

2/7/80 [1]

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

FEB 6 1980

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. *Jim*

SUBJECT: Executive Summary of the Report to Congress on
the Administration of ERISA

This memorandum requests your approval of the OMB study recommendations concerning the administration of the Employee Retirement Income Security Act of 1974 (ERISA) by the Departments of Labor and Treasury. Reorganization Plan No. 4 of 1978 requires that you submit to Congress by January 31, 1980 a report that evaluates the effectiveness of the reorganization and recommends a long term administrative structure for ERISA. In order to respond to late-breaking agency concerns, we have agreed with the government operations committees to submit the report as soon as possible this week.

The study concluded that the Reorganization Plan has resulted in significant improvement in the administration of ERISA by reducing delays in issuing regulations and in processing applications for exemptions from the prohibited transaction provisions. The study does not recommend legislative proposals for major structural changes in the administration of ERISA. Rather, it proposes that you establish, by Executive Order, an Interagency Council to provide a mechanism for coordinated policy development and administration of ERISA.

- The members of the Council would be the Department of the Treasury, the Department of Labor, the Pension Benefit Guaranty Corporation, and the Office of Management and Budget. Associate members would be the Department of Commerce, the Department of Health, Education and Welfare (Department of Health and Human Services), the Equal Employment Opportunity Commission, the Federal Trade Commission, the Securities and Exchange Commission, the Small Business Administration, the National Labor Relations Board and the President's Commission on Pension Policy.

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2-7-80
Jim -
Is another
Council absolutely
necessary?
Reply today
JC

- The Council would have a small professional core Secretariat (six positions provided by the agencies, including an SES-level Executive Director). No additional resources would be required.
- The Council and staff would not have directive authority over the departments, agencies or ERISA program, but would be assigned specific tasks of an interagency nature, such as assisting in the development of a common ERISA data system, and conducting research and related studies.
- The Council would make an annual report to the President of significant ERISA-related achievements of member agencies.

The Interagency Council--without disrupting on-going activities--will provide a formal mechanism to coordinate overall ERISA activities, help ensure continuation of the accomplishments realized by the Reorganization Plan, and address specific problems identified during the study. Over the longer term, it will serve as a focal point for developing unified policy in the employee benefit area.

The proposal to establish an Interagency Council appears to be acceptable to the parties at interest.

- The Departments of Labor and Treasury and the Pension Benefit Guaranty Corporation would prefer no change, but accept the concept of an Interagency Council. Labor and Treasury, however, are very concerned that the Council not become an "additional layer" in ERISA program administration, and resist the Council's having a permanent Secretariat. We have worked out language with them which has resolved the issue, and remaining details can be worked out in the development of the Executive Order.

- ° In Congress, the tax committees should not object to the Council since it does not affect the basic jurisdictions and responsibilities of the departments. The labor committees, which generally favor a new single agency, should accept the Council as a small step in the direction of that agency. We expect the Ribicoff and Brooks government operations committees to be satisfied with this approach.
- ° The private sector pension "community" (including lawyers, actuaries, pension consultants and advisers, employers, plan administrators, employees and beneficiaries)--while divided over the single agency issue--should accept the Council as providing a mechanism for continuing improvement in the administration of the program. The group of expert consultants on pension policy that have provided advice throughout the study view our approach as a constructive step.

DECISION

- _____ Agree with the recommendation of the OMB study to establish an Interagency Employee Benefit Council, by Executive Order. (OMB, Labor, Treasury)
- _____ Prefer to take other action.

COMMENTS

If you agree, I recommend the report be transmitted to the Congress as soon as possible.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

FEB 7 1980

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. *JM*

SUBJECT: Interagency Council to Coordinate ERISA
Administration

This is in response to your question noted on my February 6 memorandum (attached) about the necessity of an interagency council to coordinate policy development and administration of the Employee Retirement Income Security Act of 1974 (ERISA).

I believe that this interagency council is necessary to provide broad oversight and coordination of the entire ERISA program. Although there have been significant reductions in time delays for processing regulations and plan transactions under Reorganization Plan No. 4, the OMB evaluation found that greater coordination would be necessary to continue that progress and to deal with the remaining problems of fragmentation in policy development, information systems and program evaluation.

Because ERISA is administered by two Cabinet departments-- Labor and Treasury--and several other departments and agencies have significant related program responsibilities, no one group looks at the total program, as would a beneficiary or plan administrator. As you know, ERISA is one of the most criticized Federal programs. The Act itself is extremely complicated and the dual jurisdiction by Labor and Treasury exacerbates this problem. Many critics of the program in the pension community and the Congress have proposed the establishment of a new single Federal agency to administer the entire program.

In my view, proposing a single agency would be premature, certainly until the President's Commission on Pension Policy has completed its work. I also believe that maintaining the existing dual structure with no formal coordinating mechanism would be an unacceptable endorsement of the status quo.

The establishment of an interagency council seems a responsible step at this time to provide a forum for addressing policy and administration issues in a broad context. The council would include agency representatives and its staff would be drawn from the existing programs. There is a consensus among the agencies involved, industry and consumer consultants to the OMB study, and informally, the concerned congressional staffs, that the proposed council is desirable.

THE WHITE HOUSE
WASHINGTON

07 Feb 80

Frank Moore

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

Rick Hutcheson

NOTE TO FILES:

Please file this under Antoinette Hatfield.
She is the wife of Senator Mark Hatfield.

Thanks,

Congressional Liaison

MAR 11
CENTRAL FILES

THE WHITE HOUSE
WASHINGTON

2/7/80

Frank Moore --

~~President-Carter--~~

Upon her request today at the Prayer Breakfast, President Carter promised Senator Hatfield's wife Antoinette that he would inscribe a copy of the notes he used to deliver his remarks. You should probably handle either delivery or mailing of attached original, with cc in files.

Thanks--Susan Clough

WE CAN BE REMARKABLY FLEXIBLE
IF ADVANTAGEOUS TO US, FIND GOOD
IN ENEMIES
SOMETIMES ^{WE} CLING TO ENEMIES, HATRED

LOVE ENEMIES, PRAY FOR PERSECUTORS

HOSTAGES (AYATOLLAH K, KIDNAPPERS. (PRESS))
DAILY INVENTORY

THANK GOD FOR THINGS WHICH
SEEM MOST TROUBLE SOME

GROWTH NOT EASY - NEED PRAYER

To Antoinette
Hatfield

Jimmy Carter

NAT PRAYER BREAKFAST 2-7-80

1/2 & GA

PRAYER/LIFE INSEPARABLE = GROWTH

SELF → FAMILY → COMMUNITY → DIST/STATE
→ NATION → OTHERS

DIFFICULT TO STRETCH MIND, HEART

MA-PEACE CORPS - LEPROSY

{ PRAYER
LIFE'S PRINCIPLES SAME = GOD'S LAWS

CONSIDER MORE "OTHERS", DIVERSE VIEWS

AT FIRST → SCHISM/DIVISION/HATRED

(WITHOUT GOD)

BLACK/WHITE

WITH GOD, REALIZE UNIVERSALITY OF

PEACE - NOT EASY (RELIGIOUS WARS)

TRUTH - " " (DESERT = ARCTIC)

LOVE - " " (GOD IS LOVE)

TRIAL, CRISIS, CAN → FLEXIBILITY, PROGRESS

(CLOSER INTERNATIONAL CONSULTATION)

MAR 11

GENERAL

THE WHITE HOUSE
WASHINGTON

07 Feb 80

Cy Vance
Zbig Brzezinski
Frank Moore

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

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

2-7-80

To Cg, Eb, Frank

Let's try to move
on the Turkish ambassa-
dor. We need him
there -

J.C.

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12:00 noon

February 6, 1980

1LO
Saunbe Angola
des Santos (-)
8 1/2 A report ok
Complain re CoCA
base

MEMORANDUM FOR THE PRESIDENT

FROM: LONDON BUTLER

SUBJECT: LANE KIRKLAND MEETING, FEBRUARY 7

Q

The following background information might be useful for your meeting with Lane Kirkland:

1. In his public statements and private conversations, Kirkland is carefully neutral on the subject of the 1980 presidential race. Nevertheless, most labor leaders and labor reporters consider him "neutral for Carter", for the following reasons:
 - Kirkland frequently speaks in favor of the Administration's foreign policies (see attached).
 - He refused to invite Senator Kennedy to address the AFL-CIO convention last November.
 - He signed the National Accord.
 - AFL-CIO publications and press statements are now generally supportive of Administration policies, or only mildly critical; your statement on Mr. Meany's death, as well as your decision to lower the flag and to issue a commemorative stamp, were given favorable treatment in AFL-CIO publications.
2. However, Kirkland sees his proper relationship with the Administration to be one of constant arms-length negotiation on the entire range of issues that are important to labor. He sees the National Accord as the framework for continuous negotiations on economic issues between the AFL-CIO and the Administration.
3. Lane is proud of his background as a sailor: he began in the labor movement as a member of the Masters, Mates, and Pilots Union, and had a distinguished record of service during World War II as an officer in the Merchant Marine.

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He is also proud of his heritage as a Southerner: he grew up in Camden, South Carolina, and recently returned there to look for a second home.

4. To the extent that Lane has a "base" in the labor movement, it is in the maritime trades. Lane is very close to Paul Hall, and it would be appropriate for you to express your sympathy for Paul's illness.
5. Lane's wife is named Irena (pronounced Ear'-na). *ALSO AN ISRAELI*
6. The following AFL-CIO unions have endorsed Carter/Mondale:

Seafarers International Union (Paul Hall)
United Food and Commercial Workers Union (Bill Wynn)
Communications Workers of America (Glenn Watts)
International Ladies' Garment Workers Union (Chick Chaikin)
United Assn., Plumbing & Pipe Fitting Industry (Marty Ward)
Intl. Union of Operating Engineers (J.C. Turner)

In addition, the following AFL-CIO International Presidents have personally endorsed:

Murray Finley (Amalgamated Clothing and Textile Workers Union); and,
Frederick O'Neal (Associated Actors and Artistes of America)

Finally, it is highly likely that three additional AFL-CIO unions will endorse in the next few days:

United Brotherhood of Carpenters & Joiners of America (new President Bill Konyha)
Intl. Assoc. of Bridge & Structural Iron Workers (Jack Lyons)
Intl. Brotherhood of Electrical Workers (Charles Pillard)

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

February 6, 1980

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze ^{CLS}

Subject: Briefing Notes for Your Lunch with Lane Kirkland

To refresh your memory we had three major problems with the Pay Committee's standards, one of which has now been settled in our favor.

1. The 1-percent catchup. CWPS had already granted a 1-percent catchup for non-COLA workers who abided by the 7-percent standard in 1979 (and, therefore, fell far behind most COLA workers). The Pay Committee recommended that the 1 percent be added to the 7-1/2 - 9-1/2 percent range in 1980. But Dunlop, Kirkland, and Larry agreed, in effect, to find ways of dropping this recommendation. (You may wish to mention this as evidence of Lane's willingness to be cooperative.)
2. The 7-1/2 to 9-1/2 percent range. The Committee, and particularly Kirkland, say that settlements under normal circumstances ought to average 8-1/2 percent; the usual market and bargaining forces working on labor and management should determine where particular settlements fall within the range. We, on the other hand, would like to treat 8-1/2 percent more nearly as a norm, and find some way of discouraging -- but not denouncing -- wage increases between 8-1/2 and 9-1/2 percent.
3. The COLA costing assumption. (An attachment provides more background than you probably need on this subject.) In order to determine how much a wage settlement costs, so that CWPS can determine if it is in compliance, we have to know how much the COLA provisions will cost. In turn, we have to make some uniform assumption about the inflation rate (the "COLA costing assumption") in order to assign a cost to the COLA provisions. The lower the assumed inflation rate, the lower the assumed cost of the COLA and the higher the fixed wage increase that is allowable under the pay standard. To the extent that the actual rate of inflation is higher than the COLA costing assumption, workers with COLA clauses in their union contract get a better deal under the standards than do non-COLA workers.

