

5/2/78 [1]

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Brzezinski to Pres. Carter, 5 pp., re:CTB	5/1/78	A
Memo	Frank Press to Pres. Carter, 3 pp., re:M-X & Minuteman	5/1/78	A
Memo	Peter Bourne to Pres. Carter, 8 pp., re:DOD Drug testing policy	5/1/78	C

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THE PRESIDENT'S SCHEDULE

Tuesday - May 2, 1978

- 7:15 Dr. Zbigniew Brzezinski - The Oval Office.
- 7:45 Mr. Frank Moore - The Oval Office.
- 8:00 Breakfast with Congressional Leaders.
(60 min.) (Mr. Frank Moore) - First Floor Family Dining Room.
- 10:30 Mr. Jody Powell - The Oval Office.
- 11:20 Mr. C. Vann Woodward. (Ms. Fran Voorde).
(5 min.) The Oval Office.
- 11:30 Ambassador Sol Linowitz - The Oval Office.
(5 min.)
- 11:35 Meeting with TIMES News Tour Group.
(20 min.) (Mr. Jody Powell) - The Cabinet Room.
- 1:30 Mr. James McIntyre - The Oval Office.
(20 min.)
- 2:00 Greet Small Business Award Winners and
(15 min.) Present Small Business Person of the Year Award. (Mr. Stuart Eizenstat) - Rose Garden.
- 2:15 Photograph with Mr. J.C. Turner, President,
(2 min.) International Union of Operating Engineers, and Senior Union Officials. (Mr. Landon Butler) - Oval Office Patio.
- 3:00 White House Reception for the Southern Baptist
(30 min.) Convention Mission Service Corps - The State Floor.
- 7:45 Depart South Grounds via Motorcade en route
The Mayflower Hotel. (Business Suit).
- 7:50 Drop-By Southern Baptist Convention Mission

Vernon Weaver

My background

SB → Cab → DPS

Industrial innovation

SBA lending + 40%

Minority procure 2X

OSTIA - 30% Regs

SCORE 6000 → 7500

Advocacy Counsel SBA

WH Conf 1979

all agencies

Edward Gaffney

SB Person of The Year

ORTHO-KINETICS - 1962

small business person of
the year 5/2/78

THE WHITE HOUSE
WASHINGTON

May 2, 1978

Secretary Brown

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

Rick Hutcheson
cc: Peter Bourne

RE: DRUG POLICY
WHITE HOUSE STAFF TESTIFYING

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

ACTION
FYI

/	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

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

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

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

THE WHITE HOUSE

WASHINGTON

May 1, 1978

*cc H. Brown
You and Peter
meet to discuss
this. Then
give me a brief
report
J*

MEMORANDUM FOR THE PRESIDENT

FROM: PETER BOURNE *P.B.*

SUBJECT: RESPONSE TO SECRETARY BROWN'S MEMO.

I share Secretary Brown's concern, but believe that he has not been well advised regarding the process which we followed and, therefore, has reached some erroneous conclusions. I would be delighted to talk with you and him about this in further detail.

(1) White House Staff testifying before the Congress.

Testimony by Bert Lance and Jim McIntyre on two occasions guaranteed that I would continue to be made available to testify on matters of drug abuse policy in order to secure Congressional support of Reorganization Plan No. 1. No precedent was established in this hearing for other members of the White House Staff to testify before Congress. I asked Lee Dogoloff of my staff to testify on my behalf in this instance, because it was the sixth Congressional hearing I had been asked to appear at in two weeks, and because he coordinated a recent, several month long interagency study of DOD drug policy, and in addition he had recently been to Europe with DOD officials to review the situation first hand.

(2) Taking policy disagreements to the Congress.

My office took no policy disagreements to the Congress. As a part of the statutory oversight authority vested in me as Director of ODAP, I conducted a review of the current military drug abuse assessment effort and coordinated it with DOD. The report resulting from that assessment has been a matter of public record since November, and while it does express concern over the current ability of the Department of Defense to measure the extent of drug abuse among Service personnel, it was developed in conjunction with DOD staff and the individual services, and eventually transmitted to Secretary Brown for formal concurrence and implementation. Testimony by my Deputy reiterated only the findings of the Review. DOD has never challenged these conclusions in their two formal responses.

MEMORANDUM FOR THE PRESIDENT

FROM: Peter Bourne

SUBJECT: Response to Secretary Brown's Memo.

(3) Coordination of public statements.

Secretary Brown has been misinformed on this issue. Our offer to meet with the Department to discuss the prepared testimony for the hearings was declined by Vernon McKenzie, Acting Assistant Secretary of Defense (Health Affairs), who testified for DOD at the hearing. A copy of my Deputy's testimony was provided to Mr. McKenzie's staff two days prior to the hearings. Defense raised no objections to the testimony. Press reports erroneously confused my Deputy's testimony with a completely independent study conducted by the staff of the House Select Committee that was critical of DOD, but which neither we nor DOD had seen prior to the hearing.

(4) Public revelation of correspondence.

Contrary to the implication in Secretary Brown's memo my office did not furnish any documents to the Committee. The document in possession of the Committee has a stamp indicating that it is a copy which was received in the Department of Defense, and it is reasonable to presume that, even though Secretary Brown may be unaware of it, that was their source. Mr. Duncan's reply was furnished to the Committee by DOD as part of their prepared testimony.

I believe Secretary Brown is unfamiliar with the unique statutory authority placed in the White House with regard to drug policy that makes it quite different from other policy matters. There is also, I believe, a substantive problem not merely with the management of drug abuse policy matters within DOD, but with regard to the importance given to the health of DOD personnel in general. While we have had exceptional cooperation from Alexander Haig and others in the field, the Pentagon response has not always been timely, with six weeks to two month delays in getting replies to letters where I had stressed an urgency for action and had asked for a 30 day turn-around. (See my attached letter)

Following the hearings the Wolff Committee has indicated that it will be approaching you for a special meeting on this subject. We do not know accurately the extent of drug abuse in the military and the establishment of a reliable drug abuse assessment effort should remain a high priority. To effect this, Congress should be asked to lift its ban on the use of random urinalysis, and the Department of Defense should immediately begin increased testing in specified areas of known high drug availability,

MEMORANDUM FOR THE PRESIDENT

FROM: Peter Bourne

SUBJECT: Response to Secretary Brown's Memo.

as well as develop a more comprehensive long range plan for identifying drug abusers. There should be a rejuvenation of an adequate policy and oversight function within the Department, particularly within the context of overall health policy. Over the past three years, the drug staff for the Secretary has decreased significantly in size and stature. I am concerned that the staff is not staying on top of the military drug problem.

I recommend two actions which will clearly reflect the interest and initiative the White House has given to this issue:

- (1) Meet with Chairman Wolff and his Committee
 - (a) to have them understand your concern for the problem of drug abuse in the military, and (b) to establish an aggressive posture with Congress regarding Administration leadership in this area; and

- (2) A preliminary meeting with Secretary Brown at which time you make it clear that the issue
 - (a) has your personal concern, (b) is to be given priority with the Department of Defense, and (c) I am charged with following up on this.

PGB:ss

Attachment

THE WHITE HOUSE

WASHINGTON

March 1, 1978

Dear Secretary Brown:

I am very concerned about the possibility of increased drug use among the armed forces, especially among servicemen and women stationed in areas of high drug availability such as Europe and the Southwest Pacific. As you recall, the President indicated his clear concern about drug abuse at the November 1977 meeting of the Strategy Council on Drug Abuse. In addition, there has been growing Congressional interest in this area, currently manifested by the visit of Congressman Lester Wolff and other members of his Select Committee on Narcotics Abuse and Control to U.S. military installations in Europe.

I am particularly disturbed about this issue at this time because the indicators suggest that drug use, especially narcotic use among our servicemen overseas, is increasing at a serious rate. Simultaneously, it appears that efforts to detect drug use are waning:

- . In December, urine testing for opiates and other drugs was carried out on board the aircraft carrier U.S.S. Midway en route from Singapore to Subic Bay. More than 20 percent of those tested were found to be using opiates;
- ✓ U.S. Army Europe (USAREUR) heroin overdose death rates increased by 50 percent last year and are currently three times the average heroin overdose death rate for U.S. cities;
- ✓ Currently over eight percent of the Berlin Brigade admit to the use of heroin;
- . The Berlin Brigade experienced four heroin overdose deaths last year, this death rate exceeding by ten times the heroin overdose rate of those American cities with the most severe heroin problems;
- . Current USAREUR personnel surveys indicate an increase in daily use of heroin among soldiers;

- . On a recent visit by my Deputy, Lee Dogoloff, to several Army units in Germany, he heard anecdotal estimates of heroin use which ranged up to 40 percent in some units;
- . Law enforcement reports from U.S. agencies and German Federal and State narcotics police indicate a marked increase in the availability of high quality, inexpensive heroin;
- . While not optimal in all services to start with, the rate of urine testing for opiates and other drugs seems to be decreasing to the lowest common denominator rather than showing an overall increase to a more effective level; and
- . DOD is not taking advantage of the current technology available for both assessing drug use among the military and performing urinalysis testing.

There are two additional reasons for my concern. First, the U.S. Government has embarked on a major initiative to encourage Western European countries to respond more fully to their own growing drug abuse problems. We must provide the best support possible to our military drug abuse prevention efforts so that we will not be seen as contributing to the severe heroin problem in Western Europe. Second, we face the potential for serious embarrassment if we do not deal aggressively with this problem, particularly in light of the strong Congressional interest. I would like to demonstrate that the Administration is clearly in the lead on this issue.

