

**6/21/79 [3]**

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo	<del>From Owen to The President (13 pp.) re: Indochinese Refugees</del> opened per RAC NLC-126-17-29-1-1; NLC-126-17-29-5-7; NLC-126-17-29-2-0; NLC-126-17-29-3-9; NLC-126-17-29-4-8, 10/24/13	6/21/79	A
memo	From Brzezinski to The President (3 pp.) re: Intelligence Charters <i>Summarized copy open - sheets</i>	6/21/79	A

FILE LOCATION

Carter Presidential Ppaers- Staff Offices, Office of the Staff Sec. -Pres. Hand-writing File 6/21/79 [3] BOX 136

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THE WHITE HOUSE  
WASHINGTON

6/21/79

Zbig Brzezinski

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

Rick Hutcheson

cc: The Vice President

~~CONFIDENTIAL~~ ATTACHMENT

THE WHITE HOUSE

3703

WASHINGTON

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI

SUBJECT: Intelligence Charters (U)

The SCC has completed its work on intelligence charters, and subject to your approval of some remaining issues, the Administration's position is ready for submission to Congress. (U)

You will recall that you have approved statutory provisions on the organizational issues in Title I of S.2525, and on two of the principal issues in Title II: collection of positive foreign intelligence and special activities. These provisions have been provided to the Senate Select Committee on Intelligence. Remaining for your consideration are the statutory provisions recommended by the SCC (at Tab A) on counterintelligence, collection of information on potential sources or for security purposes, and remedies: (U)

-- Counterintelligence (sections 218-221): As a general principle, the SCC recommends that the provisions on counterintelligence be patterned to the extent possible on the regulatory scheme you approved for collection of positive foreign intelligence, but that the provisions should be as general as possible and otherwise capture current practice. The threshold for collecting against a United States person is that facts and circumstances indicate the person is engaged in clandestine intelligence activities on behalf of a foreign power (section 218). (U)



Review on June 19, 1985

SANITIZED

E.O. 12356, Sec. 3.4

PER 11/3/93 NKC H/C RE WIR-NIC-92-108  
BY JK NARS DATE 12/7/93~~CONFIDENTIAL~~

[Redacted]

(C)

Approve counterintelligence statutory provisions as recommended by SCC. (U)

Alternatively,

[Redacted]

-- Collection of Information on Potential Sources or for Security Purposes (sections 222 and 223): The SCC recommends that collection of information for security purposes and about U.S. persons as potential sources of information should be authorized subject to Attorney General-approved procedures as to scope, duration, and intensity, and that the use of intrusive techniques (electronic surveillance and physical search, including mail openings) be specifically prohibited. (U)

Approve

Disapprove

-- Remedies (sections 261-265): The SCC recommends extension of the Foreign Intelligence Surveillance Act (FISA) principle to apply criminal penalties for electronic surveillance or physical searches undertaken against U.S. persons overseas without a court order, when such an order is required (section 261). Also, it recommends a special civil liability provision for illegal overseas electronic surveillance or physical search to conform to FISA, but to leave all other civil liability issues to resolution in the on-going review of the Federal Tort Claims Act (section 262). Finally, it is recommended that the charter include a provision limiting the legal remedies available to individuals or groups who wish pre-emptively to curtail U.S. intelligence activities (section 263). (U)

Approve

Disapprove

Our plan now is to provide the Senate Select Committee on Intelligence and the House Permanent Select Committee on Intelligence with any charter provisions not currently in their possession, thus placing the ball in their court for the first time in almost two years. We will do this on a low-key, informal basis, consistent with Congressional desires, so that any counterproposals they may have can be considered prior to formal submission. Also, this approach will require the committees to make specific proposals on

S.2525 provisions we have decided to omit or defer, such as the question of whether to embody in statutory form the Executive Order requirement to keep Congress "fully and currently informed" on intelligence matters. (U)

Even though the legislative process is only in its early stages, the SCC recommends that guidelines be established for presenting the Administration position in Congress, both now and when the proposals are formally announced. We currently have the situation in which Congressional entities are targetting sympathetic agency heads and staff, trying to elicit guarantees to support counterproposals inconsistent with some of your decisions. We should, therefore, bring the process under control along the following general guidelines: (U)

1. The intelligence charter and relations with Congress remain under your direct control, through the SCC and its Charters Working Group. Also, I would ensure that appropriate coordination is undertaken with other White House offices. (U)

2. The Director of Central Intelligence will be the principal spokesman for the Administration on charter legislation. Heads of agencies will provide support to the DCI in dealing with Congress on charter provisions of common interest. (U)

3. Agency heads are responsible for presentation of those charter provisions that relate specifically to the organization of their agencies. (U)

Approve       ✓       Disapprove \_\_\_\_\_

J

At Tab B is a comparative analysis of the Administration position and the original Title II of S.2525. You will note that there are major differences between the two, but the SCC is of the opinion that our proposal represents an intelligence charter that strikes the proper balance between the protection of civil liberties and the need for an effective intelligence effort. Use of intrusive techniques, special activities, and collection of information on U.S. persons are strictly circumscribed, yet necessary flexibility is maintained by retaining authority for exceptions in extraordinary circumstances. While we will give full consideration to congressional counterproposals, I believe that our current position is defensible and sound. (U)

THE WHITE HOUSE  
WASHINGTON  
6/21/79

Frank Moore

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

Rick Hutcheson

FOR ACTION  
FYI

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<input checked="" type="checkbox"/>	MOORE
	POWELL
	RAFSHOON
	WATSON
	WEXLER
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	MCINTYRE
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	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARONSON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	HARDEN
	HERNANDEZ
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE
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THE WHITE HOUSE  
WASHINGTON

done  
J

CONGRESSIONAL TELEPHONE CALL

TO: Senator Robert C. Byrd **Electrostatic Copy Made  
for Preservation Purposes**

DATE: Today

RECOMMENDED BY: Frank Moore

PURPOSE: To discuss matters related to SALT

BACKGROUND: I suggest that you cover with Senator Byrd two subjects which are directly related to SALT: His visit to the Soviet Union during the 4th of July recess and Senator Baker's meeting with you today.

As you know Senator Byrd will be going to the Soviet Union next week while you are in Japan. You have already mentioned having talked with Soviet leaders about his trip, and you may want to offer appropriate briefings.

Senator Byrd was not pleased with Senator Baker's recent statements on SALT and his announced intention to inject partisanship into the debate. He should be apprised of Senator Baker's visit tomorrow.

TOPICS OF  
DISCUSSION:

1. Senator Howard Baker is coming to the White House tomorrow afternoon for a private meeting with me. I expect he will want to discuss SALT and possible amendments to the treaty. I am sure you are familiar with several of his recent public statements (for example, Senator Baker has said that SALT cannot be ratified without amendments, that he wants to be the "broker" for Republican amendments and that he will not want to join the Majority Leader -- assuming the Leader decides to support the treaty -- in proposing any significant modifications). I know you have not made up your mind on the treaty but since Senator Baker is coming in as the Minority Leader, I wanted you to be aware of his visit. I have no intention of negotiating with Senator Baker on amendments today. However, I will be interested in hearing him out. Do you have any recommendations? (Senator Byrd may

take a dim view of your meeting with Senator Baker. Of course, we will have to continue discussions with Baker. To refuse to talk with him would insure an unsatisfactory course on his part.)

2. I will be out of the country when you leave on your trip to the Soviet Union. As I told you yesterday, I talked with President Brezhnev about your trip and have asked Zbig to arrange appropriate briefings for you beforehand.

Date of Submission: June 21, 1979

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

June 19, 1979

MEMORANDUM FOR THE EPG STEERING GROUP

From: Charlie Schultze  
Subject: The Economic Impact of Higher Oil Prices  
and Current Fiscal Policy

1. Oil Prices.

In December 1978, OPEC announced a scheduled increase in prices which would have raised the average world price of oil from about \$13.80 to \$15.20 by October 1979. As of June 1, 1979 world oil prices (outside the spot market) had reached \$17.50. Some further increase at the OPEC Geneva meeting is certain. The course of oil prices over the subsequent 18 months will depend on the balance between demand and supply. That, in turn, will be heavily influenced by: (i) Saudi and Iranian production decisions; (ii) the success of conservation measures by the OECD countries; and (iii) the rate of economic growth.

To estimate the effect of higher oil prices on the U.S. economy we have assumed that:

- a. The world price of oil will rise to \$19 a barrel in June (implying a price for Saudi marker crude of \$18 to \$18.25);
- b. Prices will rise gradually to \$22 by the fourth quarter of 1980; this represents a real price increase of only 2-1/2 percent above the end of June level.

