increases in the general rate of inflation;

—define newly discovered oil as oil from a well drilled more than 2½ miles from an existing onshore well as of April 20, 1977, or more than 1,000 feet deeper than any well within any 2½ mile radius. New oil offshore will be limited to oil from lands leased after April 20, 1977;

—any price increases for any tier in excess of the increases in the general rate of inflation recommended by the executive branch would be subject to congressional disapproval before becoming effective;

—incremental tertiary recovery from old fields and stripper oil would be free of price controls.

2. *Oil taxes* (legislative): All domestic oil would become subject to a crude oil equalization tax applied in three equal stages beginning on January 1, 1978. When fully phased in, the tax per barrel would equal the difference between the controlled domestic price and the world price. The second tax installment in 1979 would bring all domestic crude prices up to the $11.28 tier, and the third increment would bring it to the world price in 1980. Once the tax is fully in place, it would rise with world oil prices, except that authority would exist to discontinue an increase if the world price increased significantly faster than the general level of inflation. The net funds collected as a result of this tax would be returned to the public, on a per capita basis, in the form of tax credits or direct payments for those who have no tax liability.

The oil tax would provide no net gain to the Treasury and no net loss to consumers as a group, while establishing a more realistic energy pricing system. Once the tax is fully in effect, all domestic oil would have approximately the same price (after tax) as the world price, the entitlements program would be terminated, and certain related regulatory activities could be phased out.

3. *Natural gas pricing* (legislative): Current pricing policy evolved at a time when gas was a surplus byproduct of oil. As a result it is now the Nation's most underpriced and oversold fuel. By helping bring natural gas supply and demand back into balance, this pricing proposal is an important first step toward deregulation. If the oil and gas pricing and taxing initiatives in this Plan succeed, it may be possible to return to a market-determined price for new natural gas.

The new gas pricing policy provides prices for new gas that will reflect future costs and risks associated with finding new supplies, recognizes that the United States constitutes a single market for natural gas, and continues controls on old gas.

Specifically, this proposal would:

—subject all new gas, sold anywhere in United States, to a price limitation of the BTU equivalent of the average refiner acquisition cost (before tax) of all domestic crude oil. That price limitation would be aproximately $1.75 per Mcf at the beginning of 1978; the interstate-intrastate distinction would disappear for new gas;

—define new natural gas using the same standards as are used to define newly discovered oil (2½ miles, 1,000 feet, new leases);

—guarantee price certainty at current levels for currently flowing gas, with adjustments to reflect inflation;

—authorize the establishment of higher incentive pricing levels for specific categories of high cost gas;

—allow gas made available at the expiration of existing interstate contracts or by production from existing reservoirs in excess of contracted volumes to qualify for a price no higher than the current $1.42 Mcf ceiling adjusted for inflation; gas made available under the same circumstances from existing intrastate production would qualify for the same price as new gas; i.e., $1.75 per Mcf at the beginning of 1978;

—allocate the cost of the more expensive new gas to industrial users, not to residential and commercial users;

—extend Federal jurisdiction to SNG facilities guaranteeing them a reasonable rate of return.

This pricing mechanism would not affect the existing intrastate contracts. Because the Nation will remain vulnerable to natural gas supply emergencies during the coldest months of the year, the President will propose the emergency gas allocation authority be extended for 3 years.

4. *Other oil and gas measures*

a. *Alaskan crude pricing* (legislative): Inclusion of North Slope oil in the domestic composite price under the current provisions in EPCA would introduce a degree of unnecessary uncertainty into domestic crude oil pricing. This is because of the large volume of new Alaskan oil that would initially be moving into the composite average at a wellhead price anticipated to be considerably below the current average. Under the proposed amendments and extension of EPCA, this problem would be eliminated. The $5.25, $11.28, and new oil pricing tiers, adjusted for inflation, would be substituted for the composite average limitation. Alaskan oil would be subject to an $11.28 wellhead ceiling price, but would be treated as foreign oil for purposes of the entitlements program. New Alaskan oil finds would be subject to the new oil wellhead price.

b. *Elk Hills production* (legislative): Legislation will be sought to limit production from Elk Hills Naval Petroleum Reserve to a ready reserve level at least until the West-to-East transportation systems for moving the Alaskan oil surplus are in place and until California refiners have completed a major refinery retrofit program to enable more Alaskan oil to be used in California.

c. *Shale oil* (administrative): Because of the high risks and costs involved in shale oil development, shale oil will be entitled to receive the world price of oil in the United States.

d. *Oil stockpile* (administrative/budget): We plan to expand the Strategic Petroleum Reserve to one billion barrels from the currently projected 500 million barrels. Such a reserve would enable the United States to withstand a serious supply interruption for 10 months. In addition, rationing and conservation contingency plans will be submitted to the Congress for its review. The FEA will undertake an analysis of additional contingency plans which would be placed into effect during a severe supply interruption.

e. *Liquified natural gas* (*LNG*) (administrative): The limitation on the importation of LNG imposed by the previous administration is being replaced by a more flexible policy that will provide for a case-by-case analysis of each project. Strict siting criteria would foreclose the location of future tanker docks in densely populated areas.

f. *Synthetic natural gas* (*SNG*) (administrative): Current policy discourages construction of SNG facilities. A Federal task force will be established to identify areas where additional SNG plants should be built. The FEA will ensure that plants built in those areas will receive priority for SNG feedstocks.

g. *Gas development* (administrative): Federal research and development programs on gas from geopressurized zones will be greatly accelerated. Efforts to develop gas from Devonian shale will also be expanded.

h. *Outer Continental Shelf* (administrative): The Congress is now considering amendments to the OCS Lands Act which would provide additional authorities to ensure that OCS development is consistent with national energy policies, particularly by providing for a flexible leasing program using bidding systems that enhance competition, assure a fair return to the public, and promote full development of OCS resources. The administration supports these amendments.

i. *Gasoline decontrol* (administrative): Gasoline prices have never reached their allowable controlled ceilings, and marketers have contended for some time that deregulation of gasoline would increase competition by allowing them to shop among suppliers.