I previously raised the issue when I requested a review of the ability of the Department of Defense to reliably determine the nature and extent of its overall drug abuse effort. In my memorandum to you of December 19 (enclosed), I requested DOD comments, as well as a timetable for implementation of the recommendations of the DOD Drug Assessment Review Group. I have just received a response from Assistant Secretary of Defense John P. White. Candidly, I am disappointed in the reply because it indicates to me that the Department does not share an appropriate sense of urgency about this problem, nor does the Department commit to a specific implementation plan and timetable as requested.

In summary, I believe the current problem of drug abuse among American servicemen, especially overseas, is understated. I will be meeting with General Haig while he is in Washington

this week to discuss the situation among the armed forces in Europe. If you think it appropriate, I would also like to meet with you in the near future to discuss this issue and the steps which we can take to deal effectively with these problems.

Sincerely,

Peter G. Bourne, M.D.
Special Assistant to
the President

The Honorable Harold Brown
Secretary
Department of Defense
Washington, D.C. 20301

Enclosures

THE WHITE HOUSE

WASHINGTON

May 2, 1978

Frank Moore

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

Rick Hutcheson

cc: Stu Eizenstat



Department of Energy
Washington, D.C. 20585

done
J

May 2, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JIM SCHLESINGER *J*

SUBJECT: NATURAL GAS CALLS

During the course of the last week, House and Senate staff members have attempted to commit to paper the tentative agreement reached on the previous Friday. In the process, several issues have arisen over which there is disagreement as to the details of the tentative agreement. Most of these are of a technical, resolvable nature; but one -- incremental pricing - is more significant.

Before reaching final agreement, Congressman Dingell had asked that the Senate accept all the provisions in a detailed 8 page incremental pricing paper he had earlier offered as part of the bargain. Dingell's recollection is that the Senate accepted. The Senate recalls having reserved the right to revise the details of several aspects of the paper. The dimensions of the agricultural exemption from the incremental pricing rule was the most important of these reservations.

In a meeting of the House Conferees last week, Dingell and Eckhardt took the position that the Senate must either accept every detail of their incremental pricing paper or there is no agreement. My recollection is that the Senate did reserve the right to make some further changes in the incremental pricing provisions. In any event, there are a number of substantive and technical problems with the Dingell paper that will have to be resolved. One of the problems in this area is that Dingell and his staff are trying to write too many specifics into the agreement. Such specifics are better left to FERC to work out when the full incremental pricing plan is prepared. A statute that provides FERC with clear guidelines, instead of every last detail, would be better for all concerned.

This dispute over incremental pricing has the potential for preventing any final gas agreement. All the parties are tired of the gas issue and suspicious of each other. Congressman Dingell has a revolt in his subcommittee where liberals and Republicans who are unhappy with the substance of the gas bill and the private meetings from which they have been excluded have joined forces to hold up any action on the DOE authorization bill. Feeling the pressure from the left, Dingell has recently began talking about surrendering and just passing the first three bills.

From the Senates' point of view, if the House can not secure enough votes to support any agreement (Corman and Rangel are conditioning their support on enactment of the tax bill), they feel there is little point in investing any more time and effort in trying to work out the incremental pricing problems.

A private meeting of the parties to the agreement has been scheduled for 2:00 p.m. this afternoon. It is an important meeting because depending on the attitude of the leaders on both sides, progress could be made toward resolving these issues or the whole endeavor could come to a permanent halt.

I therefore think it may be helpful for you to talk with Congressmen Dingell, Eckhardt and Staggers and Senators Jackson and Domenici to help strengthen their resolve to see this process through to completion.

Suggested talking points for the recommended calls are attached.

Talking Points for Congressmen Dingell, Eckhardt and Staggers

- I know the process has been difficult and I understand the importance to you of the incremental pricing and other issues which have arisen as the agreement has been committed to paper.
- Given how far everyone has come, how much time everyone has invested, and how important it is to enact this bill and the energy plan, I hope you will keep an open mind in meeting with the Senate this afternoon.
- A way must be found to resolve these final questions.
- Since you are so much closer now than at any other time we have talked, it would be a tragedy to lose the bill now because of fatigue when 99.9% of the hardest substantive work is complete.
- I know it isn't easy. There will be no heroes in this fight. But I am convinced the nation and national gas markets will be much better off with enactment of this bill.
- All eyes are now on your deliberations. It may be a testing time for all of our abilities as national leaders. But I really believe the final outcome now depends on you.

Talking Points for
Senators Jackson and Domenici

- I know how difficult and trying the process has been. But setting aside the fatigue we all feel, the truth is that you are 99.9 % there as to the substance.
- Clearly the House is feeling a little feisty. Everyone is under pressure, but I think if all the parties have a positive attitude at this afternoon's meeting, the issues which arose in committing the agreement to paper can be resolved.
- They must be resolved. You are much closer now than at anytime we have previously talked.
- I know you are concerned as to whether the House has the votes. I believe that the votes will be there if an agreement can be reached among the negotiators.
- It is really a question of the will to agree. The nation needs this bill. Your leadership has been instrumental in bringing us this far. I really believe that a final resolution of these basically technical problems depends on you.
- I know the nation will not be disappointed.

THE WHITE HOUSE
WASHINGTON

May 2, 1978

Frank Moore

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the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

ACTIVITIES ON CIVIL SERVICE REFORM

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

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

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

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

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

THE WHITE HOUSE

WASHINGTON

May 1, 1978

good!
J

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M./LF*
LES FRANCIS *LES FRANCIS*

SUBJECT: Activities on Civil Service Reform Today

Subsequent to your call to Mo Udall this morning, events on the Civil Service reform front have moved quickly:

- Chief Counsel Dave Minton met with Udall ✓
- Scotty Campbell and Paul Newton, CSC Congressional Liaison staff, met with Udall ✓
- Udall talked with Bill Ford ✓

As a result of all of this, Udall has taken over the reform fight for us. He has scheduled a final two days of hearings (May 12 and 15), which he will chair and the Committee has set mark-up for May 22 and 23; it is Udall's intention that mark-up be completed by the end of the session on the 23rd and to get "98% of what the President wants."

2308

THE WHITE HOUSE
WASHINGTON

May 2, 1978

Bob Lipshutz

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

Rick Hutcheson

RE: BERMUDA II AGREEMENT &
LOGAN AIRPORT

Bob Lipshutz -
Check on
CAB
this for me
J

The Speaker's Rooms
U.S. House of Representatives
Washington, D.C. 20515

Mr. O'Neill
RE: Bermuda II Agreement & Logan Airport

5/1/78

BACKGROUND

Earlier this year the US and Great Britain concluded an agreement concerning air service between the US and Great Britain. This agreement is known as the Bermuda II agreement. One of the provisions of this agreement was that the US would designate two cities as "dual designated" - namely that only two cities within the US could have two American airlines fly US-to-London. One of the cities so designated was New York; the other two in contention were Boston and LA. At the President's request the CAB was to examine these two cities and make a recommendation as to which city should be designated as the second "dual designated" airport. On April 19, 1978 the CAB tentatively voted to recommend LA over Boston. According to Massachusetts' people in attendance at the meeting and from a review of the CAB's own staff memo, there is a legitimate question as to the accuracy of the data used by the CAB in making its tentative decision.

As you know the only flight Pan-Am has out of Boston now is the Boston-to-London flight thus the loss of this flight will force Pan-Am to close its Boston operation. Preliminary figures show this will cost approximately 100 jobs and around \$12 million annually in commerce. This is without factoring-in the so-called multiplier effect. Additionally Pan-Am is the biggest tenant of the International Wing at Logan and their withdrawal has some potential to cause other international airlines to move their operations as the costs of running the terminal will increase for the other airlines due to Pan-Am's withdrawal.

RECOMMENDATIONS

As the Congressman from the area who is interested in the local economy you should request that the President do one of two things:

- (1) have the CAB re-examine its tentative decision to locate the second "dual designated" city in LA in light of the most recent data on traffic flow and growth rate both of which are favorable to Boston. Additionally the CAB's own staff memo should be re-examined as it can be read to favor a decision for Boston, or
- (2) under Article 3, Paragraph 5 of Bermuda II have the US renegotiate this portion of Bermuda II so that three cities may have dual-designated status. Apparently there are some other provisions of the agreement that Great Britain would like to see changed thus both sides would have points to bargain over.

[Handwritten signature]

THE PRESIDENT WAS SEEN.

THE WHITE HOUSE

WASHINGTON

May 2, 1978

MEMORANDUM FOR JIM FALLOWS

FROM: ACHSAH NESMITH

SUBJECT: Justice Speech

As I mentioned last night, the last draft is very harsh in its total effect. Upon reflection I think the critical tone is greatly intensified by "here's 23 things I'm doing, what have you done lately?"

