

9/11/79 [2]

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| memo w/att | From Brzezinski to The President (7 pp.) re: Meeting with Mobutu of Zaire <i>2 pp open 8/11/04</i> <i>2 pp open 10/3/05</i> <i>3 pp open 8/30/06</i> | 9/8/79 | A |

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THE WHITE HOUSE
WASHINGTON

September 8, 1979

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ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI **ZB.**

SUBJECT: Your Meeting with President Mobutu of
Zaire -- Tuesday, September 11; 1:45-2:00
(U)

State's briefing paper for the meeting with Mobutu, who is here for IMF meetings, is at Tab A. Mobutu will be accompanied by Foreign Minister Nguza (un-GOO-za) and Ambassador Kasongo (kah-SONG-go). In addition to myself, Under Secretary Newsom, Acting Assistant Secretary Harrop and Tom Thornton of my staff will attend. (U)

You have not yet appointed a new Ambassador to Zaire. We hope to have a nominee in a few weeks. (U)

The security and economic situations in Zaire continue to be precarious. Mobutu perceives these in terms of maintaining his personal power, running Zaire without outside interference but with massive outside assistance. He is a past master at wiggling out of the promises that he makes to secure foreign help. (C)

Mobutu is the only leader in Zaire who seems able to provide leadership, no matter how imperfect, to the entire country. We have no desire to weaken him. Yet Mobutu must carry through on the reforms to which he has committed himself if Zaire is not to fall apart. These are distasteful to him and he likes to believe that they are the niggling demands of bureaucrats rather than US policy supported by you. You have written him underlining your determination (most recently on June 6 -- see letter at Tab B) and this meeting gives you the opportunity to reemphasize in person that:

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ORIGINAL CL BY _____
 DECL REVW ON Sept 7, 1985
EXT BYND 6 YEARS BY _____
REASON _____

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E.O. 12958, Sec. 3.6
PER 7/27/85 NRC RE NWJL-04-42
BY [Signature] NARS DATE 9/27/05

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- We support Zaire's integrity and independence;
- Our ability to support Zaire is conditioned by the need for sustained political, economic and military reform;
- We recognize the problems that this raises and applaud the good start made;
- We expect further progress, for instance in implementation of the recently signed IMF stand-by agreement; reforms that will make the military an effective organization; and further decentralization of political responsibility.
(C)

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THE SECRETARY OF STATE
WASHINGTON

1A
~~CONFIDENTIAL~~

MEMORANDUM FOR: THE PRESIDENT

From: Cyrus Vance

Subject: Visit of Zairian President
Mobutu Sese Seko
1:45 p.m., September 11, 1979

I. OBJECTIVES

The U.S. is tied to Zaire by deep interests in Zaire itself and by the potential regional impact of instability there. Mobutu has made initial progress on the reforms we have pressed on him, but further efforts to comply with the terms of the new International Monetary Fund (IMF) economic stabilization program and standby loan, to decentralize political power, to curb his use of government finances for personal and political ends, and to rein in his notoriously corrupt military are needed to stabilize Zaire. It is crucial that he understand our insistence on reform flows directly from you and that our economic and military assistance is strictly linked to further reform.

II. SETTING

Mobutu has responded grudgingly to our prodding on reform and will seek approval of his "progress." Referring to his mediation attempts in Southern Africa, he may ask for additional military assistance to strengthen his anti-Communist regime.

Rigorous adherence to the stabilization program will be difficult for Mobutu from a political viewpoint as it will cut heavily into his highly personalized style of government, and from an economic viewpoint as government revenues are expected to fall short of IMF targets.

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GDS 9/7/85

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DATE 8/18/06 BY SP-10/STW/STW
DATE 8/30/06

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III. ISSUES

A. Issue - "Special Relationship" with the U.S.

Essential Factors: Mobutu feels that the decline in U.S. assistance to Zaire and the linkage of our aid to unpalatable reforms are evidence of the deterioration of the "special relationship" he has enjoyed with the U.S. since the early sixties. He has been unable or unwilling to accept the fundamental conflict between the style of government he feels he must employ to remain in power -- the only one he knows -- and the U.S. commitment to basic human rights. He believes we have backed previous attempts to overthrow him and would do so again. We want to reject firmly any insinuation that we would seek to destabilize his government, without letting him off the reform hook.

Points to be Made:

-- There have been close ties of friendship between the U.S. and Zaire for many years, despite our problems and our differences.

-- We remain concerned about the future economic development of Zaire and will do what we can to assist that development.

-- The economic and political reforms you have undertaken and are undertaking, if maintained, are the key to Zaire's future prosperity and our ability to continue our support. They must be rigorously pursued.

B. Issue - Military Assistance for Zaire

Essential Factors: The next 3-4 months will determine the military's ability to maintain security in Shaba. The Zairian military has a long record of corruption and incompetence, and its performance during the Shaba wars made clear the need for vastly improved training, discipline and logistics support. With the Belgians and French we embarked on a retraining effort, contributing spare parts and contract technical assistance. FMS credits to Zaire dropped to \$8 million in FY 79 (from \$17.5 million in FY 78) and will probably remain at this level in FY 80. There is strong Congressional resistance to increased military aid.

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Points to be Made:

-- We will continue to work with you and the French and Belgians to determine how our military assistance may best meet Zaire's needs.

-- While we will be as supportive as we can, continued assistance will depend on the demonstrable improvement of FAZ discipline and combat readiness.

C. Issue - Economic Reform and the IMF

Essential Factors: We have actively urged Mobutu to work with the IMF and explained to him the necessity of adhering to a stabilization program. The combination of a basically realistic plan, strong prices for Zaire's primary exports (copper and cobalt), improved financial management, and a grudging Zairian commitment to the stabilization program, provides a real chance for success. While adherence will result in a temporary decline in the already low urban standard of living, Zaire's future (and that of Mobutu himself) depend on it. Mobutu may ask that the U.S. take the lead in an early round of multilateral pledging for new economic assistance to offset the risk of political instability inherent in strict implementation of the standby.

Points to be Made:

-- Congratulations on having reached agreement with the International Monetary Fund on a new stabilization program and standby loan for Zaire.

-- Agreement on the terms, however, is only the first step. It is essential that Zaire be seen as making a determined effort to live up to the terms of the agreement.

-- I realize that reform will require harsh adjustments, but our participation in another round of expanded economic assistance is dependent upon demonstrable adherence to the reform package.

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THE WHITE HOUSE

WASHINGTON

September 10, 1979

MEETING WITH GOVERNOR BRENDAN BYRNE

Tuesday, September 11, 1979

10:50 a.m.

The Oval Office

From: Anne Wexler *Anne*

I. PURPOSE

To thank Governor Brendan Byrne of New Jersey for organizing and agreeing to chair a National Committee for the Windfall Profits Tax and to receive a report on the progress of the effort to date.

II. BACKGROUND

Governor Brendan Byrne of New Jersey has agreed to organize and serve as Chairman of a "National Citizens Coalition for the Windfall Profits Tax". The purpose of the Coalition will be to organize a massive grassroots effort to ensure a positive windfall tax vote in the Congress.

The Coalition would be comprised of representatives of labor, civil rights groups, academia, agriculture, business, local and state government, transportation, as well as organizations representing consumers, elderly, environmental and energy interests, women, low-income/welfare groups.

The Committee will include approximately 100-150 members. Activities will include a strong media and public education campaign to push the tax.

A. Co-Chairmen

In addition to Governor Byrne as Chairman, we are working on having three to four co-chairmen.

Business: Harding Lawrence, Chairman of the Board and Chief Executive Officer of Braniff International, has agreed to serve as the business co-chairman. Lawrence has already identified staff to work with Byrne on this effort on a daily basis.

Labor: Robert Georgine, President, Building Trades
AFL-CIO

Civil Rights: Margaret Bush Wilson, Chairman, NAACP

Entertainment: Alan Alda

B. The Committee

We have identified 14 target groups and Governor Byrne's staff is now canvassing approximately 300 names for possible committee membership. Each group will also be encouraged to send out a mailing or include an article on the tax in their newsletter or publication. Byrne has committed several full-time staff to this effort.

Many of the groups require formal approval or permission from boards or executive committees, but we expect to have the final list of 100-150 by the end of the week.

Initially, the coalition will undertake two mass mailings, one to the public and one to Congress. They are also developing a public education and media campaign which would be initiated after a public announcement of the Committee.

III. PRESS PLAN

No press coverage. White House photographer only.

VI. SUGGESTED TALKING POINTS

See attached.

SUGGESTED TALKING POINTS FOR MEETING WITH GOVERNOR BYRNE

- Thank Governor Byrne for his support of the energy program, especially the windfall profits tax, and commend him for initiating the citizens committee and agreeing to serve as its chairman.

- Ask him about progress to date.

- Report that Bill Miller is especially interested in the citizens committee and eager to help in appropriate ways.

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THE WHITE HOUSE
WASHINGTON

Energy Mobil Bd
" Sec Corp

2 House approval of EMB decision

Need to set

binding project schedule on Feb 1st
Waive, modify, consolidate procedures
enforce schedule

Consolidate legal challenges
waive ex post facto laws
(grandfather)

Not waive substantive law
No Δ in staffed HRO law

Consolidate Envt law → 1 NEPA Review

Include conservation projects
" production "

Heinz/Armstrong in Banking

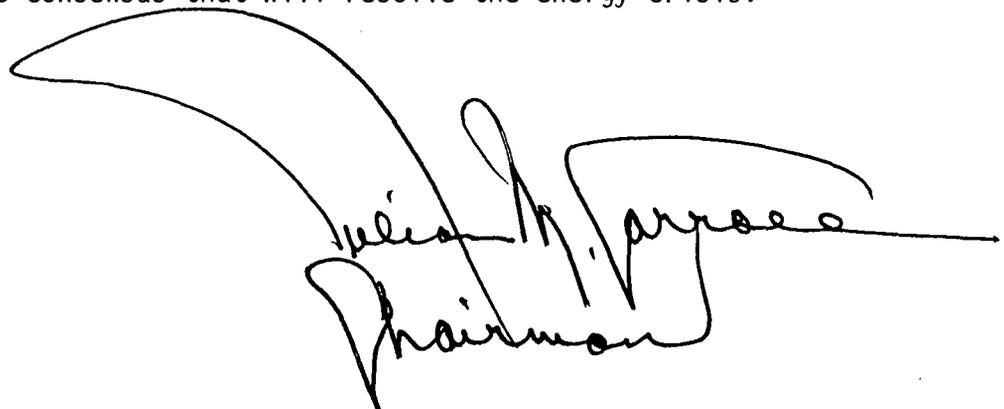
New Coalition ✓

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STATEMENT OF PURPOSE

In order to enable the Congress and the Administration to fully understand the concerns of state and local elected leaders, the State/Local Energy Task Force has been established under the auspices of the New Coalition. This Task Force will seek to define a new energy perspective which clearly spells out the role of state and local governments in formulating and implementing national energy policy. It is envisioned that this Task Force could become a forum for a full discussion between the Congress and the Administration on energy policy as it impacts the concerns of state and local government.