A translation of these into delivered prices to the United States yields the following price schedule:

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Delivered Price

<u>Year and quarter</u>	<u>December 1978 schedule<sup>1/</sup></u>	<u>Current assumption</u>	<u>Increase</u>
1979:1	15.10	15.50	0.40
2	15.65	17.60	1.95
3	16.10	19.50	3.40
4	16.40	21.50	5.10
1980:1	16.75	22.15	5.40
2	17.00	22.55	5.55
3	17.30	22.95	5.65
4	17.60	23.35	5.75

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1/ Assumes no real price rise after 1979.

2. Increase in Oil Revenues.

The rise in prices will be paid by oil users and increase the revenues that flow to three recipients: (i) foreign oil producers; (ii) U.S. budget receipts from the windfall tax and income taxes; and (iii) domestic oil company revenues (some part of which will go to state and local governments).

Using the Administration's windfall tax formulation, and assuming a smooth decontrol path that eliminates controls by September 30, 1981, the additional costs paid by oil users, and its division among various recipients is shown below:

(billions of \$, annual rate)

	1979		1980	
	<u>1-H</u>	<u>2-H</u>	<u>1-H</u>	<u>2-H</u>
Additional oil bill.	6	28	37	41
Received by:				
Foreign producers	5	19	22	22
U.S. government:				
windfall tax	0	0	4	5
income tax	1/2	4	5	6
Oil companies	1/2	5	7	8

3. Size of the Oil "Drag" on the Economy.

By the end of 1980, on the assumptions spelled out above, consumers and other users of oil will be spending over \$40 billion additional on oil, compared to what they would have spent under the old price schedule. (This calculation, however, may overstate the size of the additional oil bill by perhaps \$4 to \$5 billion since it is based on supply and consumption estimates that may be 3 to 5 percent too high.)

Some of the proceeds will be recycled back into the economy in three ways: additional exports to OPEC; Federal spending from the windfall tax proceeds; additional oil company spending on energy development, other investment and higher dividends. In the long run, this recycling will be very sizable, and offset a large part of the deflationary impact of the price rise. But the lags are long, and the immediate recycling -- over the next 18 months -- is likely to be modest. We have assumed that by 1980 recycling will amount to 25 percent of the OPEC and oil company revenues and 50 percent of the windfall tax. On that basis the net drag on total spending in the economy is as follows:

(billions of \$, annual rate)

	1979	1980	
		1-H	2-H
Gross additional oil bill	7	37	41
<u>Less:</u> Recycling	2	9	11
<u>Equals:</u> Net drag on spending	5	28	30

By the second half of 1981, the net drag on economic activity from higher oil prices may therefore be on the order of \$30 billion (or perhaps \$25 billion, if we take into account lower consumption estimates). The economic effect is equivalent to a \$35 to \$40 billion excise tax increase, of which only \$10 billion is spent.

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This estimate does not take into account any special effects on the auto and tourist industries stemming from the gasoline scare.

4. Effects on GNP, Unemployment, and Prices.

The net drag on the economy from the assumed OPEC price increases would, taken by itself, lower GNP in the 4Q1980 by about 2 percent below what it would have been on the old, December 1978, schedule of prices. While additional depressive effects could occur if auto sales were substantially affected, that effect is not likely to last long unless the gasoline lines remain. After 1980, the depressive effects should become steadily less as larger and larger fractions of the higher oil bill are recycled into increased exports, energy development spending, and other productive uses.

The output reducing impact of the higher oil prices will be accompanied by higher unemployment. We estimate an increase of 0.8 percent in the unemployment rate, by end 1980, due to the price increase. (That is, unemployment will be 0.8 percent higher than otherwise. We had earlier been predicting 6.4 percent. If nothing else happened to change that projection, the 4Q1980 unemployment rate would be 7.2 percent.)

The higher crude oil prices would directly add 1.5 percent to the consumer price index by end 1980, in terms of higher prices for petroleum products and other goods and services produced from petroleum products. There are two kinds of indirect effects: (i) sympathetic increases in other energy prices (principally coal, since natural gas is still controlled), and (ii) the wage-price spiral effects, as the higher CPI leads to higher wage demands, higher unit labor costs, higher prices, and thus around again. We have conservatively estimated that the indirect effects are equal to 50 percent of the direct effects, gradually spread out over two years. By the end of 1980 the total increase in the level of the CPI would thus be 2 percent -- 1 percent coming in 1979 (principally direct effects) and another 1 percent in 1980.

These price effects assume that petroleum product prices are marked up dollar for dollar with higher crude oil prices. In fact, because of the shortages and because refinery margins probably were low in 1978, petroleum product prices have been going up more than crude prices. Between

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December 1978 and May 1979 the average of crude petroleum prices in the United States rose 7-1/2 percent. But the wholesale price of refined products rose over 18 percent, retail prices of gasoline by about 18 to 20 percent, and heating oil prices by 15 to 18 percent. If the current excess of demand over supply could be eliminated, it is at least conceivable that petroleum prices in the future may rise somewhat less than dollar for dollar with the price of crude oil.

5. Fiscal Policy.

We can crudely (no pun) measure the restrictive or stimulative thrust of fiscal policy by calculating the budget deficit or surplus on the assumption of a constant level of unemployment. This separates out the induced effect of economic fluctuations on the budget. If we calculate budget receipts and expenditures on the assumption of a constant 6 percent unemployment rate, the Federal budget deficit would shrink by \$15 to \$20 billion, between the end of 1978 and the end of 1980, excluding the direct effect of higher oil prices on Federal revenues. This shrinkage occurs principally in 1980. The move toward restraint, and its accompanying effect in slowing economic expansion, was explicitly planned as part of our effort to contain and reduce inflation.

6. Combining the Effects of Fiscal Policy and Oil Price Rises.

Combining the restrictive effects of the budget and the oil price rise yields a very large number. By the end of 1980 the two combined produce a total restrictive effect of \$40 to \$50 billion -- \$15 to \$20 from fiscal policy and \$25 to \$30 from oil. At the same time, however, the oil price rise adds about 1 percent a year to inflation in 1979 and 1980.

7. Effect of Higher Oil Prices and Higher Unemployment on Budget Receipts.

The higher oil prices will, as indicated earlier, raise Federal budget receipts because of their impact on the revenues from the windfall profits tax and from regular profits taxes on oil companies. But the slower economic growth will reduce revenues from other sources.

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The reduction in economic activity on account of higher oil prices would tend to raise the 1981 budget deficit by about \$12 billion above earlier projections. The higher oil prices, however, would increase 1981 oil related revenues -- beyond those already included in recent budget projections -- by some \$8 billion. To the extent that additional wage increases took place in response to the higher oil prices, this would also raise revenues. Thus, the combined impact of higher oil prices on the 1981 budget would range from a standoff to a small increase in the deficit.

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THE WHITE HOUSE  
WASHINGTON

6/21/79

Frank Moore

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the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

cc: The Vice President

FOR ACTION  
FYI

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<input type="checkbox"/>	FOR INFORMATION
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<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND
<input type="checkbox"/>	NO DEADLINE
<input type="checkbox"/>	LAST DAY FOR ACTION

<input checked="" type="checkbox"/>	VICE PRESIDENT
<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	KRAFT
<input type="checkbox"/>	LIPSHUTZ
<input checked="" type="checkbox"/>	MOORE
<input type="checkbox"/>	POWELL
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<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	MCINTYRE
<input type="checkbox"/>	SCHULTZE
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<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VANCE

<input type="checkbox"/>	ARONSON
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	CRUIKSHANK
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
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<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SANDERS
<input type="checkbox"/>	WARREN
<input type="checkbox"/>	WEDDINGTON
<input type="checkbox"/>	WISE
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<input type="checkbox"/>	CONFIDENTIAL
<input type="checkbox"/>	SECRET
<input type="checkbox"/>	EYES ONLY

THE WHITE HOUSE  
WASHINGTON  
July 21, 1979

*Fitz will do  
Not done  
J*

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE

*Fm / BR*

We think we may have suffered some slippage overnight on Panama. We have carefully analyzed the Hansen vote and are getting recommitments from anyone who we lost on Hansen. If you have the time, we ask you to call the following three people and get recommitments from them on final passage.

Congressman James Florio, New Jersey  
Congressman Harley Staggers, West Virginia  
Congressman David Treen, Louisiana

Incidentally, Edwin Edwards sent a telegram to all Louisiana delegates mid-day yesterday blasting the treaties.