In order to assure the maintenance of such competition, the administration will support legislation similar in concept to the current "Dealer Day in Court" statute that protects service station dealers from arbitrary cancellation of their leases by major oil suppliers.

In addition, the administration currently hopes to eliminate gasoline price controls and allocation regulations at the end of the peak driving season this coming fall. Gasoline prices and market competition will be closely monitored and controls will be reimposed if prices rise above a predetermined trigger level. If this action is taken, it would permit the elimination of controls while protecting consumers.

j. *Tax change* (legislative): A competitive problem has resulted from an effect of the Tax Reform Act of 1976, which changed the tax treatment of intangible drilling costs. Some independent oil and gas producers have been deprived of a portion of the tax reduction for such expenses, while the major corporate producers continue to enjoy the full deduction. This anomaly should be removed. As part of the President's program for extending oil and gas price controls, the administration would urge that independent oil and gas producers receive the same tax treatment of intangible drilling costs as their corporate competitors, the major oil companies. Investors who finance oil and exploration in order to obtain a tax shelter for income earned in other occupations should not, however, receive such a benefit.

G. COAL, NUCLEAR, AND HYDROELECTRIC POWER

Even with vigorous conservation, America's demand for energy will continue to grow for the next decade. Although the United States will eventually make extensive use of solar and other nonconventional energy sources, it will have to rely, for at least the next two decades, on the conventional sources now at hand: oil, natural gas, coal, nuclear power, and hydroelectric power.

1. *Oil and natural gas users tax* (legislative): In order to stimulate the shift away from oil and gas toward coal and the conservation of oil and gas used by utilities and industry, legislation will be submitted which would do the following:

—Beginning in 1979, each industrial user of natural gas (except fertilizer manufacturers and certain agriculture users) would be taxed an amount equal to the difference between his average cost of natural gas and a price target keyed to current price of distillate oil. The target level for the first year's tax in 1979 would be $1.05 below the BTU equivalent price of distillate. The target price would rise to equal the distillate price in 1985 and beyond. Thus, in 1979, an industrial user who paid $1.65 per Mcf would pay a tax of $.30 per Mcf to bring the total cost of gas up to the target level of $1.95 per Mcf, assuming the BTU equivalent of distillate is $3.00. By 1985, the target level would rise to approximately $3.30 per Mcf, resulting in an average tax of $1.10 per Mcf based on a projected actual gas cost of $2.20 per Mcf.

—Utility users of natural gas would be similarly taxed, starting in 1983 at an amount that would bring the cost of gas to them to a level of $.50 per Mcf below the BTU equivalent price of distillate. The tax would rise so that by 1988 the cost of gas to them would equal the cost of an equivalent amount of distillate. The later starting date for the tax on utility use of natural gas reflects the longer lead time required by utilities to convert to coal.

—Industrial and utility users of petroleum would be taxed at a flat rate since, unlike natural gas prices, petroleum prices are relatively uniform nationwide. Beginning in 1979, industrial use would be taxed $.90 per barrel; the tax would rise to $3.00 per barrel by 1985. A tax on utility use of petroleum would begin in 1983 at $1.50 per barrel and remain at that level thereafter.

—Industry would be eligible for either an additional 10-percent investment tax credit for conversion expenditures or a rebate of any natural gas or petroleum taxes paid, up to the amount of any expenditures incurred for conversion to coal or other fuels. The rebate in any year could not exceed the amount of taxes paid. However, there would be a carry-forward provision for conversion expenditures that exceeded the tax payments.

—Oil and gas taxes collected from utilities would be set aside to help utilities accelerate the retirement of their oil and gas burning capacity.

With tax liability delayed until 1979 for industry and 1983 for utilities, prudent investors undertaking an aggressive conversion program should be able to accumulate enough conversion credits to eliminate, or minimize, the actual amounts of tax collected. As a practical matter, only those industrial firms and utilities which lagged behind in conversion would be subject to the tax.

2. *Coal conversion regulatory policy* (legislative): In order to assure the greatest possible conversion of utilities and industrial installations to coal and other fuels, while ensuring compliance with applicable environmental standards, legislation will be submitted to:

—prohibit industry and utilities from burning natural gas or petroleum in new boilers with only limited environmental and economic exceptions; industry could also be prohibited from burning gas or petroleum in facilities other than boilers, by regulations applicable to types of installations, or on a case-by-case basis;

—prohibit existing facilities with coal-burning capability from burning gas or oil, by regulations applicable to categories or on a case-by-case basis; with limited temporary exceptions, no utility will be permitted to burn natural gas after 1990;

—require facilities burning coal to obtain approval to shift to petroleum or natural gas;

—require utilities burning natural gas to obtain a permit to shift to petroleum;

—allow any industrial firm or utility prohibited from using natural gas to sell its contract to purchase gas at a price that would provide adequate compensation.

3. *Environmental policy for coal:*

—The administration supports a strong, but consistent and certain, environmental policy to protect the environment and provide the confidence industry requires to make investments in energy facilities. That policy would:

—require the installation of the best available control technology in all new coal-fired plants, including those that burn low-sulfur coal;

—protect areas where the air is still clean from significant deterioration;

—encourage States to classify lands to protect against significant deterioration within 3 years after enactment of Clean Air Act Amendments;

—require Governors to announce intent to change the classification of the allowable air quality for a given area within 120 days after an application is made to construct a new source in that area;

C

—require States to approve or disapprove the application within 1 year thereafter.

—The President believes that further study is needed with regard to the Environmental Protection Agency's current policies allowing offsetting pollution trade-offs for new installations and therefore requests that Congress not write into law a definitive formula for a nonattainment policy until this analysis is completed.

—The President will appoint a special committee to study the health effects of increased coal production and use, and the environmental constraints on coal mining and on the construction of new coal-burning facilities. The Committee will report to the President by October 1977 (administrative).