The State/Local Energy Task Force, in order to be effective, must design a strategy which is based upon a common concern of all local governments as to the real cost and impact of the energy crisis. This concern can be expressed by developing a set of principles from which the role of state/local government can be fully understood by the Congress and the Administration. As a first step in this process, our Task Force has met and identified the energy policy areas where we share a consensus position, and those where we are seeking a consensus position. It is now important that working with the executive and legislative branches of the federal government that we develop a specific consensus that will resolve the energy crisis.



William H. Payne
Chairman

CONSENSUS POSITIONS OF STATE/LOCAL ENERGY TASK FORCE

I. ENERGY MOBILIZATION BOARD

1. All organizations support the concept of an Energy Mobilization Board and support expediting the federal permitting process.
2. With a few notable exceptions, state and local governments have not been the source of delay in the siting of major energy projects.
3. All organizations agree that states and local governments should:
 - (1) work in close consultation with a federal EMB to develop concurrent reviews, joint hearings, consolidated data collection efforts, etc.;
 - (2) retain authority over the final determination of decision deadlines; and
 - (3) retain authority over state/local siting and permitting decisions without fear of preemption.
4. All organizations who have had an opportunity to address the EMB proposal strongly oppose the Dingell bill because of its provision for waivers of substantive and procedural provision of state and local laws. The Administration's support for this, even if simply a matter of legislative tactics, deeply concerns all of us.

*Procedural, not substance
Ex poste facto
Dingell bill*

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II. A WINDFALL PROFITS TAX

1. Following the President's April 5, 1979, address, all organizations have endorsed the phased decontrol of domestic oil prices.
2. All organizations have endorsed a Windfall Profits Tax.
3. All organizations are generally supportive of the planned uses of the tax. There is strong support for low-income assistance, efforts to increase domestic energy supplies and energy conservation, and public transportation and automobile efficiency programs.
4. Each group has worked with the Ways and Means Committee, Senate and House members at large, and the Senate Finance Committee.
5. Individuals look forward to working with the Administration and the Congress to develop the details of the tax and the allocation of the funds to be developed through the tax.
6. All of our organizations are concerned that the providing of low-income assistance is seemingly dependent upon passage of the windfall profits tax. It is our judgment that the immediate need for low-income assistance should not rest upon passage of the windfall profits tax.

*Low inc assist
Pub Xport*

28% → 48% inc/fuel

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III. ENERGY CONSERVATION

1. State and local officials strongly support initiatives in the President's July 15 energy proposal to encourage the development of conservation and renewable resources programs.
2. Increased federal funding of conservation programs will produce immediate and sizeable gains in energy efficiency, leading to significant displacement of imported oil.
3. State and local government officials believe the federal government should involve them directly in conservation efforts. Because of their direct access to the public, state and local governments can most effectively promote energy conservation efforts.
4. Conservation and renewables will make sizeable contributions towards national economic and employment goals and will promote the President's urban policy. (A recent DOE report says conservation and solar energy "maximize direct job creation at total lower costs than conventional alternatives.")
5. Conservation and renewables are also the most cost-effective use of federal energy dollars. The Administration estimates that barrel-for-barrel it costs eight times as much to reduce oil imports through synthetic fuels production than through conservation. Synthetic fuels production is twice as expensive as solar energy on an BTU-equivalent basis.
6. State and local governments agree that continuing failure on the part of the federal government to promote adequately financed conservation and renewable resource programs has diminished the effective contributions of such programs towards the achievement of national energy goals. All organizations agree that a greater share of the windfall profits tax revenues should be allocated to these measures. (Only \$5.5 billion, or less than 4 percent, is currently allocated by the Administration proposal.)

IV. ENERGY IMPACT ASSISTANCE

1. The recent emphasis on increased use of domestic energy resources, particularly coal, has resulted in explosive population growth and drastic changes in the socioeconomic makeup of many rural energy producing communities. Our national requirement for secure energy sources and the push for synthetic fuels development will create even more energy "boomtowns" in the next decade. The costs of providing even the most basic community facilities and services needed to cope with anticipated population increases far exceed the capacity of state and local governments.
2. A recent survey by the National Governors' Association conservatively estimates the existing need for housing sites, water and sewer in Appalachian and western energy producing areas at nearly \$2 billion, exclusive of the actual cost of housing. The push to develop a synthetic fuels industry will greatly compound the problems of energy boom communities. A prototypical coal liquefaction plant will employ 2,600 construction workers over a period of 3-5 years, and 1,700 fulltime operating workers. An oil shale plant of the same size will employ 2,000 construction workers and 1,100 fulltime operators.
3. The Section 601 energy impact program, administered by the Farmers' Home Administration, is an excellent first step in addressing the impact problem. However, all organizations consider it essential to increase the funding for this program and to broaden it to include grants for public facilities construction. All organizations strongly urge the Administration to submit a budget amendment to transfer funds from its proposed EDA impact program to the Farmers' Home Administration program. \$120 million is authorized for Section 601 for FY 80 and we strongly support this level of funding.
4. All organizations support a coordinated federal/state/local approach which is necessary both to fund the costs of mitigating anticipated impacts and to plan the timing and location of energy projects to minimize the "boomtown" effect. This should include state/local input into the decisions of the Energy Security Corporation and the Energy Mobilization Board.

THE WHITE HOUSE
WASHINGTON

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MEMORANDUM FOR: THE PRESIDENT
FROM: JACK WATSON *Jack*
SUBJECT: Addendum to Briefing Paper for New
Coalition

Several of the Mayors (Dick Carver, Bill McNichols, Charles Royer) and Governor Byrne, who recently represented you at the Geneva Conference, are concerned about the resettlement of "boat people in the U.S. The Mayors are particularly concerned that housing, CETA and other federal funds are not sufficiently coordinated to assist the boat people who arrive in their cities. They have asked for a separate meeting with you to discuss this issue.

Since this is an important issue to many of the officials present but does not warrant a separate meeting, I suggest that you make a brief statement at the end of the meeting. It should include:

- o I understand that many of you are very concerned about the influx of boat people into your communities and the additional demands placed on housing and social services. I share that concern.
- o I have asked Ambassador Dick Clark to convene a meeting with State and local officials and the key housing, social service and employment officials of the Federal government.
- o Ambassador Clark is in California until Thursday, but he will convene such a meeting shortly after his return.
- o Any of you who are interested in participating in this meeting please let Jack Watson know so that you can be contacted by Ambassador Clark.

11:30 AM

THE WHITE HOUSE

WASHINGTON

September 10, 1979

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MEMORANDUM FOR THE PRESIDENT

FROM:

JACK WATSON *Jack*

SUBJECT:

Meeting with the New Coalition and
State and Local Energy Task Force.
Tuesday, September 11, 1979
11:30 a.m. The Cabinet Room

Purpose. The purpose of this meeting is to discuss three priorities of the New Coalition: energy, welfare reform and revenue sharing.

As you know, the New Coalition represents governors, mayors legislators and county officials (membership list attached). Governor Otis Bowen serves as chairman.

At the initiation of Julian Carroll, a State and Local Energy Task Force has been formed to act as a "mediator" between the Administration and Congress on energy issues. A membership list is attached.

Participants. In addition to the state and local officials, Stu, Anne, Charles Duncan and I will attend. Secretaries Harris and Miller will meet with the Executive Committee of the NGA after your meeting and will have an opportunity to discuss welfare reform and revenue sharing at greater length. For this and other reasons, we have focused this session primarily on energy.

Format. The meeting will begin at 11:00 a.m. Governor Bowen will review the New Coalition's position on each of the three issues; these and our responses to each are described below. Charles Duncan will review the status of our energy proposals and address their concerns.

You will arrive at 11:30 a.m. There will be a press opportunity for your opening statement, which should be on energy. Talking points are attached. After the energy statement, you should also mention welfare reform and general revenue sharing before taking questions from the group.

Charles, Stu, Anne and I can remain with them for additional discussion, if necessary.

Background on the State and Local Positions
on the Issues

1. General Revenue Sharing. The group is committed to the renewal of general revenue sharing, including the \$2.3 billion state share with no major changes. We recommend that you listen to their position and then point out:

You know the importance of GRS to each one present.

You will have an extension of GRS, and it will be reflected in your FY 1981 budget proposal.

You have asked for a full review of the options regarding GRS.

You will not decide the scope of the extension until a full consultation has taken place with state and local officials and with your advisers.

2. Welfare Reform. The group is in agreement with our position on welfare reform because:

It emphasizes work and training opportunities as an alternative to welfare dependency.

It makes the system fairer, simpler, and less prone to error and abuse; and

It provides fiscal relief to hard pressed state and local governments.

You should point out the following regarding the program's legislative status:

Ways and Means will take up the cash reform bill this week.

House and Senate Labor Committees need to be pushed to give prompt attention to the jobs component of the package.

3. Energy.

- A. Energy Mobilization Board

State and local interest groups oppose granting the EMB authority to waive state and local law. They fear that even our proposal to give EMB authority to waive state procedural requirements in setting project time-tables could, in practice, result in the Board's over-

riding state and local laws. Despite these fears, many state and local officials would support the creation of an EMB if there were statutory guarantees that would limit the Board's authority to procedural matters and would provide for Congressional and Presidential review of the Board's decisions.

The Governors have been actively working with Senate and House Committees for passage of EMB legislation that would:

Mandate consultation with host state and local officials prior to designation;

Require Congressional approval for the Board to waive state procedural requirements; and

Limit the Board's authority to set mandatory timetables.

