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memo w/att	Henry Owen to the President. Re: Letter to Prince Fahd of Saudi Arabia. (4 pp.)	5/28/80	A
memo	Jack Watson to the President. Re: Visit with Vernon Jordan. (2 pp.)	6/1/80	C

FILE LOCATION

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THE WHITE HOUSE
WASHINGTON

02 Jun 80

Frank Moore

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

Rick Hutcheson

cc: The Vice President
Hamilton Jordan
Stu Eizenstat
Al McDonald
Jack Watson

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON

May 31, 1980

Frank. Jes
make some calls Mon
re import fee. Give
me 10-12 names

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE

SUBJECT: Weekly Legislative Report

I. DOMESTIC POLICY ISSUES

1. Energy

Utility Oil Backout Bill

Markup continued Thursday in the Senate Energy Committee. Senator Johnston and the utilities are proposing total relaxation of Fuel Use Act prohibition of utilities burning gas after 1990. While some accommodation on the gas issue, such as extending the FUA prohibition to 1995, will probably be necessary to pass the bill, total relaxation of the prohibition might kill it. In the House, Dingell has threatened not to move a bill if it does major damage to the FUA. In the Senate, the Majority Leader opposes total repeal of the prohibition. Efforts continue to work out a compromise on the issue.

The Committee has instructed the Committee staff to draft a clean bill for markup on Wednesday.

2. FTC Conference

The House passed the FTC conference report Friday. Despite Administration attempts Senator Hollings refused to grant a budget waiver so that the Senate could also vote out the FTC bill Friday. Instead, Hollings wants to facilitate a transfer of funds to the FTC. Although this is likely to pass the Senate, Chairman Whitten is very unlikely to agree to this funding mechanism in the conference which will convene Tuesday. As matters now stand, the FTC will once again run out of funds early this week.

3. Fair Housing

The Fair Housing bill is tentatively scheduled for House floor consideration this week. Rodino may ask to delay one week so that he can work on undecided members. Our head count is very close; we will again ask Cabinet members and WH senior staff to help.

4. Trucking

May go to Rules this week with floor action possible for the week of June 9. Possible jurisdictional problems seem to have been resolved.

A Levitas one-House veto amendment is likely to cause us problems -- if passed it would send the bill to conference with the Senate bill.

5. Regulatory Reform

At our request, the markup in the House Judiciary Committee has been suspended and will not resume unless the business community convinces Republican Members to move to reconsider the Hughes Amendment on legislative veto. The Senate Committees have not yet begun serious negotiations to resolve the differences between the Ribicoff and the Culver/Kennedy regulatory reform bills.

The additional time afforded us by suspending markup in the House and by slowing the Senate negotiations should allow us time to reassess the future of the Administration's regulatory reform effort. At Senator Bumpers request, we are reviewing the Administration's position on the so-called "Bumpers Amendment." The Justice Department has undertaken an in-depth analysis of the Bumpers Amendment proposal in its various forms.

6. Registration

The Senate is expected to take up funding for Selective Service registration Tuesday. It is likely to take at least a week to complete consideration and may take longer depending on the press of other Senate business. We are still a few votes short of the 60 necessary to invoke cloture. If we succeed in defeating the filibuster, we believe that we have sufficient votes to pass the bill.

7. Youth Bill

The plan of action in the House is to try to have the Rules committee consider the bill this week with possible floor action next week. DOL CL feels this scenario is unlikely.

8. EDA Conference

Representatives from CL, OMB and DPS met with Roe Friday, but no agreement was reached on the proposed LPW compromise. There was preliminary agreement concerning an 8% trigger mechanism. Without further compromise by Roe in the next few weeks we may have to seek a one year extension of the current program.

9. Refugees

The refugee task force is in the process of preparing an options memo for staffing. We plan to consult with appropriate House and Senate members late this week to get their reactions and input.

Initial Congressional reaction is that any new legislation dealing with the "status" problem would be viewed with disfavor.

Liz Holtzman has scheduled another refugee hearing Wednesday. She has asked for Administration witnesses to provide a progress report on: our efforts to halt the illegal boat traffic, conditions in the processing camps, difficulties encountered in resettlement, and progress in internationalizing the problem. Given Hill knowledge of the OMB letter to the Budget and Appropriations Committees estimating a \$300 million FY 80 refugee add-on, we can expect close scrutiny of how that determination was made and why the Judiciary Committees were not consulted.

10. Small Business Authorization (S. 2698)

The Senate passed S. 2698 last Wednesday. It is an improved version of S. 918, an earlier bill that had been stuck in conference because of a protracted Senate-House dispute over a technical budget issue. The major reforms of SBA farm disaster lending programs were added to S. 2698, but the budget problem in the House-passed legislation was not included.

The bill has now been sent to the House, where Congressman Neal Smith may add back prior House proposals to which the Administration and the Senate have consistently objected. Of course, Smith is unenthusiastic about our lending reforms, as you know.

We will ask you to call Neal Smith and Tom Foley this week to initiate another attempt to get an acceptable bill. Stu Eizenstat will conduct follow-up meetings.

II. ANTI-INFLATION ISSUES

1. Debt Limit/Oil Import Fee

On Friday the Congress passed a five day extension of the debt limit, without an amendment deleting your authority to impose the oil import fee. The likely scenario now is for the Congress to take up another debt limit extension bill Wednesday, at which time an import fee amendment will be attached. If the bill is vetoed an override vote in the Senate is likely on Thursday.

2. First Budget Resolution

Thursday the House defeated the conference report on the budget resolution by vote of 141-242. It then rejected a Panetta motion to approve only the revised 1980 resolution by vote of 173-199. After many Democrats had left, a Latta motion instructing the conferees not to reduce Defense BA and outlay numbers was adopted by voice vote.

The Budget Committee conference will resume Monday. House staff indicate that if an agreement is not reached in 2-3 days, the probability of eventually achieving any agreement will be very low. After that time, the Republican supporters of the first conference agreement may bolt for political reasons, and many liberals may

vote down any resolution in order to further weaken the constraints of the budget process.

If the conferees do reach agreement early in the week, we cannot expect significant changes from the initial resolution. As you know, any progress in a revised resolution is the first step in a long battle through the authorization and appropriations process.

3. Appropriations

Because of the logjam on the budget resolution, the House Appropriations Committee has no plans to move ahead with either floor action on the 1980 supplemental/rescission bill or full committee markups on the 1981 bills. Morale is low, and many Members attacked the Administration at yesterday's full Committee markup on the FTC bill.

The Senate Appropriations Committee will move ahead with more subcommittee markups on the 1980 bill, but further actions are unlikely without more progress by the House.

The 45-day deadline for Congressional approval of our rescissions runs out on Wednesday. OMB is preparing a strategy to deal with this situation.

4. Defense Supplemental

The FY 1980 Defense Supplemental and transfer package has been marked up by House Appropriations full Committee and the Senate Appropriations Defense Subcommittee. As it now stands, they have approved essentially all that we requested.

5. Military Construction Supplemental

The elements relating to the Persian Gulf and Diego Garcia have run into problems in the House committee. Since the goal in this area is to insure the free flow of oil for Japan and our NATO allies, the committee wants these countries to share in the cost of facilities constructed to support possible deployments. Hopefully this issue will be resolved by conference.

III. FOREIGN POLICY ISSUES

1. FY 81 Foreign Aid Authorization

The House began floor debate on the FY 81 aid authorization bill Wednesday afternoon and, the going was rough. HFAC Minority Leader Broomfield announced his goal of cutting overall funding by ten percent, although the actual reductions would be less than that because of his exclusion of a number of major programs including Israel and Egypt. Bauman said he would seek a 25 percent cut across-the-board.

The only other major floor actions were the elimination of military aid to Nicaragua, and the defeat of Weiss' proposal to knock out the HFAC's tentative liberalization of Congressional oversight of intelligence activities. Debate is likely to resume next Wednesday when we expect a number of country-specific cuts to be proposed. On the Senate side, the bill is tentatively scheduled to go to the floor the second week of June.

2. FY 80 Foreign Assistance Appropriations Conference Report

House Appropriations Committee Chairman Jamie Whitten has said he feels that the omnibus supplemental, combined with other domestic spending bills under consideration in the House probably will make it impossible to fund the FY 80 foreign assistance conference report. Whitten emphasized that he did not dispute the merits of the FY 80 bill, but said the question was one of relative need; it would probably be impossible to not fund more urgent domestic programs such as food stamp and social service bills while funding the foreign aid bill. At Secretary Muskie's continued urging, Whitten agreed to review the budget situation and determine whether the FY 80 foreign assistance appropriation might be considered by the House.

3. Nicaragua Supplemental

With the fate of the FY 80 conference report still in limbo, the Nicaraguan focus has shifted to the FY 81 authorization bill. We are facing a tough battle. The bill will be back on the floor this week giving the State Department time to reach more members and to give Hill exposure to Arturo Cruz, one of the new moderates appointed to the junta who will arrive in Washington on Monday. A loss on the 1981 bill would make it virtually impossible to get the supplemental passed.