—The President will request almost $3 million to study the long-term effects of carbon dioxide from coal and other hydrocarbons on the amosphere (budget).

—The President reiterated his support for tough, uniform national strip mine legislation.

4. *Coal research and development* (budget)

—The President has directed ERDA, EPA, and the Department of the Interior to undertake a major expansion of the Government's coal research and development program. They program will focus primarily on meeting environmental requirements more effectively and economically, and will seek to expand the substitution of coal for gas and petroleum products.

—The program will include research on

—more effective, economical methods to meet air pollution control standards, including flue gas desulfurization systems ("scrubbers");

—fluidized bed combustion systems;

—coal cleaning systems;

—solvent refined coal processes;

—low BTU gasification processes;

—synthetic crude technology; and

—coal mining technology.

—In the long run, synthetic high BTU gas produced from coal may provide a substitute for declining natural gas supplies. The Government does not plan to subsidize existing technologies. The administration will pursue an active R&D program for advanced high BTU coal gasification. The program will be conducted with the urgency required to ensure that the new technology will be ready when needed.

5. *Nuclear power*

a. *Plutonium economy*

—The United States will make a concerted effort, in association with other countries, to find answers to the problems of nuclear proliferation. As part of this effort, the United States will defer indefinitely commercial reprocessing and recycling of spent fuels produced in United States civilian nuclear powerplants (administrative).

—In addition, the President has decided to defer indefinitely construction of the Clinch River Liquid Metal Fast Breeder Reactor Demonstration Project and to cancel all component construction, commercialization, and licensing efforts. The United States breeder program will redirect efforts toward evaluation of alternate breeders, fuels, and advanced converter reactors with emphasis on nonproliferation and safety concerns (administrative).

—The United States has asked other countries to join in examining alternate methods of meeting future needs for nuclear power. As part of this program, the United States must restore confidence in its ability and willingness to supply enriched uranium services. The United States is, therefore, taking three steps to restore that confidence.

—The United States is reopening the order books for uranium enrichment services (administrative).

—The President is proposing legislation, in a separate submission, to guarantee the sale of enrichment services to any country which agrees to comply with our nonproliferation objectives and is willing to accept certain conditions (legislative).

—The United States will expand its enrichment capacity. Current capacity consists of gaseous diffusion plants. A centrifuge plant uses only 10 percent as much electrical power as a diffusion plant of equivalent capacity. Accordingly, the next plant that the United States will build, for which funds are already in the proposed fiscal 1978 budget, will be a centrifuge plant (administrative/budget).

—To resolve uncertainties about the extent of domestic uranium resources, ERDA will modify its National Uranium Resources Evaluation program to improve its uranium resource assessment and to include thorium (administrative).

b. *Domestic nuclear safety and storage*

—Light water reactors, the type now being built, are not a proliferation hazard.

—Although light water nuclear reactors have had a good safety record, the President will request the Nuclear Regulatory Commission to expand its audit and inspection staff, to increase unannounced inspections, and to assign a permanent inspector to every nuclear site (administrative/budget).

—The President will request the NRC to make mandatory the current voluntary reporting of minor mishaps and component failures (administrative).

—The President also will request the NRC to develop firm siting criteria that contain guidelines to prevent siting in densely populated areas, under potentially hazardous or valuable natural areas (administrative).

—The current licensing process is unsatisfactory to utilities, intervenors, and the Government. Therefore, the President will direct a thorough review of the entire process. As part of this review, he has proposed that reasonable and objective criteria be established for licensing and that plants which are based on a standard design not require extensive individual licensing (administrative).

—The President will direct a review of ERDA's waste disposal program (administrative).

6. *Hydroelectric power*

The President has directed the Corps of Engineers to report within 3 months on the potential for additional hydropower installations at existing dams throughout the country—especially at small sites. Any recommendation will be subject to a thorough environmental and budget review before final decisions are made (administrative).

H. NON-CONVENTIONAL SOURCES OF ENERGY

America's hope for long-term economic growth beyond the year 2000 rests on renewable and virtually inexhaustible sources of energy, such as solar and geothermal energy. The Government will promote aggressively the development of renewable resources.

1. *Solar energy*

a. *Solar tax credits* (legislative): To stimulate the development of a large solar market, a tax credit of 40 percent of the first $1,000 and 25 percent of the next $6,400 (maximum of $2,000) paid for the installation of qualifying solar equipment would be provided. The credit would decline over time to 25 percent of the first $1,000 and 15 percent of the next $6,400. The credit, available between April 20, 1977, and December 31, 1984, would be supported by a federally supported joint Federal/State program of standards development, certification, training, information gathering, and public education.

b. *Business investment tax credit* (legislative): The solar industry will be aided further by the inclusion of investments in solar equipment for industrial and commercial purposes among the approved conservation measures eligible for the proposed 10-percent tax credit for energy-saving investments.

c. *Federal Energy Management Program* (administrative/budget): The Federal Government will demonstrate its confidence in solar technology by undertaking a 3-year solar program for Federal buildings with up to $100 million.

d. *State support:* States are urged to amend their property tax laws to exempt solar installations from assessments, to enact legislation to protect access to the sun, and to promote consumer education in the solar field. State public utility commissions would be required to develop guidelines to prevent utilities from discriminating against users of solar energy or other alternative energy sources.

2. *Geothermal energy*

a. *Tax deductions* (legislative): To stimulate geothermal drilling, the President will propose a tax deduction for intangible drilling costs comparable to that now available for oil and gas drilling.

b. *Procedural streamlining* (administrative): The Departments of Interior and Agriculture will streamline their leasing and environmental review procedures to remove unnecessary barriers to development of geothermal resources.

I. RESEARCH DEVELOPMENT AND DEMONSTRATION OF DECENTRALIZED SYSTEMS

1. *Reorganization* (administrative/budget): A new Office of Small-Scale Technology is proposed within the Department of Energy in order to tap more fully the great potential of the Nation's individual inventors and small business firms.