The Pay Committee recommended a 7-1/2 percent COLA costing assumption. Since inflation is likely to be much higher, this gives COLA workers a real break. For a typical union COLA clause (which adjusts wages two-thirds of a percent for each 1 percent CPI increase), the use of the assumption, combined with a 9-1/2 percent pay standard, gives the following results:

	<u>Actual Rate of Inflation in 1980</u> (percent)					
	<u>7-1/2</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>13</u>
Wage increase	9.5	10.5	11.1	11.8	12.5	13.2

The Pay Committee, and particularly Kirkland, are adamant about not increasing the 7-1/2 percent COLA costing assumption. (Among other things, it will keep the upcoming steel wage settlement well within the guidelines -- indeed, together with a 9-1/2 percent pay ceiling, it probably gives the steelworkers room for other fringe benefit demands.)

The low COLA costing assumption is highly inequitable, since it gives workers in powerful unions with good COLAs a major advantage over non-COLA workers. It also creates wage imbalances that may give rise to inflationary problems in later years, as non-COLA workers try to catchup. Nevertheless, your advisers all agree that:

1. Raising the 7-1/2 percent COLA costing assumption would bring a walkout by labor;
2. From the standpoint of the 1980 inflation program, the critical item on which to press Kirkland is the treatment of wage settlements above 8-1/2 percent -- issue #2.

The 8-1/2 percent problem.

Kirkland and the Committee insist that CWPS must not reject any settlement within the 7-1/2 to 9-1/2 percent range. They insist that the usual collective bargaining pressures and market factors (briefly listed in their own set of recommendations) should be the only determining factors within the range.

There are two basic options available for trying to keep individual settlements close to the 8-1/2 percent midpoint, while not rejecting the Pay Committee's recommendation:

1. The "soft" option. The Administration would stress the fact that under normal circumstances settlements should average 8-1/2 percent. We would ask all

employers above a certain size to report their wage settlements in the 7-1/2 to 9-1/2 percent range and explain how they applied the criteria listed by the Committee in deciding where, within the range, to settle. Although Kirkland may grumble, we think he would accept this.

- 2. The "harder" option. Require companies above a certain size to report and explain their settlements only if they exceed 8-1/2 percent. We would not make up new and tougher criteria for settlements above 8-1/2 percent, nor would CWPS declare any settlement in the 7-1/2 to 9-1/2 percent range out of compliance. But the special reporting requirement is a way for us to get across the idea that 8-1/2 percent is really a norm and that firms had better have a good reason for going above it. Jack Gentry believes that this option will be flatly unacceptable to Kirkland. He will be against it for the precise reason we are for it. You may be able to persuade him to yield.

What has been happening to wages,
and what are we forecasting

In 1979 the situation was as follows with respect to increases in wages and fringes:

- o the pay standard 7 percent
- o given loopholes in the standard, low wage exemptions, and widespread, but not perfect compliance, we forecast 8-1/4 percent
- o the actual result was 8-1/2 - 8-3/4 percent

The recent Budget and Economic Report forecast CPI inflation during 1980 at 10-1/2 percent. (Energy prices will continue to rise faster than other prices). The increase in wages and fringes lying behind this CPI forecast is 9-1/2 percent. Taking into account loopholes, a low COLA costing assumption, and a modest amount of noncompliance (as well as wage settlements below the standard) a 9-1/2 percent standard (i.e. the top of the range) would imply a nationwide average increase in wages and fringes of probably 10-1/2 percent. We must be able to hold the standard close to 8-1/2 percent, in order to keep average wage increases to 9-1/2 percent, or less.

I. The following (one year) wage increases would result from various combinations of pay standards, COLA evaluations, and actual inflation rates, in a COLA contract with two-thirds protection.

A. 7-1/2 percent COLA costing assumption

Standard	(% wage increase)					
	Actual inflation rate					
	7.5	8.5	9.5	10.5	11.5	12.5
7.5	7.5	8.2	8.8	9.5	10.2	10.8
8.5	8.5	9.2	9.8	10.5	11.2	11.8
9.5	9.5	10.2	10.8	11.5	12.2	12.8

B. 8-1/2 percent COLA costing assumption

Standard	(% wage increase)					
	Actual inflation rate					
	7.5	8.5	9.5	10.5	11.5	12.5
7.5	6.8	7.5	8.1	8.8	9.5	10.1
8.5	7.8	8.5	9.1	9.8	10.5	11.1
9.5	8.8	9.5	10.1	10.8	11.5	12.1

It may be, of course, that market forces alone will keep the 1980 wage increases to our forecasted 9-1/2 percent. In that case having an excessively high wage standard would do little harm. I do not believe that market forces will be enough, however, especially after a year of 13 percent inflation. I believe a standard that has some bite will be necessary in order to hold the nationwide average wage increase at or below 9-1/2 percent.

To say this another way: If market forces alone are not sufficient to assure wage moderation, then a tight standard is needed and a loose standard is inflationary. If market forces alone are sufficient to assure wage moderation, then neither standard matters. Since the former case cannot be ruled out, getting a relatively tight standard is important.

Other points

Kirkland is very sensitive about using the term norm or standard for the 8-1/2 percent midpoint. It is O.K., however, to use language such as, "under normal circumstances settlements should average 8-1/2 percent." I suggest that you present the "hard" option as a way of trying to make sure that the average does come out to 8-1/2 percent.

It is often pointed out that in view of 13 percent inflation last year, achieving agreement on a 7-1/2 to 9-1/2 percent range is a considerable achievement. That is partly true. But, in fact, for unions with good COLA protection, the range is really 7-1/2 to 11-1/2 (with our forecasted 10-1/2 percent inflation) and even more if inflation is higher. Keeping major union wage settlements to 11-1/2 percent is hardly a major concession.

Attachments

Appendix

Background on COLAs (Cost-of-Living Adjustments)

1. Concept. COLA agreements provide for a stipulated increase in wages based on increases in the consumer price index.

Usually such agreements are expressed as a specified number of cents per hour wage increase for each one point increase in the CPI. For example, a contract might provide a 3¢/hour wage increase for each one point rise in the CPI; in an industry whose average wages are \$10 per hour, this would currently translate into a two-thirds percent wage increase per 1 percent increase in the CPI. Such a COLA is said to give "two-thirds" protection.

Some COLAs provide adjustments quarterly, some half-yearly, and others annually.

2. Extent of COLAs

With rising inflation, COLAs have become more prevalent. About 60 percent of the workers covered by major collective bargaining contracts (those involving 1000 workers or more) have COLAs. A typical contract will give two-thirds protection. The steelworkers have 70 percent protection. In the third year of the new UAW contract, the COLA protection will jump to over 90 percent.

3. The COLA and the Pay Standard.

In order to determine whether a specific union settlement falls within a numerical pay standard, it is obviously necessary to cost out the wage (and fringe) benefits it provides. If the contract includes a COLA the only way to cost it out in advance is to use some assumed rate of inflation in assessing the cost of the COLA provision. The lower the assumed rate of inflation, the smaller the cost charged to the COLA and the larger the room left over for a fixed wage increase.

4. An Example.

(a) Numerical pay standard: 9-1/2 percent

(b) COLA protection in the contract: two-thirds

(c) Inflation assumed in evaluating the COLA (the "COLA costing" assumption): 7-1/2 percent

(d) The assumed cost of the COLA in terms of wage increase, therefore, is 5 percent (two-thirds times 7.5% assumed inflation). This leaves room for a 4-1/2 percent fixed wage increase without violating the standard:

5% assumed COLA cost
4-1/2% fixed wage increase
9-1/2%, meets the standard

(e) But if the 1980 CPI inflation rate turns out to be the 10-1/2 percent predicted in the Budget and Economic Report the union will actually get:

7% actual COLA adjustment (two-thirds times 10.5%)
4-1/2% fixed wage increase
11-1/2% actual wage increase

(f) The attached table shows the wage increase that would occur under various pay standards, rates of inflation, and COLA costing assumptions.

5. Contrast with non-COLA wage settlements.

If the effective pay standard is 9-1/2 percent, and a 7-1/2 percent costing assumption is used for evaluating COLA contracts, then, the following results would occur (assuming the COLA contract provides two-thirds protection):

1980 Wage Increase (percent)

	<u>Actual 1980 rate of inflation (CPI)</u>			
	<u>7.5</u>	<u>9</u>	<u>11</u>	<u>13</u>
Non-COLA workers	9.5	9.5	9.5	9.5
COLA workers	9.5	10.5	11.8	13.2

At any inflation rate greater than 7-1/2 percent the COLA worker makes out better than the non-COLA. Indeed, up to inflation rates of 13 percent the COLA worker beats inflation.

6. Why did we have a 6 percent COLA costing assumption in our 1979 standards?

In October 1978 when we designed the standards, we assumed that perfect compliance with the standards, and virtually no loopholes, would give us a price increase in controllable areas of a little over 6 percent. And so we set 6 percent as the assumed inflation rate for costing COLAs. By December 1978 it was already clear that inflation would be worse than that: we had loosened the standards for fringe benefits by then, meat prices were exploding, and productivity wasn't rising. So we forecast a 7-1/2 percent inflation rate in the Budget. But we left the COLA costing assumption at 6 percent.

Right now, if we kept the same relationship between our CPI forecast and our COLA costing assumption as we did last year (7-1/2 percent CPI forecast vs. 6 percent COLA costing), we would set the COLA costing at 9 percent -- since we are forecasting a 10-1/2 percent CPI inflation in 1980.

7. Who has COLAs and who doesn't.

In general, weaker unions in competitive industries (apparel and textiles) and powerful unions in fragmented industries (construction and longshoremen) tend not to have COLAs. Powerful unions in major industries dominated by a limited number of major firms do have COLAs. COLAs introduce substantial uncertainty into future costs. Unless industry pricing is relatively uniform and price competition muted (at least in the short-run), the firms can't handle this problem.

There are some exceptions to the above generalizations. Many union construction contracts on the West Coast have COLAs. On the other hand the oil companies and the oil workers' union do not have a COLA contract.

8. Who is affected in 1980

The most important contract in 1980 is the steelworkers, who of course have a COLA. The aluminum and nonferrous metals industries, mainly -- but not solely -- represented by the steelworkers also come up, and their contracts tend to be, patterned after steel. The Communication Workers (CWA) agreements with the telephone companies is up this year; it covers more workers than any other set of negotiations this year. The CWA agreements have a very complicated COLA; but it tends to give about two-thirds protection.

The East and Gulf Coast longshoremen's contracts, and a large number of construction contracts come up for renewal this year. They have no COLAs.

The current oil workers' strike relates to the second year of a non-COLA agreement. Last year they settled, within the guidelines, for an 8% first year, 5% second year agreement. But the contract had a provision that it could be reopened in 1980. Management and labor now disagree whether the language in last year's contract required that any additional wage increase this year conform to the 1980 pay standard.



~~CONFIDENTIAL~~

THE SECRETARY OF ENERGY
WASHINGTON, D.C.

February 7, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: Charles W. Duncan, Jr.
SUBJECT: Canadian Gas Prices

CWD

DECLASSIFIED
Per: Rac Project
ESDN: NLC-126-20-24-13
BY: KS NARA DATE 12/9/13

On January 18, the Canadian National Energy Board (NEB) recommended that the price for Canadian natural gas exports be increased from \$3.45/MMBTU to \$4.47/MMBTU. A year ago, the export price of Canadian gas was \$2.16/MMBTU.

