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To Cy & Zbig

Senator Javits wants to put together a group to enhance our relations with Mexico - says he can do it but needs our support. Cy let Javits have an answer this week. I promised him -

J. C.

The Grier Partnership

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HIGH FUEL OIL PRICES:

THE IMPACT ON
LOW-INCOME HOUSEHOLDS

Eunice S. Grier

George Grier

A Report to
The U. S. Community Services Administration

August 1978

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EXECUTIVE SUMMARY

The U.S. Community Services Administration (CSA) commissioned this report because of its concern over the impact of rising fuel oil prices on low-income households. To estimate heating oil expenditures for the winter of 1977-1978, we updated results from the 1975 WCMS National Survey of Household Energy Use using federally-compiled data. The 1975 survey results were also used to prepare a profile of low-income fuel oil users and their housing. These statistics were supplemented by information obtained from Community Action and related programs in several localities.

For this report, low-income households are defined as those with incomes at or below 125 percent of the federal poverty limits, which are set according to number of persons. These are the households eligible for assistance under CSA programs.

Conclusions

1. The average low-income household which heated with fuel oil and paid its own oil bills spent an estimated \$530 for that fuel alone during the 1977-1978 heating season. This was 41 percent more than it paid in 1974-1975.
2. This estimated expenditure takes into account not only increased prices for oil, but also general climatic changes between the two winters. It also makes an allowance for conservation and

for savings in fuel costs through weatherization.

3. Rising oil prices are the largest single factor in the increase, contributing twice as much as the colder weather. The five coldest months of 1977-1978 were 14.3 percent colder than in 1974-1975, but oil prices were 29.6 percent higher.

4. Fuel oil users are concentrated in the Northeast. About half of them reside in that region, which consists of the New England states plus New York, New Jersey and Pennsylvania. Winters there are considerably colder than the U. S. average. Oil prices are higher as well. We estimate that the average low-income household in the Northeast paid \$693 for oil last winter. This was 31 percent more than its counterpart in the nation as a whole.

5. Low-income fuel oil users in the Northeast pay more not only because of where they live, but also because of the kind of housing available to them there. Nearly three-fifths of their homes were built before 1940. Often these older houses lack adequate insulation. Many are drafty, with frequent cracks through which cold air can infiltrate. Their heating plants, converted from coal in many cases, tend to be poorly-maintained and inefficient.

6. Total energy costs for oil-using households are considerably higher than their expenditures for oil alone. We estimate that the average household heating with oil, and using gas and electricity in addition, paid a combined total of \$1,003 for the three fuels in 1977-1978. The average low-income household paid \$831.

7. Energy expenses now consume sizeable proportions of the financial resources of low-income households. While total money incomes (if not real purchasing power) have been rising rapidly for most U.S. households, nearly 14 million households are still at the low-income level. Based on the latest available Census Bureau data (for 1976), we estimate that the mean income of these households was less than \$3,500 at that time. By the 1977-1978 heating season, the average low-income household received an estimated income of \$3,850 or less.

8. For this average household heating with oil, the \$831 total cost of home fuels was more than one-fifth of its before-tax income. Of course, many low-income households, especially among the elderly, receive less than the average. For many of these households, the burden was even greater.

9. These are national figures, and households in the cold northern sections of the nation face much higher costs. In Milwaukee, an analysis of last winter's applicants for emergency energy assistance showed that those between 101 and 125 percent of poverty income levels who heated with oil paid 32.4 percent of their incomes for all home fuels. Those at or under poverty levels paid almost half, or 45.7 percent. If we add to these percentages mortgage payments and taxes or rent, it is easy to see how total shelter costs can add up to 80 or 90 percent of some households' annual income.

10. Heating fuel expenses, unlike most other living costs, peak sharply during certain months of the year. Hence the annual expenditure figures, large as they are, do not fully reflect the impact on low-income families with their very limited budget flexibility. During 1977-1978, nearly three-fifths of the total heating degree days (and hence heating costs) nationally were accumulated during only three months--December, January, and February.

11. "Budget" plans are designed to smooth these peaks. But many low-income households cannot meet the credit requirements for these plans. In our field interviews, we were told that many had recently lost their budget plan eligibility because they had been unable to maintain regular payments in the face of sharply higher prices.