2. *Solar, geothermal, and other technologies* (budget): The Government will provide increased funding for photovoltaic systems, solar space cooling and other solar buildings technologies, small wind energy conversion systems, and demonstration projects on wood-derived biomass. The Government will also fund programs for additional work on gas-fired heat pumps and small fuel cells for residential and commercial heating and cooling. Additional funding will be provided to identify new hydrothermal sources which could be tapped for near-term generation of electricity and for direct thermal use. The Government will also support demonstration of direct, nonelectric uses of geothermal energy for residential space conditioning and industial and agricultural process heat in area where this resource has not previously been exploited.

J. TRANSPORTATION STUDY

During the era of cheap energy, the United States developed a national energy transportation system principally for moving oil and natural gas from the South and the Texas Panhandle to the North and Northeast. With growing prospects for increased supplies of oil and gas from Alaska and the Outer Continental Shelf, as well as the possibility of increases in Western coal production, the Nation urgently needs to reassess its energy transportation system. The President will establish a commission to study and make recommendations concerning the national energy transportation system.

C

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 4, 1979

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze CLS

Subject: Producers Prices in March

Tomorrow (Thursday, April 5) at 9:00 A.M., the Bureau of Labor Statistics will release the figures on producers (wholesale) prices in March. The index of all finished goods rose 1.0 percent in March, the same as in February.

Prices of consumer finished foods rose 1.2 percent in March, compared with 1.6 percent in February. Prices of eggs rose by a whopping 16.6 percent; beef and veal prices rose 4.3 percent, or about the same as in February. Prices of both pork and chicken declined, however. Vegetable prices fell sharply, erasing the large February increase.

Prices of finished goods other than foods rose by the same amount (0.9 percent) in March as in February. Unfortunately the unrounded increase was just barely enough to round up to 0.9 instead of down to 0.8 percent. Prices of capital equipment rose less in March (0.6 percent) than in February (0.8 percent); so also did prices of consumer durable goods (0.6 percent in March vs. 0.7 percent in February). Energy items, however, generally rose substantially faster last month, and so the overall index for nonfood finished goods showed no deceleration.

On the surface, the March statistics show little, if any, improvement. But the March increase was much more heavily concentrated in energy and a few other products. A broad range of other prices did increase at a slower pace.

10:00 AM

THE WHITE HOUSE

WASHINGTON

April 3, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: LOUIS MARTIN

SUBJECT: Meeting with the Bishops of the African Methodist Episcopal Church, Cabinet Room, Thursday, April 5, 1979, 10:00 A.M.

I. PURPOSE

To meet with the Council of Bishops of the African Methodist Episcopal Church.

II. BACKGROUND, PARTICIPATION AND PRESS

A. Background: The Africian Methodist Episcopal Church began in Philadelphia in 1787 when some members of the St. George's Methodist Episcopal Church withdrew as a protest against segregated seating. Under the leadership of Richard Allen, they organized the Bethel African Methodist Episcopal Church.

In 1816 Richard Allen called together representatives of separate Black churches in Delaware, Maryland and New Jersey and organized the African Methodist Episcopal denomination. The church is divided today into 18 episcopal districts in the United States, Africa, Canada and the Carribean. There are now over 6,000 AME churches with a membership of 1.1 million. Its chief governing bodies are the General Conference, the Council of Bishops and the General Board.

Bishop Samuel S. Morris is now the presiding Bishop of the Council.

B. PARTICIPANTS: See attached list

White House Staff: Louis Martin

Talking Points: See attached

C. PRESS: White House Press Opportunity

PARTICIPANTS

FOR MEETING - THURSDAY, APRIL 5, 1979

CABINET ROOM - 10:00 AM

Bishop John H. Adams
10th Episcopal District
(Texas)

Bishop Vinton R. Anderson
3rd Episcopal District
(Ohio, Pittsburg and West Virginia)

Bishop William F. Ball, Sr.
18th Episcopal District
(Lesotho, Swaziland, Botswana and Mozambique)

Bishop Harold I. Bearden
6th Episcopal District
(Georgia)

Bishop H. Hartford Brookins
5th Episcopal District
(Missouri, Kansas, Nebraska, Colorado, Arizona,
California and New Mexico)

Bishop Harrison J. Bryant
(Retired)
Baltimore, Maryland

Bishop Philip R. Cousin
9th Episcopal District
(Alabama)

Bishop Frank C. Cummings
8th Episcopal District
(Mississippi and Louisiana)

Bishop Richard Hildebrand
1st Episcopal District
(Pennsylvania, New Jersey, New York, New England,
Delaware and Bermuda)

Bishop Frederick C. James
12th Episcopal District
(Arkansas and Oklahoma)

Bishop Frederick Jordan
(Retired)
Hollywood, California

Bishop Donald G. Ming
15th Episcopal District
(Republic of South Africa)

Bishop Samuel S. Morris, Jr.
President of the Council
11th Episcopal District
(Florida and the Bahamas)

Bishop Henry W. Murph
2nd Episcopal District
(Maryland, Washington, D.C., Virginia, and North Carolina)

Bishop Decatur W. Nichols
(Retired)
Charleston, South Carolina

Bishop H. Thomas Primm
13th Episcopal District
(Tennessee and Kentucky)

Bishop Frank M. Reid, Jr.
7th Episcopal District
(South Carolina)

Bishop Hubert N. Robinson
4th Episcopal District
(Indiana, Illinois, Michigan, Minnesota, Wisconsin,
Iowa and Canada)

Bishop Frederick H. Talbot
16th Episcopal District
(Haiti, Dominican, Virgin Islands, Winward Islands,
Jamaica, Guyana-Surinam)

Bishop Cornelius E. Thomas
17th Episcopal District
(Rhodesia, Zambia and Central Africa)

TALKING POINTS

TALKING POINTS

FOR MEETING - THURSDAY, APRIL 5, 1979

CABINET ROOM - 10:00 AM

WEBER

1. The Administration has intervened in the "reverse discrimination" Weber case. The Justice Department argued before the Supreme Court in support of voluntary affirmative action in the suit brought by Brian Weber against the Kaiser Aluminum Company in Louisiana.