4. Nuclear Fuel

Senator Glenn is planning SFRC hearings by mid-June on the non-proliferation consequences of further exports of enriched uranium to India. He wants to hold these hearings before you issue an Executive Order authorizing the shipments. The last week in June is the latest time period in which you can act to provide Congress 60 days of continuous session to consider approval or disapproval of his Order.

Comments adverse to the export have already come from Chairman Zablocki and Representative Bingham, two HFAC members actively interested in the issue.

5. Defense Personnel

Wednesday the Senate passed the Doctor's Pay Bill and the Survivor's Benefit Plan. The House has not yet scheduled floor action, but DoD believes the bill will be taken up by mid-June. Nichols has indicated agreement with us on all Nunn-Warner issues and feels that all will go well on his side with perhaps some difficulty with our language on the variable housing allowance. Hearings are expected early in June. On the Senate side Sam Nunn

has scheduled a hearing on this issue Monday afternoon.

House Schedule for the Week of June 2, 1980, is as follows:

MONDAY

June 2

House not in session.

TUESDAY

June 3

Private Calendar Suspensions (13 Bills)

WEDNESDAY, THURSDAY AND FRIDAY

June 4, 5, 6

H.R. 6942 -- International Security and Development Cooperation Act of 1979 (Foreign Aid Authorizations)

H.R. 7428 -- Public Debt Limit Extension

H.R. 5200 -- Fair Housing Amendments Act of 1980

H.R. 4048 -- Awards of Prejudgment Interest in Antitrust Litigation

H.R. 2255 -- Insurance Activities of Bank Holding Companies

THE WHITE HOUSE

WASHINGTON

June 2, 1980

To Louis Martin

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

Rick Hutcheson

THE WHITE HOUSE

- WASHINGTON

6/2/80

Mr. President:

When you saw Nate Smith
a couple of weeks ago he left
this material you agreed to
read. Its statistics on his
program for minority involvement
in skilled craft unions.

Phil

C/

Electrostatic Copy Made
for Preservation Purposes

THE WHITE HOUSE

WASHINGTON

May 30, 1980

MEMORANDUM TO THE PRESIDENT

FROM: RAY JENKINS *RJ*

SUBJECT: Briefing Papers

Attached are the briefing papers prepared by NSC for your two interviews on Saturday.

The briefing materials from Domestic Policy will go in tonight.

Alfred Friendly says the questions on the Mid East, Iran, the state of the Alliance, Cuba and the Caribbean, and the defense budget are purposefully supplied with lengthy answers to enable you to use whatever question may be put to you as a lead-in response explaining Administration policy at length and in detail. In addition to these questions, pages are included on Afghanistan, the effect of the grain embargo on the Soviet Union, the Olympic boycott, and the Indian nuclear program just in case.

Finally, a Q & A on Korea will be brought to you as soon as the State Department has finished working on it later today.

As you know, Face the Nation is being taped for broadcast the following day. (By way of explanation, we had initially planned to have you on Issues and Answers, but Jody discovered that this program had lined up Ezer Weisman, and Jody especially wanted Weizman to appear. So we accepted Face The Nation's long-standing request for you to appear on this Sunday.)

The interviewers for Face The Nation will be George Herman and Lesley Stahl for CBS and Walter Mears of the AP. After one initial opening question, there will be two minutes for commercials, followed by roughly 23 minutes of uninterrupted questions. Then there will be another two-minute commercial break, followed by closing shots but no more questions. CBS plans a reception, with drinks and sandwiches, following the taping, and you are invited to

stay as long as you choose.

Attachment

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT'S APPEARANCE ON
"FACE THE NATION"
CBS STUDIOS

May 31, 1980

10:45 am The President proceeds to motorcade for
boarding.

MOTORCADE DEPARTS South Grounds en route
CBS Studios.

(Driving time: 5 minutes)

10:50 am MOTORCADE ARRIVES CBS Studios.

PRESS POOL COVERAGE
CLOSED ARRIVAL

The President will be greeted by:

Mr. William Leonard, President, CBS
Mr. Ed Fouhy, Bureau Chief, CBS News,
Washington, D.C.

10:51 am The President proceeds inside CBS Studios
en route holding room.

The President arrives holding room.

PERSONAL/STAFF TIME: 4 minutes

10:55 am The President departs holding room and
proceeds to Studio.

The President arrives Studio where he will
be greeted by Panelists:

Mr. George Herman, Moderator
Ms. Lesley Stahl
Mr. Walter Mears

10:56 am The President takes his seat for taping.

11:00 am "Face the Nation" taping begins.

11:30 am Taping concludes.

The President departs studio and proceeds
to motorcade for boarding.

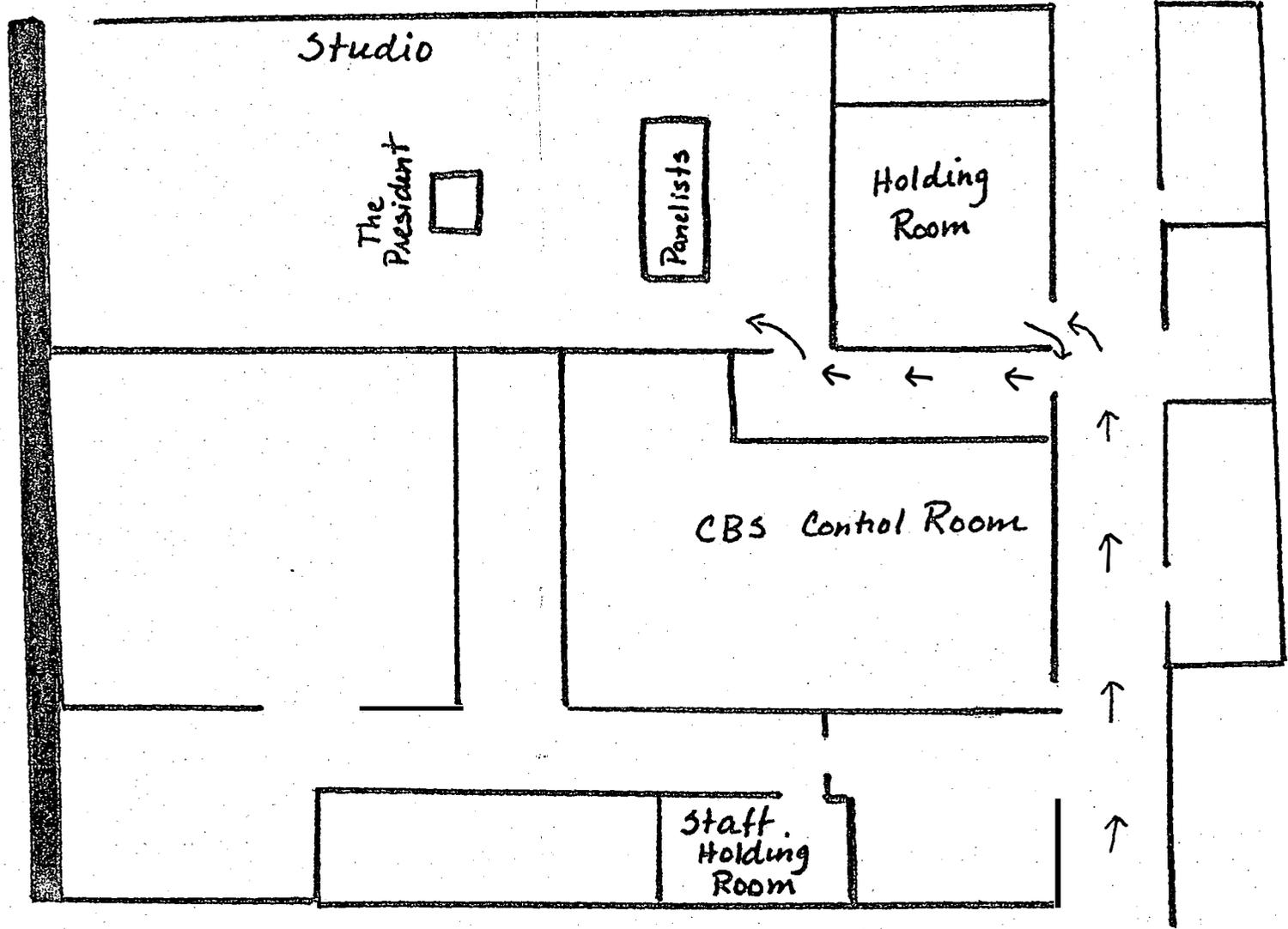
11:35 am MOTORCADE DEPARTS CBS Studios en route
South Grounds.

PRESS POOL COVERAGE
CLOSED DEPARTURE
(Driving time: 5 minutes)

11:40 am MOTORCADE ARRIVES South Grounds.

CBS - 2020 M Street, N.W.