12. More than one-third of all low-income fuel oil users are elderly, most of them on fixed incomes. For these people, the rapid rise in fuel oil prices has been especially terrifying. Poverty field workers have told us of elderly householders who had sold their furniture to meet oil bills.

13. Many low-income fuel oil users are saddled with extra costs that are not reflected in the averages. Many can afford to buy their oil only in small quantities, for which premium prices are often charged. Unless they are on "automatic delivery" plans for which many do not qualify, they must keep track of the oil level in the tank and call well ahead for a refill. If they should mis-

judge or forget and the oil runs too low, an extra charge will be exacted for an "emergency" delivery. If it runs completely out and the burner shuts down, they must usually pay to have it restarted. Depending on the area and the dealer, this can cost from six to ten dollars and sometimes more.

14. To some extent the problems which low-income households encounter today with rising fuel oil prices are in the social and economic arenas. But to a considerable degree they are physical in origin. About half of low-income fuel oil users pay a premium simply for living in the Northeast. A majority of them nationally-- and about three-fifths in the Northeast--are penalized because they live in old buildings.

15. Weatherization programs have begun to attack some of these problems. But up to this point only an estimated 3.5 percent of homes in need of treatment have received it, with a resulting aggregate saving of roughly one percent in low-income households' heat energy consumption.

16. Weatherization does not offer either a quick or cheap "fix." Minimal weatherization produces moderate expenditure savings, which can easily be wiped out in a couple of years or less by continuing oil price increases at recent rates.

Optimal weatherization has been recommended by CSA, based on National Bureau of Standards' studies which indicate that it can achieve energy savings of more than 60 percent. However, optimal weatherization is not inexpensive. Materials costs alone can average \$800 per house. Labor, if supplied by CETA workers, can be

relatively low-cost. But CETA workers are largely untrained and require expert supervision.

Since skilled supervisors are not in unlimited supply, their availability limits the amount that can be done in any one year. A CSA official has estimated that the program could probably be stepped up to a \$400 million annual rate in materials costs, which could weatherize 500,000 low-income homes per year to optimal levels. At this rate it would take about two decades to complete the program.

17. While the demand for heating oil is undoubtedly price-elastic to some degree, the normal economic mechanisms of the market cannot be counted upon to produce a smooth adjustment without great hardship to many. Heat is a basic life essential. Oil prices have been rising very rapidly. Most oil-using households, particularly at low-income levels, have no ready or affordable alternative at hand.

Between the 1973 and 1975 National Surveys of Household Energy Use, when gas prices were also rising rapidly, low-income households reduced their natural gas consumption by only about five percent. About half reported that they were already keeping their thermostats below 70 degrees in 1975, and most were taking other steps to conserve as well. It is important to remember that the more than one-third of low-income fuel oil users who are elderly have even less adaptability to traumatic changes of this kind than do other households.

18. Emergency energy assistance, while it serves an important function and may even save lives, is purely a stopgap measure. It does not meet the primary problem, which is a budgetary one. If oil prices continue to rise, it is predictable that more and more emergency funds will be needed every year. Low-income households will continue to face annual winter crises nonetheless, and many whose need is real and urgent will not be served.

19. Hence it is our considered conclusion that price controls-- whatever their limitations and disadvantages--may be the only measure that is capable of mitigating the economic pressure of oil price increases while other and better solutions can be readied and put in place.

I. INTRODUCTION

This report has been commissioned by the U.S. Community Services Administration because of its concern with rising fuel oil prices and their impact on low-income American households.

Since 1967, the consumer price index of residential heating oil for American households has nearly tripled, compared to an increase of less than double in the index for all items combined. Most of this rise has occurred since 1973. From a relatively moderate 18½ cents per gallon at the beginning of this decade, the price of oil now averages close to 50 cents and shows every sign of rising still further.

It is the rare American family today which can remain unaware of the erosion in its budget as a result of the increasing cost of energy for the home. For those already pinched by low and fixed incomes, the awareness has been sharp and the impact often devastating.

Several special programs have recently tried to soften the blow of higher energy costs for low-income households. Under the auspices of the Community Services Administration and more recently the U.S. Department of Energy, more than 350,000 homes occupied by low-income Americans have been "weatherized" since 1973--i.e., steps taken to decrease air infiltration and cut down on heat loss. During the two winters just past, special financial assistance was

made available from federal funds for poor families whose source of heating fuel had been cut off or who were in danger of cutoffs because of unpaid bills.