BAKKE

2. The Administration filed an amicus brief in support of affirmative action programs and, following the decision, directed the departments to continue vigorous implementation of affirmative action programs.

YOUTH UNEMPLOYMENT

714
575
139,000
+20%

3. Youth unemployment is a major concern of the government. Despite the fact that recent reports show a one month increase in the unemployment rate for Black teenagers, the number of young Blacks between the ages of 16 and 19 that are working has gone up from 575,000 in January 1977 to 703,000 in January 1979, to 714,000 in February 1979. This represents an increase of 11,000 in just the last month. We have also restored $400 million in countercyclical funds for urban areas which have high unemployment. The problem has been an increase in the size of the labor force. Discouraged workers are now beginning to seek jobs.

ECONOMIC DEVELOPMENT

4. We are moving dramatically to stimulate Black economic development. Large contracts are being awarded to minority businesses. A $22 million contract was recently awarded to the American Pouch Company, a Chicago firm. We expect to meet the goal of tripling federal minority procurement by 1980, bringing the total to $3 billion annually.

THE CIVIL RIGHTS REORGANIZATION

5. The Equal Employment Opportunity Commission has broader enforcement responsibilities for the overall coordination of federal anti-discrimination efforts. Efforts to increase equal opportunity and affirmative action provisions in contracts has been consolidated in one office in the Labor Department, rather than in 13 different agencies.

DISTRICT OF COLUMBIA REPRESENTATION

6. The proposed constitutional amendment to establish full voting representation in Congress for the District of Columbia was passed and sent to the states for ratification.

APPOINTMENTS

7. We are moving forward in major appointments of Blacks. Soon appointments will be announced to Interstate Commerce Commission, Civil Aeronautics Board, Federal Reserve Board, and International Trade Commission. The nomination of Blacks to the Federal Judiciary is proceeding very well and for the first time in history Black judges will be named to the bench in the deep South. Gabrielle McDonald has been nominated to the U.S. District Court in the Southern district of Texas; David Nelson to the U.S. District Court in Massachusetts; John Penn to the U.S. District Court in the District of Columbia, and Theodore McMillian to the 8th Circuit.

PRIVACY ACT

8. Legislation has been introduced by the Administration to protect Americans from threats to privacy in this computer age. The legislation also protects newspaper offices from police searches. The legislative package seeks to establish a "comprehensive national policy to protect the privacy of Americans."

BLACK COLLEGES

9. A memorandum issued by the President on January 17, 1979, requests that each department and agency of government provide greater assistance, financial and otherwise, to the enhancement and development of the 105 historically Black colleges. The AME church founded and now supports at least five of these institutions.

THE WHITE HOUSE

WASHINGTON

05 Apr 79

Stu EIzenstat
Tim Kraft
Jack Watson

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

1382

THE WHITE HOUSE
WASHINGTON

APRIL 5, 1979

MR. PRESIDENT

THE FOLLOWING WILL BE ON THE SIGNAL PHONE AT 10:45 A.M.

GOV. JOSEPH BRENNAN, Maine
GOV. HUGH GALLEN. N.Hamp.
GOV. ELLA GRASO, Conn.
GOV. Joseph Garrahy, Rhode Island
Federal co-Chairman JOE GRANDIMAISON

PHIL

THE WHITE HOUSE
WASHINGTON

Mr. Preisdent:

This could be placed at 11:45 am.

Phil

✓ approve ____ disapprove

Call to Gov's

J

10:45

Governors SNELLING (VT)...KING (MA)...GARRAHY (RI)
GRASSO (CT)...BRENNAN (ME)...GALLEN (NH) Grand Maison

ok
J

THE WHITE HOUSE

WASHINGTON

April 5, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT Stu
TIM KRAFT TK
JACK WATSON Jack

SUBJECT: Recommended Telephone Call to Northeastern Governors

The Governors of six New England States (Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, and Connecticut) are meeting in Providence today for a Title V Commission meeting on energy.

Because of the crucial impact of your energy announcements on New England, and because there is not an explicit recognition of their problems in your speech, some personal gesture by you would be an important symbolic statement of your awareness of the region's problems.

We suggest that you speak briefly to those Governors this morning through a conference call, making the following points:

- o You know that the energy policy you are announcing will have major implications for the Northeast with its special dependence on energy sources from outside the region;

- o The policy is necessarily of national application; still, there are some provisions which will be especially attractive to New England including:

  - -- a more dependable supply of oil over the long term by increasing domestic production and reducing dependence on foreign sources;

  - -- new tax credit for wood burning stoves;

  - -- aggressive program to renovate or construct hundreds of small dams for hydroelectric purposes, many of the most attractive sites being in New England;

  - -- out of an Energy Security Fund to be paid for by a windfall profits tax, we will provide regional storage in New England for our strategic petroleum reserves. We will also fund additional mass transit which will help your states;

-- a "State Alternative" approach to energy conservation whereby a State would be encouraged to develop its own plan to meet energy conservation goals as an alternative to the imposition of Federal standards -- such an approach allows States to conserve in ways reflecting different consumption patterns (e.g. heavy use of home fuel oil in New England).

- Recognizing the need to deal with the special problems of the entire Northeast, especially regarding conservation, you hope that these States, separately or preferably, as a group including the six States in the Commission supplemented by New York, New Jersey and Pennsylvania will take advantage of the "State Alternative" conservation plan option. You will be directing Stu Eizenstat, Jack Watson and Secretary Schlesinger to work with the Northeastern Governors over the next 60 days to develop state alternatives which meet the Federal conservation goals and are suited to the region.

- Support for the difficult proposals set forth in the speech is particularly important if the proposals are to succeed. Any help from the New England Governors would be great appreciated.