In determining the selling price for Canadian gas in export markets, the NEB uses a foreign crude substitution value, i.e., they price their export gas at parity with crude oil import costs in eastern Canada. While this approach suggests that Canada could therefore substitute its gas for such imported oil (since this is the basis for determining its export value), this is in fact not possible. The Canadian gas transmission and distribution infrastructure is currently incapable of displacing Canada's imported oil. Thus, the gas is being over priced, vis-a-vis its worth in Canada, by a straight application of this formula.

In the past, applicability of this formula on a 3 month lag basis had resulted in a Canadian export price at or below the BTU equivalent of the fuel oil in the U.S. for which gas substitutes at the margins -- residual fuel oil used in industry. Their use of the formula this time speeded up its application so that the resulting \$4.47 price exceeds the residual fuel oil price (\$4.00) by about \$.50 per MMBTU. Such a result is unacceptable and inconsistent with the recent Mexican gas agreement, which is based on the competitiveness of natural gas/LNG imports with alternative fuels in U.S. industrial markets, and which produced a base price of \$3.625/MMBTU on January 1. The Mexicans have already indicated they will reopen their agreement if the Canadian price is approved. Adoption of this price would also complicate LNG negotiations with Algeria. If either group were to seek negotiations based on parity with the proposed \$4.47 Canadian prices, the outcome would seriously affect U.S. consumer costs.

On February 4, officials from the Departments of Energy and State met with Canadian energy officials in the context of the broader U.S./Canadian consultative mechanism, during which the principal agenda item of Canadian gas pricing was raised. The U.S. delegation stressed concerns both with the magnitude of the increase

Classified by *Lu Goldman*
(Original Authority)
 DECLASSIFY
or on: *2/7/86*
(date of event)
 REVIEW

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

2

and its impact on competitive pricing, as well as with the short lead time (29 days) to the effective date -- since historically, this review period has been 60 days. We indicated it would be impossible to render a decision by the February 17, 1980 deadline imposed by the Canadians (one day before their election). If we do not approve the price by February 17 and they do not extend their regulatory deadline, gas could, by their action, stop flowing on February 17 -- the day before their election.

At the February 4 meeting, the Canadian delegation expressed an inclination to delay the effective date for a two or three week period and discuss a more reasonable timing approach to the applicability of the formula for the future. Subsequent discussions, completed yesterday, however, indicate a possible reversal on the timing issue, but a continuing desire to discuss a longer term fix to the formula before February 17. Earlier today the Canadians confirmed their position, and talks are now scheduled in Washington for early next week in an effort to resolve the critical pricing question issues before February 17.

Consultations within the Canadian Government on the pricing issue have likely surfaced to the Cabinet level and it is possible that Prime Minister Clark may be contacting you in the next few days to discuss the issue further (see attached Tab A for suggested talking points). In the event you wish to take the initiative by indicating our concerns to the Prime Minister, a draft letter is attached (Tab B) for your consideration. I would recommend that such a communication be sent because a Presidential expression of concern on this matter will likely improve the prospects for successful talks next week. The Department of State concurs in this view.

In discussing the pricing issue with the Canadians, I believe it is critical that we demonstrate our firm commitment to hold the line on prices and concurrently emphasize that the 29 day review period is wholly inadequate from our perspective.

Additionally, you should be aware that this increase, if adopted as proposed, will cost U.S. consumers approximately \$1 billion and will seriously jeopardize the pricing agreements recently concluded with Mexico and Algeria, would also have a negative precedential impact on the Pac Indonesia project, as well as prospective new gas import ventures such as the Nigerian LNG project.

We will keep you informed of developments.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Talking Points

- o Let me again convey my personal appreciation and that of the American people to your government for your assistance in protecting and safeguarding the passage of the six Americans out of Iran.
- o On the issue of our mutual interests in energy matters, let me state that particularly with respect to energy pricing in today's fragile market, we (GOC and USG) must pull together.
- o The shock of this most recent decision with respect to the pricing of natural gas exports to the U.S. is indeed severe. Less than one year ago, the export price of Canadian gas was \$2.16/MMBTU. The latest increase to \$4.47 is the fourth such increase in less than one year's time and represents an increase of 104%.
- o In addition, the timing of this announcement following a 65¢/MMBTU increase only last November, and the short time fuse (29 days) until the proposed effective date for the current increase, lead me to believe that we must develop a better mechanism in the future for addressing this issue.
- o Increasing sales of Canadian gas exports to U.S. markets has, to date, been a matter of mutual interest for both of our countries. However, price increases, such as the one most recently proposed (from \$3.45-\$4.47/MMBTU), will cause the price of Canadian gas to exceed the Btu equivalent of alternative fuels in many service areas, will diminish Canadian gas markets in the U.S., and seriously threaten construction of the Alaska gas pipeline and the expansion of Canadian gas imports.
- o Our latest estimates indicate competitive fuels in U.S. markets average around \$4.00, over 10% below the new Canadian price.
- o We must underscore that the issue of competitive fuels pricing has long been a fundamental element of our pricing policy. We emphasized this point very firmly in our most recent regulatory decisions on baseload import contracts, namely in deals with Mexico and Algeria.
- o In this connection, it is practically guaranteed that other gas exports to the U.S. would follow Canadian price actions such as the one recommended by NEB, if adopted as scheduled. This would trigger a round of price leap-frogging, which, if allowed under our regulatory procedures--and we have serious concerns as to whether such increases could, in fact, be approved--would work to the detriment of U.S. consumers.

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Per, Rac Project

ESDN: NLC-126-20-24-1-3

BY: KS NARA DATE 12/9/13

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- o In this vein, it should also be noted that the increase recommended by the NEB applies only to Canadian gas exports. The price charged to domestic users is substantially less and the gap has widened in the past year. Such a policy clearly discriminates against U.S. markets.
- o Further, while the GOC cites the cost of displacing imported crude oil in eastern Canada as a main criterion for determining the appropriate export price for Canadian gas, it should be noted that on a comparative volumetric basis, the revenues generated from Canadian gas exports are more than double the amount paid for imported oil.
- o We wish to avoid a confrontation on this issue, particularly in light of the good will and mutual interests which bind our nations together. However, our regulatory procedures require that a determination approving or disapproving contracts affected by this pricing decision be completed prior to the effective date. In light of the magnitude of this increase, its impact on U.S. consumers and on evaluating the role which higher priced Canadian gas should appropriately play in the U.S. energy mix, we view the February 17 deadline for regulatory approval as impossible to meet.
- o With government-to-government discussions and some extension of this date, I am hopeful we can successfully work out a better formula and pricing approach for use in the future, along with a consultative arrangement similar to those we have had over the past two years prior to this most recent and troublesome decision.

~~CONFIDENTIAL~~

9:00 AM

THE WHITE HOUSE

WASHINGTON

February 7, 1980

MEETING WITH SECRETARY DUNCAN

Friday, February 7, 1980
9:00 a.m., The Oval Office

From: Stu Eizenstat *Stu*

I. Purpose

Secretary Duncan has requested a brief meeting with you to discuss four separate issues. He has provided three background memoranda (attached) which are summarized below.

II. Background

Canadian Gas Prices

The Duncan memo provides background on the most recent and very severe Canadian natural gas price increases. He attaches talking points for you if you receive a call from Prime Minister Clark, and recommends that you send a letter to Clark protesting the level of the increase and the very curtailed timing for US consideration of their price offer.

The Canadians have proposed a new gas price of \$4.47 per MMBTU, and asked the US to decide whether to accept it by February 17 -- a day before the election in Canada. This represents a \$1.00 increase from the current price (\$3.45) and a 104% increase from the selling price one year ago (\$2.16). US acceptance of such an offer could have devastating impacts on our agreement with Mexico, as well as on LNG negotiations with Algeria. It would cost US consumers about \$1 billion.

On February 4, the US negotiators expressed severe displeasure with both the timing of the proposal and the size of the increase. While the Canadians are willing to be somewhat flexible on a long run pricing formula to avoid similar severe increases in the future, they are unlikely to back down on either price or the timing for a US decision on the offer. The Canadians offered only 29 days for review of this offer. Normal practice is 60 days. This entire issue has reached Cabinet level in Canada, and Clark may call you this week.

Electrostatic Copy Made
for Preservation Purposes

Secretary Duncan, with the concurrence of the State Department, recommends holding firm on both timing and the unacceptability of the size of price increase to enhance our negotiating position on the longer run formula. A short memo on this issue from Henry Owen is attached. He concurs with the basic DOE recommendation but suggests that the letter be rewritten. Henry will send in a new draft later today.

DOE Efforts to Enhance Conservation Awareness

DOE has had considerable difficulty in gaining Congressional approval of an appropriation for paid TV advertising. Apparently Senator Byrd is a major sticking point, and Duncan's memo alerts you that he may ask you to talk with the Majority Leader about removing these funds. Without these new and reprogrammed funds, DOE cannot move on paid advertising.

The memo also describes the programmatic and public information activities the Department has undertaken since October, including awards of \$100 million through 8,000 grants to schools and hospitals for weatherization, revitalization of the low income weatherization program, distribution of 26 million brochures and the like, and numerous seminars, films, etc.

As a comment on these activities, while I believe that the program changes and enhanced efforts are commendable and very welcome, I am concerned that the Department does not fully appreciate what you have in mind for a public campaign for conservation. If paid advertising -- the best possible vehicle, we all agree -- is not available because of troubles with appropriations, you may want to ask Charles to see if the Ad Council or a similar group would lend us assistance in designing and implementing an unpaid conservation blitz.

I feel fairly strongly that we need some advice from those with real expertise in public relations to get such a campaign off the ground. While the efforts now underway at DOE are useful, they do not tap such expertise, and are focused more on how to get our programs and institutions working better than on marketing conservation.

Resumption of Purchases for Strategic Petroleum Reserve

Secretary Duncan's memo indicates his intention to have DOE resume purchases of oil for the Strategic Petroleum Reserve, provided that Saudi officials raise no objections when the Secretary meets with them later this month. The resumption is in accord with the recommendations of the interagency committee which has been monitoring the oil market for the past several

months; the committee believes that a combination of factors ranging from the high levels of OECD inventories to the projected softening of the world crude oil market, now justify a resumption.

The oil would be purchased to meet a fill rate of 200,000 barrels per day, 100,000 barrels from domestic sources (preferably from the Naval Petroleum Reserve at Elk Hills), and 100,000 barrels from foreign sources (from both producer governments and private suppliers). The use of our domestic oil would probably not save money, but it may be essential to persuading the Saudis' to sanction the resumption of the SPR reserve. Secretary Duncan points out that your FY 1981 budget provides funds for a full rate 100,000 barrel per day; going to the 200,000 barrel level may require an additional \$1.2 billion in outlays.

Before you concur with the Secretary's recommendation, I simply suggest that you wait for a full report from the Saudi reaction. If we receive poor response -- one which could lead to lower Saudi production -- we will have to reconsider the DOE proposal.

III. Personnel Matters

Duncan also wants to discuss the Undersecretary position with you -- the post from which John Deutch has just resigned.

IV. Participants

Secretary Charles Duncan
Stu Eizenstat

V. Press Plan

White House photographer only.

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Draft Carter-Clark Letter

Dear Joe:

Our bilateral Energy Consultative Group had a useful meeting here in Washington on February 4. One of the key issues concerned the recent substantial increase in the price of Canadian natural gas exported to the United States.