20th Street



Entrance

M Street

9:30 AM

THE WHITE HOUSE

WASHINGTON

May 30, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: RAY JENKINS *R.J.*

SUBJECT: Cable News Network Interview

Your interview with Cable News Network will be at 9:30 a.m. Saturday in the Roosevelt Room, for 30 minutes. The participants will be:

- George Watson, who left his post as ABC Washington Bureau Chief to become Washington Managing Editor of CNN. Watson had very wide experience with ABC, having covered such diverse stories as the Northern Ireland upheaval, the Portuguese Revolution, the Helsinki Summit, the Tet offensive. He also served as the network's bureau chief in London and in Moscow.
- Daniel Schorr, who will be the Washington anchor for CNN. As you know, since he left CBS a couple of years ago, he has done freelance television work and has written a syndicated column.

This interview is to be used, of course, on CNN's maiden program as a 24-hour all news service. Undoubtedly you will have the opportunity to put in a few good words about Ted Turner and his vision, his competitiveness, his confidence, his optimism.

I am attaching a draft of some remarks which were prepared for you to deliver as a videotaped statement to be used on CNN's inaugural broadcast. We cancelled the taping, however, in favor of the interview.

I should add that Ted sent a personal letter to you, through Steve Selig, inviting you to be in Atlanta on Sunday night for CNN's inaugural broadcast. In his letter Ted sends "heartiest congratulations for your courageous stand on inflation and the terrific campaign you are running for re-election. Janie and I send our very best wishes to you and Rosalynn."

CNN has received a tremendous amount of publicity and I am attaching a marked copy of the most comprehensive story I have seen -- one which appeared last week in The Wall Street Journal.

CNN is as audacious as it is auspicious and the kind of risky enterprise that only Ted Turner would undertake. In many respects it is the answer to the criticism long voiced by no less a figure than Walter Cronkite, who has long complained about the time constraints under which television news operates. Cronkite has said that to report the world news in a half-hour evening segment (actually, only about 22 minutes when you take out the commercials and announcements) is like trying to cram 100 pounds of news into a one-pound sack. The commercial networks have resisted such entreaties chiefly out of commercial motives. One gathers they simply don't believe advertisers would support an hour of nightly news; whether the public would support such an expansion seems to be a secondary consideration.

As a journalist watching network TV news, I have often thought of Walter Lippmann's succinct assessment of the role of the press, which he said was "to create a picture of reality upon which men can act." Because of the time constraints of which Cronkite speaks, TV network news creates an exceedingly limited picture of that reality and hence does not provide a very good basis upon which men can act. Yet studies -- though this is in dispute -- indicate that the majority of Americans do now get their news primarily from television. Thus CNN will fill a great void in an increasingly electronic news-oriented society.

In some respects, "all news" is a bit of a misnomer, because CNN's programming includes not only news and features in wide variety, but also a good deal of sports, some backtalk programs, a few educational-type programs such as cooking and home repair, and a truly exotic potpourri of commentators -- including Bella Abzug, Phylis Schlafly, William Simon, Richard Reeves, and Dr. Joyce Brothers.

CNN will be headquartered in Atlanta with nine foreign and domestic bureaus.

Attachment

Draft Presidential Statement for CNN Inaugural Broadcast

This is an auspicious night in the history of American Journalism. Tonight the CABLE NEWS NETWORK begins telecasting into the homes of three million of our fellow Americans who subscribe to cable television systems that will carry this unique twenty-four hour all-news and information service.

This is also a special night for a fellow Southerner, Ted Turner. Ted believes in making dreams come true, and because of that, he has won the admiration of many of his fellow Americans. Ted is a television station owner, he is the defending world's champion in the America's Cup, and now he is about to see his next dream come true.

Americans have always admired men of vision. Americans believe in competition. I don't know how the executives of the other networks feel about Ted Turner and his twenty-four hour news network, but I can't but believe that they must admire the man and the idea. Now, the many newsmen that Ted has gathered together in Atlanta and in the CABLE NEWS NETWORK bureaus across the nation and the world will have to help make the dream come true. If it works as Ted Turner says it will, America will be richer. We will have a new voice in many of our homes. But, there is a great challenge in this new venture beyond the challenge of putting the immense technology together that is needed for this effort. Beyond that challenge rests a great responsibility to the American public to make CABLE NEWS NETWORK a voice that the public can trust. A calm voice in the face of crime.....an accurate voice when there could be confusion.....an independent voice.....a courageous voice.....and above all, a fair voice.

So I congratulate Ted Turner and the newsmen and women who have joined him. The extent of the burden of responsibility that they have taken upon themselves can make the triumph all the greater. I wish you all good fortune in this endeavor and welcome the addition to American Journalism of the CABLE NEWS NETWORK.

cable programming ventures, must sell to survive.

In this arena, the network is attracting attention. "It's the most exciting thing we've seen in cable," says Norman Varney, a vice president of J. Walter Thompson, the huge ad agency.

Courage and Style

Edward N. Ney, chairman of Young & Rubicam, another ad giant, also is impressed. "I give him A-plus for pushing the state of the art," he says. "You expect an idea like this to come out of New York or L.A., but all of a sudden here's 'the Mouth of the South' leaping in where the others are being conservative. He's got courage, style and — most important — he's shooting the dice. Sure, he's taking a big risk, but if he wins, he wins big."

For his part, Mr. Turner is "ecstatic" at the prospects. Admittedly, he has other items on his agenda, such as the baseball players' strike (he owns the Atlanta Braves) and the America's Cup yacht race (he is the previous winner). But right now, he is concentrating on his "news channel." Most nights—on his way home from cheerleading for his Braves—he stops in to watch CNN's "dry runs" at Turner Broadcasting System's new headquarters, an old country-club building converted into chrome, glass and suede studios.

On a midnight stroll through TBS's wooded 21-acre site in midtown Atlanta, he stops where the club's swimming pool used to sit and sweeps his hand toward six giant satellite receiving discs now planted there. "When I was a kid," he says, stuffing a handful of Beechnut chewing tobacco into his cheek, "I was really upset that there weren't any new worlds left to discover. But this world is better than anything Capt. Cook ever dreamed of." Spitting, he adds: "I'm so proud of this I can't stand it."

Fascinated by Satellites

Mr. Turner, who has an earth-station disc at his home, shows a boyish fascination with satellites. They are essentially what lured him from his position as a billboard-advertising heir and dabbler in marginal broadcasting ventures into founding a network. He used a satellite to create the controversial "super-station" concept a few years ago by retransmitting his Atlanta ultra-high-frequency TV station to sparsely programmed cable systems around the country. (The station, which he bought by assuming \$2 million of debt in 1970, has risen to a recently appraised value of \$69 million, according to the TBS annual report.)

Satellite technology is crucial to the Cable News Network, and Mr. Turner's worst moment so far came last December when RCA Corp.'s Satcom III satellite disappeared in space. His multimillion-dollar network was left without a means of transmitting. "I was frozen with terror," he says. But CNN took RCA to court and eventually forced its way onto an existing satellite. Now, Mr. Turner says, "I'm like an expectant father. I have such high hopes for this child."

How well those hopes pan out will depend largely on what will be going out over the satellite and who will be watching it. Mr. Turner says a lot to the press on the subject, but it's clear that, for now, CNN's 48-year-old president, Reese Schonfeld, is actually creating and running the programming. Mr. Schonfeld, who calls the network a "lifelong dream," has a background with a United

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WALL Street
Journal
5/23/80

35 CENTS

Screen Test

Cable-TV News Link Planned by Ted Turner May Surprise Skeptics

Doubts About Success Persist,
But Network Starts Soon;
Advertising to Be Crucial

'If He Wins, He Wins Big'

By JOHN HUEY

Staff Reporter of THE WALL STREET JOURNAL

ATLANTA—Is America ready for Ted Turner?

A year ago, the question provoked on-the-record snickers among the heavyweights running the country's television, advertising and news industries. But lately a growing number of those executives in New York, Washington and Los Angeles are surprised to find themselves easing toward the edge of their comfortable seats, just in case—by some wild chance—the answer turns out to be: "Yes."

The issue is astir because on June 1 Mr. Turner — Atlanta's flamboyant 41-year-old bad-boy yachtsman, sports impresario and broadcaster—will launch his most ambitious and expensive project yet: the Cable News Network. CNN is to be a national, 24-hour-a-day, all-news cable-TV network, which Mr. Turner recently dubbed the "news channel," as in: "How could anybody not watch the news channel?"

Mr. Turner's question is more optimistic than those being posed by skeptics. News executives doubt the depth of his reportorial resources. Television analysts question his financial staying power. Advertisers want proof of an audience. And even cable-system operators, who stand to benefit the most from successful programming innovation, aren't rushing to jump on board.