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THE WHITE HOUSE

WASHINGTON

June 21, 1979

MEMORANDUM TO THE PRESIDENT

FROM: FRANK MOORE *F.M./od*

SUBJECT: Telephone Request on Panama Canal Legislation

We request that you make the following additional calls to urge support for final passage of the Panama implementing legislation.

Congresswoman Lindy Boggs, Dem. - Louisiana  
(supported us on Hansen - shaky on final passage)

Congressman John Breaux, Dem. - Louisiana  
(opposed us on Hansen - very shaky on final passage)

11:30 AM

THE WHITE HOUSE

WASHINGTON

June 20, 1979

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MEETING WITH \* CONGRESSMEN ED JENKINS (D-9-GA.),  
RONNIE FLIPPO (D-5-ALA.), ED JONES (D-7-TENN.),  
CHARLES WHITLEY (D-3-N.C.), MARVIN LEATH (D-11-  
TEX.), NICK RAHALL (D-4-W.VA.), EARL HUTTO (D-  
1-FLA.), BILL HEFNER (D-8-N.C.), RICHARD GEPHARDT  
(D-3-MO.), WES WATKINS (D-3-OK.), ANDY IRELAND (D-8-  
FLA.).

Thursday, June 21, 1979  
11:30 A.M. (30 minutes)  
Cabinet Room

From: Frank Moore *F.m/pd*  
Bob Maher *B M*

I.

PURPOSE:

To discuss legislative and political matters.

II.

BACKGROUND, PARTICIPANTS AND PRESS PLANS

Background: You have met and spoken to Ed Jenkins several times on Hospital Cost Containment. This meeting is to talk about Presidential politics, but you should take opportunity to nail down Jenkins on HCC. It is our understanding that the amendment he will offer simply says that if it is determined that hospitals did not meet the goal, there will be a 60-day period before the mandatory cap goes into effect. This is good because it has no Congressional veto. Jenkins was supposed to talk to Congressmen Cottor and Gibbons to make sure they are on board.

During HCC discussions Jenkins said there were many moderate and conservative Members who have supported you during your Administration and who could support you more in Congress and during the future months ahead. Jenkins felt if he could round up some of them and meet with you in an open discussion, you could enlist and get their support on some key issues before the House and in the future months ahead.

Jenkins has picked these Members.

Participants: The President, Frank Moore  
Bob Maher, Congressmen Ed  
Jenkins, Ronnie Flippo, Ed  
Jones, Charles Whitley, Marvin  
Leath, Nick Rahall, Earl Hutto,  
Bill Hefner, Richard Gephardt  
and Wes Watkins.

Press Plans: White House photographer only.

III.

TALKING POINTS:

Flippo - very upset about TVA appointment. But without a doubt one of our biggest supporters in the South. Very anxious to get involved in the future months ahead in Alabama. His district is key to State.

Jones - disappointed in most of our Agriculture stands. Key to us on Rare II legislation. He has been pleased with TVA.

Leath - very supportive on our oil decisions - very conservative.

Rahall - has not been very supportive - pleased over coal decision made by Secretary Andrus

Hutto - very conservative.

Hefner - he is already supportive of the President in his district and has commented openly to the public. He is working hard to help us organize the Gospel Music Event which will be held here at a future date on the South Lawn. He is a former Gospel singer himself and has been very supportive of our Administration.

Gephardt - he is very, very, supportive of President. But he is not with us on Hospital Cost Containment.

Watkins - his wife worked with us as a coordinator in 1976. However he was at odds with us because one of the water projects on our first hit list was in his district.

MEMORANDUM

( 12.05 PM )  
Residence

THE WHITE HOUSE

WASHINGTON

June 20, 1979

MEMORANDUM FOR: PHIL WISE  
FROM: JANE FENDERSON  
SUBJECT: Participants for  
Photo on June 21

Listed below are the 7 participants scheduled to have their photo taken with the President and Mrs. Carter, which is being done at Mrs. Carter's request for the cabinets they built for the President.

George Adams, Cabinetmaker  
National Park Service

Ronald E. Sheetz, Conservator of Furniture  
Division of Museum Services, Harpers Ferry Center

Allen E. Cochran, Conservator of Furniture  
Harpers Ferry Center

Dale K. Boyce, Museum Aide  
Harpers Ferry Center

Ronald Dickson, Architect  
National Park Service

Bonner Arrington  
White House Residence Staff

Milton Frame  
White House Residence Staff

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~~MEMORANDUM~~

~~CONFIDENTIAL~~

THE WHITE HOUSE  
WASHINGTON

~~CONFIDENTIAL~~  
3776

20.

INFORMATION

June 21, 1979

MEMORANDUM FOR: THE PRESIDENT  
FROM: HENRY OWEN *HO*  
SUBJECT: Indochinese Refugees: The Tokyo Summit (U)

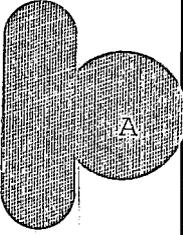
1. The British, Canadians, and others are anxious to talk about Vietnamese refugees at the heads of government lunch on the first day of the Summit. (C)
2. To prepare for this, the Vice President and I asked Dick Clark to prepare the attached which reflects Dick's and my view as to what you should say on this subject at the Summit. (Tab A) (C)
3. What might emerge from the resulting discussion is Summit agreement on (1) on the need for increased and more equally shared effort, and (2) on setting up a small group to prepare specific recommendations for a later UN conference on this issue.
4. Attached also is a memo from Cy Vance (Tab B) recommending that we be prepared to increase our monthly intake of refugees to 10,000 if others will also do more. If you agree, you could announce this at the Summit as a conditional measure -- with an indication that we would go even higher, if others would do even more. Otherwise, you could make the same general statement, but without the numbers. (C)
5. This is fast becoming the number one Summit issue, as far as Asians are concerned -- and, among some groups in this country, too (Catholic Relief Services just called me with an anguished proposal to allow US Navy vessels to carry CRS succor to boat-stranded refugees, and with a report that 1000 land-locked refugees died in the last 24 hours for lack of water). (C)
6. I recommend that you follow the script suggested in Dick Clark's memo, with Cy's numbers thrown in. In moral terms, this is an opportunity for leadership that we should not let slip. (C)

~~CONFIDENTIAL~~

Review on June 21, 1985

~~CONFIDENTIAL~~

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Per: Reg Project  
EOD: 126-17-29-1-1  
BY: KS NARC DATE: 1-2-13



DEPARTMENT OF STATE  
AMBASSADOR AT LARGE  
WASHINGTON

June 20, 1979

~~CONFIDENTIAL~~

TO: The President  
FROM: Dick Clark *Dick Clark*  
SUBJECT: Indochinese Refugees: Tokyo and Beyond

I. Tokyo Summit

The exodus of refugees from Indochina has reached such staggering dimensions as to pose major political and security problems for Southeast Asia as well as a refugee problem of proportions not matched since Nazi Germany in the 1930's. In May alone, 65,000 refugees found sanctuary in the ASEAN nations and Hong Kong. 10,000 more may have gone to China. The issue will inevitably assume an important place on the agenda of the Tokyo Summit. We suggest that you make several key points to stress both the seriousness of the problems and point the way toward how the world might cope with it.

-- We cannot individually or collectively ignore such a staggering humanitarian problem, one which is already creating serious problems for Southeast Asia and promises to get even worse without urgent action.

-- One part of our effort should be heavy pressure upon Vietnam to stop treating its citizens so inhumanely that many of them actually pay for the privilege of fleeing, knowing that they may well die or remain for years in refugee camps.

-- We should press Hanoi to create humane conditions whereby the number wanting to flee Vietnam, Laos or Cambodia will decrease and those that do will feel safe in waiting until they can leave gradually under controlled conditions.

~~CONFIDENTIAL~~  
GDS - 6/20/85

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BY: KS MARA ONE 10/21/13

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-2-

-- But we should recognize that pressure is unlikely to change the fundamental nature of the regime in Hanoi. We must therefore also consider how to deal with the hundreds of thousands of refugees now in camps, on the seas, or likely to leave in the months ahead.

-- We need a much greater international effort to do three things: (1) to ensure the extension of temporary asylum; (2) to increase permanent resettlement; and (3) to meet the large costs involved. This will require at least an immediate doubling of annual permanent resettlement numbers (from 120,000 worldwide, exclusive of the PRC, to 240,000), and a quadrupling of funding for temporary asylum (\$100 million from all nations to \$400 million) in 1980. Similar international resettlement rates and financial contributions will be required for years to come.