All of the groups strongly oppose the version of EMB proposed by Congressman Dingell.

Strong assurances should be given to the group that we will work so that final legislation would limit the Board's authority to procedural matters and that "consultation" with Governors will be required to assure that the Board will not alter state substantive requirements through procedural determinations.

B. Energy Production: Energy Security Corporation and Impact Assistance

The states and communities facing rapid development and growth under our proposed synthetic fuel development initiatives want assurances that present federal programs for energy impacted communities will be expanded to meet their needs.

The Energy Impact Assistance Program that we included in our 1980 budget request (\$150 million) is unlikely to pass this session of Congress. Therefore, the Governors, supported by county officials, are recommending expanding the present Farmers Home Administration impact assistance program which was enacted as part of NEA I. Senators Hart and Ford have already introduced an amendment to S 1308 (this bill contains Senate version of EMB), that would accomplish this. The Hart/Ford proposal authorizes \$150 million for 1980, and \$400 million annually for FY 1981-1985.

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The Administration's position on this proposal is not yet ready for your review. The Governors are pressing for a response. You can assure the group that our decision will be made shortly.

The Western states need to be reassured that any Energy Security Corporation initiative will take into account the adverse socio-economic impacts on their regions.

C. Energy Emergency Conservation

The Governors have and continue to be supportive of our efforts to establish a national energy emergency contingency program. The legislation now in conference evolved from recommendations presented by the Governors. The Governors' policy also supports a standby rationing plan. Though the local groups have not supported rationing, they have supported the establishment of national energy emergency contingency plans. The group should be thanked for their efforts thus far, and urged to work with you now to effect final passage of the legislation.

no 20%, 10%
frissur

D. Energy Conservation

You should emphasize that your energy proposals are balanced; that you have proposed major new initiatives in:

energy conservation;

solar energy development;

other renewable resource initiatives (gasohol, biomass).

All the public interest groups can be expected to support your mass transportation Energy Initiative in Congress. While the Governors want a larger role for the states, viz. local governments, the "New Coalition" is a very useful device to forge an effective state/local effort to support your proposals.

E. Windfall Profits Tax

All of the groups are supportive of the windfall profits tax, and its use for energy conservation and production programs, and low income assistance.

You should know that the NGA has adopted a position that the tax proposal include a plowback credit to stimulate private investment in energy production development.

F. Fuel Supply and Price

The commitment you made that 240 million barrels of home heating oil will be in primary stock prior to the beginning of the winter heating season will be achieved (see attached). This should be noted.

There are concerns, however, among Western and North-eastern Governors that the fuel is not being moved to distributor/jobbers/consumers. Secretary Duncan is watching this situation and is working with the oil companies to insure supplies are distributed to jobbers and homeowners.

G. Low Income/Middle Income Fuel Assistance

All the groups support a low income energy assistance program. The importance of their active support to get favorable Congressional action should be stressed. North-eastern officials are concerned that the windfall profits tax package will not be acted upon soon enough to address problems that will be faced this winter.

The Northeast is also quite concerned about the general economic impact of the increased cost of home heating oil. Pending a decision on a middle income assistance program, you can state:

Your intent to use your powers to assure that unjustifiable increases in prices will not be allowed; and

You are working with the oil producing companies urging them to hold the line on prices.

In addition, you can call to their attention the Texaco program (see attached) and note that you have called upon other major oil companies to follow suit. However, the group can be reminded that, as a nation, we must begin to pay the real price of our energy in order to assure replacement and continued development of our energy resources.

THE WHITE HOUSE

WASHINGTON

Membership of the New Coalition

Governor Otis Bowen (R-Indiana), Chairman
Governor Brendan Byrne (D-New Jersey)
Governor Ella Grasso (D-Connecticut)
Governor Bill Milliken (R-Michigan)

Speaker George Roberts (R-New Hampshire), President, NCSL
Senator Jason Boe (D-Oregon)
Representative Diane McCarthy (R-Arizona)
Speaker Leo McCarthy (D-California)--cannot attend

Mayor John Rousakis (D-Savannah), President, NLC
Council President Carol Bellamy (D-New York)
Mayor Richard Carver (R-Peoria)
Mayor Bill McNichols (D-Denver)

Councilman Frank Francois (D-Prince George's Cty. MD)
President, NACo
Commissioner Bay Haas (D-Mobile Cty, AL)
Commissioner Harvey Ruvin (D-Dade Cty, FL)
Commissioner Charlotte Williams (D-Genesee Cty, MI)

Membership of the
State and Local Energy Task Force

Governor Julian Carroll (D-Kentucky), Chairman
Governor Lee Dreyfus (R-Wisconsin)
Governor Richard Lamm (D-Colorado)
Governor Richard Snelling (R-Vermont)

Senator Fred Anderson (R-Colorado)
Speaker William Clayton (D-Texas)
Senator Paul Hess (R-Kansas)
Speaker Stanley Fink (D-New York)--cannot attend

Mayor Ernest Angelo (R-Midland, TX)
Mayor John Hutchinson (D-Charleston, W VA)
Mayor Charles Royer (D-Seattle)
Commissioner Patricia Roach (D-Dayton, OH)

Councilman Frank Francois (same as above)
Commissioner Bay Haas "
Commissioner Harvey Ruvin "
Commissioner Charlotte Williams "

MIDDLE DISTILLATE
STATUS REPORT

THE WHITE HOUSE

WASHINGTON

September 7, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*
SUBJECT: Overview of Middle Distillates as of
August 31, 1979

This report addresses:

- (1) the status of the primary inventory build-up;
- (2) secondary and tertiary stocks;
- (3) Fall harvest diesel situation;
and
- (4) creation of a Distillate Management Group.

(1) Middle Distillate Inventory Program

DoE's management of the middle distillate build-up program is succeeding. Barring another significant supply interruption, your goal of building primary stocks to 240-million barrels in October will be achieved. For the week ending August 31, distillate inventories were 197.2-million barrels, 2 million barrels above last year's stock level at the same date. (This is the first week during which primary inventories have exceeded last year's levels at the same point in time. Industry is building stocks at a rate which is about 330-thousand barrels per day greater than the rate achieved during the same period last year.)

If the inventory build-up does not continue to proceed satisfactorily for the remainder of this month, DoE has a regulatory measure in standby status to mandate increased distillate production.

(2) The Status of Secondary and Tertiary Stocks

As you know, an important part of the Department's middle distillate management plan has been to obtain an estimate of the status of secondary and homeowner stocks. (20-Million barrels of the 240-million barrels target represent a reserve against a secondary and homeowner stock shortfall.) Within two weeks, DoE will have results from a number of surveys, conducted by DoE, the Census Bureau and States, that will help evaluate sales and inventory levels of fuel oil dealers. The National Oil Jobbers Council has estimated that at the end of June, residential fuel oil tanks were 9 percent below last year's level; however, an early August DoE representative sample survey of storage in single family dwellings has given indications that homeowners' fuel oil tanks were at the same level or slightly higher than they were at the same time last year.

(3) Fall Harvest Diesel Situation

The two peaks in agricultural demand for diesel occur in the Spring and the Fall. The agricultural requirements for diesel are greater for Spring planting than they are for the Fall harvest. However, in the Fall, truck, barge and rail transportation perform a more critical role in transporting the harvest than is associated with Spring planting. As of August 31, 79 percent of the agricultural crop reporting districts indicated adequate diesel fuel for harvesting activities. Tight supply situations exist in Texas, Montana, Kansas and North Dakota. However, we have received no reports of farmers who have been unable to harvest their crops for lack of fuel.

Truck-stop diesel fuel supplies remained tight in Montana. However, truck stops throughout the agricultural states have had adequate supplies for harvest-related transportation activities. No critical rail or barge diesel problems have been reported.

(4) Distillate Management Group

A special Heating Oil and Diesel Fuel Management Group has been created to assure deliveries of distillate to end-users. The group will involve DoE, Department of Agriculture, and Department of Transportation personnel. Special tasks will be undertaken by the Coast Guard and the Army Corps of

Engineers relevant to barge transportation on domestic waterways. The Small Business Administration and DoE will assess market problems that threaten the viability of small petroleum businesses. The group's mission will be to insure the availability of heating oil and diesel to marketers, farmers, truckers, commercial fishermen, barge operators and other consumers.

The group will serve as a "clearinghouse" by redirecting product from refiners having adequate supplies of distillate to marketers in need of product. Special emphasis will be placed on coordination with governors. Group activities will commence September 15. A meeting involving over 20 states will take place in Kansas City on September 19. The agenda will include reviewing the management group activities and a Federal-State distillate strategy for the Fall and winter.

TEXACO PROGRAM



Robert T. Kenney
1050 Seventeenth Street, N.W., Suite 500
Washington, D.C. 20036
(202) 331-1427

NEWS FROM TEXACO INC.

TEXACO ANNOUNCES PLAN

FOR HOME HEATING OIL

FOR RELEASE: AFTER 1:30 P.M., EDST FRIDAY, SEPTEMBER 7, 1979.

WHITE PLAINS, N.Y., Sept. 7 - Texaco Inc. today announced the following four-point plan it will follow in handling home heating oils during the remainder of 1979:

1 - Home Heating Oil Supplies

Texaco announced that it expects to be able to make available to its home heating oil customers at least 87 percent of the volume of home heating oil that each purchased last season. Deliveries are currently being made on this basis to Texaco's wholesale and retail customers, the latter being directly supplied by Texaco.

Texaco commenced maximizing production of home heating oil in its United States refineries on July 10, which was two months earlier than normal. The company has also purchased substantial volumes of home heating oil at prices up to 15 cents a gallon higher than its own current wholesale price. These actions, Texaco said, are indicative of the efforts being made by the company to maximize its home heating oil supplies.

With the conversions taking place from heating oil to natural gas, and with the anticipated conservation efforts by home heating oil

users, Texaco expects that its supplies will be adequate to fulfill the essential needs of its customers.

2 - Home Heating Oil Prices

Texaco also announced that it has no present plans to increase its current prices for home heating oil, either to its wholesale or retail customers. The company said it is making every reasonable effort to avoid any price increases in home heating oils for the remainder of 1979. If, however, unforeseen events occur which cause inordinate increases in Texaco's costs and expenses, the company's position would of course have to be re-examined.