Perhaps even more basic, we have somehow lost the feeling of searching together for solutions to difficult problems that the '74 speech conveyed along with its criticisms. He gave concrete personal examples of injustices that he as governor was unable to correct. He pointed out old and continuing evils, and laid the blame on them where they were guilty, but without any feeling of superiority, which is the problem with this draft. He had a lot of authority then and he still could come to them and admit there were serious problems he perceived and could not find solutions for, and seek their help in a sincere way. He has vast power now, but there are serious problems with the justice system that he has not solved and can not solve alone. That's one reason I think a serious discussion of the alien problem would help -- it's big and they are in the middle of it; it's our responsibility and we have not been able to solve it. They did not create the illegal alien problem and they are certainly not solely responsible for the problems of increased crime and a feeling in our society that no one is responsible for what they do, nor are they even solely responsible for the problems of our criminal justice system. These are society's problems, with roots both inside and outside the law. But solving them is the special responsibility of those who choose the law as a way of life -- just as teachers and schools did not create all the conditions that cause problems in education, but they must work out the solutions because that is their calling and their job. That is the key to the charge -- that they have chosen a high-minded and honorable profession and sworn to uphold the best in our system, and he is trying to hold them to it. This draft tends to be smug and dictatorial -- do as I say and all will be well; if you had only had sense and decency enough to do it yesterday, things would be fine now. If they had done everything he suggests things wouldn't be fine and they know it. This will turn them off instead of convict them in their hearts and inspire them to do better. It needs to be an impassioned plea, but from one who stands bloodied in the same battle.

Schub

THE WHITE HOUSE
WASHINGTON

C/

TUESDAY - MAY 2, 1978
2:10 P.M.

MR. PRESIDENT

WARREN CHRISTOPHER FORGOT TO TELL
YOU THAT AT 9:55 THIS MORNING
HE TOLD SENATOR SPARKMAN IT WOULD
NOT BE FEASIBLE FOR US TO WITHDRAW
THE ARMS SALES IN ORDER TO PERMIT
A DELAY BECAUSE OF THE ADVERSE
EFFECT OF SUCH AN ACTION ON EGYPT
AND SAUDI ARABIA.

TIM

leadership breakfast

4/19/78

THE WHITE HOUSE
WASHINGTON

Leadership 4/19/78

Panama

Airline Dereg ↓

Anti-inflation
Hosp Costs

Energy

Mid E arms sales

Greek - Turkey

Civil Service - This year

Camp David mtg

Church, Serbanes

Lobby reform

Foreign Aid App - in trouble

telephone call to don reynolds 4/19/78

THE WHITE HOUSE
WASHINGTON

Las Vegas
Don Reynolds: Review Journal
Pres. rems foreign affairs -
Supportive of Howard
Cannon

Randolph - Young - Zernicky
Griffin - Hansen - Hagekasa - Johnston -
Burdick - Jernicki - Eastland - Ford
Stinson

John White → Hill

Mormon re Cannon

Dand Jones →

"

Sharon → Hill

Long

Sassen

TK

Hagekasa

Cannon - milligan

Above Stk

1
G

2309

THE WHITE HOUSE
WASHINGTON

May 2, 1978

Frank Moore

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

Rick Hutcheson

cc: Hamilton Jordan

RE: MEETING WITH SEN. BAKER

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	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
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	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

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

10:15 AM
Frank-
good
analysis
J

THE WHITE HOUSE
WASHINGTON

May 1, 1978

MEETING WITH SENATOR HOWARD BAKER (R-TENN.)

Tuesday, May 2, 1978

10:15 a.m. (15 minutes)

The Oval Office

From: Frank Moore

FM/BB

I. PURPOSE

To discuss Mideast Arms Sales.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLANS

Background: Senator Baker supports in principle the Saudi and Egyptian arms sales and has stated so publicly. He has refused, however, to give an endorsement to the entire package. He has argued that the timing is poor and that the "linkage" approach infringes on Congressional procedure.

Senator Baker's real problem, we, believe, is political. After supporting you strongly on Panama, he is finding it difficult to help you gain another foreign policy victory. Senator Dole complicates this further by opposing the sales and has turned them into a campaign issue.

We think ultimately, however, that Senator Baker will support these sales. Most conservative Republicans in the Senate support the sales; the business community is beginning to show support; and traditional conservative groups have not endorsed the Dole position. Add to this that the Saudi commitment was made by President Ford, and the partisan sting comes out of the issue.

The question now is how to give Baker a way to support the sales without rolling over for you. Given the anti-sale position of the SFRC, and the committee's liberal reputation, Senator Baker might be persuaded to make the conservative arguments for the sales when the committee hearings begin, thereby distancing himself from committee liberals.

Participants: The President, Senator Baker, Frank Moore

Press Plans: White House Photographer

XXX.

III. TALKING POINTS

1. The sales can't be delayed. The Saudis particularly have waited long enough.
2. A strong relationship with the Saudis is essential for a lasting Mideast settlement.
3. The Saudi sale was a commitment made by President Ford. It is essential to have continuity in our foreign policy.
4. The Saudis have helped maintain a stable oil price position in OPEC.
5. We expect strong support from moderates and conservatives in both houses.
6. We need help in the SFRC. We have no effective spokesman for the sales on that committee.

THE WHITE HOUSE
WASHINGTON

May 2, 1978

Stu Eizenstat
Bob Lipshutz

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

Rick Hutcheson

HOLOCAUST MEMORIAL

THE WHITE HOUSE
WASHINGTON

4/30/78

Mr. President:

OMB has no objection to the proposal, but suggests that (1) a Cabinet agency (State) be designated to manage the proposed 15-member committee; and (2) that a source of funding be identified for the project.

Rick

	FOR STAFFING
	FOR INFORMATION
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ACTION
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	ADMIN CONFID
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	EYES ONLY

	VICE PRESIDENT
/	EIZENSTAT
	JORDAN
	KRAFT
/	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

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

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

THE WHITE HOUSE

WASHINGTON

May 1, 1978

cc Stu,
Bob.
C

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Holocaust Commission

I talked personally with Senators Jackson, Ribicoff and Javits and with Congressmen Rosenthal and Solarz about the Presidential Commission on the Holocaust. All thought that it was a good idea and appropriate at this time, given the relationship of the creation of the State of Israel to the Holocaust.

Congressman Solarz made the additional interesting point that the Commissioner of Education develop curriculum materials on the Holocaust which would be available on a voluntary basis for school systems to use in teaching the subject. This is an area in which the National Endowment for the Humanities is already doing some work and it might be a good reference to include. This curriculum development would obviously be done within existing budgets.

*Stu, Bob
Be careful not to
make any promises.
JC*

THE WHITE HOUSE

WASHINGTON

April 25, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

BOB LIPSHUTZ
STU EIZENSTAT

SUBJECT:

Holocaust Memorial

Shu RA Z
1 concu -
and to dos by
Z.B.

Although many Jewish synagogues in this country maintain small memorials to the Holocaust victims, there is no official American memorial to those victims, despite several efforts in recent years to create one. For a number of reasons, there is now stronger support than ever among many Americans -- not just Jewish-Americans -- for an official U.S. memorial:

- The recent television production of "Holocaust" has substantially increased millions of Americans' awareness of the atrocities committed against European Jews.
- A number of nations -- Israel, Denmark, France, Norway, Germany, Italy, Poland, Switzerland, Yugoslavia, Holland, Austria, Czechoslovakia, Great Britain and Belgium -- already have or are planning to build, official memorials to the Holocaust victims; the move to build those memorials has increased noticeably in recent years.
- The thousands of concentration camp survivors in this country are now approaching an age which makes many of them believe that, unless action is taken soon, they will not live to see a U.S. memorial to those who died in the camps.

As you know, you will be participating in a White House celebration for Israel's 30th anniversary. Creation of the State of Israel is closely tied in with the Holocaust of World War II. If you are interested in pursuing an official U.S. memorial to the Holocaust victims, that date would seem an appropriate time to announce plans for such a memorial. The memorial would serve not only as a reminder to all Americans of the millions who died in the Holocaust, but also of the birth of Israel and its continued life.

A number of questions would have to be resolved before any Holocaust memorial could be built: What should the memorial be? Where should it be located? How should funds be raised? What should be the role of the federal government in sponsoring or maintaining the memorial?

If you are interested in this idea, we recommend that a 15-member committee of distinguished Americans, both Jewish and non-Jewish, be appointed by you to resolve these questions and make recommendations to you within six months. You could announce creation of the Commission at the White House function. We have mentioned this idea to the senior staff and Zbig. We believe they agree.

We think because there would be sufficiently wide support for a Holocaust memorial, that private funds could be used exclusively to pay for the building and, in whole or in part, for maintaining such a memorial. We do not believe that any federal dollars will need to be expended. However, for other reasons, we might want to have the government contribute toward the memorial, if not through direct expenditures then at least through the gift of land.

DECISION

1. A U.S. memorial should be created in memory of the victims of the Holocaust.

_____ Approve _____ Disapprove

2. A citizens' committee should be named to work out the details of this project.

_____ Approve _____ Disapprove

3. You will announce the project on or near Israel's thirtieth anniversary.

_____ Approve _____ Disapprove

ID 782229

T H E W H I T E H O U S E

WASHINGTON

DATE: 28 APR 78

FOR ACTION: HAMILTON JORDAN

FRANK MOORE (LES FRANCIS)

JODY POWELL

JACK WATSON

ZBIG BRZEZINSKI

JIM MCINTYRE

INFO ONLY: THE VICE PRESIDENT

SUBJECT: EIZENSTAT LIPSHUTZ MEMO RE HOLOCAUST MEMORIAL

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM SUNDAY 30 APR 78 +
+++++

ACTION REQUESTED: WILL GO IN SUNDAY AT NOON - IMMEDIATE

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

PLEASE NOTE OTHER COMMENTS BELOW:

DATE: 28 APR 78

FOR ACTION: HAMILTON JORDAN

FRANK MOORE (LES FRANCIS)

JODY POWELL

JACK WATSON

ZBIG BRZEZINSKI

JIM MCINTYRE

INFO ONLY: THE VICE PRESIDENT

SUBJECT: EIZENSTAT LIPSHUTZ MEMO RE HOLOCAUST MEMORIAL

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+ BY: 1200 PM SUNDAY 30 APR 78 +

+++++

ACTION REQUESTED: WILL GO IN SUNDAY AT NOON - IMMEDIATE

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

PLEASE NOTE OTHER COMMENTS BELOW:

4/28/78

OMB has no objection to the thrust of these recommendations. However, we are concerned that: (a) a Cabinet agency (e.g., State) be designated to manage the proposed 15-member committee; and (b) a source of funding be identified in the decision paper to the President.