The increase of \$1.02 over the current rate of \$3.45 per million BTUs results from a novel application of the existing National Energy Board formula. While continuing the linkage of export gas prices with the price of the crude oil Canada imports, the latest application of the pricing formula does not reflect the lag which characterized past Canadian pricing adjustments. Coming at a time of explosive OPEC oil price increases in late 1979, the application of the NEB formula in this way has yielded a staggering departure from the current price range of U.S. imported gas and clashes with the results of several U.S. regulatory decisions establishing principles for gas import authorizations based on competitiveness with alternate fuels in U.S. markets. It also raises serious problems for us in the context of ongoing arrangements with Mexico and Algeria.

The situation created by the increase to \$4.47 per million BTU will require intensive U.S. policy and regulatory review.

Accordingly, we have asked the Canadian representatives on the

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BY: KS NARA DATE: 12/9/13

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Energy Consultative Group to seek a delay in the effective date of the Canadian pricing decision, preferably until the U.S. regulatory review is completed, but no later than April 1.

We look forward to working closely with the National Energy Board and the Department of Energy, Mines and Resources to develop an understanding on export gas pricing arrangements in order to avoid such problems in the future.

I want to reiterate the continued importance with which we view the role of competitively priced Canadian gas in U.S. markets, and our intention to work closely with you in mastering the remaining obstacles to a successful Alaskan Gas Pipeline project.

Sincerely,

Jimmy Carter

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OMEN COMMENT

THE WHITE HOUSE
WASHINGTONINFORMATION

February 7, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY OWEN ~~LD~~

SUBJECT: Charles Duncan's February 7
Memorandum to You Regarding
Canadian Gas Prices

I agree with Charles that it would be useful to send a letter to Prime Minister Clark asking him to delay his gas price decision until a date no later than April 1. The Canadian price decision is very adverse, but there is no hope of reversing it. Even if your letter fails to delay the decision, it will improve our bargaining position in negotiations, which start next week, about future pricing decisions.

There are advantages in taking the initiative through such a letter, instead of waiting for Clark's phone call.

I believe the letter attached to Charles' memo to you could be clarified; I will submit a revised draft, which I will clear with your speechwriters, to you tomorrow.

CONSERVATION



THE SECRETARY OF ENERGY
WASHINGTON, D.C.

February 7, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: Charles W. Duncan, Jr.

SUBJECT: DOE Conservation Information Activities *CWJ*

An impasse with respect to funding television advertising is frustrating our efforts to get conservation information out to the American public. We have an extensive television advertising campaign ready to go. We need clearances from five Congressional committees to reprogram funds for this purpose. Congressmen Dingell and Ottinger and Senator Jackson have given their concurrence. Congressman Yates is unwilling to move until Senator Byrd has concurred. We have been working with Senator Byrd and his staff since December 21, and I talked to the Senator as recently as this morning. There is a substantial sentiment in the Congress that this effort is somehow related to the Carter campaign advertising even though we have laid out the basic approach we intend to use. Your help may be required. A summary of our proposed reprogramming is set out in Attachment A.

Since October, we have undertaken 19 major new actions to improve the Department's capability to get conservation information in the hands of the public. These are listed in Attachment B. Cycle 1 of the Schools and Hospitals Weatherization Program provides basic conservation information through energy audits. Cycle 1 is now in process and will be completed by the end of March. We estimate that over 8,000 grants will be awarded between February 1 and March 30, and that \$100 million will be obligated. We have organized the publicity attendant to the grants to emphasize the need for weatherization in all such buildings. Our weatherization program for low income homes has been revitalized by replacing the prior managers and by rewriting the governing regulations. Our most recent output is 15,000 houses per month; I expect to be able to improve this rate substantially by the end of March.

Over 100 baseline conservation information activities were in place in the Department before October, 1979. These have been accelerated. In 1980 we expect these programs to distribute over 26 million pieces of free literature, including pamphlets, brochures, booklets, manuals, and reports of all kinds. The Department will conduct about 11,500 training sessions on conservation subjects that are expected to reach about 325,000 people. There will be about 8,000 showings of films, slide shows, and exhibits that are expected to reach

about 2 million people. These activities are listed in Attachment C.

I have asked the Secretaries of Agriculture, Commerce, Transportation, and Housing and Urban Development to undertake a coordinated effort to use all of the resources of the five Departments to get the conservation message out to the public. Our discussions will consider the best uses of our existing advertising programs, expanding the use of the Cabinet members to promote conservation, increasing the opportunities for involving the President in significant conservation achievements, and better use of the specialized capabilities of each of the Departments to tailor conservation information activities to fit with their primary missions. We will meet this week and will have a preliminary joint report to you shortly.

3 Attachments

ATTACHMENT B

ATTACHMENT B: DOE Actions to Maximize Conservation Information Activities

The Office of Conservation and Solar Energy, the Office of Public Affairs, and the Adviser to the Secretary on Conservation and Solar Marketing have undertaken the following new program activities and organization changes in the last three months to enhance conservation information efforts:

I. Program Activities

1. A complete inventory was taken in December, 1979 of all public information and outreach programs dealing with conservation subjects. Output objectives for each quarter of calendar year 1980 were established for each individual activity and the staff responsibility was identified for reaching those objectives. A monitoring system is in place to ensure that the objectives are met.
2. Six programs were identified in December, 1979 as the high priority conservation and solar marketing efforts during calendar 1980. They are:
 - o The Residential Conservation Service authorized under Title II of the National Energy Conservation Policy Act which requires large gas and oil utilities to provide information (and in some cases services) to their residential customers on energy conservation and renewable resources.

- o Conservation and solar tax credits authorized under the Energy Tax Act of 1978 and state and local laws offer incentives for residential conservation.
- o Consumer education with respect to the appliance labels disclosing energy cost information that are required by the Energy Policy and Conservation Act.
- o Driver awareness projects to encourage better driving practices that can save up to 20% of the fuel consumed by individual cars.
- o Commuter ridesharing in cooperation with the Department of Transportation.
- o Electric vehicle use in urban areas.

The Department's marketing efforts in the private sector, directed by the Adviser to the Secretary for Conservation and Solar Marketing, concentrated on these programs.

Each marketing effort is under way and includes cooperative efforts with private industry in advertising, direct mail campaign, press conferences, television and radio talk shows, use of industry and trade association newsletters and journals, and distribution of energy materials to employees through corporate channels.

3. A \$7 million budget supplemental for FY 1980 funds has been requested to launch an advertising program at a \$6 million level for this year. Additional supplemental funds will be used for market research and \$500,000

will go to the production of creative materials--newspaper and magazine ads and radio and television commercials--so that the FY 1981 energy campaign can begin immediately at the outset of FY 1981 with no lead time necessary to prepare the material.

4. A request for procurement was released this week to select a contractor to conduct a nationwide attitude and usage study. This study will be used as the benchmark against which all advertising efforts will be measured through 1980 and 1981.
5. Discussions are being held with all major networks and leading producers, the Writers' Guild, and Directors' Guild to get a commitment to produce conservation related programming for network television. A firm commitment has already been received in cooperation with ARCO to produce a two-hour solar special for network television. The Writers' Guild is considering installing an Energy Information telephone line for writers who are developing scripts for film, TV and radio.
6. Public Affairs has stepped up its television news service to release at least one 90-second clip on an energy conservation theme to all 750 U.S. television stations every month. The first of these was released last month and focused on weatherization.
7. DOE officials are personally calling networks and individual stations to ensure the greatest possible

exposure to public service materials generated by DOE. A new merchandising effort has been introduced that uses field public information officers to take public service messages into the stations with a personal request to use them.

8. We are inviting to meetings at DOE the advertising executives of the major oil companies and utilities and a number of other private sector companies who have spent considerable funds to advertise the conservation message. We are encouraging increased private sector advertising on conservation subjects and are looking for ways to improve the impact of both government and private advertising.
9. A continuing series of briefings accompanied by films and appropriate literature will be staged in every state beginning in March to draw attention to the nationwide conservation program and to provide specific information on what can be done by individuals, business, industry, civic and community organizations. This will be done in conjunction with local and state governments.
10. A new effort will be underway in March to contact every FORTUNE 500 company in the country with a request to display energy conservation posters in factories and to include a pay check stuffer on conservation for employees.
11. A special program will be filmed in February aimed directly at the movie theater audience. We will seek the commitment of the theater owners association to show this conservation

film as an accompaniment to regular commercial movies in every theater in the country. If the first run is successful, we will get a commitment to follow it up with another one later in the year.

12. A major effort is underway to get a commitment from 50 major magazines to carry a specially designed conservation page as a public service. This is being done by personal phone calls and follow-up from DOE.
13. We are working on the final parts of an agreement to create public service announcements, pamphlets, and posters on energy savings tips for children. An effort will be made to place the public service announcements on television with children's programming. The pamphlets and posters will be distributed to schools.
14. A major film is being negotiated with KCET/Paramount to create an energy conservation film for children. This will be marketed to television as well as to schools.
15. A special film project is being developed, with the creators of Star Trek, on renewable resources and solar. This will be for television and regular DOE distribution.
16. DOE will provide staff support for the the Energy Efficiency Council (similar in concept to the President's Council on Physical Fitness) to be launched by White House staff. The Council will encourage Americans to participate in the conservation effort by rewarding outstanding accomplishments outstanding with Presidential recognition.

17. DOE will provide staff support and conservation materials for the National Historic Trust, which will use energy conservation for old and historic buildings as the theme of their National Historic Preservation Week in May.

II. Organization

1. The position of Adviser to the Secretary for Conservation and Solar Marketing has been established. This office has responsibility for a marketing strategy for high priority conservation and solar products and practices. The objective is to get private industry to emphasize conservation measures in their business operations and employee education.
2. The public affairs department has been reorganized to put maximum people resources into place with a clear conservation priority and mandate. Twenty-seven people now in place have the day-to-day responsibility for conservation information. A request will be made for 20 additional people to be assigned directly to the major energy information campaign scheduled for FY 1981.
3. The Office of Conservation and Solar Energy has been reorganized, primarily for the purpose of incorporating solar programs transferred from elsewhere in the Department.

STRATEGIC PETRO-
LEUM RESERVE

~~CONFIDENTIAL~~

THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585



February 7, 1980

MEMORANDUM FOR:

THE PRESIDENT

FROM:

CHARLES W. DUNCAN, JR. *CWD*

SUBJECT:

Resumption of Oil Acquisition for the
Strategic Petroleum Reserve

Background

The Department of Energy (DOE) suspended acquisitions for the Strategic Petroleum Reserve (SPR) last March due to tight oil market conditions caused by the reduction in Iranian production. The Tokyo Summit partners agreed in June not to resume SPR purchases as long as they would add undue pressures on the world market price and agreed to consult about decisions they will make in that regard.

Events in the Middle East are a clear reminder of our need for a substantial SPR. The present relatively comfortable world oil supply offers a good opportunity for resuming purchases. Consequently we are consulting with our Summit and selected IEA partners, and I will also consult with Saudi Arabia regarding the resumption of SPR purchases. I will inform you of the results of the Saudi consultation. Imports for the SPR will be included in the 8.2 million barrels per day (MMB/D) oil import ceiling for the United States that you directed in the State of the Union message.

DOE is committed to filling the reserve in line with existing Administration policy. Total volume of the reserve currently is 91.7 million barrels; existing storage capacity is 248 million barrels. The reserve can be filled at a maximum fill rate of 500,000 B/D over the next 6 months and has a withdrawal rate of 1 MMB/D that will be increased in accordance with additional fill. Over the longer term, the reserve can be filled at a sustained rate of 200,000 to 300,000 B/D, with a drawdown rate of 2 to 3.5 MMB/D.