Families who use oil for space heating as well as those who utilize other fuels such as gas, coal or electricity have all participated in these programs. Yet a basic problem remains unresolved for many of them--fuel bills too large for the size of their pocketbooks.

This report examines the impact of recent increases in expenditures for fuel oil on low-income households. As of 1975, oil was the primary fuel source for home heating for more than 2.4 million American households with incomes low enough to put them at or below 125 percent of the federal poverty standards. Over half of these households lived in the Northeast region of the country which is largely dependent on imports for its oil supplies. This region includes the six New England states as well as the Middle Atlantic states of New York, New Jersey, and Pennsylvania.

The report draws upon a number of sources of information about fuel oil use and low-income people. The primary data source is the 1975 National Survey of Household Energy Use conducted under the auspices of the Washington Center for Metropolitan Studies and funded by the Federal Energy Administration (now the U.S. Department of Energy). The 1975 survey was directed by one of the authors of this report. It was the second such survey, the first having been undertaken in 1973 at the Washington Center under the direction of Dr. Dorothy Newman. In addition to gathering information on

consumption and costs of major household fuels, the survey also obtained a large variety of data on the characteristics, attitudes, and practices of the households in the sample.

The cost figures reported for the 1974-1975 heating season have been updated to the most recent winter through estimating procedures based on various federal data files. Chief among these were time series of fuel price data compiled by the U.S. Department of Energy's Energy Information Administration, and population-weighted heating degree data supplied by the National Climatic Center of the National Oceanographic and Atmospheric Administration.

To supplement the numbers and to lend a much-needed element of human experience and understanding to their interpretation, the study also drew upon information and insights available from the Energy Office of the U.S. Community Services Administration and from several local Community Action Agencies and related state offices concerned with energy policy. All of these agencies are in close contact with low-income households as a result of their operation of programs for home weatherization and emergency energy assistance.

The information was obtained through field visits, by mail, and by telephone. In addition to CSA, the following agencies furnished information: Cranston Community Action Program Committee, Inc., Cranston, Rhode Island; Community Relations-Social Development Commission in Milwaukee County, Milwaukee, Wisconsin; Community Action Program in Lancaster County, Department of Public Welfare, and Office of Aging, Lancaster, Pennsylvania; Southeast-

ern Vermont Community Action, Inc., Bellows Falls, Vermont; Schenectady Community Action Program, Inc., Schenectady, New York; Cambridge Economic Opportunity Program, Cambridge, Massachusetts; State of Maine Division of Community Services, Augusta, Maine; and State of New Jersey Department of Community Affairs.

II. FUEL OIL EXPENDITURES

Our procedures for estimating average residential fuel oil expenditures for the 1977-1978 heating season were quite simple and straightforward. The problem at hand did not seem to justify very complex mathematical procedures. While the resulting estimates are necessarily approximate, we feel that they are adequate to provide sound guidelines for policy.

We had available data on fuel oil expenditures reported by households for the 1974-1975 heating season in the 1975 WCMS Household Energy Survey. We updated these to 1977-1978 by applying data from federal sources which reflected differences between the two seasons in the major factors related to levels of heating oil expenditures. After doing this, we made a further adjustment for the assumed effects of conservation and weatherization efforts undertaken in response to increased prices. This adjustment was based in part on survey data.

The Survey Data Base

Our principal source of statistical data was the 1975 National Survey of Household Energy Use. It was conducted under the direction of the principal author of this report at the Washington Center for Metropolitan Studies (WCMS). This survey provided the base data on fuel oil expenditures in the

1974-1975 heating season. These expenditures were updated to 1977-1978 as described later in this chapter. The survey also provided most of the data on characteristics of low-income fuel oil users which are presented in Chapter III.

The 1975 Household Energy Survey, supported by the Federal Energy Administration, was the second such survey to be undertaken by the Washington Center. The first was made in 1973 under the sponsorship of the Ford Foundation. In combination, these two surveys (the first pre-embargo and the second post-embargo) provide the most comprehensive set of data yet assembled on the energy use and energy-relevant characteristics and behavior of American households.