For Jim McIntyre:

Bill Nichols, General Counsel

DATE: 28 APR 78

FOR ACTION: HAMILTON JORDAN

FRANK MOORE (LES FRANCIS)

JODY POWELL

JACK WATSON

ZBIG BRZEZINSKI

JIM MCINTYRE

INFO ONLY: THE VICE PRESIDENT

SUBJECT: EIZENSTAT LIPSHUTZ MEMO RE HOLOCAUST MEMORIAL

+++++

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

+ BY: 1200 PM SUNDAY 30 APR 78 +

+++++

ACTION REQUESTED: WILL GO IN SUNDAY AT NOON - IMMEDIATE

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

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

May 2, 1978

Nelson Cruikshank

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder
1977 ANNUAL REPORT OF THE FEDERAL
COUNCIL ON AGING

ACTION
IMMEDIATE ACTION

THE WHITE HOUSE

WASHINGTON

May 1, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: 1977 Annual Report of the Federal
Council on the Aging

Attached is the 1977 Annual Report of the Federal Council on the Aging. We recommend that you forward it to Congress via the attached letter of transmission.

There are currently unexpected moves in Congress to dissolve the Federal Council on the Aging in connection with the reauthorization of the Older Americans Act. We feel that transmitting this report immediately will strengthen the hand of those who wish to keep the Council in business.

There is no need for you to read the report.

TWO SIGNATURES REQUESTED

TO THE CONGRESS OF THE UNITED STATES:

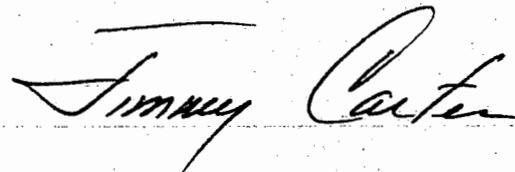
I am transmitting herewith the annual report of the Federal Council on Aging in accordance with Section 205(f) of the Older Americans Act (P.L. 93-29).

As you know, the Council was created by the Congress to represent older Americans and make recommendations to the President, the Secretary of the Department of Health, Education, and Welfare, the Commissioner of the Administration on Aging, and the Congress on Federal policies regarding the aging and federally conducted or assisted programs and other activities relating to or affecting them. This report describes the Council's concerns and projects as well as specific advocacy positions taken by the Council on Federal policies and programs affecting the elderly.

In my first year in office, the Council has been of great assistance in their unanimous support of strengthened financing of the social security system. As you know the Congress acted expeditiously to enact the 1977 Social Security Act amendments which I signed into law December 20, 1977. These measures will serve to assure a secure income for many older Americans in future years. I hope that the Congress will act this year on the Better Jobs and Income Act in response to the Council's earnest desire for the early enactment of welfare reform which affects many areas of "vital concern to older Americans."

While the Council recognizes that all of the concerns expressed in the report cannot be fully dealt with in the immediate future, I look forward to a continued close working relationship with the Council as evidenced by my appointment of Chairman Nelson Cruikshank as my Counselor on Aging.

In closing, let me assure you that we will continue to carefully consider the views of the Council as social and economic policy affecting the elderly is developed and implemented in the years to come.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the typed text. It is written over a faint horizontal line.

THE WHITE HOUSE,

11:20 AM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

Meeting with
Professor C. Vann Woodward
Tuesday, May 2, 1978
11:20 AM
The Oval Office
(5 minutes)

(by: Fran  George)

I. PURPOSE: personal visit

II. BACKGROUND, PARTICIPANTS & PRESS:

A. Background: Since 1972, the National Endowment for the Humanities has sponsored a lecture (known as the Jefferson Lecture) by a distinguished scholar or writer. This year's Lecturer will be C. Vann Woodward, the leading historian on the South and, particularly, relations between the races.

You and Mrs. Carter were invited to attend a reception following the Lecture at the Library of Congress on the evening of May 3. Because you will be out of the city, you requested that he come in for a brief visit. His visit will mark the first time in the history of the Jefferson Lecture that the White House has acknowledged one of its recipients.

B. Participants: The President, Professor Woodward, Mrs. Glenn Woodward and Chairman Joe Duffey.

C. Press: White House Photographer

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

May 1, 1978

C

CONGRESSIONAL LEADERSHIP BREAKFAST

Tuesday, May 2, 1978

8:00 a.m.

Family Dining Room

From: Frank Moore *F.M./pd*

I. PRESS PLAN

White House Photo Only

II. PARTICIPANTS

See Attached List

III. AGENDA

Tomorrow's breakfast should focus on you and the leadership coming to a definite agreement on a legislative work list for the remainder of this Session.

After the last breakfast, the Speaker and the Majority Leader along with their staffs met to develop their doable legislative lists for the balance of this year.

The Speaker was aware of our "must" items and developed a work sheet that led the Majority Leader and the Speaker to come up with a list that parallels our list with the exception of Alaska lands and Department of Education.

I recommend that tomorrow you first ask the leadership to give you their assessment of what can be done this year. Their list will include Energy, Tax Reform, Airline Deregulation, Hospital Cost Containment, Labor Law Reform, Arms Sales, Turkish Arms Embargo, Civil Service Reform (the Speaker says he will move but Senator Byrd is hesitant to make a definite commitment), Counter Cyclical Revenue Sharing (the Senate will move first, then House), New York Financing (\$2 billion in loan guarantees, no direct financing).

After Senator Byrd has given you his list, you should express your satisfaction that all lists concur and ask the leadership to include the Alaska Lands bill :

1. This is not a parochial state issue. It may well be the most significant environmental vote for the remainder of the century.

2. If the developers and labor get together on this issue it will endanger ever passing the bill.

3. Udall, the House sponsor, is very anxious to move this soon. He will exert all possible pressure on Senator Byrd to cooperate, for example, he is holding up action on a couple of West Virginia bills in his Committee in order to attract Senator Byrd's attention. (I have attached a memo containing further information on this bill.)

Regarding legislation establishing a Department of Education, the House Leadership does not feel that the House is in a position to move this year (The Vice President concurs in this assessment.). The concept is popular, but everyone is reluctant to face specific items such as Headstart, School Food programs, etc.

It is important that you give Senator Byrd the lead in establishing the agenda.

One additional item which you might want to bring up at breakfast is the U.S./U.K. Tax Treaty. The treaty deals with the tax treatment of multinational corporations. The treaty is very important to the business community, would not cost the U.S. anything, and would make points with the business community for the Administration. Senators Cranston and Inouye have been working with Treasury on this treaty. Senator Byrd is not opposed to the Treaty but you need to ask him for a time agreement that would allow the Senate to act on the Treaty before May 15 when the Senate is scheduled to begin work on Labor Law Reform.

P.S. The Indiana primary is tomorrow, Cong. Brademas will be unable to attend breakfast.

T
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B

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C

PARTICIPANTS

Senator Byrd
Senator Cranston
Speaker O'Neill
Cong. Wright
Cong. Foley
Cong. Rostenkowski
Cong. Chisholm

Ambassador Strauss
Dr. Brzezinski
John White
Stu Eizenstat
Jody Powell
Frank Moore
Dan Tate
Bob Thomson
Bill Cable
Bob Beckel
Bill Smith

T
A
B

B



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

May 1, 1978

Memorandum

To: Frank Moore
Assistant to the President
for Congressional Liaison

From: Gary Catron *Gary Catron*
Assistant to the Secretary and Director
of Congressional and Legislative Affairs

Subject: Tuesday Morning Leadership Breakfast and
Alaska Lands Legislation

Pursuant to our conversation Friday, any boost that President Carter and you can give the Administration's Alaska lands legislation at tomorrow morning's Leadership Breakfast would be extremely beneficial. There are potential difficulties in both the House and Senate, and in both instances the Leadership can be of significant help.

(The deadline set in 1971 by Congress for action on the Alaska lands proposals is December 18, 1978. If that deadline is not met, the proposed parks and refuges will be subject to some types of exploitation, i.e., minerals.)

HOUSE

* The bill, following action by both the Interior Committee and the Merchant Marine and Fisheries Committee, now awaits a hearing before the House Rules Committee. Lloyd Meeds, who is on both Interior and Rules, is opposed to the legislation and has failed in an attempt to get a weaker substitute measure adopted by the Interior Committee. We have been advised that he will actively try and postpone a Rules hearing on the bill in addition to lining up votes against granting a rule. The latter we are working on; the former issue could be addressed by the President to Speaker O'Neill in terms of a priority matter with the White House -- to stress the importance of Rules granting a hearing within an expeditious period of time.

* The House Leaders should be strongly encouraged to move ahead quickly with the legislation through Rules and to the Floor by May 15, as planned. It can be pointed out that Lloyd Meeds had more than a fair crack at the legislation in both Subcommittee and Full Committee.

* Delaying Floor consideration past May 15 would put the bill up against all the Budget resolutions, and would probably hold up Senate action.

SENATE

* Our main opposition in the Senate - most formidable - comes from Senators Stevens and Gravel. Both have publicly threatened a filibuster.