But with or without well-wishers, Ted Turner is sailing off into uncharted waters June 1. And even people associated with cable TV and unwilling to go along agree that the voyage will force—and probably shape—several important issues in the booming industry's future. Foremost among these is the role of national advertising, which CNN, unlike most previous cable programming ventures, must sell to survive.

In this arena, the network is attracting attention. "It's the most exciting thing we've seen in cable," says Norman Varney, a vice president of J. Walter Thompson, the huge ad agency.



Screen Test: Ted Turner's All-News Network Is Set To Start on June 1, and It May Confound the Skeptics

Continued From First Page

Press International television operation and several independent TV networks, including one briefly owned by Colorado brewer Joseph Coors. (Also watching closely from the wings of TBS is the newly arrived executive vice president, Robert Wussler, a former president of CBS Television.)

To create the first all-news television, Mr. Schonfeld has assembled a staff of about 300, which includes some well-paid professionals with good credentials and some highly visible newsmen, most notably former CBS reporter Daniel Schorr. But the nonunion staff also includes about 50 "video journalists," many of whom were hired out of school at \$9,600 a year and trained both to run the \$6 million of equipment and to edit news stories.

"We're not just starting up a network," says an exhausted senior news producer, Ted Kavanau, toward the end of one 18-hour day. "We're running a television school, too."

But Mr. Schonfeld is confident that the product won't look like it's coming from a school. The news is to be fed to Atlanta by satellite from 20 full-time reporters in six U.S. cities, London and Rome. In addition, the network's 30 "contributors" will include William Simon and Dan Dorfman on economics and finance, Rudy Maxa on personalities, Joyce Brothers on psychology, and Barry Goldwater, Rowland Evans, Robert Novak, Phyllis Schlafly and Bella Abzug on whatever comes to their minds. Features will include exercise, pet care, skiing conditions, home repairs, real estate, health and farm news.

Competitive Ploys

Also, CNN can use various satellite feeds, partly foreign news from UPI and affiliated overseas networks but mostly sports, which the "news channel" will exploit by running a sports summary against the 11 p.m. news on local stations. The theory is that fans will choose to get right to the action rather than sitting through 20 minutes of auto wrecks and local politics to hear the scores. In a similar ploy, CNN will position a daily Wall Street wrapup against the 6 p.m. local news of other stations.

How much of this will come off as planned is somewhat in doubt. Several bureaus—New York, for example—have had difficulty getting on line because of problems with technical unions, which, Mr. Turner says, "better not screw around with me." And CNN obviously can't match the news resources of the major networks; in fact, during the month-long dry runs, much

of its news has consisted of little more than rewritten UPI copy.

To shroud its weak spots, the "news channel" is wrapped in a very pretty package. Slick newscasters deliver the product with well-modulated voices, and the set—built by a New York designer in putty and terra cotta-colored suede—is designed to emphasize what Mr. Schonfeld calls "the process" of news. In other words, almost the entire operation is on camera at one time or another, including the earth stations outside, to give the viewer a sense of the drama involved.

Rivals' Advantages

Many observers in established news organizations—which, of course, are potential competitors of Mr. Turner's—are skeptical of this whole process. It's partly a question of money. Mr. Turner says CNN's annual news budget will start at \$25 million, far less than the estimated outlay of \$100 million to \$150 million a year by each of the major networks. Mr. Turner vows that he won't take any profits from his network until its news budget reaches \$100 million. But, says an executive for one large media conglomerate, "Turner's product will inevitably be compared with conventional TV network news, and he will suffer from that comparison."

Nevertheless, Mr. Turner has clearly aroused the curiosity of the big news organizations. "You can be sure that Kay Graham (of Washington Post Co.) and Punch (New York Times Publisher A.O. Sulzberger) are watching him like crazy," says Young & Rubicam's Mr. Ney. Other news organizations rejected proposals to team up with Mr. Turner. Dow Jones & Co., publisher of this newspaper, nixed the idea of originating the network's financial show from The Wall Street Journal newsroom.

In the end, the opinions of his competitors and reviews of Mr. Turner's news won't matter so much as whether people choose to watch it. And before they even get that choice, Mr. Turner must sell cable-system operators on carrying the network. So far, out of 16 million cable-supplied homes in the U.S., CNN claims to have three million committed, though network officials privately concede that figure may be somewhat inflated.

At a big cable-TV convention in Dallas earlier this week, system owners were gleefully mugging for cameras with Mr. Turner as they signed up their systems. But CNN needs strong commitments from the few companies that control most cable homes, and some of these concerns, such as Warner Communications, are potential rivals in pro-

gramming. Among companies making commitments for some of their subscribers are Cox Broadcasting, Storer Broadcasting and Teleprompter Corp.

Cox, also based in Atlanta, was the first to sign on, and William Pitney, senior vice president, explains why. "You hear a lot about Turner," he says. "He's a maverick, he's outspoken and all that, but he generally accomplishes what he sets out to do. In our book, he's a winner."

Teleprompter, which has committed 169,000 subscribers to the network in New York, Los Angeles and other cities, says it has tested the dry-run product in the past month and is encouraged by the results. "One thing we've found out is that the instant-gratification factor is very appealing to consumers," says Andrew Goldman, vice president of new-service development. "We hope it flies. Here is a network of specialty programming that does more than anything to answer the need of cable operators."

One of those needs is advertising revenue—cable-system operators currently derive less than 5% of their income from ads—and the Cable News Network is putting the whole issue of advertising and cable TV to the test well before anyone expected it.

Most other cable programs, like Home Box Office and Showtime movies, charge the cable systems \$5 or \$10 a month per subscriber for the service. The system operator, in turn, tacks on another \$5 or so for its profit. But CNN charges the systems 15 cents to 20 cents a month, and the system operator provides the "news channel" free to subscribers as part of the basic cable package. If successful, CNN is supposed to attract new subscribers to the system. Additionally, the operator is allotted two minutes an hour in which to sell advertising, while CNN keeps for itself six minutes an hour for which it hopes to sell national advertising.

National Ads Crucial

Because 15 cents a month per subscriber can't support the network, CNN must attract and validate an audience large enough to sell national advertising. No one doubts that such an arrangement will work someday in cable TV, especially if the market grows as rapidly as predicted (50 million homes by 1985, some say). But as Mr. Ney of Young & Rubicam notes, "It's strictly a question of timing."

Right now, no generally accepted measurement of the cable audience exists, although companies such as A.C. Nielsen and Arbitron are gearing up for one. So CNN will probably have to pioneer its own audience surveys.

Already, though, some advertisers are

jumping on board. Bristol-Myers Co. was the first to sign, with a \$25 million conditional commitment over 10 years. CNN also says Sears, Time Inc. and others have bought some advertising. And both Mr. Varney of J. Walter Thompson and Mr. Ney indicate that some of their clients may act soon.

Meanwhile, some observers wonder whether Ted Turner can afford to finance the venture adequately until the cable industry adjusts itself to his idea. He says he has an initial investment of \$34 million in CNN, of which \$20 million is borrowed from First National Bank of Chicago and \$7 million is in mortgage loans. Last year, the parent TBS, of which he owns 87% of the stock, had

a loss of \$1.5 million, with about \$1 million of that attributed to CNN start-up costs.

But such figures don't rattle Ted Turner, who once asked viewers of a Charlotte, N.C., UHF station that he had bought for \$750,000 in debt to keep the station on by sending in "the price of two movie tickets." They sent in \$36,000, which he later refunded. Now, he is selling the station to Westinghouse for \$20 million to help finance CNN.

Another worry is that Mr. Turner won't be able to resist getting involved in the news the way he has become involved with the rest of his ventures—such as the time baseball commissioner Bowie Kuhn chastised him for

taking to the field as a manager of the Atlanta Braves. Mr. Turner himself says he reserves the right to "occasionally do a publisher's column," such as the one he recently did on WTBS urging the government not to back Chrysler's loans. Fortunately, he says, "there isn't any commissioner of news, or I'd be in a mess of trouble."

Right now, Ted Turner simply isn't worrying about possible trouble. "We're gonna go on the air June 1," he says, "and we're gonna stay on until the end of the world. When that comes, we'll cover it, play 'Nearer My God to Thee' and sign off."

THE WHITE HOUSE
WASHINGTON

02 Jun 80

Stan Turner

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

Rick Hutcheson

cc: Frank Moore

NAME Chairman Ed Boland

1475

TITLE U.S. Congressman

CITY/STATE _____

Phone Number--Home () _____

Work () 225-5601

Other () _____

Requested by Stan Turner

Date of Request 5/22/80

INFORMATION (Continued on back if necessary)

SUBJECT: INTELLIGENCE OVERSIGHT ACT OF 1980, S.2284

1. With the foundering of a full charter for the intelligence community in the Congress this year, the Senate Select Committee on Intelligence has developed a short form charter, S. 2284. It provides for Congressional oversight in terms that protect your Constitutional responsibilities with

NOTES: (Date of Call 6-2)

Have Demo draft re prior notification after consulting with CIA - Worked last Thursday (5/29) = Thinks it will be acceptable now. Wants Turner to go over it -

respect to notificatin of the Congress. It also gives us relief from the Hughes-Ryan amendment.