For your information, we know that Governor Snelling (VT) and Governor King (MA) favor decontrol of oil and that Governor Garrahy has privately indicated a willingness to support you on the issue but is not eager to be out in front on it. Governor Garrahy is the chair of this Title V Commission. He strongly feels that the link between decontrol and a wind-fall profits tax is crucial politically. Governor Grasso is strongly opposed to decontrol. The views of Governors Brennan (ME) and Gallen (NH) are not known.

If you approve, we will arrange a time for the call to be placed later this morning.

Consult home heating

_______________ Approve

_______________ Disapprove

THE WHITE HOUSE
WASHINGTON

05 Apr 79

Secretary Schlesinger
Jack Watson
Stu Eizenstat

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

1381

THE WHITE HOUSE
WASHINGTON

4-5-79

To Schlesinger
Watson
Eizenstat

I promised the New England governors that you all will consult with them on the new energy proposals as soon as possible.
Please do so.

J.C.

12:10 PM

THE WHITE HOUSE

WASHINGTON

GREETING OF THE SUPREME LODGE OF THE ORDER OF AHEPA

Thursday, April 5, 1979
12:10 p.m.
The Oval Office

From: Anne Wexler

I. PURPOSE

To greet the Supreme President, Peter Paulus, and other officers of the Order of AHEPA.

II. BACKGROUND

AHEPA (American Hellenic Educational Progressive Association) is a fraternal organization with 25,000 members of Greek birth or descent. As a charitable organization, AHEPA makes 500 scholarships available for worthy students each year.

The Greek American community, as you know, is dissatisfied with the slow resolution of the Cypriot situation after the lifing of the Turkish arms embargo. They are also dissatisfied with the present request to Congress for supplemental assistance for Turkey. We have heard that they might take advantage of this time to express their concern about increased Turkish aid.

AHEPA, in addition to its interest in a resolution of the Cyprus situation, has made several recommendations of Greek Americans for presidential appointments. The one still outstanding is Judge Thomas Lambros of U.S. Court of Appeals, Sixth Circuit. No decision has been made on this appointment.

III. TALKING POINTS

1. I am pleased to meet such distinguished representatives of the Greek American community as the officers of the Supreme Lodge of the Order of AHEPA.

2. We have always had a good relationship and a good dialogue, even when we have disagreed.

Additional material if you choose to use it provided by the National Security Council.

3. This Administration remains firmly committed to the peaceful resolution of disputes in the Eastern Mediterranean and the maintenance of stability in the area.

4. I place a high priority on efforts to achieve a fair and durable Cyprus settlement. We have been and will continue to be active in the pursuit of such an agreement.

5. I believe the past months have seen a greater readiness on the part of Turkey to deal with the Cyprus issue in a practical and statesmanlike manner. Indications are that the Government of Turkey genuinely desires a negotiated solution to the problem and is prepared to assist current efforts to achieve a resumption of talks between the two Cypriot communities.

6. A concerted attempt is now being made, under the direction of U.N. Secretary General Waldheim, to bring about a resumption of the negotiations on the basis of an agreed U.N. agenda. We are actively supporting this endeavor and are hopeful that it will succeed.

7. Our recent decision to request from the Congress supplemental assistance for Turkey is based on the urgent need to support a democratic, Western-oriented ally situated in an important and increasingly turbulent part of the world.

8. The Government of Greece understands our concern over the situation in Turkey. They do not want to see a worsening of the severe economic deterioration of Turkey and recognize that this would be a threat to the stability of the area.

9. We will continue to follow a balanced approach with respect to military assistance, keeping in mind the security interests and NATO responsibilities of both Greece and Turkey.

10. Our relations with Greece are better than they have been for years. We share the same policy goals and a common commitment to the peaceful resolution of differences in the Eastern Mediterranean.

IV. PARTICIPANTS AND PRESS PLAN

A. Participants

Dr. Peter Paulus — Supreme President
(attended human rights cermony last December)

Spiro C. Samaras — Chairman of the Board of Trustees

George Pahno — Councel of the Board of Trustees
(attended meeting on the lifting of the Turkish arms embargo; supporter from Savannah)

Judge Gregory Lagakos — Supreme Vice President

John Plumides — Chairman of the AHEPA Cyprus and Aegean Committee
(attended meeting on the lifting of the Turkish arms embargo)

Elias Chinonis — Supreme Secretary

Theodore Bouras — Supreme Treasurer

Timothy Maniatis — Executive Director
(attended meeting on the lifting of the Turkish arms embargo and reception for King of Thailand, February 4.)

B. Press Plan

White House photographer.

12:20 PM

THE WHITE HOUSE

WASHINGTON

April 4, 1979

MEETING WITH CHERRY BLOSSOM PRINCESSES

Thursday, April 5, 1979
12:20 p.m. (5 minutes)
Rose Garden

From: Nancy Willing NW.

I. PURPOSE

To greet this year's Cherry Blossom Princesses.

II. BACKGROUND PARTICIPANTS & PRESS PLAN

A. Background: The annual Cherry Blossom Festival commemorates the gift of 6,000 flowering cherry trees from the government of Japan. Mrs. Taft planted the first tree along the Tiday Basin in 1912. Each year the Japanese Ambassador joins in the festivities.

B. Participants: Cherry Blossom Princesses including the daughters of Congressmen Fuqua and Hightower, Senator Muskie, and daughter of Horace Kornegay, former Congressman from North Carolina, now the President of the American Tobacco Institute. Mrs. Marie Owen, President of the National Conference of State Societies is accompanying the group.

C. Press Plan: To be coordinated with Press Office.

III. TALKING POINTS

The Princesses visiting the White House represent 48 states, 3 territories and the District of Columbia.

The Queen will be chosen on Saturday night at the Cherry Blossom Ball by a spin of the wheel. Ambassador Togo will spin the wheel.