* Final hearings are scheduled for late May; mark-up to follow in mid-June. When floor action will occur is the present critical issue.

* Senate leaders should be encouraged to move as soon as they get the House bill, and should be reassured that the House measure has the Administration's blessing as the mark-up vehicle.

* It should be recognized that with the backlog of business on the calendar, the Senate leadership may want to defer a filibuster-threatened bill; should that happen, the filibuster could be effective. If, however, the bill is taken up as soon as reported--early July--the effect of the filibuster will be diminished.

* The importance of this strategem should be emphasized to the Senate leadership and their cooperation and support of our position sought: Do not defer on Alaska--it might result in the death of the bill.

NOTE: Senator Byrd and Senator Stevens are close. Stevens, as former Solicitor of the Interior Department and ranking minority Member of Byrd's Appropriation's Subcommittee on Interior, has Byrd's ear and confidence.

THE WHITE HOUSE
WASHINGTON
May 2, 1978

Stu Eizenstat
Bob Lipshutz

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder

CAB DECISIONS

THE WHITE HOUSE
WASHINGTON

May 1, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ
STU EIZENSTAT

SL

RE: CAB Decisions:

- (1) Aerovias Nacionales De Colombia, S.A.
(AVIANCA) (Docket 30950)
 - (2) Globus-Gateway Tours, Ltd. (Switzerland)
(Docket 29056)
 - (3) Montana Flugbetrieb Gesellschaft, m.b.H.
(Docket 31230)
 - (4) Tourist Enterprises Corp. "ORBIS" d/b/a
ORBIS Polish Travel Bureau, Inc., and
d/b/a Pargiello Services, Inc.
(Docket 27914)
 - (5) Reiseburo Schwaben International GmbH
(Germany) d/b/a/ Schwaben Charters, Inc.
(Docket 31292)
 - (6) Transportes Aereos Benianos, S.A.
(Docket 28125)
-

The CAB proposes orders which would:

- (1) AVIANCA: Authorize the addition of London, England as an intermediate point on a route with stops in various places (including the U.S.) between Colombia and Frankfurt, West Germany; ✓
- (2) GLOBUS: Authorize for 5 years the indirect transportation of people by air charter flights between any points; ✓
- (3) MONTANA: Authorize the transportation of persons and property by air charter flights between any points in Austria and the U.S. and various specified points in Europe and the U.S.; ✓

- (4) ORBIS: Dismiss the application for a foreign, indirect air carrier permit with prejudice because the Board found that the applicant's actions in withdrawing its application at an unnecessarily late date without good cause constituted an abuse of the Board's proceedings;
- (5) REISEBURO: Authorize the indirect transportation of people by air charter flights between any points;
- (6) TAB: Cancel the carrier's permit because the Bolivian government has informed us that it has canceled TAB's Bolivian operating permit.

The interested agencies have no objection to the Board's proposed orders. We recommend that you approve all six.

 Approve

 Disapprove

(SIX SIGNATURES REQUESTED)

THE WHITE HOUSE
WASHINGTON
May 2, 1978

Jim McIntyre

The attached was returned in
the President's outbox today
and is forwarded to you for
your information. The signed
original has been given to
Bob Linder for appropriate
handling.

Rick Hutcheson

cc: Bob Linder
Frank Moore

SUPPLEMENTAL APPROPRIATIONS

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

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

	VICE PRESIDENT
	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
/	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
/	MCINTYRE
	SCHULTZE

	ARAGON
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	BUTLER
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	LINDER
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	PETTIGREW
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	WARREN
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	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE



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

May 1, 1978

*Jim -
Hold these to
a minimum*

SIGNATURE

MEMORANDUM FOR: THE PRESIDENT

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

SUBJECT: Proposed 1978 Supplemental Appropriations and 1979 Budget Amendments

J

Attached for your approval is a consolidated package containing requests for fiscal year 1978 supplemental appropriations totalling \$365.7 million, amendments to your 1979 appropriations requests reducing the request for 1979 appropriations by a total of \$186.2 million, and an advance 1980 appropriation of \$4.5 billion for Environmental Protection Agency construction grants. This package has been prepared in accordance with your directive that: (1) as a general rule, the annual budget should cover all anticipated budget requests; and, (2) all requests that cannot be delayed for inclusion in the next annual budget shall be transmitted as a consolidated package--unless required on an urgent basis--for your consideration in time to allow for proper congressional action.

Included in this package are requests for funds:

- to meet previous commitments made by you. For example, this package contains 7 of the 23 1979 requests for appropriations necessary to carry out your urban initiative. Others will follow as implementation issues are resolved and as the necessary authorizing legislation is enacted.
- required under provisions of law. Financing for entitlement programs, such as the \$6.2 million requested for the general assistance and child welfare programs of the Bureau of Indian Affairs, falls into this category.
- for other purposes, primarily, to continue existing programs. An example is the Defense Department's 1978 request to fund part of the increased costs related to foreign currency revaluations.

The details of these proposals (except for the recently agreed to urban initiative items) are contained in the attached fact sheets. The summary table appended to this memorandum also identifies items on which action has been deferred until the 1980 budget review, and agency requests that have been turned down.

In our opinion this proposal represents the minimum request which can be transmitted to Congress consistent with Administration objectives and an orderly government process. Each of these items has been rigorously reviewed by our staff and was found to be necessary at this time.

RECOMMENDATION

That you sign the letter transmitting these requests to the Congress. Transmittal at this time is recommended in order to allow for proper consideration by the House Appropriations subcommittees during their markups scheduled for April 24 - May 18.

Attachments

REQUESTS FOR 1978 SUPPLEMENTAL APPROPRIATIONS
AND 1979 BUDGET AMENDMENTS

	(in millions of dollars)			
	<u>Agency Request</u>		<u>OMB Recommendation</u>	
	<u>1978</u>	<u>1979</u>	<u>1978</u>	<u>1979</u>
<u>Items proposed for transmittal to the Congress:</u>				
Total, required items.....	87.0	216.9	84.2	13.1
Total, previous				
Presidential commitments:	55.6	326.9	27.3	308.0
Urban initiative items..	—	(273.5)	—	(273.5)
Other.....	(55.6)	(53.4)	(27.3)	(34.5)
Total, other requests:	255.6	-471.7	254.2	-507.3
Total, items proposed for transmittal to the Congress.....	<u>398.1</u>	<u>72.1</u>	<u>365.7</u>	<u>-186.2</u>
<u>Agency requests deferred for consideration during the 1980 Budget process:</u>				
Department of Agriculture:				
Emergency conservation measures.....	10.0	—	—	—
Department of Health, Education, and Welfare:				
Social Security Administration.....	—	18.6	—	—
Department of the Interior:				
Office of Territorial Affairs:				
Construction of Ponape airfield.....	6.7	—	—	—
Micronesian Claims Fund - Post-war claims.....	12.6	—	—	—
National Park Service:				
Yellowstone concessionaire buy-out.....	15.0	—	—	—

(in millions of dollars)				
	Agency Request		OMB Recommendation	
	1978	1979	1978	1979
Bureau of Indian Affairs				
Arkansas Riverbed - Settlement for damages.....	8.5	---	---	---
Contract support.....	---	13.0	---	---
Total, Department of the Interior.....	(44.8)	(13.0)	---	---
Department of Justice:				
Legal activities.....	---	1.6	---	---
Department of State::				
Increased aid for African refugees.....	---	25.0	---	---
General Services				
Administration:				
Tape reproduction of the Nixon historical materials in regional locations.....	0.1	---	---	---
Corporation for Public Broadcasting:				
Education broadcast facilities.....	---	18.0	---	---
Total, agency requests deferred until the 1980 budget.....	52.9	76.2	---	---
<u>Agency requests turned down:</u>				
Department of Agriculture:				
Small farm assistance:				
Cooperative research..	---	4.0	---	---
Extension.....	2.0	16.0	---	---
Energy:				
Federal research.....	---	5.2	---	---
Cooperative research....	---	11.8	---	---
Extension.....	---	5.0	---	---
Economics research.....	---	0.9	---	---
Wood energy research and market development.	---	6.5	---	---
Integrated pest management:				
Federal research.....	---	2.5	---	---
Cooperative research....	---	8.4	---	---
Extension.....	---	3.0	---	---

(in millions of dollars)

	Agency Request		OMB Recommendation	
	1978	1979	1978	1979
Animal health:				
Cooperative research....	---	10.0	---	---
Soil and water resources:				
Economic survey and modeling.....	---	3.9	---	---
Aquaculture:				
Federal research.....	---	0.5	---	---
Cooperative research....	---	1.0	---	---
Extension.....	---	1.0	---	---
Soil Conservation Service, technical assistance.....	---	1.1	---	---
Other initiatives:				
Staff support & travel costs for advisory boards.....	0.3	---	---	---
Office of teaching.....	0.2	0.4	---	---
Expanded food and nutrition education program.....	---	5.0	---	---
Additional grants to 1890 Black Land-Grant Colleges.....	---	0.4	---	---
Libraries and information network study...	---	0.2	---	---
Base map acquisitions - Soil Conservation Service.....	3.0	---	---	---
Acceleration of small watershed land treatment measures.....	---	3.0	---	---
	<u>(5.5)</u>	<u>(89.8)</u>	<u>---</u>	<u>---</u>
Department of Health, Education, and Welfare:				
Office of Education:				
Salaries and expenses.	---	11.9	---	---
Health Care Financing Administration, research and State quality assurance.....	0.6	15.8	---	---
Departmental management-policy research.....	---	1.8	---	---
Total, Department of Health, Education and Welfare.....	<u>(0.6)</u>	<u>(29.5)</u>	<u>---</u>	<u>---</u>