Texaco reported that its current average wholesale price in the United States for home heating oil is 67 cents a gallon. The current spot cargo market price for home heating oil on the U.S. Gulf Coast and in New York Harbor -- that is, the price which the company must pay to purchase additional quantities -- is 78 cents a gallon. Furthermore, such prices in Rotterdam, the European oil market center, are about \$1.02 a gallon.

Commenting on its current prices, Texaco stated that heating oil prices must include higher costs of domestic and foreign crude oil, rising manufacturing and labor expense, taxes and the inflationary effects resulting in substantial increases in other costs and expenses, if adequate supplies are to be available.

3 - Home Heating Oil Emergency Delivery Plan

Texaco has developed a plan for immediate response to verified emergencies due to lack of home heating oil. In the areas where Texaco operates, it will make a one-time emergency delivery to the home of Texaco home heating oil customers, or to the home of any other person, where it has been determined by local authorities that a real emergency exists that could endanger life or health. The emergency delivery would be a minimum of 25 gallons of home heating oil.

Anticipating that certain deliveries may be made to home owners who may have difficulty in making immediate payment, the company said payment terms would be decided after the delivery has been made. This special emergency service will be available day or night when such an emergency has been properly certified to exist.

The company said the intent of the plan was to take care of people in a hardship or emergency situation until other arrangements could be made. The Company said it would make no surcharge for the delivery costs involved. Only the current retail price for home heating oil will be billed to the customer.

4 - Home Heating Oil Credit Policy

Texaco announced that its credit policy to its established, qualified retail home heating oil customers will continue to be payment within 30 days of date of delivery. The company said it will extend up to 30 days' additional credit to such customers, with its usual credit charge being applied during this latter period.

Texaco further announced that its wholesale credit policy was being modified. Credit terms for qualified wholesale customers will be 30 days from date of delivery. Up to 30 days of additional credit will be offered to such customers. The usual Texaco credit charge will be applied to the latter period. Texaco said that it was offering these extended credit terms to its wholesalers in the hope they will pass them on to the benefit of their retail customers.

In its announcement, Texaco called attention to the independent position of its wholesale customers. These wholesalers have complete determination and control of the prices they will charge their customers, credit terms, hours of operation and delivery schedules, and Texaco has no control over such activities.

Texaco stated that it is making this announcement concerning home heating oil to clarify the company's position with regard to providing this important petroleum product to its customers. The company stressed that it intends to continue to fulfill its responsibility as a major supplier of home heating oil, and hopes that this special, four-point program will serve to bridge a difficult period by providing additional assistance to customers who might otherwise be confronted with real hardship.

The company's concluding statement stressed that every reasonable action should be taken to practice conservation. In the future, Texaco said, we must expect increased energy costs and tight supplies worldwide.

-xxx-

Note to Editors: see attached list of locations of Texaco terminals from which emergency deliveries will be made.

TEXACO
HOME HEATING OIL EMERGENCY RESPONSE PROGRAM
DESIGNATED AREAS

1. Boston, Massachusetts
2. Worcester, Massachusetts
3. Providence/Pawtucket, R. I.
4. New York, New York
5. Hartford/Cromwell, Conn.
6. Seattle, Washington
7. Philadelphia, Pa.
8. Newark, N.J.
9. Baltimore, Maryland
10. Fairfax, Virginia (Washington, D.C.)
11. Richmond, Virginia
12. Louisville, Kentucky
13. Minneapolis/St. Paul, Minnesota
14. Norfolk, Virginia
15. Pennsauken, New Jersey
16. Lockport, Illinois (Chicago)
17. Portland, Oregon
18. Denver, Colorado
19. River Rouge (Detroit), Michigan
20. Cincinnati, Ohio
21. Buffalo, New York
22. Claymont, Delaware
23. E. Peoria, Illinois

TALKING POINTS

THE WHITE HOUSE

WASHINGTON

September 10, 1979

MEMORANDUM FOR THE PRESIDENT

From: Rick Hertzberg *Rick*
Achsa NeSmith *ed*

SUBJECT: New Coalition (Talking Points)

These talking points cover three subjects high on the agendas of both you and your audience: energy, revenue sharing, and welfare reform.

You might want particularly to make a strong appeal for their support on the Windfall Profits Tax during the photo op at the beginning of the session.

Energy

1. Energy is crucial to solving most of our major domestic problems -- inflation, unemployment, the value of the dollar, our ability to trade competitively abroad. And how well we handle energy will depend on how well all the elected officials of our nation can work together. The very existence of the New Coalition you have formed shows that you understand how essential that kind of cooperation is.
2. I have proposed an energy program that deals with all aspects of our needs. There is much debate about particular approaches, but the important thing is to get going. World demand for oil is increasing. We have no assurance production will ever be much, if any, greater than it is today. We must act -- or we risk mortgaging our future for foreign oil in increasingly bitter competition with other nations.
3. Passage of a strong, permanent Windfall Profits Tax on the oil companies is absolutely critical to American energy security. Moreover, it can have as much impact on your states and communities as revenue sharing.
4. Proposals before Congress to hand over as much as \$100 billion in unearned windfalls to the oil companies will

not result in significantly greater oil production -- any more than the recent huge profits of oil companies have resulted in increased production. What they would mean is a lot less money to alleviate hardships caused by rising energy costs, to improve mass transit, and to invest in conservation and alternative energy sources to reduce our need for oil.

5. The Energy Mobilization Board I have proposed is not aimed at overriding state and local decisions. It is aimed at coordination and at ensuring prompt action. Environmental and other laws remain intact. We can develop new energy sources and make better use of old ones while protecting our environment. To do that, we must work together to eliminate the kinds of interminable, expensive delays that have added to our current problems.

¶ I am supporting the Dingell bill because it is the best vehicle for getting into the conference committee. This is a matter of legislative tactics. My position on the scope of the EMB has not changed.

6. I have proposed major incentives for conservation. These produce private conservation efforts costing many times the federal investment. This approach is already beginning to work. With only the hope of a tax break to encourage most of them, more than 5.8 million families and individuals have made energy-saving improvements on their homes since my first energy message in April 1977. Americans claimed \$600 million on their 1978 income tax returns, mostly for things like insulation and storm windows.

7. Conservation is still the best, cheapest, easiest way to meet our energy needs. Everyone can do it, from the smallest child turning off a light to the largest corporation. A lot depends on how strongly each of you demonstrate your willingness to conserve and see that your government conserves.

Revenue Sharing

1. I fully understand the importance of revenue sharing to everyone in this room. I intend to propose an extension of the General Revenue Sharing program and in my fiscal 1981 budget. As you know, many members of Congress are hostile toward general revenue sharing, particularly the state share. I have not yet decided on the precise form, but I can promise you I do not intend to make any changes that will make our fight for reenactment any more difficult than it already is.

2. I also promise you that my advisers will consult fully with you throughout our deliberations. There will be no surprises and no decision will be made without your full participation.

Welfare Reform

1. In closing, I want to touch on another issue on which we have worked closely together in the past -- welfare reform. I remain committed to doing as much as possible to make critical changes in the welfare system to make it fairer, simpler and less prone to error and abuse, to emphasize work and training as an alternative to dependency, and to relieve hard-pressed state and local governments of some of the burden.

2. You were in on the months of consultations from which we developed the scaled-down welfare package I submitted late last spring. The response thus far has been encouraging, but this important package needs your continuing attention and support. The Ways and Means Committee will take up the cash reform bill this week, and there will be some crucial votes there. I need your help to impress upon the Labor Committees the need for prompt action on the jobs component of this package -- these two pieces go hand in hand.

3. This is a difficult time for social legislation, as you know -- even for efforts such as this to lift millions out of poverty and long-term dependency. We must press ahead to meet these critical human needs.

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THE WHITE HOUSE

WASHINGTON

11 Sept 79

Jack Watson

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

Rick Hutcheson

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STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR
RALEIGH 27611

JAMES B. HUNT, JR.
GOVERNOR

September 11, 1979

*Jack Watson
Please look into
this
J*

**Electrostatic Copy Made
for Preservation Purposes**

Dear Mr. President:

There are two matters pending before the Department of Housing and Urban Development which involve Warren County, North Carolina.

The first is a grant which will enable the County to construct a waste water facility immediately. This has been under consideration for a long time and we understand that there are only a few details pending the approval of the grant. This is an urgent matter because the taking of bids and awarding of the contracts need to be done immediately.

I will appreciate very much your urging Secretary Landieu to approve of this grant without further delay.

The second matter is the disposition of the Soul City Development Project. This was an earnest attempt to create a new community in Warren County. It has not been successful because industrial development has not occurred which would provide jobs for the residents.

Our Secretary of Natural Resources and Community Development has had lengthy conversations with officials at HUD which could lead to participation by the State of North Carolina and the ultimate development of the project. As a former Governor, you know the difficulties of dealing with state-owned property, and we must find a way to avoid these complications.

I wish to assure you that we will continue to meet with officials of HUD and to find the best way to proceed.

Both of these matters involve the uplifting of citizens of this County. They are very much in need of good jobs, better health care, better educational training opportunities, recreational

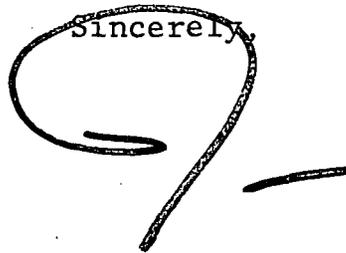
The President
September 11, 1979
Page 2

facilities, and other things which may be provided by a well-conceived and administered plan of development.

We will appreciate your immediate attention to the approval of the grant for the waste water facility which is essential in working out the problems of the Soul City Project.

My warmest personal regards.

Sincerely,



The President
The White House
Washington, D. C. 20500

Mr. President, it is essential that the waste water facility be authorized and begun immediately. Without it, we cannot attract an industry near making its decision about this country. The country is 99th of our 100 countries in per capita income.

Thus I appeal to you to have HUD approve this grant immediately.

9/12

BRIEFING STATEMENT TO GOVERNOR JAMES B. HUNT, JR. FROM SECRETARY HOWARD N. LEE
NORTH CAROLINA'S INVOLVEMENT IN WARREN COUNTY SOUL CITY PROJECT

1. State's Position (as expressed by Howard N. Lee)

The State of North Carolina would be interested in considering an involvement with the project in Warren County after HUD and the current Developer (Soul City Company) has resolved their current discussions and legal activities. When HUD has acquired the land, North Carolina would want to consider alternative development for Warren County Industrial Park and Soul City's land.