-- The United States is prepared to do its part, and more. But such an effort needs to be spread more widely around the world. In addition to the UNHCR we should also enlist the help of international agencies such as the World Bank and the Asian Development Bank to help with financing, resettlement, particularly in developing nations.

-- After the Tokyo Summit, we believe that Vietnam should be called to account right away in the Security Council. The Soviets will veto any resolution directed at Vietnam but world attention and pressure on Vietnam will be maximized. If the Soviets choose to link themselves with Vietnam's behavior, they may share the public opprobrium. The UNSC should be followed by a conference under UN auspices before the end of July, aimed at agreement on a program of practical steps to increase temporary asylum, permanent resettlement and financial support. It should be carefully prepared. To this end, I suggest we agree to appoint a group of several -- perhaps four -- people as a preparatory committee (one selected by the Government of Japan; one jointly by the governments of the U.S., Canada and Australia; one by ASEAN; and one by the European Community) to work with Secretary General Waldheim and High Commissioner Hartling.

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-- We believe we should make a special effort to ensure the PRC both participates in such a conference and in the resettlement programs. The ethnic Chinese background of so many of the refugees makes their resettlement in China easier than in many other areas. The non-participation by China is likely to make it more difficult politically for other countries to participate at the increased levels required.

## II. Scenario

After generating momentum at Tokyo, we envisage proceeding down parallel tracks of pressuring Vietnam in the Security Council and by other political and economic means, and of preparing for an international conference on greater assistance for the refugees. Cy Vance's talks at Bali with ASEAN and then in Canberra (ANZUS) will supplement the Tokyo Summit discussion by maximizing Asian support for both tracks, although some of the ASEAN states (especially Indonesia and Malaysia) may still be reluctant to condemn Vietnam formally. A possible pressure point would be redirection of Western bilateral and multilateral aid from Hanoi to the refugee program, also helping finance the latter. (The Japanese would be the key to such an effort, but they have recently told us they will not cut off bilateral assistance on the basis of the refugee problem. Also, the Swedes told us yesterday that they are now ready to make a demarche to Hanoi, and consider additional steps.)

It is our judgment that this scenario will maximize the chances of at least medium-term action to deal with the refugee problem, although success cannot be safely predicted. In the short term, however, it should produce a renewed willingness by the ASEAN countries and Hong Kong to provide temporary asylum, if they are convinced these actions will yield concrete action to relieve them of some of their short-term burdens and long-term fears.

If an international conference is to approach a doubled international resettlement intake, we must be

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able to announce a 40% increase in our own program, and be prepared to submit a budget request to cover it. You should also be aware of the large projected increases in financial support for the temporary asylum program of the UNHCR to accommodate perhaps 700,000 refugees by year's end. Initial decisions on United States admission rates and financial contributions will need to be made in connection with the work of the preparatory group, after you have returned from Tokyo.

It is, in any case, imperative that we seek actions that might stop the present tragedy unfolding in the South China Sea and on the Cambodian border. The above is a minimum program, measured against the size of the problem.

#### BACKGROUND AND RESOURCE IMPLICATIONS

There may be as many as 1.5 million more people yet to be expelled or to flee from Vietnam, Kampuchea and Laos - unless conditions in Indochina change radically. At current rates, allowing for seasonal fluctuations in the refugee flow, we may expect over half a million new refugees to seek to add themselves to the existing population of 330,000 in the ASEAN countries and Hong Kong within a year, with only 120,000 being resettled elsewhere. These Southeast Asian countries will not accept such a burden; political upheavals could ensue; hundreds of thousands of refugees would die; tens of thousands could come straight to U.S. territories (e.g., Guam).

Condemnation by the international community may embarrass Hanoi, but its embarrassment threshold is astonishingly high. We will seek ASEAN support to press those countries now providing bilateral aid to Vietnam (about \$130 million, principally from Sweden, Norway, Denmark, Belgium, The Netherlands, and Japan) to shift their aid to support Indochina refugees. We will also attempt to divert the approximately \$150 million in multilateral aid to Vietnam (e.g., IBRD, ADB) to refugee relief. Even were we to be entirely successful in these

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efforts, however -- and we doubt we will be -- the Soviet Union can easily offset any financial losses to Hanoi. No other foreign aid nor trade is essential to Vietnam's military buildup and economic survival.

The ASEAN countries and Hong Kong are clearly at or near the limits of their ability to cope. They see themselves threatened with large, indigestible permanent communities of Vietnamese/Chinese already creating very serious economic and social and political problems and posing a potential security threat. Only a strong positive response by the international community both in pressuring Vietnam and in providing greatly stepped up resettlement can prevent massive loss of life. Such an international effort will inevitably draw some additional refugees from Indochina, but the alternative is to sit idly by while people die.

UN High Commissioner for Refugees, Poul Hartling, has suggested to our Ambassador at Geneva that he might be able, by carefully targeted approaches to specific countries in Europe and Latin America, to double the current annual resettlement rate by the international community from 120,000 to 240,000 per year. He suggests that, as part of this effort, the United States could increase our resettlement rate from 7,000 per month to 10,000 per month, thus reducing the United States percentage from about 70% to 50% of the worldwide total. The first year combined cost for State and HEW would be an estimated \$86 million. This relatively modest increase in the U.S. program, leading to much larger increases by other countries and placing our program on something approaching the 50-50 matching basis proposed by Hartling, would have considerable political appeal. The church groups, the Jewish community and organized labor, all of whom are already pressing the Attorney General to exercise his authority to double our admission rate from 7,000 to 14,000 per month, and the Congress are suddenly showing new sympathy for major increases.

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Nevertheless, at 240,000 resettlements by the international community per year, it could take six to seven years to remove all eligible refugees from the countries of first asylum. This might mean the U.S. admissions of Indochinese would have to continue at the rate of 10,000 per month until 1985 or 1986, raising questions about job competition and burdening local social services.

Nor can resettlement by other countries at the proposed rate of 10,000 per month be achieved without cost. Substantial resettlement of refugees in developing countries, particularly in Latin America, presupposes the international financing of economic development projects based on refugee labor. A special fund with an initial capitalization of \$300-\$500 million would be required to underwrite this effort, although some funds might be available from the IBRD and other multilateral institutions. Our share, over a two-three year period could total \$50 - \$100 million.

In order to help bridge the gap between the rate of permanent resettlement and the numbers in camps awaiting resettlement, there is an urgent need to follow up on the Jakarta Conference agreement of May 15 to establish one or more isolated island Refugee Processing Centers (RPCs), where refugees can wait several years for resettlement without contact and friction with local populations. What is required is a system of RPC's capable of accommodating hundreds of thousands of people. The ASEAN nations, and possibly the PRC (which is considering Hartling's suggestion that it do so), must be encouraged to offer these. To make them work, the international community, including the U.S., would have to be willing to make good faith commitments on resettlement levels three to six years in the future.

Apart from any increases we may make in our resettlement program, we cannot realistically avoid huge increases in the amount of money we contribute to the UNHCR for temporary maintenance of refugees from Indochina. Costs may quadruple in the coming year, but the alternative to meeting them is to allow scores of thousands to die of

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malnutrition and disease. We have had a policy of contributing 50 per cent of these costs. We should make a major effort to get Japan to increase their percentage substantially from its present 25%, but there is little alternative to continuing at 50% ourselves if we wish others to commit themselves to quadruple their own contributions. We estimate that this could involve a FY-1980 budget amendment of approximately \$225 million, including a network of RPCs to relieve pressures.

Between now and your return from Tokyo we will be refining the cost estimates noted above and consulting quietly, on a contingency basis, with members of Congress. The two Appropriation Committees will obviously be the most important. Based upon these consultations and the views you and Cy bring back from Tokyo and Southeast Asia we shall prepare a series of options for your decision before the international process has proceeded so far as to commit us, at least implicitly, to something beyond the financial limits that can be sustained by our humanitarian concern.

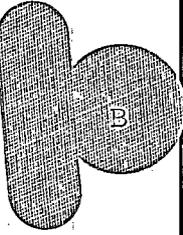
We will have to focus domestic political attention broadly on the immense human suffering involved in order to mobilize public support for substantially increased levels of funding and commitment to increased levels of refugee acceptance. The Security Council and UN Conference will help in achieving this but you may have to personally engage yourself in the effort as well.

At OMB request, rough estimates of the costs of the initiatives discussed in this paper are appended.