(in millions of dollars)

	Agency Request		OMB Recommendation	
	<u>1978</u>	<u>1979</u>	<u>1978</u>	<u>1979</u>
Department of the Interior:				
Office of Territorial Affairs:				
Community projects- Rongelap, Utirik, and Bikini Atolls.....	0.3	---	---	---
National Park Service:				
John F. Kennedy Center repairs.....	0.2	---	---	---
Northeastern storm damage repairs.....	3.2	---	---	---
Bureau of Indian Affairs:				
Contract support.....	<u>10.1</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total, Department of the Interior.....	(13.8)	---	---	---
Department of State:				
Preparation for 1979 United Nations Conference on Service and Technology.....	---	0.9	---	---
ACTION:				
Special volunteer programs, Summer of Service program for short-term volunteers..	2.0	---	---	---
Retired Senior Volunteer Program.....	---	4.7	---	---
Total, ACTION.....	<u>(2.0)</u>	<u>(4.7)</u>	<u>---</u>	<u>---</u>
Community Services Administration:				
Community services program.....	5.4	---	---	---
Federal Election Commission:				
Printing - Federal Register.....	<u>0.1</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total, agency requests turned down.....	27.4	124.7	---	---

THE WHITE HOUSE

WASHINGTON

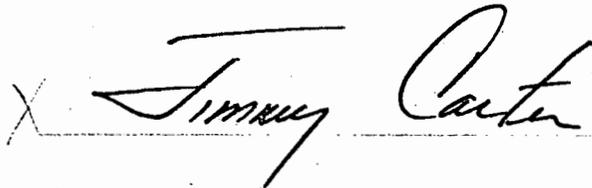
The Speaker of the
House of Representatives

Sir: '

I ask the Congress to consider proposed supplemental appropriations for the fiscal year 1978 in the amount of \$365,684,250, amendments which reduce the request for appropriations for the fiscal year 1979 by a total of \$186,226,600, and a request for advance appropriations for the fiscal year 1980 in the amount of \$4,500,000,000.

The details of these proposals are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with his comments and observations.

Respectfully,

X  Jimmy Carter

Enclosures



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

The President

The White House

Sir:

I have the honor to submit for your consideration proposed supplemental appropriations for the fiscal year 1978 in the amount of \$365,684,250, amendments which reduce the request for fiscal year 1979 appropriations by a total of \$186,226,600, and a request for advance appropriations for the fiscal year 1980 in the amount of \$4,500,000,000. The details of these proposals are contained in the enclosures to this letter.

I have carefully reviewed the proposals contained in this document and am satisfied that this request is necessary at this time. I recommend, therefore, that these proposals be transmitted to the Congress.

Respectfully,

James M. McIntyre

Enclosures

THE WHITE HOUSE

WASHINGTON

May 2, 1978

Secretary Schlesinger

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

Rick Hutcheson

cc: The Vice President
Stu Eizenstat
Hamilton Jordan
Frank Moore
Jody Powell
Jack Watson
Anne Wexler
Jim McIntyre
Charlie Schultze

CRUDE OIL EQUALIZATION TAX AND PRODUCER
INCENTIVES

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

*note to SE only -
pls notify
Treasury*

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

/	VICE PRESIDENT
/	EIZENSTAT
/	JORDAN
	KRAFT
	LIPSHUTZ
/	MOORE
/	POWELL
/	WATSON
/	WEXLER
	BRZEZINSKI
/	MCINTYRE
/	SCHULTZE

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

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



Department of Energy
Washington, D.C. 20585

May 1, 1978

*Jim ok
J
Can't we wait until
Nat gas is tied
down?*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM SCHLESINGER *JS*

SUBJECT

Crude Oil Equalization Tax and
Producer Incentives

In January you approved an oil pricing formula designed to increase oil prices to the current legal composite price (which permits the average annual price of domestic oil to accelerate at 10% per year) through a series of initiatives that included a more liberal definition of new oil eligible for the world price, higher prices for the production of old oil, and higher prices for production from marginal wells.

With two basic changes to the proposal discussed last January, it is the consensus of several industry spokesmen and Congressmen Ashley and Ullman with whom I have recently been meeting that a major breakthrough in the support for COET can be made. The changes are:

- Allowing lower tier as well as upper tier production (above the decline rate) to rise to today's world price plus inflation instead of just to the upper tier price;
- Creating a special 1.2% per month decline rate for secondary recovery to stimulate this kind of cost-effective supply enhancement. (Primary production would receive a 1% per month decline rate.)

Between now and October 1981 these changes would produce very little new revenues for producers in excess of the proposal you approved in January. The major difference created by these two changes occurs in the 1981-1985 timeframe, when producer revenues would be \$10 billion higher than the January proposal. This equates to slightly more than \$1 billion per year out of cumulative (1978-1985) producer revenues of \$314 billion. Nevertheless, this addition is likely to be characterized by the liberals as a substantial move toward producer interests.

page two

In assessing this proposal, you should remember that existing authority to control oil prices expires in 1981 as does the House COET proposal. Any discussion of producer or COET revenues beyond 1981 is speculative since new legislation would be required both for oil price controls and for continuation of COET. Therefore, the differences in the certain costs between the January proposal and this new one are very small.

The new proposal is depicted against the original National Energy Plan, the January proposal, and immediate decontrol in the attached chart.

The difference between the new proposal and the January proposal is small compared to total revenues. Both provide the consumer with a substantial degree of protection when compared with immediate deregulation.

The escalation on an accelerated decline curve to the world price, even through October of 1981, is a powerful incentive to producers that is likely to produce substantial activity on their part on behalf of COET. If COET is not enacted, they will not receive this benefit. If enacted beyond 1981, this pricing proposal would phase out controls several years earlier than would the formula used in the existing law (1986 instead of 1988).

From the consumer point of view, the increase over the mandatory pricing limits imposed by current law (the Energy Policy and Conservation Act, enacted in 1975 and extending through 1981) is minimal. It should be noted, however, that the original NEP did not permit producers to receive the full 10% per year increase allowable under EPCA. This resulted in higher COET receipts and higher consumer rebates. If this new proposal is adopted, you should know that we may have to rethink our earlier positions on disposition of COET revenues (e.g., the trust fund).

Recommendation

I believe this is our best chance for securing the votes for COET. Congressmen Ashley and Ullman and Senator Long hope to convene a final meeting with producers at the earliest possible time this week. At that meeting the details of this proposal would be presented. Unless you have objections, I would hope to indicate our commitment to proceed with such a proposal conditioned on enactment of COET.

| This proposal has been discussed with staff of Treasury, OMB, CEA, and DPS. They concur in this approach.

COMPARISON OF PROPOSALS -- PRODUCER REVENUES AND COET REVENUES
(Billions of 1978 Dollars)

	Producer Revenues 1978-81	Net COET+ Revenues 1978-81	Producer Revenues 1978-85	Net COET+ Revenues 1978-85	Increase in income tax receipts over NEP --1978-85
April NEP	128	26	287	55	0
January Proposal	133	20*	304	41	6
New Proposal	133	20*	314	32	8
Immediate Deregu- lation	176	0	381	0	Not available

+ These estimates of COET revenues differ from others you have seen because they are calculated in constant 1978 dollars rather than current dollars.

* The actual \$300 million differential is lost due to rounding.

ID 782299

T H E W H I T E H O U S E

WASHINGTON

DATE: 02 MAY 78

FOR ACTION:

INFO ONLY:	THE VICE PRESIDENT	STU EIZENSTAT
	HAMILTON JORDAN	FRANK MOORE (LES FRANCIS)
	ANNE WEXLER	JIM MCINTYRE
	CHARLIE SCHULTZE	

SUBJECT: SCHLESINGER MEMO RE CRUDE OIL EQUALIZATION TAX AND
PRODUCER INCENTIVES

+++++

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

+ BY: +

+++++

ACTION REQUESTED:

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

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

Date: May 2, 1978

MEMORANDUM

FOR ACTION:

FOR INFORMATION:

Secretary Blumenthal

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Schlesinger memo re Crude Oil Equalization Tax
and Producer Incentives

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME:

DAY:

DATE:

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

ID 782295

T H E W H I T E H O U S E

DF

WASHINGTON

DATE: 04 MAY 78

FOR ACTION: ✓STU EIZENSTAT

✓HAMILTON JORDAN

✓FRANK MOORE (LES FRANCIS)

✓JIM MCINTYRE

✓CHARLIE SCHULTZE

INFO ONLY: THE VICE PRESIDENT

JODY POWELL

ANNE WEXLER

SUBJECT: SCHLESINGER MEMO RE SUMMARY OF MEMORANDUM ON CRUDE OIL
EQUALIZATION TAX AND PRODUCER INCENTIVES

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM WEDNESDAY 03 MAY 78 +

ACTION REQUESTED:

STAFF RESPONSE: () 1 CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

*Bill
call around -
This memo
withdrawn +
replaced*

*Memo was replaced
by 782299*

THE WHITE HOUSE

WASHINGTON

Date: May 1, 1978

MEMORANDUM

FOR ACTION:

Secretary Blumenthal

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Schlesinger memo re Summary of Memo on Crude Oil
Equalization Tax and Producer Incentives

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 Noon

DAY: Wednesday

DATE: May 3, 1978

ACTION REQUESTED:

Other: Your comments

STAFF RESPONSE:

I concur. No comment.
Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



Department of Energy
Washington, D.C. 20585

May 1, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM SCHLESINGER 

SUBJECT:

Summary of Memorandum on Crude Oil
Equalization Tax and Producer Incentives

In December you approved an oil pricing formula designed to increase oil prices to the current legal composite price (accelerating at a 10% annual rate) through a series of initiatives that included a more liberal definition of new oil eligible for the world price, higher prices for the production of old oil, and higher prices for production from marginal wells.