One-hour interviews obtained a wide variety of data on the housing units sampled, their human occupants, and their energy-consuming or energy-conserving attributes and behavior. Data on consumption and expenditures for electricity and natural gas were provided by the utilities supplying these households from their billing records. Fuel oil expenditures were reported directly by the households.

The expenditure data obtained by the 1975 WCMS survey are representative of those households who pay their own fuel bills, and are thus in a position to know their fuel costs. The data do not apply to households whose fuel costs are included in their rents. These households are mainly renters, tenants of larger

apartment buildings with master meters. Such households may have somewhat different fuel costs from those reported in this study. However, these costs are quite difficult to estimate. While they will eventually be reflected in rents, they may be distorted over the short term by the requirements of leases, rent control legislation, and other factors.

All survey data are subject to errors of sampling and response. In order to assess the accuracy of the data reported in the WCMS Household Energy Surveys, a number of cross-checks were made against independent data sources. The results of some of these checks are presented in an Appendix to this report.

Factors Contributing to Changes in Fuel Oil Expenditures

Over a period of time longer than a few years, many factors could operate to cause fairly substantial changes in expenditures for home heating fuels. Homes and apartments are constantly being built, torn down, and altered. Over time, their characteristics will respond increasingly to the new energy awareness. Their occupant households also change and move. Under the pressure of changing economic conditions and lifestyles, budgetary patterns are altered. Technological advances also have their effect. All these factors and more can change expenditures even for basic necessities to a marked extent over the long run. But during the time span of three years with which we are concerned here, their effects can be expected to be minimal.

However, two main factors have combined to make residential oil heating expenditures rise considerably between the heating seasons of 1974-1975 and 1977-1978. They are changes in the weather and changes in heating oil prices. In response to these changes, on which we have good data, households can be assumed to have changed their energy-using practices somewhat. (This is referred to in economic terms as price elasticity of demand.) While data of comparable quality are unavailable on this third factor, we are in a position to make certain assumptions as to its effect based on data from the 1973 and 1975 WCMS Energy Surveys.

As to weather and prices:

- The 1977-1978 heating season was considerably colder than the season of 1974-1975. If the entire period July through June is considered, 1977-1978 was nine percent colder. But if only the five coldest months (November through March) are compared, the difference increases to 14 percent.
- Retail prices for residential heating oil rose sharply. For the five coldest months of 1974-1975, the national average price was 37.2¢ per gallon. For the November-March period of 1977-1978 it was 48.2¢, an increase of 29.6 percent in only three years.

These two factors have, we estimate, had by far the greatest influence on oil heating expenditures. Of the two, higher oil prices have contributed about twice as much as the colder weather.

Heating Demands -- Relative demands for heating fuels between the two periods can be estimated quite well from data on population-weighted heating degree days provided by the National Climatic Center of the National Oceanographic and Atmospheric Administration. Comparative data for 1974-1975 and 1977-1978 are shown in Table 1. To obtain figures for the nation, regions, and states, data collected by the National Weather Service from hundreds of weather stations across the U. S. are weighted by the populations of the areas surrounding these stations and aggregated. The heating degree days for a given date and geographic area is the number obtained by subtracting the average of the maximum and minimum temperatures from 65. If the mean temperature for that day is 65 degrees or higher, the heating degree day total will be zero.

Heating degree days are generally considered to be quite accurate indicators of heating fuel requirements. When the daily mean temperature is 65 or above, heating is not considered to be necessary for most dwellings. If the number of heating degree days for a given date is about double that for another date, the amount of heating fuel required to maintain comfort will

TABLE 1

NATIONAL AVERAGE HEATING-DEGREE DAYS
(POPULATION-WEIGHTED)
1974-1975 AND 1977-1978 HEATING SEASONS
BY MONTH

	1974- 1975	1977- 1978	Change (Percent)*
July	5	6	+20%
August	13	15	+15
September	105	65	-38
October	325	317	- 3
November	550	523	- 5
December	832	900	+ 8
January	862	1,124	+30
February	786	1,021	+30
March	731	732	—
April	474	374	-21
May	119	168	+41
June	35	N.A.**	—
<hr/>			
Total for season	4,837	5,279	+ 9.1%
<hr/>			
Total November through March	3,761	4,300	+14.3%

*When 1977-78 was colder than 1974-75, a plus sign is used.