2. The House Permanent Select Committee on Intelligence plans to move its own companionbill to S. 2284. Chairman Boland, however, has instructed the Committee staff to draft language which would not be acceptable to you on the question of notification to Congress.

3. If we are to salvage anything this year in the charters area, I request that you telephone Chairman Boland to express your concern that the language on notification to the Congress (both whether notice should be prior to the event and whether the law should ensure totality of access) not be any less acceptable than that of S. 2284.

CL and NSC concur.

NAME John Heinz

1501

TITLE Senator

CITY/STATE R- Pennsylvania

Phone Number--Home () _____

Work (202) 224-6324

Other () _____

Requested by Frank Moore

Date of Request 6/2/80

INFORMATION (Continued on back if necessary)

To discuss the oil import fee

NOTES: (Date of Call 6-2)

(-)

NAME Milton Young

1500

TITLE Senator

CITY/STATE R - North Dakota

Phone Number--Home () _____

Work (202) 224-2043

Other () _____

Requested by Frank Moore

Date of Request 6/2/80

INFORMATION (Continued on back if necessary)

To discuss the oil import fee

NOTES: (Date of Call _____)

not made

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pt

NAME John Chafee

1499

TITLE Senator

Requested by Frank Moore

CITY/STATE R- Rhode Island

Date of Request 6/2/80

Phone Number--Home () _____

Work (202) 224-2921

Other () _____

INFORMATION (Continued on back if necessary)

To discuss the oil import fee

NOTES: (Date of Call 6-2)

Committed (-)

pt

NAME Pete Domenici

1488

Senator

TITLE _____

Requested by Frank Moore

CITY/STATE New Mexico - R

Date of Request 6/2/80

Phone Number--Home () _____

Work (202) 224-6621

Other () _____

INFORMATION (Continued on back if necessary)

To discuss the oil import fee

NOTES: (Date of Call 6-2)

(-) Working in Johnston, Bellman & Bradley to preserve imp fee authority

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pm

NAME John Glenn

1498

Senator

TITLE _____

CITY/STATE D- Ohio

Requested by Frank Moore

Phone Number--Home () _____

Date of Request 6/2/80

Work (202) 224-3353

Other () _____

INFORMATION (Continued on back if necessary)

To discuss the oil import fee

NOTES: (Date of Call 6-2)

Unpopular at home - (could go for 50¢ or so)

(L-)

PM
NAME Senator Joe Biden (D)

1483

TITLE _____

Requested by Frank Moore

CITY/STATE DELAWARE

Date of Request 5/30/80

Phone Number--Home (302) 573-6345

Work (202) 224-5042

Other () _____

INFORMATION (Continued on back if necessary)

Senator Dole has indicated his intention to attach an oil import fee resolution of disapproval to the five-day debt limit extension bill this afternoon. The purpose of these calls is to convince Senators to support a veto of legislation disallowing the fee, whether it be the debt limit bill or a free-standing resolution of disapproval.

~~You are familiar with the factual justification for the fee. It is~~

NOTES: (Date of Call 6-2)

Opposed, but will vote to sustain veto

(+)

especially important to emphasize the foreign policy implications of a veto override.

Senator Biden has indicated his opposition to the fee.

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27

NAME Senator James Exon (D)

1485

TITLE _____

CITY/STATE NEBRASKA

Requested by Frank Moore

Phone Number--Home (202) 362-4025

Date of Request 5/30/80

Work (202) 224-4224

Other () _____

INFORMATION (Continued on back if necessary)

Senator Dole has indicated his intention to attach an oil import fee resolution of disapproval to the five-day debt limit extension bill this afternoon. The purpose of these calls is to convince Senators to support a veto of legislation disallowing the fee, whether it be the debt limit bill or a free-standing resolution of disapproval.

You are familiar with the factual justification for the fee. It is -----

NOTES: (Date of Call 6-2)

(L-)

especially important to emphasize the foreign policy implications of a veto override.

Senator Exon has indicated his opposition to the fee.

**Electrostatic Copy Made
for Preservation Purposes**

NAME John Melcher

1490

TITLE Senator

CITY/STATE Montana - D

Requested by Frank Moore

Phone Number--Home () _____

Date of Request 6/2/80

Work (202) 224-2644

Other () _____

INFORMATION (Continued on back if necessary)

To discuss the oil import fee

NOTES: (Date of Call 6-2)

?

NAME Senator David Durenberger

1497

TITLE (IR Minn.)

CITY/STATE _____

Requested by Frank Moore

Phone Number--Home () _____

Date of Request 6-2-80

Work () 224-3244

Other () _____

INFORMATION (Continued on back if necessary)

To discuss the oil import fee.

NOTES: (Date of Call 6-2)

L- Interested in tax cut option
Will talk to Bradley

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NAME Senator Edward Zorinsky (D)

1486

TITLE _____

Requested by Frank Moore

CITY/STATE Nebraska

Date of Request 5/30/80

Phone Number--Home (402) 391-2932

Work 224-6551

Other _____

INFORMATION (Continued on back if necessary)

Senator Dole has indicated his intention to attach an oil import fee resolution of disapproval to the five-day debt limit extension bill this afternoon. The purpose of these calls is to convince Senators to support a veto of legislation disallowing the fee, whether it be the debt limit bill or a free-standing resolution of disapproval.

You are familiar with the factual justification for the fee. It is

NOTES: (Date of Call 6-2)

L -

especially important to emphasize the foreign policy implications of a veto override.

Senator Zorinsky has indicated his opposition to the fee.

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for Preservation Purposes**

12:10 pm
Wed

THE WHITE HOUSE
WASHINGTON

6/3/80

Mr. President:

The Daley family will be in Washington next week for a fundraiser for Rich's campaign for states' attorney. The VP will speak at it. Mrs Daley, Rich, Bill, Sis and 3 grandchildren will be in town. May I set up a photo op for them?

yes no

Would you like to invite Mrs. Daley to overnight at the White House?

yes no

Phil



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for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

June 2, 1980

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD N. CUTLER *LNC*

SUBJECT: Oil Import Fee

This will confirm my advice in our telephone conversation Saturday about the legal effect of a Congressional override of your April 2 oil import fee order on the pending litigation and on your right to impose a new fee.

Under the April 2 order, fees began accruing at midnight, March 14. If the override takes the form of the resolution prescribed in the windfall profits tax law, it would only cancel the future effectiveness of the April 2 order. As a result, a Congressional override of the April 2 order will not moot the appeal, because the importers' liability to pay the fee from March 15 until the date of the Congressional override will still have to be resolved, and this in turn will depend on whether the Court of Appeals agrees with the District Court's injunction.

As noted above, if the Congressional override is in the form of the resolution specified in the windfall profits tax law, it will nullify only the April 2 order. It will leave intact your authority to impose any other import fee under Section 232 of the Trade Expansion Act. If the Court of Appeals sustains your authority to issue the April 2 order or some other type of import fee -- e.g., one in which the impact of the pass-through is not limited to gasoline -- you would be legally free to take one of the following steps:

- (a) reimpose the April 2 fee (if the Court of Appeals sustains your authority to do so); or
- (b) impose an oil import fee permitted by the Court that is different either in amount or in the way in which the pass-through occurs.

Either of these steps would in turn be subject to a new Congressional override.