With two basic changes to the proposal discussed last January, it is the consensus of several industry spokesmen and Congressmen Ashley and Ullman with whom I have recently been meeting that a major breakthrough in the support for COET can be made. The changes are:

- Allowing lower tier and upper tier production above the decline rate to rise to today's world price plus inflation instead of the upper tier price;
- Creating a separate 1.2 percent per month decline rate for secondary recovery to stimulate this kind of cost effective supply enhancement.

Between now and October 1981 these changes would produce very little new revenues for producers in excess of the 10 percent trajectory. Between now and 1985, assuming an extension of the 10 percent control scheme beyond 1981, these changes would result in total producer revenues of approximately \$10 billion in excess of the 10 percent line or slightly more than \$1 billion per year out of total producer revenues between now and 1985 of \$314 billion.

To put these two additional changes to the December proposal in perspective, the following chart indicates the total producer revenues from April 20, 1977 through October of 1981 and 1985 for the original NEP, the December proposal, this new proposal, deregulation in 1981 and immediate deregulation.

Composite Producer Revenues
(Billions of 1978 Dollars)

	<u>Total Revenues</u> <u>Through October 1981</u>	<u>Total Revenues</u> <u>Through 1985</u>
NEP	128	287
December	133	304
New Proposal	133	314
Oct '81 deregulation	-	332
Immediate Deregulation	176	381

It is clear that the difference between the new proposal and the December proposal is small compared to total revenues, and that both provide the consumer with a substantial degree of protection when compared with either immediate deregulation or deregulation in 1981.

The escalation on an accelerated decline curve to the world price, even through October of 1981, is a powerful incentive to producers that is likely to produce substantial activity on their part on behalf of COET. If COET is not enacted, they will not receive this benefit. If enacted beyond 1981, this pricing proposal would phase out controls several years earlier than the existing program (1986 instead of 1988).

From the consumer point of view, we do not materially exceed the mandatory pricing limits imposed in the early years of the Energy Policy and Conservation Act (enacted in December of 1975) for the full life of that Act through October of 1981.

Recommendation

I believe this is our best chance for securing the votes for COET. Congressmen Ashley and Ullman and Senator Long hope to convene a final meeting with producers at the earliest possible time this week. At that meeting the details of this proposal would be presented. Unless you have objections, I would hope to indicate our commitment to proceed with such a proposal conditioned on the enactment of COET.

Attached you will find a more detailed memorandum describing the incentives and their impact on producer revenues.



Department of Energy
Washington, D.C. 20585

May 1, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: JIM SCHLESINGER 
SUBJECT: Crude Oil Equalization Tax and Producer
Incentives

This memorandum provides an assessment of the oil pricing package that may be required to enact COET.

Background

Based on several recent meetings called by Congressmen Ullman and Ashley to meet with groups of independent producers, it now appears possible to structure an oil incentive program similar to the one described to you in January that will enlist the active support of producers and in turn producer state Democrats and Republicans on behalf of COET.

In December you approved an oil pricing formula designed to increase oil prices to the current legal composite price (accelerating at a 10% annual rate) through a series of initiatives that included:

- Making newly discovered oil immediately eligible for the world price;
- Higher prices through an accelerated decline curve for production from old wells;
 - o the normal decline rate of 7.5% per month (declining balance) for lower tier production would be raised to 1.0% per month (linear);
 - o any production above that level of decline would be allowed to move from the lower, old oil price tier to the upper, newer oil price tier;

- Higher prices for production from marginal wells;
 - o The specifics of this were left indefinite;
 - o A sliding scale approach that allowed a higher per day volume for stripper wells depending on depth was considered;
- A new base period for measuring decline rates and a fresh start on the calculation of producer decline curves.

You may recall that the Energy Policy and Conservation Act of 1975 authorizes you to increase the national composite oil price by up to 10 percent annually through May of 1979. You have the discretionary authority to extend price controls and establish any reasonable level, unconstrained by the composite, through October 1, 1981.

The original National Energy Plan contemplated an extension of controls through October of 1981 that would have resulted in producer revenues of \$5 billion below the 10 percent line extended to that date, but \$5.8 billion above the then existing levels increased only for inflation. Last June, when it became apparent that the Energy bill was experiencing difficulties, none of the pricing incentives proposed in the Plan were administratively implemented. That has resulted in the accumulation of a \$1.5 billion revenue gap between the 10 percent line and actual producer revenues to date.

With Congressman Corman and Rangel tying settlement of the natural gas compromise to COET, it becomes increasingly important to determine exactly where we stand on COET as soon as possible. In the past, Congressmen Ullman and Ashley have repeatedly urged us not to come forward with our bottom-line proposal. They now feel the time has come to make our final proposal in the effort to see if there are enough votes for COET. Senator Long has assumed a wait and see attitude concerning the effect of any incentive program on industry support.

Proposal

With two basic changes to the proposal discussed last January, it is the consensus of several industry spokesmen and Congressmen Ashley and Ullman that a major breakthrough in the support for COET can be made.

The changes are:

- Allowing lower tier and upper tier production above the decline rate to rise to today's world price plus inflation instead of the upper tier price;
- Creating a separate 1.2 percent per month decline rate for secondary recovery to stimulate this kind of cost effective supply enhancement.

Between now and October 1981 these changes would produce very little new revenues for producers in excess of the 10 percent trajectory. The total excess in October of 1981 is approximately \$300 million (constant 1978 dollars), including a credit for the \$1.5 billion in accumulated deficiencies that now exist.

Between now and 1985, assuming an extension of the 10 percent control scheme beyond 1981, these changes would result in total producer revenues of approximately \$10 billion in excess of the 10 percent line or slightly more than \$1 billion per year out of total producer revenues between now and 1985 of \$314 billion. Revenues produced by COET (if it is extended beyond 1981) would be reduced by a similar amount. It is important to note that once COET is in place, any changes in the decline rate result in a trade-off between producer and treasury revenues, but have no direct price effect on consumers.

From our point of view we have little to lose from discussing such proposals because the industry understands that a positive administration attitude on all aspects of any such Administrative package requires passage of COET.

To put these two additional changes to the December proposal in perspective, the following chart indicates the total producer revenues from April 20, 1977 through October of 1981 and 1985 for the original NEP, the December proposal, this new proposal, deregulation in 1981 and immediate deregulation.

Composite Producer Revenues
(Billions of 1978 Dollars)

	<u>Total Revenues</u> <u>Through October 1981</u>	<u>Total Revenues</u> <u>Through 1985</u>
NEP	128	287
December	133	304
New Proposal	133	314
Oct '81 deregulation	-	332
Immediate Deregulation	176	381

It is clear that the difference between the new proposal and the December proposal is small compared to total revenues, and that both provide the consumer with a substantial degree of protection when compared with either immediate deregulation or deregulation in 1981.

Assessment

From our point of view, the difference between proposals is actually smaller than the 1985 numbers indicate because current controls and COET only extend until October 1981. If COET and this control scheme are extended through 1985 in some future legislation, the producers can be told that secondary recovery would be de-controlled by 1984 and primary recovery by the beginning of 1986. The producers, however, are not committing to extending controls beyond 1981. Likewise, we cannot commit to the exact nature of post-1981 controls under a law that does not yet exist. Since all parties are reserving their rights beyond October of 1981, the only certain cost of this proposal over the January option is the very slight increase above the 10 percent trajectory discussed earlier.

The producer's, nonetheless, find this proposal attractive because it means that they will be that much closer to the world price in 1981, making it easier to fight for a less oppressive control mechanism, or elimination of controls, at that time. From their point of view, the alternative of import fees without a decline curve that allows prices to rise to the world price is far worse, whether it is applicable to the period between now and 1981 or 1985.

From the consumer perspective, we can legitimately argue that this proposal does not materially exceed the legally contemplated composite through October 1981. This is true even though there is no obligation on our part to extend the composite beyond May of 1979. After October of 1981, the question of whether there will be controls and what they will look like is as hypothetical as the revenues that might accrue to producers from an extension of the system through 1985, or the reduction in revenues that could result from enactment of a stricter control program.

Conclusion

The escalation on an accelerated decline curve to the world price, even through October of 1981, is a powerful incentive to producers that is likely to produce substantial activity on their part on behalf of COET. If COET is not enacted, they will not receive this benefit. If enacted beyond 1981, this pricing proposal would phase out controls several years earlier than the existing program (1986 instead of 1988).

The chances of extending the program beyond 1981 is highly dependent on the world price of oil. If the world price of oil increases in real terms as we expect, the extension of price controls and COET beyond 1981 should not be difficult.

From the consumer point of view, we do not materially exceed the mandatory pricing limits imposed in the early years of the Energy Policy and Conservation Act (enacted in December of 1975) for the full life of that Act through October of 1981.

Recommendation

I believe this is our best chance for moving the natural gas discussions forward by showing progress on COET and finally

securing the votes for COET. Congressmen Ashley and Ullman and Senator Long hope to convene a final meeting with producers at the earliest possible time this week. At that meeting the details of this proposal would be presented. Unless you have objections, I would hope to indicate our commitment to proceed with such a proposal conditioned on the enactment of COET.