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	(millions)			
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
- Resettlement fund - developing countries (one time costs)	50	50	--	--
- UNHCR food and shelter in Southeast Asia	175	175	175	175
- Refugee Processing Center in Southeast Asia	50	--	--	--
- Increase to 10K refugees per month	<u>86</u>	<u>115</u>	<u>115</u>	<u>115</u>
Totals	361	340	290	290

DECLASSIFIED  
 Per. Rac Project  
 ESD# 126-17-29-2-0  
 BY 145 NARA DATE 10/21/13



THE SECRETARY OF STATE  
WASHINGTON

~~SECRET~~

June 20, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: Cyrus Vance *C.V.*

I have now read Dick Clark's memorandum to you on Indochinese refugees and I have had a chance to look at reports of the actual situation, including its political, strategic and humanitarian implications. My feeling is that we should increase our monthly intake of refugees to at least 10,000. We should link our increases to substantial increases in both financial resources and resettlement by third countries, including Japan, Canada, Latin America and Scandinavia.

Because I have not yet had a chance to study the budgetary implications, I am not yet prepared to make a recommendation to you on going above 10,000.

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ESD/PLC-136-27-25-39

BY *KS* NARA DATE *10/24/13*

MCINTYRE ATTACHMENT

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

JUN 21 1979

MEMORANDUM FOR: The President  
FROM: James T. McIntyre *Jim*  
Director  
SUBJECT: Indochinese Refugees: Dick Clark's June 20 memorandum

Introduction

Dick Clark's June 20 memorandum to you on the current situation regarding Indochinese refugees concentrates on the international aspects of the problem. As you consider the points made in his memorandum, we believe that the domestic implications and increased budgetary requirements of this complex and sensitive issue must be kept in mind.

Domestic Implications

- Since 1975, approximately 200,000 Indochinese refugees have been resettled in the United States. Almost 35,000 have been brought to the U.S. since the beginning of 1979.
- The current approved rate of entry is 7,000 Indochinese refugees per month through 1981. If the 7,000 per month flow were maintained through 1986, the total number of Indochinese refugees in the U.S. would be almost 800,000.
- Increasing the monthly rate to 10,000 per month would raise the total to over one million by 1986.
- Additional HEW costs to reimburse states for cash and medical assistance provided during the refugee's first two years in the U.S., and to provide educational and social services, amount to \$226 million over the four year period 1980-83. In addition, increased appropriations may be required to the extent that refugees utilize Food Stamps and SSI. Depending on the characteristics of the newly arriving refugees, the actual costs could be even higher. These higher costs will be very controversial at a time when we are trying to keep the 1980 Budget for domestic programs within reasonable bounds. We are under continual pressure to expand these programs which benefit the elderly, blacks, Hispanics, and urban groups.

Review on 6/21/85

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Per: Rac Project

ESD/R/10-126-17-29-5-7

BY KS NARA DATE 10/21/13

- 2 State and local government costs for cash and medical assistance beyond two years, and for normal public services used by refugees, will also increase. This could be a problem for states such as California and Texas where many refugees resettle.
- 2 Competition for jobs between refugees and U.S. workers may increase. Recent surveys indicate that refugees take low wage jobs not attractive to U.S. workers and thus do not directly compete with most U.S. workers. However, with considerably higher new refugee flows and the continued assimilation of current refugees into American society, the wages of U.S. workers might be affected if the total demand for labor did not correspondingly increase. The impact is difficult to estimate at present.

Overall Budgetary Implications

- 2 If you should decide favorably on all of the initiatives outlined in the Clark memo, including the continued payment by the U.S. of 50 percent of the costs of the UN High Commissioner for Refugees operation, it is estimated that approximately \$274 million in outlays will be added to the budget in 1980, \$377 million in 1981 and \$367 million by 1983. The attached table breaks these figures down in greater detail.

Conclusion

As this issue continues to evolve and decision memoranda are prepared for you, we will attempt to refine State's and HEW's estimates and make sure that you are advised on all aspects of the problem.

Attachment

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Attachment

Estimated Costs of Additional Refugee Assistance  
(Millions of dollars)

	1980		1981		1982		1983	
	BA	O	BA	O	BA	O	BA	O
In Budget:								
State .....	264	258	244	245	174	178	185	184
HEW refugee assistance .....	224	263	227	229	175	186	133	142
Total in Budget .....	488	521	471	474	349	364	318	326
Additional costs for Indochinese initiatives:								
State:								
Care and maintenance costs in Southeast Asia .....	175	125	225	208	175	188	175	174
Increase resettlement to U.S. to 10,000 per month .....	40	34	55	53	55	55	55	55
International Refugee Resettlement fund .....	50	50	50	50	--	--	--	--
Refugee Processing Center .....	50	35	--	15	--	--	--	--
HEW refugee assistance .....	30	30	51	51	107	107	138	138
Total additional costs .....	345	274	381	377	337	350	368	367

\* Other non-Indochinese refugee assistance being considered by State may add an additional \$6 million in outlays in 1980 with declining amounts through 1983.

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Per: Rac Project  
126-17-29-5-7  
BY KS DATE 10/21/13

BY TRUCKERS

IN RECENT DAYS WE HAVE SEEN TRUCKERS STRIKES IN VARIOUS PARTS OF OUR COUNTRY. INDEPENDENT TRUCKERS PLAY A VITAL ROLE IN THE ECONOMY, AND MY ADMINISTRATION IS WORKING TO MEET THEIR LEGITIMATE GRIEVANCES.

SOME STEPS HAVE ALREADY BEEN TAKEN. OTHERS WILL BE ANNOUNCED SOON. SHORTLY. AT THAT TIME, THE STRIKING TRUCKERS SHOULD GO BACK TO WORK AND END THE INTERRUPTION OF SUPPLIES OF FOOD AND FUEL TO THEIR FELLOW CITIZENS.

MOST IMPORTANT, HOWEVER, I WANT TO STRESS IN THE STRONGEST POSSIBLE TERMS THAT VIOLENCE AND LAWLESSNESS WILL NOT BE TOLERATED UNDER ANY CIRCUMSTANCES. MURDER, VANDALISM, AND PHYSICAL INTIMIDATION ARE CRIMINAL ACTS AND WE WILL TREAT THEM AS SUCH.

(=OVER=) (I HAVE ASKED FOR AND.....)

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I HAVE ASKED FOR AND RECEIVED FROM DIRECTOR WILLIAM WEBSTER OF THE  
FEDERAL BUREAU OF INVESTIGATION A REPORT ON THE ~~SITUATION~~ <sup>DEATH OF YOUNG TRUCKER. ~~USED~~</sup> IN ALABAMA.  
I HAVE ALSO INSTRUCTED ~~THE~~ <sup>THE FBI</sup> TO PROVIDE ALL APPROPRIATE ASSISTANCE TO STATE  
AND LOCAL LAW ENFORCEMENT OFFICIALS.

<sup>FULL</sup> THE RESOURCES OF THE DEPARTMENT OF JUSTICE WILL BE <sup>USED</sup> ~~BROUGHT TO BEAR~~  
~~IN SUPPORT OF STATE AND LOCAL EFFORTS~~ TO INSURE THAT ORDER IS PRESERVED,  
VIOLATORS ARE APPREHENDED, AND INDIVIDUAL RIGHTS ARE PROTECTED. <sup>OF AMERICAN CITIZENS</sup>

AS NECESSARY, THE FEDERAL GOVERNMENT WILL ALSO HELP TO COORDINATE  
THE PROTECTION OF TRUCK TRAFFIC MOVING IN INTER-STATE COMMERCE. WE WILL  
DO WHATEVER IS NECESSARY TO SEE TO IT THAT THOSE TRUCKERS WHO WANT TO WORK  
ARE NOT THREATENED WITH VIOLENCE OR INTIMIDATION.

(=NEW CARD=) (I COMMEND THOSE.....)

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I COMMEND THOSE GOVERNORS WHO HAVE ACTED SWIFTLY AND EFFECTIVELY  
TO STOP VIOLENCE IN THEIR STATES. ~~AND~~ <sup>THEY</sup> THEY HAVE

~~I AM PLEDGING EACH OF THE 50 GOVERNORS~~ MY FULL SUPPORT AND THAT  
OF THE FEDERAL GOVERNMENT FOR THEIR EFFORTS TO PUT AN IMMEDIATE END  
TO STRIKE-RELATED VIOLENCE AND LAWLESSNESS.