CONGRESSIONAL QUARTERLY
Weekly Report

Vol. 38, No. 21 • Pages 1385-1456 • May 24, 1980

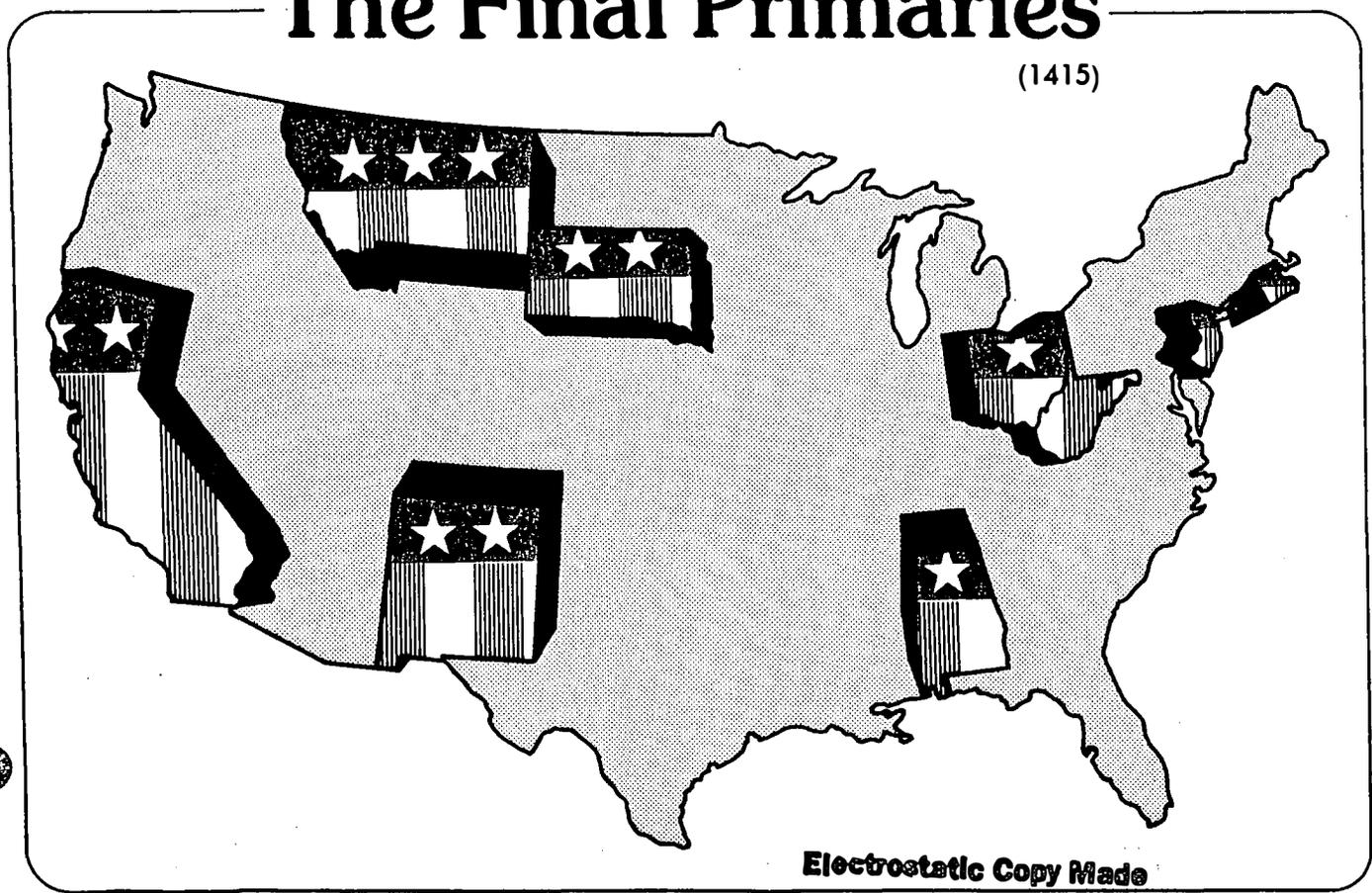
Budget Compromise (1387)

9

Trucking Deregulation (1390)

The Final Primaries

(1415)



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THE WHITE HOUSE
WASHINGTON

(6/3/80)

To

Lloyd

Thanks

J

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for Preservation Purposes**

COMPLETE AND UNABRIDGED



**TO ESTABLISH
JUSTICE,
TO INSURE
DOMESTIC
TRANQUILITY**



**THE FINAL REPORT OF
THE NATIONAL COMMISSION ON
THE CAUSES AND
PREVENTION OF VIOLENCE**

**SPECIAL INTRODUCTION
BY JAMES RESTON OF
*The New York Times***

PLUS 32 PAGES OF ILLUSTRATIONS

TO ESTABLISH

3:45 PM

THE WHITE HOUSE

WASHINGTON

June 3, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*

SUBJECT: Your Meeting with Senators David Pryor
and Dale Bumpers
June 3, 1980
3:45 P.m.
Oval Office

Participants

Senator David Pryor
Senator Dale Bumpers
Frank Moore
Gene Eidenberg

Purpose

Both Senator Pryor and Senator Bumpers were at Fort Chaffee yesterday. They have requested this meeting in order to give you their personal assessment of the current situation there.

Background

Senators Pryor and Bumpers indicated their concern about security at Fort Chaffee last week (David in a phone call to me, Dale in a telegram to you). As you know, Gene Eidenberg and I had been tracking the situation at Chaffee closely with Governor Bill Clinton, and before the disturbances of this weekend, we began augmenting the military presence in response to the concerns of the Senators and the Governor.

Yesterday, both Senators and Bill were at Chaffee and were briefed by Gene on the actions taken to ensure adequate security at the camp. These actions include:

- 2,000 military personnel on-site to provide security;
- 24-hour patrol of a two perimeter area;

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for Preservation Purposes**

- authorization to use reasonable, but non-lethal force, if necessary, to contain persons within the camp;
- identification and detention of those persons who instigated the disturbances of this weekend.

In a separate memorandum, Lloyd Cutler and I are recommending that you direct Harold Brown to insure that appropriate law enforcement and security functions are provided at every military installation being used to house and process Cuban refugees.

TALKING POINTS

Meeting with Senators Dale Bumpers and David Pryor

- o Steps were taken last Tuesday after Governor Bill Clinton called me to report his concern that there was inadequate security at the perimeter of Ft. Chaffee.
- o I called Gene and asked that he take steps to assure that adequate security forces were in place. Gene arranged an increase of 150 Army personnel to the Ft. Chaffee Task Force within twelve hours. The Governor expressed his personal pleasure at the rapid response to his request.
- o There has been appropriate concern within the Department of Defense that the Army not be asked to take on civil law enforcement functions. That concern apparently led DoD to frame "guidance" for the Ft. Chaffee base commander that was not adequate to deal with the situation that developed Sunday evening.
- o That problem has been resolved. Written directives have been distributed that will adequately meet the policing and security requirements at each location to all base commanders where Cuban refugees are being processed.
- o We all agree that as circumstances permit, the security requirements should be met by civil authority.
- o I will exercise my authority to insure that communities surrounding these bases are protected from any untoward events occurring on the base.
- o It is important to recognize that the overwhelming majority of Cubans at Ft. Chaffee and elsewhere want to obey the law and will be patient in awaiting resettlement. The Ft. Chaffee violence appears to be the work of a few hundred troublemakers who will be separated and moved to federal detention facilities. (Probably INS facilities.)
- o The resettlement processing has been slow in getting started because for the first time in recent immigration history we have a large refugee population coming to our shores within a short-time span who have not been pre-screened before arriving. The understandable delays in getting resettlement procedures in full operation are behind us. I have ordered that the process be moved as quickly as possible consistent with the need to insure that no dangerous people are released to the general population.

THE WHITE HOUSE

WASHINGTON

June 3, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD N. CUTLER LNC

SUBJECT: CRIMINAL STATUTES AND CUBAN PAROLEES

If the acts committed by the Cuban parolees violated general federal criminal statutes, they may be prosecuted by Federal authorities for violation of these statutes. No federal statute provides generally that mere violation of the immigration laws shall be a crime. The Immigration and Nationality Act makes certain conduct criminal (such as importation of illegal aliens), but none of these provisions would appear to cover acts of violence committed by Cuban parolees.

The Attorney General, may, in his discretion, revoke parole for an alien because of his actions. An alien whose parole is revoked is subject to an exclusion proceeding. Since none of the Cuban parolees has proper entry documents, all are excludable. However, the U.S. may be unable to effect deportation of the aliens. The INS authorizes exclusion only to the country "from whence [the alien] came" -- here, Cuba.

Under the UN Convention relating to the status of refugees, the U.S. may not return an alien to a country in which he would be subject to persecution. Thus, if an alien can demonstrate a likelihood of persecution upon return to Cuba, he could not be deported to Cuba or to any third country.

There is one final wrinkle. The protection of the UN Convention may not be claimed by an alien who is a danger to security of the United States or danger to the community because he committed a serious crime in the United States or because he committed a serious non-political crime before entering the United States. Thus, if a Cuba parolee is convicted of a serious crime (e.g., arson) in the U.S., or has been convicted of a serious non-political crime in Cuba, he could be excluded and deported to Cuba.

pn

NAME Congressman Tom Foley

1502

TITLE Chairman, House Agriculture Committee

Frank Moore/

CITY/STATE _____

Requested by Ronna Freiberg

Phone Number--Home () (use WH operator)

Date of Request 6/2/80

Work () _____

Call should be made

Other () _____

before 6/4/80

INFORMATION (Continued on back if necessary)

One of your major goals since 1977 has been to transfer SBA's authority to make loans to farmers to the Farmers Home Administration at the Agriculture Department. To this end we have been engaged for over two years in negotiations with key Members as omnibus SBA legislation was being considered by House and Senate committees. Disagreements between the two bodies led to various compromises; (over)

NOTES: (Date of Call 6-3)

*Tom considers this an excellent idea.
Stu is calling him to work out meeting
I'll help if needed*

the most recent is S. 918, which passed both Houses last May, ran into snags in conference, was further amended and is now awaiting action in the Senate. While we support the overall goals of the bill, it does contain certain objectionable provisions, in particular one which involves Treasury borrowing authority, interest rates and budgetary procedure.