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BY LS NARA DATE 12/19/83

Jan 4/19/80

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Classified by P. Borre'
(Original Authority)

DECLASSIFY

OR

REVIEW

on: 1986
(date or event)

NATIONAL SECURITY
INFORMATION

Unauthorized Disclosure subject to
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Opportunity to Resume Oil Acquisition

Oil inventories in the OECD countries are at record high levels and the outlook for 1980 oil demand is for the lowest growth since 1975. U.S. net oil imports in 1980 (50-State basis) are projected in the range of 7.4 to 8.0 MMB/D including 200,000 B/D for SPR, allowing enough leeway within the 8.2 MMB/D ceiling for resuming SPR imports. Most projections indicate some softness in the international crude oil market in the middle quarters of 1980. Spot and term prices of internationally traded crude oil already appear to be converging. However, uncertainties exist on the supply side which could make for a tight market, particularly if there are significant OPEC production cutbacks or supply interruptions.

It is the collective judgment of the interagency open market committee, which has monitored the international oil market over the last several months, that now is an opportune time to resume purchases for the SPR. This committee consists of representatives from the Departments of State and Treasury, Office of Management and Budget, Domestic Policy Staff, and the National Security Council Staff, and is chaired by the DOE Under Secretary. The committee has agreed in principle to resume purchases for SPR at a rate of up to 200,000 B/D based upon consultations with the Saudis and major energy consuming nations. Continuation of purchases after their resumption would depend upon continuing assessments of world oil market conditions.

We currently estimate that an average fill rate of 200,000 B/D might slow the expected spot market decline in 1980 by about \$1 per barrel. If the spot market for crude oil accounts for 10 percent of U.S. oil imports in 1980, resumption of SPR procurement may increase our total non-SPR oil bill by some \$250 million in 1980. Resumption of purchases by other industrialized nations for their smaller government stocks would increase slightly this price effect. Apparent German and Japanese purchase goals are for an additional 16 and 32 million barrels respectively for completion of their reserve programs, far less than ours. However, we do not believe the Germans have the capacity to add to their stockpile and we do not know whether Japan intends to enlarge its reserve. In any case, we do not expect that reasonable fill rates on their part would lead to official OPEC price increases.

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The reaction of Saudi Arabia to resumed government oil stockpiling and Saudi willingness to maintain current production levels will be determined during my consultations with Saudi officials. Assuming that my consultations with the Saudis indicate that our SPR acquisitions will not trigger a cutback in their production, I now intend to resume acquisitions at an average annual rate of up to 200,000 B/D as soon as possible after consultations with the Saudis and our Summit partners have been completed. Actual fill rates may vary above and below this average from time to time, depending on buying opportunities and delivery schedules.

Potential Sources of Acquisition

We have examined a number of domestic and international sources of oil for SPR. Possible domestic options include the Naval Petroleum Reserve (NPR) at Elk Hills, California; Alaskan State royalty oil; mandatory industry allocations; competitive solicitations among domestic producers; or Federal royalty oil from the outer continental shelf in the Gulf of Mexico. The committee has agreed in principle to an acquisition strategy involving both domestic and international purchases. The domestic oil probably would come from the NPR. The principal advantage of using domestic oil for SPR is one of perception. OPEC producers are less likely to object to resumption of SPR fill if it involves significant domestic sources even though the overall effect on world oil supplies would be the same as if all the oil were purchased on world oil markets. From a budget perspective, it may be less costly to acquire all oil for SPR on the international market, since NPR oil in the recent sale received bids of \$35 to \$41 a barrel. However, as you know, other oil consuming nations have expressed their concern to us that our NPR sales policies are giving signals to producing countries that their prices could be adjusted still higher.

The details of our planned acquisition strategy are summarized below:

1. We intend to acquire approximately 100,000 B/D from domestic sources, assuming that this is necessary to overcome Saudi objections to resuming SPR fill or for domestic policy purposes. At this time the preferred domestic source is NPR oil. This volume represents approximately 75 percent of the government's share of NPR oil and could be exchanged in whole or in part for deliveries to the SPR. The remaining 25 percent, about 30,000 B/D, could be set aside for small refiners in California. Section 201(K) of the NPR Production Act of 1976 requires a Presidential order to make NPR oil available for SPR acquisition. We will be submitting such an order for your approval shortly after the consultations.

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2. Potential international sources for the remaining 100,000 B/D (or more depending on Saudi reactions) include producer governments and private suppliers. Purchase prices will be in the range of the average term contract prices being paid for similar generic imported crudes. DOE will attempt to obtain long-term contracts for volumes sufficient to raise the annual fill-rate to 200,000 B/D. Other types of purchases will also be considered in accordance with the price guidelines. The fill rate would be adjusted, including halting acquisition of foreign oil if necessary, if market conditions dictate.

Budget and Organization

Over \$4 billion of budget authority is currently available for oil acquisition. Your 1981 budget includes \$255 million for oil acquisition outlays in fiscal year 1980 and \$1,111 million in 1981 which is sufficient for a fill-rate of 100,000 B/D, assuming resumption in 1980. If we are successful in resuming purchases at the rate of 200,000 B/D, there will be sufficient budget authority on hand, irrespective of acquisition strategy. However, a 200,000 B/D purchase rate could increase the 1981 budget deficit by up to \$1.2 billion either by increased outlays for oil, or from revenues foregone by the use of NPR oil.

WATSON/MILLER
MEMO RE PERSONNEL

THE WHITE HOUSE
WASHINGTON

February 7, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*
ARNIE MILLER *AM*

SUBJECT: Under Secretary of Energy/Conservation Program

Secretary Duncan may raise the issue of a replacement for John Deutch as Under Secretary of Energy when he meets with you tomorrow morning. (It is rumored that Jack Hewitt, the Department's Chief Financial Officer, and Ruth Davis, Assistant Secretary for Resources Applications, are candidates.) We have not discussed any candidates for this position with Charles or anyone on his staff.

Frank Press and Henry Owen believe that Deutch's successor should have a strong technology background and be able to engage in international energy negotiations. This would re-enforce the strengths of Secretary and Deputy Secretary whose backgrounds are primarily in business and finance. About 70% of the DOE budget is R, D and D.

We recommend that you tell Charles to discuss this appointment with Jack, who will arrange for a rapid review of candidates by appropriate White House staff.

Stu, Frank, Henry, and Jim McIntyre concur.

Charles might also raise the conservation issue which you discussed at the last Domestic Cabinet breakfast. His memorandum on this subject describes in extensive detail the numerous conservation actions being taken by DOE. Although commendable, it does not provide a 'strategy' for mobilizing the nation. Anne Wexler, Al McDonald and I are preparing such a strategy to give you along with an analysis of DOE's memorandum. Therefore, I recommend that you not comment or make any commitment to Secretary Duncan on his approach until our strategy is provided on Tuesday. (I will be travelling tomorrow and over the weekend on official/and campaign business.)

CONSERVATION ADVERTISING PROGRAM

The plan for this first stage of the advertising program is to spend approximately \$300,000 for the creation of print and television advertising and the purchase of \$2.7 million of media time to place that advertising in newspapers, magazines, and on television. This expenditure will allow us to reach 98 percent of American households an average of 7.6 times over a six week period. Heaviest concentration of television advertising would be in evening news with some prime time exposure. The program would commence within four weeks of award of contract.

To begin the program in the most timely fashion possible and still provide meaningful, informative advertising of the highest possible quality, DOE intends to award a sole source contract for this first phase of the program to Grey Advertising of New York. Grey Advertising has offered to provide DOE with a project team consisting of individuals who have worked for sectors of DOE at an earlier time. They are all, therefore, familiar with energy and working with a government agency. They have all necessary documentation and procedures in place to demonstrate their EEO compliance and accounting system compatibility. They are the only agency that has the resources to immediately assign the number of energy-experienced individuals needed to turn the creative work around in a very short time. Of the \$3 million contract, the \$2.7 million for media buying is a direct pass through cost with no commissionable fees allowed to Grey. Total value to Grey is \$300,000, the greater proportion of which will pay out-of-pocket expenses and production. In addition, a minority business set aside will be established. Vanguard Advertising, an 8A company who has worked for DOE previously, will be awarded that portion of the contract.

The second phase of the 1980 advertising effort is scheduled for launch in the summer, subject to the approval of the FY 1980 Supplemental Budget Request for \$7 million. We, therefore, have the time between now and then to commence a competitive bidding process to allow a fair competition for the second phase of the 1980 campaign.

We are also completing the documents to competitively bid any further contracts for advertising that DOE might be in a position to let to implement campaigns that will be undertaken upon Congressional approval of the FY 1981 Budget Request for \$50 million.

In addition, DOE will award a contract within three months through the competitive bidding process to an independent market research firm (subject to the availability of funds).

This firm will be engaged to provide a benchmark study of American households' energy usage and attitudes that will be the base against which all future advertising programs will be measured. These studies would, of course, build on previous research projects undertaken for DOE in various regions of the country. Research will take place at certain predetermined milestones within the advertising program to test for effectiveness and most importantly changes in energy consumption behavior.

ATTACHMENT C

The following charts show the Department's public information efforts for conservation for 1980. Each chart covers a different sector of the economy: residential, commercial, community systems, industrial, transportation, and utilities. The charts list the program and then show -- in concrete items -- the objectives the Department intends to reach for each quarter of calendar year 1980.

RESIDENTIAL SECTOR CONSERVATION
PUBLIC INFORMATION OBJECTIVES

CALENDAR YEAR 1980

<u>PROJECT</u>	<u>1st</u> <u>QUARTER</u>	<u>2nd</u> <u>QUARTER</u>	<u>3rd</u> <u>QUARTER</u>	<u>4th</u> <u>QUARTER</u>	<u>OUTYEARS</u>
<u>Advertising</u>					
1. Paid Advertising Campaign	None	4 radio spots produced; 4 print ads produced	3 TV commercials produced; 3 radio spots produced; 2 print ads produced	3 TV commercials produced; 3 radio spots produced; 2 print ads produced	
2. Low Cost/No Cost Conservation Measures Project This publicizes 11 do-it-yourself actions that could save 25% per residence. The current program is aimed at reaching all 4,500,000 homes in New England and will expire at the end of 1979. The program described here assumes an expansion of that program for the northern tier of the United States	None	None	None	28 million booklets distributed	

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
3. Fuel Oil Conservation Marketing Program This is currently under way in 7 states, and is aimed at potential 24% improvement in oil-fired heating equipment.	7 new TV spots produced; 7 new radio spots produced; 7 training seminars conducted; 4,000,000 pieces of mail distributed	3 training seminars conducted; 2,500,000 pieces of mail distributed	3 new TV spots produced; 3 new radio spots produced; 1,000,000 pieces of mail distributed	None	
4. Public Service Campaign (Seasonally oriented)	2 TV spots to all commercial TV stations (900) 12 radio spots to all commercial non-duplicating radio stations (6,000) Print ads, 3-5 to daily or weekly newspapers, magazines, & house organs	2 TV spots to all commercial TV stations (900) 12 radio spots to all commercial non-duplicating radio stations (6,000) Print ads, 3-5 to daily or weekly newspapers, magazines & house organs	2 TV spots to all commercial TV stations (900) 12 radio spots to all commercial non-duplicating radio stations (6,000) Print ads, 3-5 to daily or weekly newspapers, magazines, & house organs	2 TV spots to all commercial TV stations (900) 12 radio spots to all commercial non-duplicating radio stations (6,000) Print ads, 3-5 to daily or weekly newspapers, magazines, & house organs	
5. Minority Information Program	Public service print ads - 5 ads to 1,000 Black media 5 ads to 1,500 Spanish media	None	Public service print ads - 5 ads to 1,000 Black media 5 ads to 1,500 Spanish media	None	