# # #

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THE WHITE HOUSE  
WASHINGTON

6/21/79

Secretary Blumenthal  
Stu Eizenstat

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  
Jim McIntyre  
Charlie Schultze  
Alfred Khan

FOR ACTION  
FYI

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

✓	VICE PRESIDENT
✓	JORDAN
✓	EIZENSTAT
	KRAFT
	LIPSHUTZ
✓	MOORE
	POWELL
	RAFSHOON
	WATSON
	WEXLER
	BRZEZINSKI
✓	MCINTYRE
✓	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
✓	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARONSON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	HARDEN
	HERNANDEZ
	HUTCHESON
✓	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE
	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

*Handwritten signature/initials*



# CABINET ECONOMIC POLICY GROUP

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

June 20, 1979

cc Mike  
stu  
J

MEMORANDUM FOR THE PRESIDENT

FROM: EPG Steering Group *WMB*

Subject: Economic Strategy -- Alternative Courses

You have authorized consultations with Congressional, business, and labor leaders about the future course of the wage-price standards, and the rest of economic policy over the remainder of this term.

Because these consultations -- and our comments and reactions during them -- will likely be reported in the press, we now need at least a general notion of which policy directions are and are not acceptable to you. This memorandum presents our current thinking on the consultation agenda and seeks your guidance on several outstanding policy issues.

## The Problems

We expect that the consultations will focus on four, closely related economic problems: the wage-price program, energy, productivity growth, and the macroeconomic situation.

### 1. The wage-price program

We must announce wage-price standards for the new program year in August, for public comment prior to formal issuance in October. Any legislation to induce compliance with the standards should be announced at the same time.

While it has been reasonably effective in the sectors it covers, the standards program is near collapse on the wage side, chiefly because price inflation -- led by sectors outside the program (e.g. energy, food, housing) -- has been running over 13 percent so far in 1979. The program has also suffered from the loss of real wage insurance and the district court ruling against the procurement sanction.

Looking ahead, we fear an acceleration of wages -- particularly union wages -- to catch-up with recent price inflation. This might increase the underlying inflation rate close to double digit levels.

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## 2. Energy

We expect OPEC to raise the world oil price above \$20 a barrel at the June 26 meeting.

The steady increase in oil prices has virtually guaranteed us near double-digit inflation and near zero growth for 1979, with little prospect under present policies for much improvement on either score in 1980. The world oil crisis is plainly at the core of our economic problems, draining real income into foreign hands and pushing up inflation here, and we will be pressed in the consultations about our short and long term plans for energy production and conservation.

## 3. Productivity growth

Productivity growth fell below 1 percent a year in 1978 and was negative in the first quarter of 1979; we see little chance of improvement over the next year or so. Low productivity growth and the resource drain from rising world oil prices will make it impossible for the average worker to enjoy real income gains during this period. Also, it is largely low productivity growth, rather than an explosion in wages, that is causing the strong inflation in unit labor costs.

## 4. The macroeconomic situation and fiscal policy

At the Spring Budget Review, you directed OMB to hold current FY 1981 outlay plans to a level allowing budget balance, absent a recession. The world oil crisis has altered the economic forecasts that informed that decision. (See accompanying memo.) The oil price increases may well push us into a recession that would make a balanced budget either impractical or perverse on economic grounds. For this reason, the consultations will likely deal with contingency plans for a recession and will likely reveal sentiment for tax cuts and/or increased spending. In addition, tax cuts may be suggested as the best means to spur productivity growth and to secure labor adherence to the wage standard.

## Our approach

The Steering Group believes we should structure the negotiations around the following points:

1. Focus on the world oil crisis

We should seize the June OPEC price increase as an opportunity to give the American people a sharply revised assessment of the economic outlook -- i.e. inflation near the double-digit level in 1979, falling off only slightly in 1980; real growth nearly flat in 1979, rising very slowly in 1980; and unemployment rising to a significantly higher rate than we had thought a few weeks ago. In effect, we should tell the nation that we face a new and very serious economic reality, thrust upon us largely by unpredictable foreign events, and that this reality compels us to work together to solve our economic problems. We intend to present our new economic forecast to Congress in mid-July, as part of the FY 1980 budget update. (We will provide you with the precise estimates before we go public.)

2. No room for real wage increases

We must make clear that the oil price increases and the slump in productivity growth preclude real wage increases for the next year or so.

We would look toward liberalizing the wage standard modestly -- e.g. raising it from 7 percent to 8 percent -- but would stress that further liberalization, or attempts to beat the standards, would merely worsen inflation and create unemployment.

3. Focus on structural change

Without making commitments about our FY 1981 budget plans, we would try to focus the consultations on possible solutions to our long-run structural problems. Three areas would be emphasized.

. Energy: The Steering Group believes the Administration should take the lead in the growing national debate on alternative energy sources, probably with a major synthetic fuels initiative. At the same time, we should use the current gasoline shortage to revive the prospects for a sensible conservation/rationing program and to educate the country about the perverse economic effects of our present structure of price controls and allocations for petroleum products. We should also use the consultations to build support for your crude oil decontrol and windfall profits tax decisions.

. Productivity: We should earnestly solicit policy suggestions for enhancing productivity growth. A possible candidate is liberalized tax treatment for depreciation. The DPS Commerce task force on technical innovation has also turned up a number of proposals. There may be sentiment among both labor and business for a system of "productivity councils" in key industries. DOL believes that new high-productivity industries are possible in the food and energy sectors. Also, we should use the opportunity to enhance support for our regulatory reform efforts, which will improve productivity.

. Structural unemployment: Labor will push in the consultations for expanded PSE jobs. Without making budget commitments, we would take an open posture in examining ways to improve job and job training programs, particularly for disadvantaged groups.

#### Open issues

As we consult on ways to encourage compliance with the wage-price standards, we will probably be urged to shift policy in one of several directions. We wish to be genuinely open to new ideas and to compromise, but we do not wish to give false leads, for our expressed attitudes will probably be reported widely. Therefore, we seek your guidance as to which policy directions you prefer and which, if any, we should discourage in the consultations.

We will of course examine the option of operating a purely voluntary wage-price program, perhaps bolstered by an expression -- more or less formal -- of Congressional support for the revised standards. A voluntary program tracks most closely to your "no controls" pledge, avoids the need for legislation, and minimizes distortions of resource allocation and investment. On the other hand, pure voluntarism is likely to be met by frequent violations, at least on the wage side, and may be seen as a bankrupt strategy.

Going beyond that, there are several ways to support or supplement the wage-price program. The first two alternatives below involve no tax cuts and thus do not in themselves prejudice the balanced budget option. The second two alternatives involved cutting taxes significantly: As

noted above, world oil price increases may make budget balance impractical at any rate and will enhance the economic rationale for cutting taxes (which will be at recored peace-time levels by FY1981.)

1. Controls program

We could seek legislation authorizing fines against companies and unions breaching the wage-price standards.

Warning: Even to consult on the controls option would be a very serious step, probably triggering a wave of wage and price increases and sinking the current voluntary program. Treasury, CEA, OMB, and Mr. Kahn strongly oppose consulting on this option.

Pro:

- . Dramatic change of policy arguably justified by world oil crisis.
- . If enacted, would provide maximum leverage against violations.
- . Popular in the country. Puts responsibility to act on the Congress.

Con:

- . Breaks pledge against controls.
- . Would not help in problem sectors of energy, food and housing.
- . Unlikely to be enacted in desired form: final legislation might require imposition of impractical controls on energy prices, food prices, etc., which could cause shortages.
- . Congress might rebel at controls that effectively restrained wages.
- . Adverse effect on efficiency, investment, and productivity.

- . Seeking legislation (or consulting seriously on proposal) would trigger anticipatory wage-price increases.
- . Large bureaucracy (e.g. 5000 persons) needed.

Consult

Exclude from consultations

## 2. Reinforcing the standards

We could seek legislative authority to "enforce" the wage-price standards through actions short of fines (i.e. short of controls). Two different regimes have been discussed:

a. We could seek legislation to bar firms and state-local governments that violate the standards from various federal benefits -- e.g. procurement, grants, loan guarantees, etc.

### Pro:

- . Might avoid stigma of "controls"; could be seen as extension of our present procurement sanction.
- . Puts responsibility on Congress to act on inflation.
- . A potent sanction for many companies and state/local governments. President could say he is committing all federal programs to anti-inflation fight.

### Con:

- . The sanctions amount to controls, where they apply, and thus consultations on them may cause some anticipatory wage-price behavior; could be seen as "shading" the pledge against controls.
- . Unlike controls, cutting off procurement or federal benefits hits unevenly among sectors of economy, and is thus arguably inequitable. Not clear that industries and governments getting federal aid are problem sectors.

- . Politically difficult to cut off federal aid to ailing company or locality, especially in election year. Also, may be difficult to enact, because several committees may try to claim jurisdiction.
- . Large bureaucracy needed to enforce sanctions conscientiously. (Also, cutting off benefits involves inter-agency complexities.)

b. We could seek legislation requiring firms to prenotify CWPS of desired wage-price increases and empowering CWPS to suspend the increases for a period (e.g. 60-90 days).