At the Latern Lighting ceremony on Monday, April 2, Under Secretary Newsome of the State Department announced that the President will be visiting Japan.

tc with dr. denton 4/5/79

THE WHITE HOUSE
WASHINGTON

7:45 4-5-79

Denton

Real progress in leadership
Bill Lee - Howard Lee - Stern
750 from industry present
"Do not lie"
Arkansas plant now shut down - heat circ. method

THE WHITE HOUSE
WASHINGTON

05 Apr 79

Tim Kraft
Arnie Miller

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

FOUR MEMOS ATTACHED

C

THE WHITE HOUSE

WASHINGTON

April 3, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT TK
ARNIE MILLER AM

SUBJECT: Civil Aeronautics Board

Dr. Kahn's appointment as your Advisor on Inflation left a vacancy on the Civil Aeronautics Board.

The Board needs someone who is generally familiar with the economic and legal questions resulting from the Aviation Deregulation Act. In addition, Chairman Cohen wants someone who can concentrate on international negotiations. These duties require a significant amount of travel and cannot be performed by the Chairman.

Lucius Gregg is a Vice President of the First National Bank of Chicago. He has a varied background in banking, including international loan negotiations, and has high-level experience in education, public affairs, and Federal interaction with private sector research and development. Among other outside interests, he is Vice Chairman of the Board of the Corporation for Public Broadcasting. He is an honor graduate of the Naval Academy in Annapolis, holds a Master's degree in aeronautics and astronautics, and spent ten years as a pilot and program officer in the Air Force. He would like to renew his involvement in international aviation issues and negotiations.

Because of his personal interest in aviation, Mr. Gregg is extremely knowledgeable of the details of the Aviation Deregulation Act. His financial background will be useful to the Board in the important merger decisions they will be facing.

Mr. Gregg would be the first black appointed to the Board in its 41 year history.

Chairman Cohen, Louis Martin, and Stu join us in the following recommendation.

RECOMMENDATION

Nominate Lucius P. Gregg, Jr. to be a Member of the Civil Aeronautics Board.

✓ approve ____________ disapprove

J

LUCIUS P. GREGG, JR.
Chicago, Illinois

EXPERIENCE

1972 - Present	Vice President, First National Bank of Chicago
1969 - 1972	Program Officer, Alfred P. Sloan Foundation
1965 - 1969	Associate Dean of Sciences, and Director of Research Coordination, Northwestern University
1961 - 1965	Project Director, Air Force Office of Scientific Research, and the Office of Aerospace Research
1955 - 1965	U.S. Air Force

EDUCATION

1975 -	Harvard Business School, Advanced Management Program Graduate
1961 -	Massachusetts Institute of Technology, M.S. in Aeronautics and Astronautics
1955 -	U.S. Naval Academy, Annapolis, B.S. honor graduate

ACTIVITIES AND AWARDS

Board Member and Vice Chairman, Corporation for Public Broadcasting
Chicago Council on Foreign Relations
Harvard Business School Club of Chicago
U.S. Naval Academy Academic Board
Honorary Doctor of Science Degree, Grinnel College, 1975
"Ten Outstanding Young Men of 1966"
"Outstanding Young Engineer of 1964" Washington, D.C. Academy of Sciences
Intelligence Review Committee, Chicago Police Department

PERSONAL

Black Male
Age 46
Democrat

THE WHITE HOUSE
WASHINGTON

April 5, '79

Mr. President:

When we last submitted the reappointment recommendation on Gilinsky, you questioned his support of your policies, particularly with regard to exports to India.

Arnie checked this out with Stu's and Zbig's offices and submitted the attached report to me.

TK TK

C /

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT TK
ARNIE MILLER AM

SUBJECT: Nuclear Regulatory Commission

The Nuclear Regulatory Commission licenses and regulates the uses of nuclear energy to protect the public health and safety and the environment. One of its specific duties is to comment on all import and export licensing agreements. It is a bi-partisan commission composed of five members, with each serving a five year term.

Last year, you appointed Peter Bradford and John Ahearne. In addition to them Victor Gilinsky's positions on nuclear non-proliferation parallel yours. You now have a working majority of three out of five that supports you on most critical issues confronting the NRC. Gilinsky's term expires on June 30, and he has expressed a strong interest in being reappointed.

Hill support for his reappointment is particularly strong, especially from those counted upon to promote your policies in this regard -- Glenn and Hart in the Senate and Zablocki, Udall, Dingell, Bingham, and Simon in the House.

Stu, Zbig, Frank Moore, Eliot Cutler of OMB, Frank Press, and Gus Speth of the Council of Environmental Quality all concur in the following recommendation.

RECOMMENDATION

Nominate Victor Gilinsky to be reappointed as a Member of the Nuclear Regulatory Commission.

✓ approve ______ disapprove J

THE WHITE HOUSE

WASHINGTON

April 5, 1979

MEMORANDUM FOR: TIM KRAFT

FROM: ARNIE MILLER

SUBJECT: Victor Gilinsky

Gilinsky's Position on Exports

Since the beginning of this Administration, the NRC has reviewed 174 export cases. Gilinsky has voted against NRC approval of only one - India. In so doing, he stated that "his inability to certify that the statutory criteria are met is not to be read as a statement that the President should not authorize this shipment. That judgment is his to make, based on considerations that are legitimately apart from those imposed on us by the statutes that we administer. . . it is important to make clear that we are not addressing the question whether it would be unwise or inconsistent with overall non-proliferation goals for the President to authorize this export."

Gilinsky's Position on Light Water Reactors

Throughout his term on the Commission, Gilinsky has supported the light water reactor technology as holding the best promise for safe, reliable generation of electricity, with nuclear power playing an important role in the US's energy picture. In supporting the President's anti-proliferation program, he has made the point that plutonium-based technologies are unproven, as well as dangerous to international security.

THE WHITE HOUSE

WASHINGTON

4/4/79

Mr. President:

A decision is also requested on p. 2.

Rick

C

THE WHITE HOUSE

WASHINGTON

April 2, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT TK
ARNIE MILLER AM

SUBJECT: Inspector General Positions

In January and February you selected twelve people as Inspectors General. Since then you have nominated ten of them. Two of your selections, Judy Rogers at EPA and Karen Burrstein at CSA, changed their minds prior to their nomination. We are now prepared to recommend another person to be the IG at CSA and will suggest a person for the EPA position in the near future.