<u>PROJECT</u>	<u>1st</u> <u>QUARTER</u>	<u>2nd</u> <u>QUARTER</u>	<u>3rd</u> <u>QUARTER</u>	<u>4th</u> <u>QUARTER</u>	<u>OUTYEARS</u>
	2 Spanish Language TV spots - 100 stations		2 Spanish Language TV spots - 100 stations		
	3 radio spots for 1,600 Black oriented stations		3 radio spots for 1,600 Black oriented stations		
	6 Spanish radio spots to 400 stations		6 Spanish radio spots to 400 stations		
6. Appliance Efficiency Labels Consumer Education Project	2 TV spots produced	Point of purchase brochure developed, 100,000 copies distributed; 1 TV spot produced, Energy Guide Booklet produced, 100,000 copies distributed	Slide show presenta- tion and other training materials for retailer sales staff produced; 6 TV spots produced; Library exhibit produced; 2000 copies distributed	None	
7. Radio Features on Conservation Topics	Production	Release to 4,000 radio stations	None	None	
<u>Informational services</u> (audits, workshops, training)					
8. Energy Extension Service This program provides retro- fitting assistance to residential, local governmental, and small business energy users. These goals relate to residential applications only.	1000 workshops, 3500 audits	1000 workshops, 3500 audits	1100 workshops, 3800 audits	1100 workshops, 4100 audits	

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
9. Residential Conservation Service Program (RCS) This program implements Title II of the National Energy Conservation Act which requires major gas and electric utilities to offer on-site energy audit programs to their residential customers.	Model audit	None	None	None	
10. Grants to Minority Educational Institutions for Training	1-3 grants	1-3 grants	1-3 grants	1-3 grants	
11. Cooperative Project with U.S. Jaycees - Conservation Workshops	2,500 local workshops	2,500 local workshops	None	None	
12. Appraisers Training and Energy Items Valuation Project	None	Field test; train 100 appraisers	Final program developed	Train 600 appraisers	
13. Real Estate Appraisers Energy Efficiency Measurement Tools Training Projects	None	None	None	Dissemination to industry	
14. National Association Realtors (NAR) Energy Program	None	Field Test; train 100 realtors	Program revision	Final program; train 20 NAR instructors	
15. Multi-Media Consumer Education Program	None	Multi-media package produced; 80 distributed (regional & state distribution)	None	None	

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
16. Demonstration Program for Residences This program evaluates the commercialization potential of new energy-efficient buildings	None	None	None	None	
17. Low-Income and Spanish Language Materials on Retrofit	10,000-20,000 copies distributed	10,000-20,000 copies distributed	10,000-20,000 copies distributed	10,000-20,000 copies distributed	
<u>Informational literature</u>					
18. Heating & Cooling Equipment Efficiency Test Program	Fact sheets produced; 5,000 copies distributed	None	5,000 fact sheets distributed	None	
19. Improvement Project for Efficiency, Safety, and Utilization of Woodburning Units	None	None	None	Pamphlet describing results produced; 50-100 copies distributed	
20. Oak Ridge National Laboratory Research Studies on Dishwashers, Air Infiltration, and Laundry Equipment	None	None	3 consumer reports produced; 3,000 copies distributed	None	
21. Lighting Design and Products Program	None	Lighting and Conservation Fact Sheets produced; 40,000 copies distributed	None	None	
22. Workbook for Builders in Natural Thermal Storage Building Design	None	None	Workbook produced; 5,000 copies distributed	1 movie on design and construction produced	

<u>PROJECT</u>	<u>1st</u> <u>QUARTER</u>	<u>2nd</u> <u>QUARTER</u>	<u>3rd</u> <u>QUARTER</u>	<u>4th</u> <u>QUARTER</u>	<u>OUTYEARS</u>
23. Fact Sheet on Insulation	None	Fact sheet produced; 10,000 copies distributed	None	None	
24. Brochure Describing for Homeowners How to Buy Storm Windows, New Thermal Insulating Windows, Thermal Insulating Shutters	None	Brochure produced; 50,000 copies distributed	None	None	
25. Brochure Describing Window Products for Window Manufacturers, Architects and Engineers	None	Brochure produced; 10,000 copies distributed	None	10,000 copies distributed	
26. Brochure on Cost Effectiveness of Fireplace Accessories	Brochure produced, 50,000 copies distributed	None	None	None	
27. Marvel Comics Project (distribution through American Public Power Assoc. & Marvel Comics)	2 posters produced, 1,500,000 copies distributed	Comic book produced; 500,000 copies distributed	(Marvel material will be worked into previously listed material)	(Marvel material will be worked into previously listed material)	
28. Public Service Campaign Posters	50,000 copies distributed	50,000 copies distributed	50,000 copies distributed	50,000 copies distributed	
29. Transit Public Service Materials	Production and distribution to 300 transit systems	None	None	None	
30. Cooperative Poster with Postal Service	None	Production and distribution to 40,000 post offices	None	None	

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
31. Fact Sheet Describing the DOE-2 Computer Program	None	None	Fact sheet produced; 5,000 copies distributed	None	
32. Brochure Describing Infrared Thermographic Techniques	Brochure produced; 10,000 copies distributed	None	None	None	
33. Brochure on Caulking/Weatherstripping	Brochure produced; 100,000 copies distributed	None	None	None	
<u>Films</u>					
34. Film Based on Booklet - "Tips for Energy Savers"	Procurement	Production	Release of 300 copies	Showings reaching 2 million viewers	
35. Film - "Up the Power Curve"	Showings reaching 252,000 viewers	Showings reaching 252,000 viewers	Showings reaching 252,000 viewers	Showings reaching 252,000 viewers	
36. Film - "Don't Cut Us Off"	Showings reaching 1 million viewers	Showings reaching 1 million viewers	Showings reaching 1 million viewers	Showings reaching 1 million viewers	
37. Film - "Rethinking Tomorrow"	Production	Release of 300 copies	Showings reaching 3 million viewers	Showings reaching 3 million viewers	
38. Community Conservation Action Film	Procurement	Production	Release of 100 copies	Showings reaching 250,000 viewers	
<u>Shows and Exhibits</u>					
39. Public Service Theatrical Release through United Artists Corp.	Provide 39 prints of 4 existing titles	Showings in 400 theatres	Showings in 400 theatres	Showings in 400 theatres	

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
40. Table Top Exhibits (Appliance Labeling, Auto Efficiency, Home Energy)	3,000 units to libraries, public buildings	900,000 viewers	900,000 viewers	900,000 viewers	
41. Computer & Analog Exhibit Units - 50 units (Regional Offices)	Display to 18,000 decision makers	Display to 20,000 decision makers	Display to 20,000 decision makers	Display to 20,000 decision makers	
42. Regional Office Exhibits - 48 units	15,000 viewers	15,000 viewers	15,000 viewers	15,000 viewers	
43. Modular Exhibit (small shopping center units)	8 units, 8 show- ings, 500,000 viewers	8 showings, 500,000 viewers	8 showings, 500,000 viewers	8 showings, 500,000 viewers	
44. Appliance Labeling Conference Unit	20,000 viewers	20,000 viewers	20,000 viewers	None	
45. Energy Lab Exhibit - 2 Units (large shopping centers)	600,000 viewers	600,000 viewers	600,000 viewers	600,000 viewers	
46. Three 2-Trailer Exhibits (large fairs)	100,000 viewers	100,000 viewers	100,000 viewers	100,000 viewers	
47. Traveling Museum Units	200,000 viewers	200,000 viewers	200,000 viewers	200,000 viewers	
48. American Museum of Science and Energy & Chicago Museum of Science and Industry Exhibits	400,000 viewers	450,000 viewers	750,000 viewers	450,000 viewers	
49. Earth-Sheltered Building Information Center	None	Information center opened	None	None	

COMMERCIAL SECTOR CONSERVATION
PUBLIC INFORMATION OBJECTIVES

CALENDAR YEAR 1980

<u>PROJECT</u>	<u>1st</u> <u>QUARTER</u>	<u>2nd</u> <u>QUARTER</u>	<u>3rd</u> <u>QUARTER</u>	<u>4th</u> <u>QUARTER</u>	<u>OUTYEARS</u>
<u>Energy Extension Service</u>					
This program provides services for small scale energy users including small businesses. The following projects are included					
1. Extension Service Audits	3500 audits	3500 audits	3800 audits	4100 audits	
2. Extension Service Workshops	1000 workshops	1000 workshops	1100 workshops	1100 workshops	
<u>Technology Transfer Program</u>					
This provides information for research and development concerning commercial buildings, technology applications, commercial building conservation programs, and marketing activities. It includes the following projects:					
3. Energy Management Project in Museums & Cultural Institutions	Manual produced, 30,000 copies distributed	3 workshops	None	None	

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
4. State and Municipal Park and Recreational Facilities Project	None	None	Energy Management Manuals produced, 500 copies distri- buted; four workshops conducted	None	
5. Home Builders Workshop Project	None	None	None	Manual produced, 1000 copies distri- buted; ten regional workshops conducted	
6. Window Energy Management Project	None	Fact sheet produced, 100,000 copies distributed	None	None	
7. Insulation Project	None	Fact sheet produced, 100,000 copies distributed	None	None	
8. Institute for Archi- tectural Faculty	None	One workshop conducted	None	None	
9. Institute for Engineering Faculty	One workshop conducted	One workshop conducted	None	None	

Energy Use Estimating

Method Program

The objective of the program in residential buildings is to develop design guidelines, testing procedures, minimum performance standards, and energy estimating models in the field of air infiltration. The following project is included:

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
10. Brochure Describing DOE-2 Computer Simulation	Brochure produced, 5,000 copies distributed	None	None	None	
<u>Windows and Daylighting Program</u>					
The objective is to develop and commercialize energy-efficient window products, thermal performance testing procedures to assess annual energy consumption, and to develop simplified design strategies to use windows in buildings. The following project is included:					
11. Development of Window Product Newsletter	None	10,000 copies distributed	None	10,000 copies distributed	
<u>Diagnostics Program</u>					
The objective is to improve measurement of building shell and equipment efficiencies. The following project is included:					
12. Brochure on Infrared Thermography	Brochure produced; 10,000 copies distributed	None	None	None	
<u>Emergency Building Temperature Restrictions Program (EBTR)</u>					
This program restricts temperatures in commercial and public buildings.					
13. EBTR Hot Line Project	Hot line calls (300-600 per day)	Hot line calls (300-600 per day)	Depends on extension of program		

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
14. Building Energy Information Survey	Sample of 3,000 buildings being taken by Energy Information Admini- stration. Data to be available in 1st quarter	None	None	None	

COMMUNITY SYSTEMS CONSERVATION
PUBLIC INFORMATION OBJECTIVES

CALENDAR YEAR 1980

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
<u>Informational services</u> (training, workshops, seminars, conferences)					
1. Regional Meetings on Energy Management Cooperatives	None	3 meetings	5 meetings	5 meetings	20 meetings
2. Workshops at Professional Conferences	3 workshops	None	3 workshops	3 workshops	30 workshops
3. Regional Workshops	None	1 workshop	None	4 workshops	None
4. Community Planning Workshop at Professional Conferences	2 workshops	None	2 workshops	2 workshops	20 workshops
5. Rural Planning Workshops (Mercer County)	None	None	None	1 workshop	10 workshops
6. Regional Workshops With Developers, Utilities, Professionals, and Municipalities	1 workshop	3 workshops	None	None	20 workshops
7. Workshops at Professional Conferences	3 workshops	None	2 workshops	4 workshops	40 workshops