2. State's Investment in the Warren County/Soul City Project

Substantive investment of public funds through various state agencies include: the Department of Transportation, Department of Administration, Department of Commerce and NRCDC in the form of grants, contracts and technical assistance. The major projects the State has supported are the health program, regional water system and the State funded roads.

3. Potential of Rural Development Corporation

There is a strong potential for creating a Rural Development Corporation that would tie together State/local investment in rural communities and small cities. I am of the opinion that such a corporation should be quasi-governmental rather than a strictly State entity.

Objectives of such a corporation could be:

- A. to identify rural areas that have the potential for growth provided that such areas would be able to solicit financial assistance to make the necessary improvements in the infrastructure which would be a prerequisite for growth.
- B. to develop program(s) to work with community leaders in the target areas to sell the concept of growth so as to develop the necessary broad base community support.
- C. to identify the resources--federal, state, and local--that can be brought together to allow the facilities to be built and operated.

The RDCC would be in support of your Balance Growth Policy and your small town (Communities of Excellence Program).

4. Relationship of Local Government Officials Warren County Region K/Soul City

The new community of Soul City in Warren County would be a pilot project of the Rural Development Corporation. NCRDC would identify critical elements in keeping the 500 acre Warren Industrial Park intact and to see that it's development continues as per the recommendation of consultants such as Paul Shepherd, Arthur D. Little Company, and the Great Southwest Company.

The kinds of regional infrastructure developed in Region K such as the Kerr Lake Regional Water System, the proposed Warren County Wastewater Treatment System, the development of a regional ambulatory health center, are the kinds of activities that must be blended together in a comprehensive manner. Economic development in rural areas will require that regions "be made ready" to receive industry and handle the kinds of growth necessary to foster and support industrial development.

A meeting with the local officials, county commissioner representatives, and mayors of Warrenton and Norlina will be held September 14 at 10:00 a.m.

5. Decision of HUD re: Warren County Wastewater Facility

Apparently, HUD's decision to fund the wastewater facility at the 2 million a day capacity was conditional upon the State and Warren County's direct involvement and assuming the land involved will mean a delay in the actual funding and construction of the facility if all the details of the transfer are required from the State and local governments before they proceed. Therefore, I strongly recommend that the actual funding and construction of the wastewater facility proceed immediately, and the State and local governments develop the details of the actual transfer at a future date.

6. Industrial Land

A small part of the industrial land is currently under a second mortgage. This I understand is in the amount of \$600,000 due to the Peete Family.

7. Agriculture Land

Much of the undeveloped land is suitable for agriculture purposes. There are some political and public advantages if the State could assist A & T State University to acquire part of the agriculture land for research and demonstration activities. There is a dire need for technical assistance to small farmers and minority farmers with farm management, advance technology, and group marketing of their products. This could be a boost both for small farmers and A & T. This idea should be discussed further.

10:15 AM

THE WHITE HOUSE
WASHINGTON

September 10, 1979

MEETING ON HOME HEATING OIL REBATE

Tuesday, September 11, 1979
10:15 a.m., The Cabinet Room

From: Stu Eizenstat *Stu*

I. PURPOSE

To review the decision memorandum on home heating oil.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: This meeting is an opportunity for your advisers to present to you in person their views on the home heating oil rebate issue. The memoranda containing their views were sent to you over the weekend and they are attached.

B. Participants:

Secretary Duncan
Charlie Schultze
Bob Carswell (for Secretary Miller)
Jim McIntyre
Stu Eizenstat
Frank Moore
Jody Powell
Hamilton Jordan
Tim Kraft

C. Press Plan: Off the Record

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for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

11 Sep 79

Hamilton Jordan

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

Rick Hutcheson

Arnie Miller

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THE WHITE HOUSE
WASHINGTON
September 10, 1979

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MEMORANDUM FOR THE PRESIDENT

FROM: ARNIE MILLER *AM*

**Electrostatic Copy Made
for Preservation Purposes**

SUBJECT: Update on Senior Appointments at HUD, HEW,
Transportation, Justice and Energy

You asked for a current assessment on the nine key domestic appointments at HUD, DOT, Justice and Energy that we discussed in the attached July 25, 1979 memorandum. We have included HEW and Labor.

HUD

The Senate confirmation hearings on Moon Landrieu have been completed; the Senate Banking Committee approved him unanimously. The full Senate should confirm him by mid-week.

There is general consensus that the Under Secretary must be a strong manager who can run the HUD bureaucracy on a day-to-day basis. Additionally, as you know, there is strong pressure for us to make a major Hispanic appointment; the HUD Under Secretary is a likely spot for such an appointment.

Moon Landrieu and we are exploring Hispanic candidates. There are two, in particular, who hold promise Victor Marrero, New York State Housing Commissioner, and J. Raymond Watson, currently Managing Editor of El Nuevo Dia, Puerto Rico's largest newspaper. Marrero is a bright attorney with excellent negotiating skills; we are still checking his management capabilities. Watson, who was formerly HUD Caribbean Area Office Director, has very strong management skills and knows HUD. We are checking them both out politically.

DOT

Secretary Neil Goldschmidt holds a recess appointment. We expect the Senate to confirm him formally by the end of this week.

Neil and we agree that the Deputy Secretary should be a strong manager, who can run DOT on a day-to-day basis. Our first choice and that of Goldschmidt is Dan Boggan, 37, black, County Administrator of Essex County, New Jersey, and formerly in the Portland city administration where Goldschmidt knew him. Our checks indicate that Boggan is an exceptionally strong manager, and is highly regarded in the counties and cities where he has served (Portland, San Diego, Flint, Michigan and Essex County). Goldschmidt feels strongly about having a #2 person whom he knows and trusts, as he does Boggan.

There is a possibility, however, that Boggan would decline a job offer. The Essex County Supervisor, Peter Shapiro, only recently hired Boggan after a long and exhaustive search. Boggan is reluctant to leave unless Shapiro agrees, and Shapiro understandably does not want to lose Boggan. We may need you or the Vice President to approach Peter Shapiro if we want Boggan.

In addition, Coleman Young has aggressively promoted William Beckham, black, former Assistant Secretary of Treasury for Administration and currently at the Ford Motor Company. Goldschmidt has interviewed Beckham. They are continuing their discussions, and Beckham is meeting with other DOT Presidential appointees this week.

Secretary Goldschmidt's candidate for Administrator, Urban Mass Transportation Administration, is Ted Lutz, 34 years old, former General Manager of the Washington Metropolitan Area Transportation Administration (D.C. METRO) and Deputy Under Secretary of Transportation in the Nixon and Ford Administrations.

Lutz enjoys a very good national reputation in the transportation community; many in Washington, in both parties, credit him with "saving" the D.C. METRO through innovative management and knowing how to work the Hill and bring together disparate interests.

Although Lutz is essentially apolitical, we have probed carefully the Hill, mayors, governors, county officials and others to determine how much of a negative reaction his having been a Nixon and Ford appointee will create. For the most part, there is positive reaction to Lutz because of his exceptional abilities, the fact that he knows and is well regarded on the Hill and has had first-hand rail-operating experience. There is some negative feeling among Democrats

who feel he should be rejected for strictly partisan reasons, and some Democrats question whether he will work with the administration politically.

Secretary Goldschmidt knows Lutz personally, had discussed with him at length the Administration's energy and mass transportation policies and says that Lutz is genuinely enthusiastic about the Administration's goals. Goldschmidt feels strongly that Lutz will work with us. We have set up interviews for Lutz early this week with Jack, Stu and Les Francis to determine the kind of commitment Lutz is willing to make to the Administration's goals. If these interviews go well, we will forward Lutz' name for your approval.

HEW

Secretary Harris is suggesting Nathan Stark to be the Under Secretary of HEW. Mr. Stark is currently the Vice Chancellor for Health Services at the University of Pittsburgh. He has had senior operating positions in several private and civic institutions and appears to have an impressive track record. His strengths lie both in management and in the health field. We are conducting interviews this week for him with key White House staff and if all goes well we will forward his name for your consideration. We have been working closely with Mrs. Harris in the process of selecting an Under Secretary and have been impressed with the high quality of names that she has considered.

Secretary Harris is recommending Joan Bernstein to be the General Counsel of HEW. Ms. Bernstein is currently the General Counsel of EPA and is well thought of throughout this town and in the White House. We will forward our recommendation of her candidacy for your consideration shortly.

Hispanics?
The remaining current major vacancies within HEW include the Assistant Secretary for Planning and Evaluation, the Inspector General, and the Director of the Office of Civil Rights. We hope to have recommendations to you shortly for these positions.

Energy

At DOE, the Deputy is the day-to-day manager, while the Under Secretary is the Department's principal planner.

Secretary Duncan has proposed that John Sawhill be nominated as Deputy Secretary.

FBI checks on Dr. Sawhill are completed, and Congressional and conflicts clearances are near completion. John Deutsch has been confirmed as Under Secretary.

JUSTICE

The Deputy and Associate Attorney General positions are vacant. However, DoJ has already submitted to you the present Assistant Attorney General for Antitrust, John Shenefield of Virginia, for Associate Attorney General. If accepted, Shenefield's present post would be vacant. We understand that Sanford Littrick, of New York, is Ben's candidate for the antitrust post. Judge Charles Renfrew, of the Northern District Court of California is reported to be the leading candidate for Deputy Attorney General. Renfrew is well-regarded as a moderate. However, in 1977 he wrote an article detrimentally distinguishing Mexican-Americans from blacks and Native Americans. This has engendered some initial negative reaction in the Mexican-American community in California.

So do I!
For reasons with which you are familiar, we have been strong advocates of appointing an Hispanic-American as either Deputy or Associate Attorney General. We continue to believe that it is important to the administration.

Traditionally, the Deputy Attorney General shoulders the Department's planning, administrative and day-to-day decision-making responsibilities. The Associate Attorney General arbitrates Federal inter-agency disputes and acts as the Department's liaison with constituent groups.