Community Services Administration:

We and Grace Olivarez recommend Frankie Freeman to be the Inspector General of the Community Services Administration. Ms. Freeman is a tough Black attorney who has served as a member of the Civil Rights Commission for over a decade. She has also served as an Assistant Attorney General in Missouri. She has had considerable experience in the housing, community action, and youth areas at the local level in St. Louis. (See attached resume.) If she is appointed, Ms. Freeman will resign from her position on the Civil Rights Commission.

Ben Civiletti, Jim McIntyre and Louis Martin concur in this recommendation.

RECOMMENDATION:

Nominate Frankie Freeman to be the Inspector General of the Community Services Administration.

✓ approve ____________ disapprove

J

Selection of Future Inspectors General:

Your decision to personally select the most recent IG selections has been well received because it correctly reinforces the independent nature of the Inspector General's role.

The selection process and the nominees that resulted from this decision have also been well received. Ben Civiletti, Jim McIntyre and each affected department or agency head were extensively involved throughout this process.

There will be other IG appointments in the months to come. We believe that you should personally select all future statutorily-created IG's in a similar manner. This issue is especially timely, because Tom Morris, the IG at HEW is planning to leave in the near future.

If you agree with this recommended action, we suggest that you tell Secretary Califano that you'd like to be personally involved in the selection of his Inspector General in the same way that you were for the rest of the Cabinet. Ask him for his top three candidates, and tell him that the Department of Justice, OMB and the Personnel Office will be involved in the process and may have other recommendations.

Ben Civiletti, who suggested this recommendation to us, and Jim McIntyre concur.

RECOMMENDATION:

Select all future statutorily-created Inspector General positions personally, utilizing an approach similar to the process employed in implementing the "Inspector General Act of 1978."

___✓___ approve   __________ disapprove

J

FRANKIE M. FREEMAN

Professional Experience

1964 - Present	Member, U.S. Civil Rights Commission
1970 - Present	Partner, Elliott, Marks and Freeman
1969 - 1970	General Counsel, St. Louis Housing Authority
1956 - 1969	Associate General Counsel, St. Louis Housing and Land Clearance Authorities
1955 - 1956	Assistant Attorney General of Missouri

Other Activities

Member, Executive Board, Human Development Corporation of St. Louis

Member, Executive Committee of the Mayor's Council on Youth Opportunity, St. Louis

Education

1947	Howard University School of Law, LL.B.

C

THE WHITE HOUSE

WASHINGTON

April 4, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT TK
ARNIE MILLER AM

SUBJECT: Federal Communications Commission

In October 1977, you appointed Tyrone Brown to an unexpired term on the Federal Communications Commission. His term expires on June 30. Brown has done a very good job. He has earned the respect of his colleagues and established a reputation in the industry as the hardest worker on the Commission. He has the strong support of the black community and has been an integral part of Chairman Ferris' slim majority on the FCC.

Stu, Louis Martin, Chairman Ferris and Assistant Secretary Henry Geller join us in the following recommendation.

RECOMMENDATION

Nominate Tyrone Brown to be reappointed as a Member of the Federal Communications Commission.

✓ approve ______ disapprove

J

TYRONE BROWN
Washington, D.C.

EXPERIENCE

1977 - Present	Commissioner, Federal Communications Commission
1974 - 1977	Associate, Caplin & Drysdale
1971 - 1974	Director and Vice President for Legal Affairs, Post-Newsweek Stations, Inc.
1970 - 1971	Assistant, The Honorable Edmund S. Muskie, United States Senator, then Staff Director, Intergovernmental Relations Subcommittee
1970	Special Investigator, The President's Commission on Campus Unrest, Jacksonville, Mississippi
1968 - 1970	Associate, Covington & Burling
1967	Law Clerk, The Honorable Earl Warren, Chief Justice, U.S. Supreme Court

EDUCATION

1967	The Cornell Law School, LL.B.
1964	Hamilton College, A.B.

ACTIVITIES

Member, Board of Directors and Executive Committee, National Lawyers' Committee for Civil Rights Under Law
Member, Board of Directors and Executive Committee, Washington Center for Metropolitan Studies
Public Member, Administrative Conference of the United States

PERSONAL

Black Male
Age 36
Democrat

western union Telegram

1979 APR -6 AM 2:54

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PMS MR. ROBERT HEALEY (DELIVER AND REPORT OF DELIVERY)

ANACONDA WASHINGTON SERVICES

1700 PENNSYLVANIA AVE., N.W.O

SUITE 525

WASHINGTON, D.C. 20006

THE FOLLOWING TELEGRAM WAS SENT TO PRESIDENT CARTER THURSDAY EVENING.

PRESIDENT JIMMY CARTER

THE WHITE HOUSE

WASHINGTON, D.C.

DEAR MR. PRESIDENT:

SF-1201 (R5-69)

western union Telegram

1979 APR -6 AM 2:54

THE COURAGEOUS PROGRAM YOU OUTLINED TONIGHT FOR MEETING AMERICA'S ENERGY CHALLENGE IS THE MOST CONSTRUCTIVE STEP IN MORE THAN FIVE YEARS.

THIS NATION HAS GREAT RESOURCES, INGENUITY AND SKILLS, AND IF PROPERLY DIRECTED CAN OVERCOME THE DIFFICULTIES WHICH NOW CONFRONT US. THERE ARE NO EASY SOLUTIONS TO THE PROBLEM -- A PROBLEM THAT MUST BE SHARED BY EVERY AMERICAN.

WE LOOK FORWARD WITH REAL HOPE TO A MORE SECRUE ENERGY FUTURE. CONGRATULATIONS ON MAKING THESE DIFFICULT BUT NECESSARY DECISIONS.

ROBERT O. ANDERSON

SF-1201 (R5-69)

western union Telegram

1979 APR -6 AM 2:54

CHAIRMAN OF THE BOARD

ATLANTIC RICHFIELD COMPANY

TLX NBR 677415

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