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
8. Seminars on the Use of the OASIS and Scope Computer Models Used in the Design and Analysis of Co-generation Applications	1 seminar	1 seminar	1 seminar	1 seminar	1 seminar
9. Regional Conferences on District Heating	1 conference	1 conference	None	None	None
10. National Conference on District Heating	None	None	1 conference	None	2 conferences
11. Annual Chilled Water and Heating Conference	None	None	1 conference	None	20 conferences
12. Third Annual Conference on Recovery of Methane From Landfills	None	None	1 conference	None	4 conferences
13. Annual Research and Development Conference on Recovery of Energy and Materials From Municipal Solid Waste	None	None	1 conference	None	1 conference
14. Seminar on Anaerobic Filters	1 seminar	None	None	None	None
15. Anflow System Exhibit	2 exhibits produced	1 exhibit produced	1 exhibit produced	2 exhibits produced	20 exhibits produced
16. Development of Analytical Tools for Optimization of the Design of Landfill Gas Recovery Systems Project	None	None	None	2 seminars on tools	None
17. Model Fee-for-Service Contract Project	None	None	2 seminars on use of the model contract	None	None

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
<u>Informational literature</u> (brochures, pamphlets, leaflets, manuals)					
18. Manual on How to Organize to Prepare an Energy Management Program	1,000 copies distributed	3,000 copies distributed	2,000 copies distributed	2,000 copies distributed	5,000 copies
19. Manual on How to Conduct Community Energy Audits	None	Manual produced, 1,000 copies distributed	1,000 copies distributed	1,000 copies distributed	5,000 copies distributed
20. Manual on Conservation Options Available to Communities and How to Select Among the Alternatives	None	None	None	Manual produced, 2,000 copies distributed	5,000 copies distributed
21. "Operation Power Play", Brochure on Cooperatives for Energy Management	None	Brochure produced, 5,000 copies distributed	1,000 copies distributed	1,000 copies distributed	2,000 copies distributed
22. CCEMP Newsletter	200 copies distributed	200 copies distributed	300 copies distributed	300 copies distributed	2,000 copies distributed
23. A Guide to Incorporating Energy Conservation in the Transportation Planning Process (Joint with DOT)	None	None	None	Guide produced; 1,000 copies distributed	2,000 copies distributed
24. Training and Education Material for Community Design Schools	None	200 packages distributed	300 packages distributed	None	None
25. Pamphlet on Municipal Waste Demonstration Projects	Pamphlet produced; 2,000 copies distributed	2,000 copies distributed	1,000 copies distributed	1,000 copies distributed	1,000 copies distributed

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
26. Pamphlets on Municipal Waste Research and Development Activities	None	Pamphlet produced; 5,000 copies distributed	2,000 copies distributed	1,000 copies distributed	1,000 copies distributed
27. Pamphlet on Energy Conservation in Waste-water Treatment Systems	None	None	Pamphlet produced; 5,000 copies distributed	2,000 copies distributed	2,000 copies distributed
28. Pamphlet on Energy Conservation in Water Treatment Systems	None	None	None	Pamphlet produced; 5,000 copies distributed	2,000 copies distributed
29. Pamphlet on the Process and Issues of Waste to Energy Systems	None	Pamphlet produced; 1,000 copies distributed	1,000 copies distributed	1,000 copies distributed	2,000 copies distributed
30. Pamphlet on Measuring the Cost of Municipal Waste Disposal	None	None	Pamphlet produced; 5,000 copies distributed	5,000 copies distributed	2,000 copies distributed
31. Energy Conservation Measures Utilized at the Indianapolis Sewage Treatment Plant	None	None	Report issued	None	None
32. Workbook for Public Officials on How to Construct, Organize, and Deliver Briefings on Resource Recovery	None	None	None	Workbook produced; 500 copies distributed	None
33. Design Manual for Solar Energy Use in Wastewater Treatment Plant	None	None	None	Manual issued	None

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
<u>Films, shows, and exhibits</u>					
34. Movie and Slide Show	None	None	None	None	Movie produced; slide show produced; 200 copies distributed
35. Community Planning Movies and Slide Show -- Changes in Mercer County	20 showings	50 showings	50 showings	50 showings	200 showings
36. Film: The Light at the End of Pipe	20 copies made	25 showings	25 showings	25 showings	25 showings
37. Film: Municipal Solid Waste: The Underutilized Resource	None	None	20 copies made 25 showings	50 copies made 100 showings	50 copies made
38. Film: Conversion of Wastes to Methane	None	None	None	50 copies made; 100 showings	None
39. Shenadoah Energy Conserving Site Design	200 showings	800 showings	500 showings	500 showings	
40. Five Energy Conserving Site Designs	None	1,000 showings	500 showings	500 showings	1,000 showings
41. Exhibits on Recovery of Energy From Municipal Waste	None	1 exhibit produced	2 exhibits produced	2 exhibits produced	25 exhibits produced

PUBLIC INFORMATION OBJECTIVES
INDUSTRIAL SECTOR CONSERVATION

CALENDAR YEAR 1980

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
1. Energy Analysis and Diagnostic Centers	21 audits conducted	38 audits conducted	38 audits conducted	38 audits conducted	135 audits will be conducted each year
2. Industrial Energy Conservation Workshop	4 workshops conducted	None	None	None	
3. Briefing Reports on Particular Energy-Efficient Processes	1 report	3 reports	2 reports	8 reports	
4. Technology Applications Manuals	1 manual produced	None	1 manual produced	6 manuals produced	
5. Seminars	None	None	None	1 seminar on evaporation 1 seminar on distillation	
6. Project Description Sheets	15 sheets produced	None	None	None	
7. Cogeneration Marketing Program	3 workshops conducted	3 regional workshops conducted; 3 fact sheets produced; 2,000 copies distributed	3 regional workshops conducted; market research completed	5 workshops conducted; motor management manual produced, 1000 copies distributed to industrial procurement managers	
8. High Efficiency Electric Motors Marketing Program	None	None	Conduct 1 workshop, 1 seminar	Conduct 1 workshop, 1 seminar	Conduct 1 workshop, 1 seminar

TRANSPORTATION SECTOR CONSERVATION
PUBLIC INFORMATION OBJECTIVES

CALENDAR YEAR 1980

<u>PROJECT</u>	<u>1st</u> <u>QUARTER</u>	<u>2nd</u> <u>QUARTER</u>	<u>3rd</u> <u>QUARTER</u>	<u>4th</u> <u>QUARTER</u>	<u>OUTYEARS</u>
1. Gasoline Mileage Guides These fuel economy ratings will be distributed at new car showrooms	8 million distributed	None	8 million distributed	None	
2. Paid Advertising	2 new TV ads produced; 3 new radio ads produced; 2 new print ads produced	2 new TV ads produced;	2 new TV ads produced; 1 new radio ad produced;	6 new TV ads produced; 6 new radio ads produced; 4 new print ads produced	Full scale national campaign using all media
3. Public Service Advertising	None	None	3 TV ads produced; aired 150 times each; 3 radio ads produced	3 TV ads produced; aired 150 times each; 3 radio ads produced	

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
4. Alcohol fuels information program	2 pamphlets produced	350,000 copies distributed	350,000 copies distributed	350,000 copies distributed	
5. Driver Energy Conservation Awareness Training This project will train drivers and instructors in federal automobile fleets	200 drivers and 8 instructors trained	200 drivers and 8 instructors trained	200 drivers and 8 instructors trained	200 drivers and 8 instructors trained	
6. Truck Dealer and Truck Stop Program This project will promote conservation by truck operators	At least 16 seminars held	At least 16 seminars held	At least 16 seminars held	At least 16 seminars held	
7. Fuel Economy Materials	100,000 copies distributed	100,000 copies distributed	100,000 copies distributed	100,000 copies distributed	
8. Driver Feedback Devices Develop, demonstrate, and commercialize devices to indicate to drivers the energy consequences of driving habits	Contract for develop 3 devices	Test 3 devices	Demonstrate and evaluate effectiveness of one device	None	Marketing goal: 5,000 devices installed
9. Fleet Purchaser Materials	Contract for materials	None	None	Distribute 70,000 copies	

<u>PROJECT</u>	<u>1st QUARTER</u>	<u>2nd QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>OUTYEARS</u>
10. Truck/Bus Marketing Plan	Let contract	Articles in at least 6 trade magazines	Distribute 200,000 copies	None	
11. Driver Awareness Primary Grade Film	Let contract	Produce film	Print copies	Distribute 20 copies	
12. Federal Agency Ridesharing Workshops	6-10 workshops	6-10 workshops	6-10 workshops	6-10 workshops	
13. Commuter Ridesharing Information Materials	None	Let contract	Develop materials	Develop materials produce pamphlets	Distribute 100,000 pamphlets in 1981
14. Transportation Facilitation Center (joint DOE-DOT project)	None	None	None	Feasibility study completed	
15. Shippers Handbook This will help shippers select energy-efficient shipping alternatives	Handbook prepared	200 copies distributed	None	None	
16. "Running on Empty" film	30 showings	30 showings	25 showings	20 showings	

THE WHITE HOUSE
WASHINGTON

FOR THE RECORD:

ORIGINAL TO CUTLER FOR
DELIVERY.

THE WHITE HOUSE
WASHINGTON

February 6, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD CUTLER

Lnc

I recommend that you send the attached letter to Lord Killanin. I will deliver it to him personally at Lake Placid.

Attachment

THE WHITE HOUSE

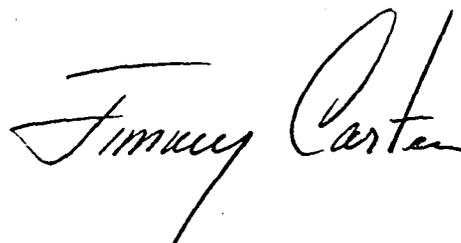
WASHINGTON

To Lord Killanin

I greatly appreciate the honor, as Head of State of the host country, of being invited to open the 1980 Olympic Winter Games in Lake Placid. However, because of the serious crises in Southwest Asia, I have not left the Washington area since last September, and it would be inappropriate for me to be away from Washington on February 13. Accordingly, I have designated Vice President Mondale to substitute for me at the opening ceremony. I understand that two of my predecessors also designated Vice Presidents to open Olympic Games held in the United States in 1932 and 1960.

Please accept my best wishes for successful Olympic Games at Lake Placid.

Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the typed name.

Lord Michael Killanin
Lansdowne Road 30
Dublin 4
Ireland

THE WHITE HOUSE

WASHINGTON

February 6, 1980

MEMORANDUM FOR: PHIL WISE 
FROM: ESTHER PETERSON
SUBJECT: Kathleen O'Reilly's Introduction of
President Carter

The outline of Kathleen O'Reilly's introduction of President Carter is as follows:

- o First she will say that 4 years ago consumers had no access whatsoever to the White House. Whenever consumers called they were ignored. We now have a President who has met with consumer leaders at least six times in his Administration. It's a thrill to be able to be heard by the President and to have meetings with members of his Cabinet and other high officials. Our voice is now heard in government, thanks to President Carter.
- o Even when we disagree on issues we know our position will be heard and given the consideration it deserves. The President was with us on the consumer bill, the Coop Bank and the Federal Trade Commission. He worked hard on these bills and shared our disappointment when they failed. We know he will be working with us to preserve the FTC in the coming weeks.
- o President Carter's appointments to high positions throughout his Administration are outstanding and have sensitized the whole bureaucracy to the need to listen to consumers when decisions are being made. She will then name some consumer advocates and pay tribute to them and to Esther Peterson.