Ben is trying to bring a Hispanic, Herman Silas to Washington to fill a new position -- Assistant Attorney General for U.S. Attorneys. Silas is presently the current United States Attorney for Northern California. He is 45 and, prior to his present job, earned a good reputation as manager of California's Department of Motor Vehicles. The political advantage of an Hispanic appointment would obviously be much greater if it were in a job more directly related to Hispanic issues. The Deputy or Associate Attorney General positions are accordingly much more appropriate.

Any of the following people should be strongly considered for Deputy or Associate Attorney General:

Judge Cruz Reynoso was appointed as Associate Justice for California's State Appeals Court in 1976. Judge Reynoso is 48, and he earned his LL.B. at Berkeley; he has been a

committed civil rights advocate, served as Director of the highly-regarded California Rural Legal Services Program; he also taught law at the University of New Mexico from 1972 to 1976.

Also Matt Garcia, Texas State Representative since 1969, would be a strong choice and have the support of the Texas Hispanic community. He is the former Chairman of the Chicano Legislative Caucus. Garcia is 45, highly respected, and he is regarded as the top Chicano attorney in Texas.

Herman Silas, described above, should also be considered for one of these jobs.

I recommend, before you decide to finally accept DoJ's recommendation of Shenefield for Associate Attorney General, that you decide on the Deputy Attorney General. If you decide against an Hispanic for Deputy, then you will still have available, if you wish a top level post at DoJ for which you may wish to consider an Hispanic.

At INS, Ben is reportedly considering Martin Danziger, a good manager, to replace Castillo who is leaving at the end of the month. Most Hispanic groups have told us that they don't necessarily want an Hispanic to head INS. However, they do want someone with a good civil rights record who has demonstrated sensitivity to their concerns. Danziger has no record on civil rights and is not particularly sensitive. Hispanics will probably not welcome his appointment.

I also urge you to encourage more internal discussion concerning appointment criteria for Presidential appointees at DoJ, and I have annexed to this memorandum a short summary of the reasons I believe there should be White House participation in the selection process for DoJ Presidential appointments.

THE WHITE HOUSE

WASHINGTON

Summary of Reasons for White House/DoJ Cooperation on

- (1) Appointments and (2) Articulating Policy Goals
-

(1) Appointments

The President must have the assurance that his appointees understand and will implement his policy goals. In domestic affairs, there is no more important policy-making department than DoJ.

Historically, the national policy implications of DoJ's broad jurisdiction have been recognized, and knowledgeable White House officials have traditionally joined with the Department in articulating appointments criteria and in evaluating potential Presidential appointees. The present White House staff includes senior officials, trained in the law and other relevant fields, who could bring useful perspectives to the process of appointing officials, who supervise DoJ's operating divisions and programs.

For example, there should be, prior to appointment, a detailed examination of the views of potential appointees to the post of Assistant Attorney General for Antitrust. The interrelation of this division's priorities with those of other agencies in abating inflation, for example, is of the utmost importance. What industries should receive the most attention? What forms of anti-competitive behavior most directly affect the inflation rate? The president must be confident that his appointee will establish a policy consistent with the President's views. And the involvement of senior White House officials, who are knowledgeable concerning the role of antitrust policy in a broad international and economic perspective, would be helpful in making a sound decision on a Presidential appointee in this area. A similar argument can be made for each of the Presidential appointments at DoJ.

In addition to its well-known investigative, criminal and

civil law divisions, DoJ also supervises a number of program divisions, such as the Bureau of Prisons, LEAA and INS. In each of these agencies, important and lasting policy decisions are made daily. For example, the Bureau of Prisons has continued to build expensive, large custodial institutions in remote areas, ignoring forceful arguments favoring experimentation with inexpensive, community-based facilities. The head of the Bureau of Prisons is not a Presidential appointee; but his immediate supervisor, the Deputy Attorney General, is, and it is the President's right and responsibility to explore in detail, either personally or through his senior staff, the views of a potential Deputy Attorney General on matters which he or she will be supervising.

2. Establishing Policy at DoJ

If Assistant Attorney Generals can give policy instruction -- and do -- why not the President who appointed them?

DoJ is not a large law firm. It is a Department with enormous policy responsibilities which affect millions of people every day. Its various departments determine immigration and naturalization policy, national policy towards juvenile offenders (even runaways); Native American lands; policy in establishing rights to water and minerals; in prosecuting and defending cases protecting the environment worldwide; methods of imprisoning and paroling thousands in the 28 federal prisons; and through LEAA providing leadership to the Nation's criminal justice system; police, prosecutors, legal aid, the courts, jails, prisons and parole boards are decided by officials of the Department.

In more well-known areas, decisions on resource allocation and emphasis on one area and not another have an enormous overall and day-to-day effect on enforcement of antitrust, civil rights, tax, and criminal laws.

At a more visible national level, the Justice Department plays an unparalleled policy role in deciding whether or not, and on which side, to file appeal briefs, particularly in the United States Supreme Court. When an issue gets to the Supreme Court, it is not a legal issue, it has by then become a national policy issue, and it is traditional for the Department, even when it is not a party, to act as a

"friend of the Court" in important cases. It was a policy, not a legal decision, to decide if and on what side, to file in the Bakke case, in the Feeney case involving veterans' preference, and in the Copeland case, which involves the correctness and amount of awarding attorneys' fees to public advocate lawyers. There are good legal arguments on either side of these issues, and the White House should be intimately involved in the policy decisions in these areas which determine on which side of the issue the Federal government will stand. We should not be writing briefs, but we should be consulted on major policy decisions.

The president gets the blame for policy decisions at DoJ. He or his deputies should be involved in these decisions. And, in many instances, they may be able to bring a broader social perspective to these issues than legal craftsmen.

EARLIER ASSESSMENT

Electrostatic Copy Made
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THE WHITE HOUSE
WASHINGTON

July 25, 1979

*Ham -
Give me a
Current
assessment
/*

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT *TK*
ARNIE MILLER *AM*

SUBJECT:

Senior Appointments at HUD,
Transportation, Justice and Energy

Nine sensitive domestic appointments require prompt attention. They include:

- . HUD - Secretary and Under Secretary
- . Transportation - Secretary, Deputy Secretary and UMTA Administrator
- . Justice - Deputy Attorney General and Associate Attorney General
- . Energy - Deputy Secretary and Under Secretary

We believe we need to move quickly on these to minimize disruption. Each position directly affects vital domestic constituencies as well and fast action to fill them will help alleviate any concerns.

However, it is also essential that we are sure prospective candidates meet several broad criteria:

- - high quality
- - ability to work with the President
- - politically skilled
- - available soon

We also feel it is critical that an Hispanic be appointed to one of the two available Cabinet positions. There has never been an Hispanic member of the Cabinet.

Over the weekend we worked to identify possible candidates who meet these concerns. We consulted closely with Hamilton and Jack and a number of other White House staff. We think the suggestions that follow hold real promise. We want to emphasize, however, that with the exception of Palmieri at Energy, thorough reference checks on these candidates have not been run. In most cases we have been able to compare notes internally and check discretely with several friends outside. Additional work definitely needs to and will be done on candidates that interest you. What follows is a status report, giving you for each position important factors and promising candidates. Resumes on each of the candidates mentioned below are attached.

HUD

There has not been a mayor in the top spot at HUD since its creation. Jack believes, and we concur, that the Mayors and urban interest groups would respond quite positively if the President appointed a Mayor to be Secretary of HUD. Jack, Stu and Ann vigorously support Moon Landrieu for the position. We lean toward one of the following three mayors, in the order they are listed - -

- (1) Moon Landrieu -- He is an attorney, 49 years old, Catholic, a Democrat and Carter supporter. He served as the Mayor of New Orleans from 1970 to 1978, and before that, as a city councilman. While Mayor, he served as vice chairman of the community development policy committee of the National League of Cities, President of the U.S. Conference of Mayors from 1975-76 and Chairman of their legislative active committee, and as a member of the steering committee of the National Urban Coalition.
- (2) Tom Bradley -- He is Mayor of Los Angeles, a Democrat, 62 years old. He is an attorney, former policeman, a past President of the National League of Cities and a current member of the Advisory Commission on Intergovernmental Relations.

Page 3

- (3) Neil Goldschmidt -- He has served as the Mayor of Portland, Oregon since 1973, is 39 years old and a Democrat. He is a former Legal Aid attorney, served as Portland City Commissioner and was a civil rights activist in Mississippi in the early '60's.

If you agree with our assessment for the HUD Secretary, we will ask Landrieu first, then Bradley, and Goldschmidt. Should you decide to pursue this approach we strongly counsel the selection of an Hispanic Secretary for DOT. We feel, and Hamilton concurs,* that it is of paramount importance to name an Hispanic Cabinet member at this time.

* *If we can find one - haven't yet.*

Jack and we agree that the HUD Under Secretary must have strong management skills. If this position, which is now held by Jay Janis, becomes open, we believe Peter Solomon, New York City's Deputy Mayor for Finance, would be an excellent candidate. Solomon, 40, has performed well in NYC, and is well regarded by the media, including the NY TIMES. He knows urban problems and finance and cares deeply about urban development. He worked at Lehman Brothers from 1963-1978 before assuming his current position, and was Lehman's Managing Director from 1971-78. Peter was an early Carter supporter, and a member of the National Finance Committee in the campaign. He is anxious to join the Administration and would be a major plus.

Despite Solomon's qualifications, if a minority candidate is not selected as Secretary we must give serious consideration to appointing a minority Under Secretary. Pat Harris' departure coupled with the appointment of two white males could conceivably arouse concern and possible opposition from the civil rights community. Moreover, Koch's negative reputation with the NYC black community could rub off on Solomon if a non-minority Secretary is selected. Herman Badillo, Koch's Deputy Mayor for Administration, would be a strong choice. He is a lawyer, with experience in New York City government during the 1960's as head of housing relocation. Badillo, 50, served as Bronx Borough President and was a Congressman from 1970-77 serving on the House Banking, Finance and Urban Affairs Committee.

Deputy?