Pro:

- . Delaying wage-price increases would slow inflation rate for several months.
- . Scheme popular with Congressional liberals, as an alternative to conventional controls.

Con:

- . If word got out, might trigger anticipatory wage-price increases. Business will see as quasi-controls scheme.
- . Delaying increases might slow inflation for only a short time, after which large increases would go into effect.
- . Large bureaucracy required.

✓  
\_\_\_\_\_  
Consider both

\_\_\_\_\_  
"a" only

\_\_\_\_\_  
"b" only

J

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3. Tax reward programs

We could structure significant tax cuts so as to reward groups of individuals that exercised wage restraint, or agreed to do so.

Pro:

- . Avoids stigma of controls.
- . Meets labor's desire to mitigate real income loss. Could be part of broad anti-inflation compact with labor.
- . Works against both inflation and recession, precisely when our economic problem will be stagflation.

Con:

- . Loss of real wage insurance may have soured legislative climate on such schemes.
- . To be effective, would require \$15-\$20 billion in revenue loss, precluding a balanced budget in FY 1981.

Willing to consider

Discourage

4. Overall "anti-inflation" tax cuts

We could propose a tax cut in the January 1980 budget that promised to work against both recession and inflation. Two possibilities have been suggested:

- . Propose that individual (corporate) income taxes be cut -- by a maximum of perhaps \$20 billion -- if, but only if, overall wages (prices) decelerate by a specified amount over 1980.

- . Cut Social Security taxes by \$10-\$15 billion. (Payroll taxes are scheduled to rise by about \$15 billion in 1981).

*My preference is to plan for balanced budget. To prove that it can be done. We can then deliberately consider jobs/tax actions if necessary to alleviate OPEC caused problems -*

Pro:

- . Anti-recessionary.
- . Form of tax cut arguably reduces inflation rate: Conditional income tax cut puts "peer pressure" on unions and companies to show restraint. Payroll tax cut reduces business costs and may lower pressure for catch-up wage bargains.
- . Probably popular with organized labor; might secure their support of wage-price standards.

Con:

- . Precludes balanced budget in FY 1981.
- . A "contingent" tax cut limits flexibility of fiscal policy.
- . Payroll tax cut opens up very controversial financing and trust fund issues -- e.g. general revenue financing, a value added tax, etc.
- . Anti-inflation benefit may be small and hard to estimate.

\_\_\_\_\_  
Willing to consider

\_\_\_\_\_  
Discourage

1:45 PM

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

June 20, 1979

MEMORANDUM TO THE PRESIDENT

FROM: FRANK MOORE *FM*  
DAN TATE  
BOB THOMSON *Bob*

SUBJECT: Kennedy Meeting - Truck Deregulation

Since his call to you, Senator Kennedy and his staff have cooperated fully with us in developing a strategy for launching the truck deregulation bill. We have gone into this relationship cautiously, fearing the worst. However, your leadership on this issue remains intact.

The announcement tomorrow represents the culmination of our extensive efforts on this bill during the last two weeks. As your briefing paper indicates, many outside groups will attend with endorsements in hand. We have been less successful in getting Members of Congress to step forward at this time, although some have indicated they will actively support the bill later. Obviously, the press will be most interested in how you and Kennedy relate to one another during the ceremony.

There is ambivalence within your senior staff--even within the CL staff--about how you should approach the ceremony and the subsequent short meeting with Kennedy. Some think your "kick his ass" statement should set the tone, and you should not go out of your way to compliment Kennedy or to close the distance between you. Others think Kennedy's sponsorship of the trucking bill provides a good opportunity for you to publicly reduce the tension with him and to initiate a process that could result in his clear endorsement of your candidacy in 1980.

We favor the latter approach. We will need Kennedy's help on a number of issues that will be in his Committee and on the Senate floor in the weeks ahead. He came to you offering help on this difficult issue. He has conceded on a number of points in his original bill, primarily his desire to eliminate the ICC. He has acted in good faith so far and not tried to "steal" the issue, even though it is important to him politically.

For your remarks at the ceremony, we have submitted positive comments about Senator Kennedy. We recommend you study them closely and make liberal changes to give them your own warm style. You are better at that than any of us can be. There may be some humorous way to get the same point across, but we have no suggestions at this time. We believe the Senator is prepared to respond favorably and in a complimentary manner.

In the private meeting immediately after the ceremony, Kennedy has said he wants to discuss strategy for passing the bill. We suggest you open the meeting by thanking him for sponsoring the bill and working hard on it so far. Then, you should find out what is on his mind. Frank and Stu will join you.

Statement on Truck Deregulation 6/21/79

When I ran for President, I promised ~~the American people~~ to work vigorously to lift the heavy hand of government regulation from the economy whenever this was consistent with our national purposes ~~and goals.~~ *and the best interests of the American people.*

Today, I am proposing legislation that will reduce the red tape and excess regulations that have strangled and strait-jacketed the trucking industry for more than 40 years.

Unnecessary, and sometimes nonsensical, Federal regulation of the trucking industry is costing American consumers billions of dollars each year in higher transportation costs on almost every food item and manufactured product we buy.

Too many trucks are rattling back and forth on the road today empty, burning up precious diesel fuel, because of ICC rules prohibiting two-way hauling. Some trucking companies can deliver all the ingredients necessary to make soup to a

factory, but it is illegal for them to make a return trip carrying the finished soup in cans.

Other rules defy the human imagination. Some truckers can haul milk and whipped cream, but not butter and cheese. Others can transport paint in two-gallon cans, but not five-gallon cans. Some truckers are allowed to carry bananas, but not pineapples, unless the bananas are mixed with the pineapples.

Our highways are filled with truckers driving miles out of their way because the ICC requires them to follow specific routes that defy rhyme or reason. One trucking firm must go from Denver to Albuquerque by way of Salt Lake City -- an unnecessary detour of almost 300 miles.

ICC regulations strangle competition. Trucking companies are allowed to meet together in secret to set rates -- a practice that would be illegal price-fixing in almost any

other business. It is difficult, if not impossible, for new trucking firms to enter the industry. This is one reason why minorities own less than one percent of all inter-state moving companies. ICC requirements also short-change small towns and cities by forbidding truckers to make intermediate stops along their assigned routes.

Restrictions like these are symbols of government regulation gone *wild*. They do not make economic sense. They waste millions of gallons of fuel, ~~each year~~. They breed a climate of disrespect for law. They exclude Americans from entering one of the nation's major industries.

Today, I am sending to the Congress "The Trucking Competition and Safety Act of 1979" which will end these abuses and, at long last, bring sensible Federal regulation to the trucking industry.

This bill will --

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Immediately remove all certificate restrictions on two-way trips and intermediate stops.

Gradually remove all other route restrictions by 1983.

End price-fixing.

Encourage price competition, the formation of new trucking firms, and other forms of competitive behavior.

Improve service to smaller communities.

It will strengthen the Department of Transportation's ability to improve truck safety on our nation's highways. And it will help all Americans in the battle against inflation by reducing the costs of shipping throughout the United States.

I will soon send to Congress proposals which assure that consumers receive increased protection in the household goods moving industry.

Real competition is the best anti-inflation medicine. Airline deregulation has already saved American travellers over \$2.5 billion in reduced air fares. ~~This trucking~~  
deregulation

bill will save American consumers \$5 billion, ~~more~~ <sup>more</sup> according  
to the Council on Wage and Price Stability, <sup>trucking</sup> ~~this deregulation~~

America's free economy has provided the greatest material blessings of any nation on earth. I am determined to bring common sense, equity and efficiency to the entire regulatory process so that the strengths of our economy can be realized while the public good is protected as it should be. These proposals are a major step toward that goal.

~~Who is for this legislation?~~  
Who is for this legislation?

~~For~~ Cattlemen, farmers, consumers, ~~retail~~ merchants, manufacturers, independent & small business organizations, state govts, cities, counties, those interested in highway safety, controlling inflation and saving energy.

Who is against it?

Some truckers who have a non-competitive advantage and who want to perpetuate a government bureaucracy to protect such interests.  
(over)

Chmn. D. J. Johnson - airline deregulation.

Chmn. Jim Howard - subcom hearings throughout nation  
Sen Howard Cannon - Chmn Sen. Commerce Comm. <sup>Airline dereg in Senate</sup> - hearings  
next week.