The Senate has meanwhile passed a new small business authorization bill, S. 2698, similar to S. 918. That bill now goes to the House, where it will be jointly referred to the Agriculture Committee and the Small Business Committee. Because of the long history of the legislation, involving disagreement between the House and Senate and between Chairmen Smith and Foley on the issue of disaster lending reform, we feel it is necessary for you to become personally involved if we expect to make any progress in the House.

The purpose of your call is to invite Chairmen Smith and Foley to a meeting at the White House, chaired by Stu, to hammer out a compromise on the SBA bill. We will invite Congressman Ed Jones, Senators Nelson, Nunn, and Huddleston, and possibly Congressman Wright as well. OMB and CL will participate fully.

We would ask you to appear briefly at the beginning of the meeting to reiterate the importance you attach to reaching an agreement and to set forth the general principles you would like to see included in any compromise legislation. After your departure, Stu would carry on the discussion of details with the Members and the staff.

Talking Points: (for call to Tom Foley)

1. I know you would like to see an end to the impasse on the small business authorization bill, and I share your interest in seeing that this legislation is responsive to the needs of the agriculture community.
2. I am committed to disaster lending reform and to improving the government's ability to respond quickly to the needs of disaster victims; I know you and others have worked long and hard to get a bill which would accomplish this.
3. At the same time I am concerned about sound budgetary procedures. The House, Senate, and the Administration have been going back and forth on the issue for months. I think we can reach a compromise satisfactory to all of us.

4. To that end, I'd like you to come down to the WH to meet with me, Stu Eizenstat, Vernon Weaver and Jim McIntyre as soon as it can be arranged. I have in mind asking Neal Smith, Ed Jones Jim Wright, and Senators Nelson, Nunn and Huddleston as well.
5. I hope this meeting will enable us to reach an agreement that will result in a good bill--one we can all take pride in--being passed and signed into law.

PH

NAME Congressman Neal Smith

1503

TITLE Chairman, House Small Business Committee

Frank Moore/

CITY/STATE _____

Requested by Ronna Freiberg

Phone Number--Home () (use WH operator)

Date of Request 6/2/80

Work () _____

Call should be made before

Other () _____

6/4/80

INFORMATION (Continued on back if necessary)

One of your major goals since 1977 has been to transfer SBA's authority to make loans to farmers to the Farmers Home Administration at the Agriculture Department. To this end we have been engaged for over two years in negotiations with key Members as omnibus SBA legislation was being considered by House and Senate committees. Disagreements between the two bodies led to various compromises; (over)

NOTES: (Date of Call 6-3)

She call Neal. He'll meet a group.

the most recent is S. 918, which passed both Houses last May, ran into snags in conference, was further amended and is now awaiting action in the Senate. While we support the overall goals of the bill, it does contain certain objectionable provisions, in particular one which involves Treasury borrowing authority, interest rates and budgetary procedure.

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11:00 AM

THE WHITE HOUSE

WASHINGTON

June 2, 1980

C

MEMORANDUM FOR THE PRESIDENT

FROM:

ESTHER PETERSON

ANNE WEXLER

ALVIN FROM

SUBJECT:

Meeting with Representatives of Food Processing Industry

Tuesday, June 3, 1980

Roosevelt Room

11 a.m. to 11:15 a.m.

I. PURPOSE

For the past 12 months, food prices have increased far less than the overall rate of inflation. There are two main reasons for that. Farm prices have declined, and increases in the farm to retail spread -- the amount processors and retailers add to food prices -- have been in line with increases in food marketing costs.

In the second half of this year the food price situation will likely change. Farm prices -- and meat prices, in particular -- are expected to rise. That means that retail food prices will increase faster than they have in the past 12 months. The question is how much faster. If food processors and retailers continue to exercise restraint in their margins, the increase in grocery store prices will be less severe than if farm to retail spreads increase rapidly.

As a result, the principal purpose of this meeting is to encourage the processors to continue to keep their margins reasonable. In addition, through this meeting, we would like:

- o to send a clear signal to consumers that the Administration is concerned about food prices and is working continuously to keep them down.

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for Preservation Purposes**

- o to explore ways the Administration and the food processing industry can work together to help keep food inflation moderate.

II. BACKGROUND, PARTICIPANTS AND PRESS

A. Background

During the past 12 months, the retail price of food has increased 7.2 percent, and the retail price of food at home has increased 5.9 percent. During that same period, the CPI increased 14.7 percent.

There are two principal reasons for this relatively good behavior of food prices.

First, during the past year, the farm value of the USDA market basket (which includes only domestically produced farm foods) is down by 8.7 percent.

Second, during the past 12 months, the farm to retail spread for the USDA market basket items has increased 13.7 percent. Marketing costs for food processors and retailers during that same period increased 14.7 percent. In fact, our calculations indicate that during the past 12 months, for all items of the market basket, except for meats and fats and oils, processors and retailers actually absorbed some of their marketing costs.

It is important that the processors and retailers continue to exercise this restraint during the rest of this year to avoid a situation similar to that which occurred in the first six months of 1979 when grocery store prices shot up sharply because farm prices increased and the farm to retail spread increased twice as fast as marketing costs. During that period grocery store prices increased at an annual rate of more than 15 percent. Our calculations indicate that nearly 45 percent of that increase resulted from excessive increases in the spread.

While our calculations are necessarily rough, they underscore the importance of keeping increases in the spread reasonable later this year when increased farm prices will, in themselves, mean higher increases in retail food prices.

Marketing costs are expected to increase about 12 percent in 1980. In the past month, costs of packaging and transportation have increased sharply. During the past year energy costs -- which make up about 10 percent of total costs -- have increased 52.1 percent, the largest rise among marketing costs.

Profits in the food manufacturing industry have increased moderately in recent years. In 1979, after tax profits were 17 percent higher than in 1978. And 1978 after tax profits were 12.5 percent higher than in 1977. In 1978 and 1979, after tax profits as a percentage of both stockholders' equity and sales increased over the year previous. For the first quarter of 1980, after tax profits increased eight percent over the same quarter in 1979, and for the rest of the year the profit picture looks soft.

B. Major Issues

There are a number of important issues the processors are likely to raise. They include:

- o Monopoly Overcharge. On May 5, Howard Hjort testified before Congress that monopolistic structures in the food industry may have caused consumers to be overcharged by some \$16 billion in 1979. Hjort's testimony was based on a statistical analysis by two economists, one of whom works for USDA. The industry is up in arms over the Hjort testimony and can be expected to raise it. Hjort will be present to answer questions.
- o Trucking Deregulation. The major provisions of the trucking bill -- increasing entry, removing most antitrust immunity, eliminating restrictions -- should help lower costs to the food processing industry, as is true of other industries generally. However, the food processors are unhappy about one section of the bill, which would permit processors to reimburse their customers (food distributors) for transportation costs when the customers pick up orders in their own trucks.

Processors are now prohibited from giving these allowances under a (probably erroneous) interpretation of the Robinson-Patman Act by the FTC. This issue is essentially between the distributors (supported by Senator Long) and the processors (supported principally by Elliott Levitas); it was not part of the Administration's original bill.

We have come out in favor of the distributors in a letter to Senator Long from Secretary Goldschmidt, since we believe their position can be significantly anti-inflationary; but we have also made clear that we do not regard the provision as an essential part of the bill. Fred Kahn and Ron Lewis will be available to answer questions on this issue.

- o Advertising. Food manufacturers, according to preliminary USDA estimates, spent between \$5 billion and \$7 billion on advertising and promotion in 1978. That accounts for about three to four cents of the consumer's food dollar. About one-half those advertising dollars go for items like soft drinks, sweets, cereals, coffee, oils and prepared foods, which account for less than one-fifth of consumer food expenditures. By contrast, foods such as meat, poultry, fish, dairy, fruits and vegetables which account for one-half the consumer food budget comprised less than one-twelfth of media expenditures. This is an issue we intend to raise.
- o Regulatory Issues. There are a number of regulatory issues about which the processors are concerned such as the cost of current food labeling initiatives, saccharin, nitrites, mechanically deboned meat and dairy price supports. Secretary Bergland and FDA officials will be present to answer questions.

Compliance

For the most part, the food processors have complied with our voluntary wage-price standards. Of those invited, one company appears out of compliance, another may be, and a few others, including some large companies, have not cooperated with COWPS. Seven of the firms present agreed to Esther's request that they establish price ceilings on a number of the items they produce. Most did not.

C. Agenda

- | | |
|--------------|---|
| 10:30-10:35: | Welcoming remarks by Esther Peterson |
| 10:35-10:50: | Comments on general economic situation by Fred Kahn |

10:50-11:00:	Discussion of farm prices and the farm to retail spread by Secretary Bergland
11:00-11:15:	Remarks by the President
11:15-12:00:	Remarks on consumer issues by Esther Peterson and general discussion.

D. Participants

Top executives of the food processing industry. A list is attached.

E. Press

White House photo and press pool for your statement. If you decide to remain for questions, press will be removed.