THE WHITE HOUSE

WASHINGTON

February 6, 1980

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MEMORANDUM FOR THE PRESIDENT

FROM: Frank Moore
Dan Tate *DT*

SUBJECT: Windfall Profits Conference

The conferees met all afternoon and disposed of practically all items except the tax credits and the uses of the tax revenues.

They agreed to the phase-out arrangement we discussed this morning. The tax will remain in full force for 8 years or until \$227.3 billion is raised whichever is later and will phase out over the subsequent 3 years.

They substantially modified the Johnston Amendment dealing with your authority to impose oil import fees and left it in the bill. The modification vastly improves the provision and the Energy Department is completely satisfied with the outcome.

It is possible that Senator Long's goal of completing the conference by tomorrow evening can be met.

In these circumstances, severe criticism of the conferees would, in our judgment, serve no useful legislative purpose and would very likely be counterproductive. The conferees have met infrequently but their decisions have been uniformly favorable to us and the end is certainly in sight. Criticism of them would be viewed, rightly or wrongly, as gratuitous and might (in fact probably would) result in reversals to us either in the form of lengthy delays or in the form of a series of reconsiderations of decisions which we strongly favor.

There is much to criticize the ESC and EMB conferences for, however. Instead of moving toward inevitable compromise decisions, the House and Senate positions seem to be hardening. The EMB conferees not only have not made any substantial progress but are reopening previous decisions; they have met only twice since Congress reconvened. The ESC conference is stalled. The conferees have met only once this year and have reached no major agreements; in fact, they have made virtually no decisions at all. Both conferences are fast becoming embarrassments for both the Congress and the Administration; their inaction and almost petty bickering call into question our national will to deal with matters vital to our nation's security and its very future.

One very significant point should not be overlooked: Both the House and the Senate have passed the ESC and EMB bills; the Members of Congress not on the conference committees have done their jobs. Senator Robert Byrd strongly emphasizes the need for you to differentiate between the action of the two Houses and the inaction of the conferees. His basic message is that you should give the House and Senate credit for acting on these bills and make the conferees the focus of your ire.

07 Feb 80

Richard Harden

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

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

2/7/80

rick/bill--

after the neiman appointment,
i talked with richard and
asked him to send me a memo
(which i suggested he write
to me, not to the boss)
basically for file info, etc.,
so that richard would know,
and the boss would know,
that signature wasn't part
of the 'sales package'....
but that it is reasonable to
expect some requests after
purchase, etc.

he sent me the memo, but he
wrote the memo to the president
that's why it came to me instead
of youall, tho.

thanks--ssc

THE WHITE HOUSE

WASHINGTON

February 1, 1980

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MEMORANDUM FOR THE PRESIDENT

FROM: RICHARD HARDEN

Richard

RE: Follow-up on Neiman Project

In response to the questions Susan raised, I have taken the following action and offer the following suggestions:

- ok* 1. I have instructed Tom Baker, Executive Director of the Democratic Senatorial Campaign Committee, to make no mention of your signing the prints as part of the promotional. The one you signed was returned to Neiman. I would suggest that you not sign the others but you might want to reconsider after they are sold.
- ok* 2. In addition to the artist's proof you received at the presentation, Neiman has agreed to make one available for Sadat, one for Begin, and one for Miss Lillian (LeRoy sat on the ground in front of her during the ceremony). If Miss Lillian goes to Egypt and Israel, I would suggest that you sign them and that she deliver them personally. All of the other proofs will be controlled by Neiman.
3. Miss Lillian will also receive a copy of the book on horses you received from Neiman.
5. The original oil painting remains with Neiman.
6. I think it would be nice if you sent both LeRoy and Maury handwritten notes of thanks. One small point - capitalize the "r" in LeRoy. Their addresses are:

<i>done</i>	Mr. LeRoy Neiman 1 West 67th Street New York, New York 10023	Dr. Maury Leibovitz 19 East 70th Street New York, New York 10021
-------------	--	--
- done* 6. Leroy is quite excited about attending the Democratic convention. You might want to mention that you are looking forward to seeing him there. We will be exploring additional ways for LeRoy to help us raise funds for the DNC for use during the general election.
7. I will provide you a periodic progress report on how the sales are going.

I feel the project has worked out quite well but would welcome any comments as to how we might improve such efforts in the future.

WASHINGTON
07 Feb 80

Frank Moore

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

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

February 6, 1980

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MEMORANDUM FOR THE PRESIDENT

FROM: Frank Moore *FM/DT*

As you may recall, when we consulted with Sam Nunn on the question of whether women should be registered, he adamantly insisted that women should be excluded and expressed the view that inclusion of women would be politically catastrophic.

He requested that he be given an opportunity to discuss the matter with you before you made a hard and fast decision on this matter. My office prepared a telephone call request several days ago but have no record of your having made the call.

If you have not already done so, I recommend that you call Sam and discuss with him your respective views. He will keep your conversation confidential.

Home -- 320-3034

Office -- 224-3521

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

February 6, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER *HC*

SUBJECT: Draft Registration Mail and Calls
(Per Your Request)

Last week you asked me to supply you with data from the mail and phone calls on special issues. The following is a percentage tally on the subjects of registration in general and registration of women since your State of the Union address.

	<u>Registration in General</u>	<u>Registration of Women</u>
<u>Phone Calls</u>		
Number	483	4,002
% Positive	52%	3%
% Negative	48%	97%
<u>Letters</u>		
Number	2,003	1,224
% Positive	17%	12%
% Negative	81%	87%
% Neutral	2%	1%

The objections to the registration of women appear to be based on preceived effects on children, families and homes.

07 Feb 80

Frank Moore

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

Rick Hutcheson

Frank Moore --

2/7/80

~~President-Carter--~~

Upon her request today at
the Prayer Breakfast, President
Carter promised Senator Hatfields
wife Antoinette that he
would inscribe a copy of
the notes he used to deliver
his remarks. You should
probably handle either
delivery or mailing of attached
original, with cc in files.

Thanks--Susan Clough

WE CAN BE REMARKABLY FLEXIBLE
IF ADVANTAGEOUS TO US, FIND GOOD
IN ENEMIES
SOMETIMES ^{WE} CLING TO ENEMIES, HATRED
LOVE ENEMIES, PRAY FOR PERSECUTORS
RABBS (AYATOLLAH K, KIDNAPPERS. (PLESS))
DAILY INVENTORY
THANK GOD FOR THINGS WHICH
SEEM MOST TROUBLE SOME
GROWTH NOT EASY. NEED PRAYER

To Antoinette
Hatfield

Jimmy Carter

NAT PRAYER BREAKFAST 2-7-80

1/2 GA

PRAYER/LIFE INSEPARABLE = GROWTH

SELF → FAMILY → COMMUNITY → DIST/STATE
→ NATION → OTHERS

DIFFICULT TO STRETCH MIND, HEART

NA. PEACE CORPS. LEPROSY

{ PRAYER
LIFE'S PRINCIPLES SAME = GOD'S LAWS

CONSIDER MORE "OTHERS", DIVERSE VIEWS

AT FIRST → SCHISM/DIVISION/HATRED

(WITHOUT GOD)

BLACK/WHITE

WITH GOD, REALIZE UNIVERSALITY OF

PEACE - NOT EASY (RELIGIOUS WARS)

TRUTH - " " (DESERT = ARCTIC)

LOVE - " " (GOD IS LOVE)

TRIAL, CRISIS, CAN → FLEXIBILITY, PROGRESS
(CLOSER INTERNATIONAL CONSULTATION)

11:55 AM

CARTER/MONDALE PRESIDENTIAL COMMITTEE, INC.
- 1413 K STREET, N.W., WASHINGTON, D.C. 20005

February 6, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT
SUBJECT: Five-minute meeting with Speaker McGee of Massachusetts
DATE: February 7, 1980
TIME: 11:55 AM
PLACE: Oval Office

I. PURPOSE: This is a brief meeting with the Speaker of the Massachusetts House, Thomas McGee. The Speaker is ready to offer his endorsement to you.

II. BACKGROUND, PARTICIPANTS AND PRESS

A. Background: Speaker McGee is a former Marine and an avid sportsman. As Speaker, he has the power of appointment to House committees and, therefore, is a great influence in the state. He is often drawn in conservative shades though you should note his strong interest in social programs -- in particular, the need for adequate housing for every American.

B. Participants: You and the Speaker will meet alone.

C. Press: White House Photographer.

III. TALKING POINTS

1. Thank Speaker McGee for his continuing help in the Massachusetts campaign. He has been our most steady friend in the state.

Electrostatic Copy Made
for Preservation Purposes



Page Two

2. We have a good solid Steering Committee of 250.

3. We filed over 1,000 delegates as opposed to Kennedy's 600. The pre-primary slating caucuses are this Sunday.

4. McGee's endorsement would mean a great deal in Massachusetts and the New England region. The Boston papers are widely read in New Hampshire. If McGee could endorse the week before New Hampshire and bring with him the House leadership in Massachusetts, it would be a boost to our campaign in Massachusetts and New Hampshire.



THE WHITE HOUSE
WASHINGTON

Rick/Bill --

speech text/notes used by
the President today.

--SSC

0880



National Prayer Breakfast

Thursday, February 7, 1980

International Ballroom, Washington Hilton Hotel

Washington, D. C.

National Prayer Breakfast

FEBRUARY 7, 1980, 8:00 A.M.

PRESIDING The Honorable Mark O. Hatfield
U.S. Senator—Oregon

OPENING PRAYER The Honorable Otto R. Skopil, Jr.
Judge, 9th Circuit Court of Appeals

Breakfast

WELCOME The Honorable Mark O. Hatfield

GREETINGS The Honorable Jack Brinkley
U.S. Representative—Georgia

OLD TESTAMENT: The Honorable Neil E. Goldschmidt
Deuteronomy 8:11-20 *Secretary of Transportation*

NEW TESTAMENT: The Honorable Azie Taylor Morton
I Corinthians 13 *Treasurer of the United States*

SONG "Amazing Grace"
Led by the Honorable Bill Hefner
U.S. Representative—North Carolina
The Honorable William K. Brehm
Accompanist

PRAYER FOR NATIONAL
LEADERS The Honorable Sam Nunn
U.S. Senator—Georgia

MESSAGE The Honorable Guy Vander Jagt
U.S. Representative—Michigan

THE PRESIDENT OF THE UNITED STATES

CLOSING PRAYER Admiral Thomas B. Hayward
U.S. Chief of Naval Operations

CLOSING SONG "Halleluia"

*Audience please remain in place until
the President and Mrs. Carter have departed.*

*"Being a humble instrument, in the hands of our
heavenly Father, I desire that all my words and acts
may be according to His will: and that it may be so,
I give thanks to the Almighty, and seek His aid".*

ABRAHAM LINCOLN

*Trust in the Lord with all thine heart; and lean not
unto thine own understanding. In all thy ways ac-
knowledge Him, and He shall direct thy paths.*

PROVERBS 3:5-6

*Music during assembly by the University of South Carolina Choir
Dr. Arpad Darazs
Conductor*

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IF ADVANTAGEOUS TO US, FIND GOOD
IN ENEMIES

SOMETIMES ^{WE} CLING TO ENEMIES, HATRED

LOVE ENEMIES, PRAY FOR PERSECUTORS

HOSTAGES (AYATOLLAH K, KIDNAPPERS - (PRESS))

DAILY INVENTORY

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(CLOSER INTERNATIONAL CONSULTATION)

National Prayer Breakfast
Thursday, February 7, 1980
Washington, D.C.