Sen Charles Percy - Trucking Safety bill - model

Sen Ted Kennedy - leader all phases regulatory reform  
1st to suggest comprehensive trucking deregulation

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1:30

THE WHITE HOUSE

WASHINGTON

June 21, 1979

Mr. President

I suggest that as you conclude your remarks on truck deregulation, you call on the Members of Congress with comments like the attached.

Note: Senator Percy is very sensitive about our inclusion of some of his safety provisions. You should acknowledge his role.

Frank Moore

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I have with me today key members of the House and Senate who will be working with me as the bill moves through the Congress.

Congressman Biz Johnson was chiefly responsible for passage of the airline deregulation bill in the House. Many of the benefits that we are now experiencing from that law are due to his fine leadership.

Congressman Jim Howard, Chairman of the Surface Transportation Subcommittee, has indicated he will hold extensive subcommittee hearings on the trucking bill throughout the nation. He has assured me the bill will have a fair hearing.

Senator Howard Cannon, Chairman of the Senate Commerce Committee was primarily responsible for passage of the airline deregulation bill in the Senate. He has promised hearings next week on the trucking bill.

Senator Chuck Percy is the author of a trucking safety bill which we used as a model for many of the safety provisions in the Administration's trucking bill.

Senator Kennedy has agreed to sponsor the trucking deregulation bill in the Senate. I have worked closely with him in developing the bill we are announcing today.

Senator Kennedy has been a leader in Congress on all aspects of regulatory reform. He worked closely with Senator Cannon to achieve Senate passage of air deregulation. He was among the first to suggest a comprehensive approach to trucking deregulation. At the same time, we have been working closely together to achieve passage of a general regulatory reform proposal to streamline the federal regulatory process.

Ted, I look forward to working closely with you to pass this bill. Would you like to start the comments.

1:30 PM

THE WHITE HOUSE  
WASHINGTON

ANNOUNCEMENT CEREMONY FOR TRUCKING DEREGULATION BILL

~~THE ROSE GARDEN~~  
(Rain Plan: State Dining Room)

Thursday, June 21, 1979  
1:30 p.m. - 1:45 p.m.

FROM: Frank Moore *FM/LF*  
Anne Wexler *AW*  
Stu Eizenstat *Stu*

I. PURPOSE

To announce your message to the Congress and proposed legislation on trucking deregulation (The Trucking Competition and Safety Act of 1979).

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background

1. Following your preliminary decisions last month, we consulted with the Congress and outside groups. This process included consultations with Senator Kennedy to come to a joint bill. Today you are announcing this joint bill.

2. Senators Kennedy and Cannon, Congressmen Biz Johnson and Jim Howard, whose committees have jurisdiction, have differing views on the legislation ranging from neutral to strong-positive.

3. 30 groups have issued moderate-to-strong endorsements of the proposed legislation and at least 15 other groups have promised to endorse. These groups include most major farm organizations, consumer groups and major business groups (NAM, small business, retailers). The trucking industry is generally opposed and has its own weak form of legislation.

B. Participants

Participating will be key Congressmen and Senators including Senators Kennedy, Cannon and Percy and Congressman Biz Johnson (Congressman Howard is also expected), and representatives of farm, industry, minority trucking, consumer, and civic groups.

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C. Press Plan

White House photo and press pool will be present for the entire ceremony. Immediately following the Rose Garden ceremony there will be a press briefing in the Press Room (Secretary Adams and Fred Kahn).

III. SCENARIO

You will open the ceremony with your statement. You should then call on the following Senators and Congressmen for statements in the following order:

Senator Kennedy  
Senator Cannon  
Congressman Biz Johnson  
Congressman Jim Howard (if present)

A detailed scenario is attached.

IV. TALKING POINTS

Talking points for the ceremony are to be under separate cover.

**THE WHITE HOUSE**

WASHINGTON

SCENARIO FOR TRUCKING DEREGULATION ANNOUNCEMENT

June 21, 1979

ROSE GARDEN

1:30 p.m. - 1:50 p.m.

- I. 1:00 - 1:25 pm Members arrive and escorted to Cabinet Room. Joined by Secretary Adams, Fred Kahn, and C/L staff. Outside groups and press assemble in designated areas in Rose Garden.
- 1:25 pm Members to be escorted to Presidential podium, in front of portico on north side of Rose Garden, immediately prior to President Carter's arrival.
- 1:30 - 1:45 pm President's arrival and statement; President then calls in order on Senators Kennedy and Cannon; Congressmen Johnson and Howard for statements.
- 1:45 - 1:50 pm President Carter shakes hands with invited guests and exits to Oval Office.

RAIN PLAN: Same as above except invited guests assemble in State Dining Room and Congressmen and Senators are escorted to State Dining Room.

Members of Congress expected to attend for Trucking  
Announcement Ceremony, Thursday, June 21, 1979  
1:30 p.m., Rose Garden

SENATORS

Edward M. Kennedy

Howard Cannon

Charles Percy

HOUSE OF REPRESENTATIVES

Jim Howard

Bill Hefner

Nick Jo Rahall

Allen Ertel

Gene Atkinson

Glen Anderson

John Breaux

Tom Hagerdorn

Harold Johnson

Elliott Levitas

Robert Edgar

Expected Attendees for Trucking Announcement  
Ceremony, Thursday, June 21, 1:30p.m., Rose Garden

PRIVATE TRUCK COUNCIL

Richard S. Henderson  
John C. White

TEXAS INTERNATIONAL

Francisco A. Lorenzo  
Donald C. Burr

NATIONAL AUDIO VISUAL ASSOCIATION

Kenton H. Pattie

EASTERN AIRLINES

James E. Reinke

CURRENT

C. Jack Pearce  
Donald R. Chichilla

NATIONAL TRUCK LEASING

Stanley I. Bregman  
G. William Coble  
Jerry P. Roscoe

BURGER KING

Ronald L. Platt

CENTER FOR AUTO SAFETY

Barbara Bezdek

FRIENDS OF THE EARTH

Rafe Pomerance

MINORITY TRUCKING TRANSPORTATION DEVELOPMENT CORP.

Milton Boyd

NATIONAL CATTLEMEN ASSOCIATION

William McMillan

AMERICAN FARM BUREAU

C. H. Fields (Clarence H.)

NATIONAL GRAIN AND FEED ASSOCIATION

Alvin E. Oliver  
Capt. William J. Keating

NATIONAL FARMER ORGANIZATION

Charles L. Frazier

NATIONAL GRANGE

Robert M. Frederick

NATIONAL COUNCIL OF FARMER COOPERATIVES

Ken Naden

SEARS

Phil Knox  
Stan Sendor  
Ted Enfor

NATIONAL ASSOCIATION OF MANUFACTURERS

Eugene J. Hardy

NATIONAL FEDERATION OF INDEPENDENT BUSINESS

Edison R. Zayas

P.P.G.

John R. Wooley

CENTER FOR AUTO SAFETY

Clarence Ditlow

INDEPENDENT TRUCKING ASSOCIATION; OVERDRIVE MAGAZINE

Mike Parkhurst

NATIONAL CONFERENCE OF STATE LEGISLATURES

Fran Valluzzo  
Lewis Nickinello

NATIONAL LEAGUE OF CITIES

Barbara Harsha  
Tara Hamilton  
Alan Beales

AASHTO

Hank Stafseth

NATIONAL ASSOCIATION OF COUNTIES

Bernie Hillenbrand

U. S. CONFERENCE OF MAYORS

Len Simon  
Linda Gortmaker

CONGRESS WATCH

Nancy Drabble  
Mark Green

CONSUMERS UNION

Sharon Nelson

RIPON SOCIETY

John Topping

COMMITTEE FOR A COMPETITIVE ECONOMY

David Boze

COMMON CAUSE

Fred Wertheimer  
Ann McBride

COOPERATIVE LEAGUE OF U.S.A.

Shelby Southard  
Glenn Anderson

CONSUMER FEDERATION OF AMERICA

Kathleen O'Reilly

COMMUNITY NUTRITION INSTITUTE

Myron Zykes

Fred Harrison  
Mayor  
Scotland-Neck, North Carolina

Fred Turnage  
Mayor  
Rocky Mount, North Carolins  
(Small City Mayor USCM)

Fred Hood  
Mayor  
Aurora, Colorado  
Transportation Committe USCM

E. Arthur Gray  
Mayor  
Port Jervis, New York  
(Member NLC Small City Advisory Council)

Lynn Coleman  
Council Member  
Riverton, Wyoming

Ken Slapin  
Council President  
Norwalk, Connecticut  
(Influential Member Transportation Committee NLC)

Delmar L. Mitchell  
President City Council  
Buffalo, New York  
(Likely to endorse)