F. Talking Points

Talking points are attached.

[No salutations]

Bob Rackleff
Draft A-1; 5/30/80
Scheduled Delivery:
Tues, June 3, 11 AM
Roosevelt Room

Talking Points for Meeting with Food Processors

1. THANK YOU FOR COMING TO THE WHITE HOUSE AND TAKING PART IN OUR MEETINGS WITH KEY INDUSTRIES TO HELP RESTRAIN INFLATION. I AM ESPECIALLY GLAD THAT SO MANY OF YOU ARE HERE TODAY. IT IS IMPORTANT THAT WE BEGIN WORKING TOGETHER NOW TO PREVENT A SHARP INCREASE IN FOOD PRICES LATER THIS YEAR.

2. RECENTLY, WE HAVE MADE GREAT PROGRESS IN REDUCING INFLATION. THE BOND MARKET HAS RECOVERED. INTEREST RATES CONTINUE TO FALL. THE RATE OF INFLATION IN BOTH CONSUMER AND PRODUCER PRICES FELL LAST MONTH. WE EXPECT THIS PRICE TREND TO CONTINUE. IN SHORT, WE ARE MAKING PROGRESS TOWARD BREAKING THE INFLATIONARY PSYCHOLOGY.

3. FOOD PRICES HAVE CONTRIBUTED GREATLY TO THIS TREND. IN THE LAST 12 MONTHS, THE PRICE OF FOOD AT HOME HAS INCREASED 5.9%, FAR LESS THAN THE OVERALL CONSUMER PRICE INCREASE OF 14.7% IN THE SAME PERIOD. THERE ARE SEVERAL REASONS FOR THIS. FROM APRIL 1979 TO APRIL 1980, FARM VALUE OF THE U.S.D.A. MARKET BASKET DECREASED 8.7%. IN THE PAST 9 MONTHS, THE FARM-TO-RETAIL SPREAD -- THE AMOUNT ADDED TO FOOD PRICES BY PROCESSORS AND RETAILERS -- REMAINED IN LINE WITH MARKETING COST INCREASES. ALSO, I AM SURE THAT THE VOLUNTARY PRICE FREEZE ON MANY ITEMS BY FOOD RETAILERS PLAYED A ROLE. SEVERAL OF YOU HELPED THAT EFFORT, AND I THANK YOU.

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5. I REALIZE THAT IT MAY TAKE SACRIFICES TO RESTRAIN YOUR PRICES. I KNOW THAT YOUR COSTS HAVE BEEN RISING. BUT I ALSO KNOW THAT, OVERALL, YOUR INDUSTRY HAS BEEN PROFITABLE FOR THE PAST FEW YEARS. I AM CONVINCED THAT SOME SACRIFICE IN YOUR INDUSTRY AND THROUGHOUT THE ECONOMY AT THIS CRUCIAL TIME WILL HELP TURN THE TIDE DECISIVELY AGAINST INFLATION.

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#

Wayne Anderson
Director of Government Relations
Nabisco

John J. Beatty
Vice President, Government Relations
Kraft

Karen Blazey
Director, Government Relations
Hershey

William J. Brooks
Vice President Corporate Affairs
Nestle

Charles Carey
President
National Food Processors Association

William C. Dietrich
Vice President, Consumer Group Operation
Pillsbury

Robert E. Doudiken
Wage and Price Specialist
McCormick Co.

Gerald J. Fischer
Vice President Corporate Development
Pepisco Inc.

Dick Furbee
Vice President & Executive Assistant to the President
Castle and Cook, Inc.

Thomas Garvin
Price and Chief Executive Officer
Keebler Co.

Gregg Gingrich
Attorney
Campbell Taggart, Inc.

Richard H. Glantz
Chairman Wage and Price Committee
Quaker Oats

David Greenawalt
Executive Vice President
Knudsen Co.

Warren C. Hageman
Executive Vice President
DelMonte

Hunter M. Farish
Regional Vice President
Flowers Industry

Jerry Hiegel
President and Chief Executive Officer
Oscar Meyer

I. J. Holton
Chief Executive Officer
George A. Hormel & Company

Donald Keller
Executive Vice President
General Food

Morris Y. Kinne
Vice President, Corporate Staff Service
General Host Corporation

George W. Koch
President
Grocery Manufacturers of America

R. D. Kummell
Executive Vice President
Carnation

Lawrence McCabe
Director of Legal Affairs
H.J. Heinz Co.

James McGrory
Corporate Director, Public Affairs
Borden

William L. McKinley
Vice Chairman
Gerber Co.

C. Manly Molpus
President and Chief Executive Officer
American Meat Institute

Kenneth Monfort
President
Monfort of Colorado

James L. Morrison
Assistant General Counsel and
Director Government Relations
Esmark

James E. Murphy
Senior Vice President Corporate Relations
Beatrice Foods

Frank Nicholas
President
Beech-Nut Corporation

Robert Peterson
President
Iowa Beef

Judith Pond
Assistant Director Government Affairs
Ralston Purina Company

James G. Reynolds
Vice President, Acquisitions and Government Relations
American Bakeries Co.

John C. Reynolds
Vice President - General Counsel
Amstar

Darrell Runke
President
Multi-Foods

Andrew Schroder
Vice President,
General Food

Robert L. Schwanke
Corporate Controller
A. C. Staley

Harold Shaub
President and Chief Executive Officer
Campbell

Craig Shulstad
Director Public Affairs for Packaged Foods
General Mills

Donald Staheli
Executive Vice President
Continental Grain

Alfred J. Stokely
Chief Executive Officer
Stokely Van Camp, Inc.

THE WHITE HOUSE
WASHINGTON

May 30, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Al McDonald
Rick Hertzberg
Bob Rackleff *RH*

SUBJECT: Presidential Talking
Points: Meeting with
Food Processors

Scheduled Delivery:
Tue, June 3, 11 AM
Roosevelt Room

Your talking points for this group is
attached.

Clearances

Alfred Kahn
David Rubenstein
Consumer Affairs (Cohen)

[No salutations]

Bob Rackleff
Draft A-1; 5/30/80
Scheduled Delivery:
Tues, June 3, 11 AM
Roosevelt Room

Talking Points for Meeting with Food Processors

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#

1/2 79 farm → Retail 2x Mkt
Costs
Past 9⁵ months good relation
{ Profits Food Mfg '78/12/12 '79/1/7
Price ceilings
Truck dereg
Monopolistic overcharge (Hjort)

6/3/80 Gov't reg
Int.
Infl.

Food Processors

budget meeting June 3, 1980

Pst mtg 6-3-80
3 budgets at once
Defense commitment
Protect domestic
Bal budget = (-) \$15bil
Control inflation
Prepare for outyears
March mtgs - Congress
1st bud resolution
Delay 180 supp
Rescissions
Debt ceiling bill
Gasoline conservation fee

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

C

July 3, 1980

ADMINISTRATIVELY CONFIDENTIAL

TO: The President
FROM: Fran *fan*
RE: Private Meeting with Governor Brown

This meeting is at Gov. Brown's request. We are not sure the purpose of his visit but you should know the following:

- I. Grey Davis called Gene Eidenberg 5 days ago to ask for an appointment for the Governor with you to discuss your pending appointment to chair the Nuclear Regulatory Commission. Gene told Grey he was not sure there would be time for the meeting. Gene is certain this issue will be raised.

The Governor wants to urge either (a) your consideration of specific candidates he would favor for the appointment or (b) secure your agreement to discuss names you are actively considering with him before an appointment is made.

Since you have already approved a nominee, Gene recommends you listen to the Governor and simply tell him that your mutual concerns for nuclear safety and environmental protection will be reflected in any appointment you make. Gene does not think you should tell the Governor whom you will nominate.

**Electrostatic Copy Made
for Preservation Purposes**

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

II. DEMOCRATIC NATIONAL CONVENTION

The Governor is publicly on the record as saying he's not sure if he will attend the Convention or not.

Wally McGuire, who now works for the Governor and is doing your advance tonight at Shorestein's, told me the Governor is willing to "make a unity" speech.

Chip tells me he will go to the Convention if he has a role to play -- he would love to be asked to give one of the "prime time" speeches.

Chip and Jim Copeland think you should tell the Governor that he is needed at the Convention, that you want him to come and play a role, but not to make any commitment as to what.

Hamilton endorses this position but wants you to be cautious --- anything you tell Brown, Hamilton feels, you will probably read in the newspaper. Hamilton suggests referring Convention comments or questions as to his role to Strauss and White.

III.

As far as the meeting itself goes, we would prefer it be characterized for press purposes as "official". We don't anticipate your commenting specifically to the press about the meeting, but Brown may be asked to comment as he leaves. (Gene Eidenberg will talk to him about this point before he sees you.)

IV.

Do you wish anyone to sit in on the meeting?

 yes ✓ no

V.

His dad, Pat Brown, is joining you for tomorrow's events.