TRANSPORTATION

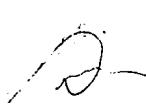
As we have indicated, we strongly believe an Hispanic should be appointed now to the Cabinet. There are two Hispanic candidates that bear consideration. They are:

- (1) Jerry Apodaca -- He was the Democratic Governor of New Mexico, is 45, a Chicano, and a Catholic. He has been a small businessman, a high school teacher and a state senator. He served as Chairman of the New Mexico Democratic Party and currently serves as Chairman of the Western Governors' Regional Energy Policy Office and chairs the President's Council on Physical Fitness and Sports.
- (2) Herman Sillas, Jr. -- He is a lawyer and directed California's Department of Motor Vehicles, which is one of the largest in the country, and earned a good reputation for upgrading the department. Sillas, 45, was a member of the Carter-Mondale Task Force and now serves as U.S. District Attorney for Northern California.

We are also considering recommending the appointments of the following two individuals to be Deputy Secretary and UMTA Administrator, respectively:

- (1) Louis Gambaccini -- He is presently New Jersey State Commissioner of Transportation and has served as General Manager of the Port Authority Trans-Hudson Corporation and as Director of the Rail Transportation Department of the Port Authority of New York and New Jersey. He is presently Chairman of the Northeast Corridor Commuter Rail Authorities Committee and Vice Chairman for Transportation for the Coalition of Northeastern Governors.
- (2) Thomas P. O'Neill, III -- He is currently the Lieutenant Governor of Massachusetts, is 35 years old. He has a background in finance and state and local politics.

We want to explore further how this possible alignment would be received by the transportation industry and the business community.



JUSTICE

Traditionally the Deputy Attorney General shoulders the department's planning, administrative and day-to-day decision-making responsibilities. As you know, Civiletti's appointment aroused deep anxiety in the Hispanic community and we firmly believe an Hispanic should be recruited for the Deputy job.

Cruz Reynoso is our preference for Deputy Attorney General. He is an Associate Justice for California's State Appeals Court, appointed in 1976. Reynoso, 48, earned his LL.B. at Berkeley, has been a civil rights activist, served as Associate General Counsel at EEOC and Director of the highly regarded California Rural Legal Services Program, and taught law at the University of New Mexico (1972-76).

Another possible choice is Herman Sillas who is described in the Transportation section.

If an Hispanic from California, such as Sillas, is appointed DOT Secretary and Esteban Torres, also a Californian now serving as UNESCO Ambassador, join the White House staff, I think we should select someone who appeals to the Texas Mexican-American community for Deputy Attorney General. For example, Matt Garcia, a Texas State Representative since 1969, would be a strong candidate and have the support of the Texas Hispanic community. He is the former Chairman of the Chicano Legislative Caucus. Garcia, 45, is a lawyer, highly respected and regarded as the top Chicano attorney in Texas.

The Associate Attorney General arbitrates Federal interagency disputes and acts as the department's liaison with constituent groups. We think someone with political savvy and a good civil rights image should be appointed to this spot. Some names mentioned are Henry Marsh, the black Mayor of Richmond; EPA's Jody Bernstein; Gabriel McDonald, a black Federal district judge from Houston; and Stanley Van Ness, New Jersey's Director of Public Defenders and Advocates.

ENERGY

DOE is structured so that the Deputy Secretary is the day-to-day manager and the Under Secretary is the department's principal planner.

Deputy Secretary

Schlesinger told us in early May that O'Leary was leaving this post, and we began a search at that time. We came up with several outstanding candidates including Victor Palmieri (who brought Penn Central out of bankruptcy), George Kozmetsky (head of the University of Texas Business School), Charles Zwick (formerly head of OMB, now president of South East Banking Corporation), Henry Shacht (head of Cummins Engine), and Graham Claytor.

Palmieri was our choice among this very able group. He did an outstanding job from 1972 to 1978 at Penn Central; the bankruptcy judge said it was the finest management performance he had seen. Penn Central had several energy-related properties such as Buckeye Pipeline and Edgington Oil. Palmieri is a director of the Rockefeller Foundation and Phillips Petroleum. Previous to 1972, he practiced law and was president of a land development firm.

Palmieri is perceived as exceptional by a wide range of leaders. This is a big plus because the media would probably play his appointment very positively. Senator Cranston, Secretary Harris, Clark Clifford, Warren Christopher, Lloyd Cutler, and Griffin Bell spoke of Vic in the most glowing terms (see attachment to this memo) and Jim McIntyre and Stu, who interviewed him, were very impressed.

In our search Kozmetsky was Charles Duncan's recommendation; he sees Kozmetsky as an outstanding manager, educator, and computer scientist. Kozmetsky was one of the founders and builders of the mammoth Teledyne Corporation before going to the University of Texas. In any case, Charles should have a voice in the choice of the new Deputy Secretary.

Under Secretary

John Deutch was nominated recently for Under Secretary and has not had his confirmation hearings. He was strongly backed by Schlesinger and is close to Frank Press. He was head of MIT's Physical Chemistry Department before joining Schlesinger's staff as Director of Energy Research. Deutch is considered able and intelligent, knows energy, and is pro-nuclear. However, given the changes in leadership at DOE, it might be wise to select someone else for this position.

wp (

SUGGESTIONS FOR OTHER HIGH-LEVEL POSITIONS

We have developed a list of 135 highly-qualified people for other key positions throughout the government. This list was given to Hamilton Monday.

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Attachment

Selections from Victor Palmieri's Reference Checks

Senator Alan Cranston - a strong manager. A very able, very tough-minded, take-charge guy.

Lloyd Cutler - We are lucky that someone of Vic's vigor, intelligence, and ability is available. Vic gets things done and is very sensitive to the political realities.

Pat Harris - An outstanding manager and an incisive analyst. He cuts through to the heart of the problem. He motivates people well and is a joy to work with.

Warren Christopher - An outstanding crisis manager. Highly intelligent, very articulate. Has always handled the media well.

Clark Clifford - One of the country's outstanding managers. He is also politically adroit and has a strong sense of public service.

MOON LANDRIEU

Age - 49

B.B.A. and LL.B. - Loyola University

Residence - New Orleans, Louisiana

Current - Attorney.

Prior - Mayor of the City of New Orleans,
1970-78.

Councilman-at-large, City of New
Orleans, 1966-70.

Member, Louisiana House of
Representatives, 1960-65

Partner in the law firm of Landrieu,
Calogero & Kronlage, 1958-69.

Other Activities -

Member, Steering Committee, National
Urban Coalition, 1971 - present.

Board of Regents, Loyola University

Member, Inter-American Municipal
Organization (1st Vice President)

National League of Cities, Vice
Chairman, Community Development
Policy Committee.

U. S. Conference of Mayors: Chairman
of the Legislative Action Committee,
1972; Chairman of the Advisory Board,
1973-74; Vice President, 1974-75;
President, 1975-76.

THOMAS (TOM) BRADLEY

Age - 61

LL.B. - Southwestern University

Residence - Los Angeles, California

Current - Mayor of the City of Los Angeles, 1973-

Prior - Member, Los Angeles City Council, 1963-73

Private practice of law, 1961-63

Police officer, Los Angeles, 1940-61.

Other Activities -

Appointed in 1978 to the Advisory
Commission on Intergovernmental Relations
Two-year term.

National Urban Coalition

National League of Cities
(President, 1974)

National Energy Advisory Council

National Commission on Productivity
and Quality of Working Life

U.S. Conference of Mayors

Los Angeles World Affairs Council

Order of Blue Shield Society

Founder and Director, Bank of Finance

National Association of Regional Councils

San Fernando Valley State College
Educational Opportunities
Scholarship Fund

NEIL EDWARD GOLDSCHMIDT

Age - 39

A.B. - University of Oregon

LL.B. - University of California

Residence - Portland, Oregon

Current - Mayor of the City of Portland,
1973-

Prior - City Commissioner, City of Portland,
1971-72

Attorney, Legal Aid

Civil rights worker in Mississippi,
1964

Other Activities -

Past Chairman, Standing Committee on
Transportation, U.S. Conference of
Mayors]

Named Outstanding Young Man in America,
1972

PETER SOLOMON

Age - 40

B.A. and M.B.A. - Harvard University

Residence - New York City

Current - Deputy Mayor of New York City since 1977

Prior - Lehman Brothers
Associate, 1963-70
Partner, 1970-77

Other activities -

Trustee, Hudson Guild Neighborhood
House; Mt. Sinai Hospital; Federation
of Jewish Philanthropies

Director, Joint Purchasing Corporation

Jimmy Carter Presidential Campaign -
National Finance Committee

HERMAN BADILLO

Age - 50

B.A. - City College of New York; J.D. - Brooklyn Law
School

Residence - New York, New York

Current - Deputy Mayor, New York City, 1977-

Prior - Private law practice, 1955-1970

Deputy Commissioner, New York City Department
of Real Estate, 1962

Commissioner, New York City Department of
Relocation, 1962-1965

President, Borough of the Bronx, 1965-1969

U.S. Congressman, 1970-1977

Member, House Banking, Finance and
Urban Affairs and House Small Business
Committees

Other Activities -

Delegate, New York Constitutional Convention

TRANSPORTATION

JERRY APODACA

Age - 45

B.S. - University of New Mexico

Residence - Las Cruces, New Mexico

Current - Chairman, Western Governor's
Regional Energy Policy Office

Prior - History teacher, football and
track coach, Valley High School,
1957-60

Owner, Jerry Apodaca Insurance
Agency

Owner, Jerry Apodaca Realty

President, Family Shoe Center
of New Mexico

Member, New Mexico Senate,
1966-74

Governor, New Mexico, 1975-78

Other Activities -

Chairman, New Mexico Democratic
Party

Member, Board of Directors,
Dona Ana County March of Dimes
and Las Cruces Boys Club

Member, Las Cruces Chamber of
Commerce

Chairman, President's Council
on Physical Fitness and Sports

HERMAN SILLAS

Age - 45

B.A. and LL.B. - UCLA

Residence - Davis, California

Current - U.S. District Attorney for the Northern
District of California

Prior - Partner, Sillas and Castillo,
Los Angeles, California, 1960-74

Governor Jerry Brown's Transition Staff,
1974-75

Director, California Department of Motor
Vehicles, 1975-78

LOUIS GAMBACCINI

Age -

Residence - Trenton, New Jersey

Current - New Jersey Commissioner of Transportation

Prior - General Manager, Port Authority Trans-Hudson Corporation

Director, Rail Transportation Department of the Port Authority of New York and New Jersey

Other Activities -

Chairman, Northeast Corridor Commuter Rail Authorities Committee

Vice Chairman for Transportation for the Coalition of Northeastern Governors

Vice President for Government Affairs and Member of the Board of Directors of the American Public Transit Association