Attached you will find a detailed description of the incentives in the proposal and their impact on producer revenues.

A CRUDE OIL PRICING OPTION

Increased Revenues
Above Current Policy
(billions of 1978 dollars)

	<u>1978-1981</u> (9 mo. 1981)	<u>1978-1985</u>
1. Include oil from reservoirs discovered after April 20, 1977, as new oil	.2	.4
2. Increase New Oil to the World Price Immediately	.2	.2
3. Provide Fresh Start on Decline Curve. Accumulated Deficiencies would be eliminated.	.2	.4
4. Allow lower-tier marginal wells to receive the upper-tier price. A marginal well would be defined as a well producing the following volume of oil in relation to completion depth.	1.3	3.6

<u>Depth</u>	<u>Production</u>
0-2000 ft	12BD
2-4000 ft	14BD
4-6000 ft	16 BD
6-8000 ft	18 BD
over 8000 ft	20 BD

5. Decline Rates. Separate imputed decline rates would be established for primary recovery and oil from reservoirs subject to secondary recovery methods such as waterflood and gas reinjection. For primary recovery, the imputed linear decline rate would be 1.0 percent decline per month. For secondary recovery, the imputed linear decline rate would be 1.2 percent per month.

All upper-tier and lower tier production above the imputed decline levels would be released to the world price.

	<u>1978-1981</u> (9 mo. 1981)	<u>1978-1985</u>
Secondary recovery would be completely phased to the world price by August, 1984. Primary recovery would be completely phased to the world price by January, 1986.	<u>5.1</u>	<u>27.6</u>
<u>Total Producer Revenues in Excess of the Current Price Freeze</u>	6.8	32.2
Revenues generated by Increasing Prices to the 10% Composite Price Line	<u>-6.5</u>	<u>-22.3</u>
<u>Producer Revenues Under this Proposal above the 10% Composite Price Line</u>	.3	9.9

THE WHITE HOUSE

WASHINGTON

May 1, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: HAMILTON JORDAN *HJ.*
SUBJECT: Meeting with Time Newstour Group
DATE: Tuesday, May 2, 1978
TIME: 11:35 am
LOCATION: Cabinet Room

I. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

Time, Inc. organized a visit by a group of 32 national business and other leaders to Africa and the Middle East between March 16 and April 1. (Someone estimated that between 10 and 15 percent of the United States GNP was represented on the plane.)

The Group visited South Africa, Rhodesia, Tanzania, Saudia Arabia, Jordan, Israel and Egypt. In each country they saw the foremost Governmental leaders as well as the leaders of the opposition groups. Thus in South Africa they met with Prime Minister Vorster and his Cabinet officers as well as the black and other leaders in opposition; in Rhodesia they met with Ian Smith, Bishop Muzorewa, Sithole and Chirau -- the four members of the new Council -- as well as with the representatives of the Patriotic Front; and in Tanzania they met with President Nyerere.

In the Middle East they had meetings with Crown Prince Fahd of Saudia Arabia; King Hussein of Jordan; Prime Minister Begin and Messrs. Weizman, Dayan and Peres in Israel; and President Sadat in Egypt. They also had a session with Palestinian and PLO groups in Jordan.

NOTE: THIS GROUP IS READY AND WILLING TO LOBBY THE HILL ON THE ARMS PACKAGE. THAT IS THE REASON WE SET THIS UP. AFTER THEY GIVE THEIR ANALYSIS OF THE IMPORTANCE OF THE ARMS SALE, YOU SHOULD ASK THEM TO VISIT THE HILL BEFORE THEY LEAVE TOWN TO MAKE THEIR VIEWS KNOWN TO THE CONGRESS.

Sol Linowitz accompanied the group and offered the following observations based on his conversations with other members of the tour.

1. South Africa: Virtually everyone in the Group was troubled by the intense racism and explosive potential. All were impressed by the fact that every black leader with whom we met encouraged American business to remain in South Africa. A number of members of the Group feel that pressure by the United States on South Africa in connection with human rights has been counterproductive.

2. Rhodesia: Members of the Group believe that significant progress was made in Rhodesia in the new internal arrangement and are convinced that Rhodesia is ready to move to black rule pursuant to elections to be held under international auspices. We were told that a seat in the Council is available to Nkomo if he wants to occupy it. The Group feels that the United States has not been sufficiently supportive of the internal arrangements and believes that there is a real opportunity to broaden and strengthen the internal Council. A number of members of the Group feel that the United States is complicating the situation by insisting on the Anglo-American Plan.

3. Tanzania: While he was probably the most eloquent leader with whom we met, various members of the Group were disturbed by Nyerere's rhetoric, both about Rhodesia and about the acceptability of violence if circumstances require it.

4. Middle East: Although the Group returned with a mixed reaction as to the prospects for peace, most are quite optimistic. There is general concern about Begin's apparent inflexibility, but all were much taken with Weizman's approach and encouraged by the position of the Labor Party as enunciated by Peres. All believe that the United States should sell the F-15's to Saudia Arabia with proper limitations as to use and station. All members of the group feel that the United States should be firm in pressing the parties toward peace.

B. Participants:

Phil Wise will have for your review a list of the participants later today.

C. Press Plan:

There will be a photo opportunity for the White House press pool when you enter the meeting.

III. TALKING POINTS

- You might open the meeting by saying you know the Group has had a remarkable opportunity to visit seven countries in two of the most critical areas of the world and to talk with the leaders who will not only decide the future course for their own nations, but possibly the future of peace. You might then say that you are eager to have their observations and reflections, but would like to comment for a moment first on the role of the United States in all this.

- You might then say that in each of these areas the United States has real national interests and in each it has a significant role to play. That role must be tailored to meet the particular problems in the light of the particular situation which exists.

- In Rhodesia, for example, the United States joined with the United Kingdom in launching the Anglo-American Plan. It is likely that if there had been no Anglo-American Plan, there probably would have been no internal rearrangement of the Council by Ian Smith. Now that that step has been taken, it is important to decide how we might best help to broaden the base and to insure the involvement of other groups -- such as the Patriotic Front -- which can play a constructive part if they are involved and a destructive part if they are not. Secretary Vance has just been to Rhodesia to look into all of this, to examine the prospects, and to help us determine the right approach for the United States.

- In the Middle East we are at a critical moment. The Sadat initiative opened up an extraordinary opportunity -- and probably raised expectations too high too soon. The fact is that progress has been made and is being made in resolving the issues. A number of difficult problems still remain and our objective is to find ways to bring the parties together and to overcome their mutual fear, insecurity and suspicion. The United States is committed to do what it can because it believes this is a chance for peace which must not be lost.

- After these opening comments, you might then ask the Group for their impressions and reactions to their visit.

PARTICIPANTS

LIST OF ATTENDEES
TIME NEWSTOUR GROUP

ROBERT ANDERSON

President, Chief Executive Officer
Rockwell International
Pittsburgh, Pennsylvania

GEORGE W. BALL

Senior Managing Director
Lehman Brothers/Kuhn-Loeb, Incorporated
New York, New York

LOUIS L. BANKS

Adjunct Professor of Management
Massachusetts Institute of Technology
Cambridge, Massachusetts

PHILIP E. BEEKMAN

President
The Seagram Company, Ltd.
New York, New York

JAMES F. BERE

Chairman, Chief Executive Officer
Borg-Warner Corporation
Chicago, Illinois

REGINALD BRACK

Associate Producer
Time Magazine

THEODORE F. BROPHY

Chairman, Chief Executive Officer
General Telephone and Electronics Corp.
Stamford, Connecticut

PHILIP CADLWELL

Vice Chairman of the Board
Ford Motor Company
Dearborn, Michigan

RALPH P. DAVIDSON

Vice President and Publisher
Time, Inc. (Time Magazine)

MICHAEL D. DINGMAN

Chairman, President, Chief Executive Officer
Wheelabrator-Frye, Inc.
Hampton, New Hampshire

EDWIN D. DODD

Chairman, Chief Executive Officer
Owens-Illinois, Inc.
Toledo, Ohio

RICHARD L. DUNCAN

Deputy Chief of Correspondents
Time-Life News Service

DONALD N. FREY

Chairman, President, Chief Executive Officer
Bell & Howell Company
Chicago, Illinois

W. H. KROME GEORGE

Chairman, Chief Executive Officer
Aluminum Company of America
Pittsburgh, Pennsylvania

ANDREW HEISKELL

Chairman, Chief Executive Officer
Time, Inc.
New York, New York

WILLIAM A. HEWITT

Chairman, Chief Executive Officer
Deere and Co.
Moline, Illinois

MATINA S. HORNER

President
Radcliffe College
Cambridge, Massachusetts

ARTHUR W. KEYLOR

Group Vice President - Magazines
Time, Inc.
New York, New York

ROBERT E. KIRBY

Chairman, Chief Executive Officer
Westinghouse Electric Corporation
Pittsburgh, Pennsylvania

STEPHEN S. LaRUE
Asisstant Publisher
Time Magazine

SOL LINOWITZ

ROBERT H. MALOTT
Chairman, Chief Executive Officer
FMC Corporation
Chicago, Illinois

C. E. MEYER, JR.
President
Trans World Airlines, Inc.
New York, New York

FRANK PACE, JR.
President, Chief Executive Officer
International Executive Service Corporations
New York, New York

JAMES R. SHEPLEY
President, Chief Operating Officer
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