Founder, Member, Board of Directors of Transportation Research Board

Chairman, National Governor's Association Staff Advisory Committee on Transportation

Member, Union Internationale des Transports Public

Member, American Society for Public Administration

Member, New York Railroad Club

Charter Trustee, Rutgers University

THOMAS P. O'NEILL, III

Age - 35

B. A. - Boston College; Postgraduate - University of Finance, New York

Residence - Boston, Massachusetts

Current - Lt. Governor, State of Massachusetts

Prior - Stockbroker, Harris Upham & Company, 1968

Other Activities -

Chairman, Drive, Cambridge United Fund, 1972

Member, Board of Directors, New England Home for Little Wanderers, 1972

Vice President, Board of Directors, Paraplegic Research Fund

Member, Ward 11 Democratic Committee, 1972

Chairman, Ward 10, Democratic Committee 1968-1972

Vice Chairman, Cambridge Democratic City Committee, 1968-1972

Named Outstanding Young Man of the Year, Jr. Chamber of Commerce, 1973

Member, Cambridge Junior Chamber of Commerce

Member, AMVETS

JUSTICE

CRUZ REYNOSO

Age - 48

A.A. - Fullerton Junior College; A.B. - Pomona College; LL.B. - University of California, Berkeley

Residence - Sacramento, California

Current - Associate Justice, Third Appellate District, California State Court of Appeals, 1976 -

Prior - U. S. Army, 1953-1955

Law practice in El Centro, California, 1959-1968

Assistant Chief, San Francisco Department of Industrial Relations, 1965-1966

Staff Secretary to Governor Edmund Brown, 1966

Associate General Counsel, EEOC, 1967-1968

Director, California Rural Legal Services, 1969-1972

Law professor, University of New Mexico, 1972-1976

Other Activities - Consultant to U. S. Commission on Civil Rights; U. S. Senate Committee on Aging; National Committee Against Discrimination in Housing; LaRaza National Lawyers Association; American Bar Association Council Member; Advisory Council Member, Center for National Policy Review; Author

MATT GARCIA

Age - 52

LL.B. - St. Mary's University

Residence - San Antonio, Texas

Current - State Representative

Prior - Various jobs as a laborer and farmworker
Law Clerk

Private law practice since 1952

Other Activities - Chairman, Texas Mexican American
Legislative Caucus

Director, Mexican American Legal
Defense Fund

LULAC Council

Director and Treasurer, San Antonio
Trial Lawyers Association

Former Trustee, St. Mary's University

ENERGY

VICTOR PALMIERI

Age - 49

B.A. and J.D. - Stanford

Residence - Los Angeles, California

Current - Chairman, Victor Palmieri and Co.

Prior - Corporate Law, Janss Investment Co.

Deputy Executive Director, National
Advisory Commission on Civil Dis-
orders

Chairman/Chief Executive Officer,
The Pennsylvania Co.

Other Activities -

Co-founder/Chairman, American
Learning Corporation

Member, President's Commission
on White House Fellowships

Trustee, Rockefeller Foundation
and the Center for Law and the
Public Interest

GEORGE KOZMETSKY

Age - 62

B.A. - University of Washington; M.B.A. - Harvard

Residence - Austin, Texas

Current - Dean, College of Business Administration,
University of Texas

Prior - Instructor, Harvard

Assistant Professor, Carnegie-
Mellon University

Member of the Technical Staff,
Hughes Aircraft Co.

Director, Computer Controls
Lab, Litton Co.

Executive Vice President,
Teledyne Corp.

Other Activities -

Director of Amdahl Corp., Data-
point Corps., Excess & Treaty
Reins. Corp., Farah Mfg. Co.,
Inc., Heizer Corp., Student
Loan Marketing Association and
Teledyne Corp.

Leatherbee Lecturer, Harvard

Visiting Scholar, University
of Washington

Author

JOHN DEUTCH

Age - 41

B.A. - Amherst; B.S. and Ph.D. - MIT

Residence - Lexington, Massachusetts

Current - Under Secretary of Energy/Designate

Prior - Director of the Office of Energy
Research, 1977-1979

Chairman, Chemistry Department,
1976-1977, and Member of the
Faculty, MIT, 1970-1977

Assistant Professor of Chemistry,
Princeton University, 1966-1969

Consultant for Program Analysis,
Bureau of the Budget, 1965-1966

Systems analysis work, Office
of the Secretary of Defense,
1961-1965

Other Activities -

Member, Defense Science Board
and the Army Science Advisory
Panel



THE VICE PRESIDENT
WASHINGTON

July 25, 1979

MEMORANDUM TO THE PRESIDENT

FROM: THE VICE PRESIDENT 

I have just talked to Moon Landrieu and Neil Goldschmidt, advising them that they are among those being considered for the secretaryships of HUD and Transportation.

Moon Landrieu said he's anxious to get back in government, he's ready and willing, but would want to know what was expected in a conversation with you first. He thought he would be better in HUD than in Transportation.

Neil Goldschmidt said he was interested, but would want to know what was expected. He didn't have a preference between HUD and Transportation, but thought that Transportation might be a little more interesting now, with the new initiatives in mass transit.

THE WHITE HOUSE
WASHINGTON

9/11/79

Jim McIntyre

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

Rick Hutcheson

ADMINISTRATIVELY CONFIDENTIAL

3793

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

SEP 10 1979

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MEMORANDUM TO: THE PRESIDENT **Electrostatic Copy Made
for Preservation Purposes**

FROM: JIM MCINTYRE *Jim*

SUBJECT: Funding for the SRC Projects

In conversations last week between Eliot Cutler, Frank Moore and myself, some confusion arose with regard to what the Administration's current position is on future funding--after FY 1980--for the two SRC projects. All have agreed on FY 1980 funding but the handling of SRC funding in 1981 and the outyears was unclear.

Secretary Duncan and Undersecretary Deutch also understood that the Administration would commit to future funding for the SRC projects. They were correct. We are making the commitment to fund both SRC projects in FY 1981 and the outyears from the Energy Security Trust Fund (ESTF), if enacted, and from the DOE appropriation if the ESTF is not enacted.

We are doing this in recognition of the politics of this situation, i.e., we will not be able to prevent funds for both projects from being included in the FY 1980 DOE appropriation, and the need to maintain consistency with our arguments for an ESC and a major synthetic fuels program. Our position on the ESC is based on the fact that the replication of similar synfuels technologies in many plants is necessary to achieve significant oil reduction levels. This is also the foundation for Senator Byrd's argument for two SRC plants.

We will proceed to work with Senator Byrd on this matter as follows:

- ° I am sending Senator Byrd the attached letter today in response to his letters to you. This letter implies our positive response to his request that we agree to fund both projects.
- ° Secretary Duncan will talk with Senator Byrd early this week to tell him that we will agree to fund both projects in FY 1980, FY 1981 and the outyears and will seek Senator Byrd's help in gaining Congressional approval of the Energy Security Corporation.

Attachment

ADMINISTRATIVELY CONFIDENTIAL



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

SEP 10 1979

Senator Robert C. Byrd
United States Senate
Office of the Majority Leader
Washington, D.C. 20510

Dear Senator Byrd:

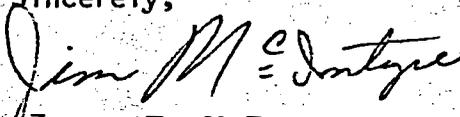
Thank you for your letters of June 20 and August 27 to the President on funding the two Solvent Refined Coal projects.

We have reviewed closely both SRC projects in light of the President's aggressive synthetic fuels initiatives and the establishment of the Energy Security Corporation, and the Administration is prepared to respond to your concerns that adequate funds be provided for both projects through to their completion.

The President has asked Secretary Duncan to discuss this matter with you this week.

Thank you for your continuing, important assistance in the development of a strong energy program.

Sincerely,


James T. McIntyre, Jr.
Director

13

THE WHITE HOUSE
WASHINGTON

June 6, 1979

Dear Mr. President:

I want to take the opportunity provided by your kind letter of April 28 and the recent visit of Foreign Minister Nguza to review with you key elements of the relations between our two countries. I last wrote you on June 11, 1978. Since then, much has occurred and important tasks have begun.

The sustained momentum of the economic and other reforms you have set in motion continues to be an important factor in our relations. As we explained to Foreign Minister Nguza, the conclusion of the pending stabilization agreement with the International Monetary Fund will mark a major milestone in your efforts to revitalize the Zairian economy. Once this agreement is in place, we should be able to proceed rapidly with implementation of a new agricultural commodity program and with disbursements on the Inga-Shaba transmission line cost overrun loan.

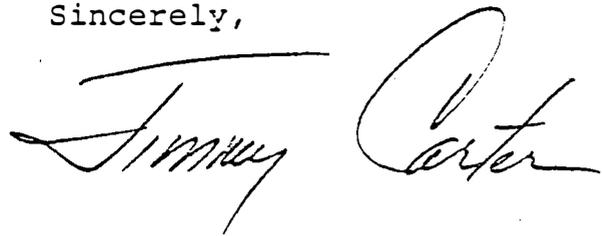
Equally important is continued progress on the full range of other reforms which you have set in motion, including those expanding political and civil liberties. In this regard, I welcome your recent decision to reshape your cabinet as a commitment on your part to place increasing responsibility in the First Commissioner and his colleagues for carrying out reform programs in all sectors of national life.

We both recognize, however, that there is still far to go in achieving all that you have established as Zaire's primary objectives. In particular, we are convinced that the Zairian

armed forces must earn the trust and support of the people in all regions of Zaire if they are to carry out their mission of preserving national security. The pace of military reform will assume larger importance as Zairian troops begin to replace the African forces in Shaba. We want to help in this process and, as we informed your Foreign Minister, we are prepared to participate in a combined effort to withdraw the African forces from Shaba according to the timetable you have established.

We want to continue to support you as you pursue the rigorous program you have articulated as the sound basis for reform and national renewal. As a means of cooperating on this important program you have undertaken, our staffs should remain in close and frank dialogue on all aspects of the program implementation, and perhaps at some appropriate point it could be useful and productive for us to get together for a talk under circumstances mutually convenient.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

Lieutenant General Mobutu Sese Seko
President of the Republic of Zaire
Kinshasa