**Not yet available. Long-term average of 34 used in deriving annual total.

Source: National Climatic Center, National Oceanographic and Atmospheric Administration.

be about double also. (Note, however, that very drafty homes may require even more fuel, especially when the wind is blowing, due to the wind chill factor.)

The heating season of 1976-1977 was the coldest recorded nationally during the entire period for which population-weighted degree-day data are available, beginning in 1931-1932. The 1977-1978 season was just slightly warmer, with less than one percent fewer heating degree days. The winter of 1974-1975, however, was much closer to typical, with 4837 heating degree days compared to the long-term mean of 4734--about two percent colder than average.

While the overall heating-degree-day differential between 1974-1975 and 1977-1978 was nine percent, we believe that the effective heating demand difference is better expressed by the figures for the five coldest months, November through March. Typically, about 80 percent of the total heating degree days for the entire year are accumulated during these months. During this period, heating systems in most of the populous areas of the nation must be kept on and thermostats maintained at a minimum level for health and comfort. But in months like September, October, April and May, many budget-conscious or conservation-oriented households can leave the heater off most of the time and rely upon blankets and sweaters. The total number of heating degree days for the November-March period of 1977-1978 was 14.3 percent greater than for the comparable period of 1974-1975. We have adopted this 14.3 percent figure for purposes of this study.

Residential Fuel Oil Prices--Heating oil prices are monitored on a regular basis by the Energy Information Administration of the U. S. Department of Energy through surveys of dealers, and are reported monthly for the U. S. and regions.

The D. O. E. data series indicate clearly that prices have been in a consistent uptrend since the early part of the 1970s, with slight seasonal variations. Between the beginning and end of the 1974-1975 heating season (July through June), prices increased by about two cents per gallon, as Table 2 indicates. There was a small spring downturn which brought prices in June of 1975 to a level only slightly lower than in the coldest months preceding.

The latest available figures for 1977-1978 indicate a somewhat sharper rise and, it appears, a smaller spring downturn as well. Overall, when the average prices for the five coldest months of the two heating seasons are compared, the increase between 1974-1975 and 1977-1978 is 29.6 percent.

Oil prices are heading rapidly toward the 50¢ per gallon level. In fact, our local informants in a number of communities in the northern part of the nation indicated that the "standard" price being charged by most major dealers to their individual residential customers last winter was 49.9¢ per gallon. While the average reported price was somewhat lower, it appears that 49.9¢ was what the majority of households were paying in those parts of the nation where fuel oil use is heaviest.

TABLE 2

NATIONAL AVERAGE RESIDENTIAL RETAIL HEATING OIL PRICES
1974-1975 AND 1977-1978 HEATING SEASONS
BY MONTH

	1974- 1975	1977- 1978	Change (Percent)
July	35.2	45.8	30.1%
August	35.8	46.0	28.5
September	36.3	46.2	27.3
October	35.6	46.7	31.2
November	37.9	47.6	25.6
December	36.9	47.9	29.8
January	37.4	48.5	29.7
February	37.0	48.6	31.4
March	36.6	48.6	32.8
April	36.1	48.6	34.6
May	36.7	48.3*	31.6
June	37.1	N.A.	—
Average (unweighted) - November through March	37.2¢	48.2¢	29.6%

*preliminary

Source: U.S. Department of Energy, Monthly Energy Review
and Energy Data Reports.

For purposes of estimation in this study, we have nonetheless adopted the 29.6 percent increase in the average reported price for the D. O. E. series between the November-to-March periods of the two years. Our estimates of expenditures for the Northeast region are based upon a somewhat smaller rise in the reported price, 25.5 percent, between January of the two years. (While prices in the Northeast are somewhat higher, they have increased somewhat less rapidly than the national averages.) On the other hand, the heating-degree-day differential between the coldest months of 1974-1975 and 1977-1978 was even sharper for the Northeast than for the nation: 15.5 percent.

Conservation and Weatherization (Price Elasticity of Demand)--

Overall, the demand for all commodities, including basic necessities, displays price elasticity of demand to some degree. That is, as the price goes up the demand goes down, although the relationship between the two is not necessarily either one-to-one or linear.

Over the longer term, price elasticity of demand for fuel oil may well take the form of switching to other energy sources, including solar. In the short run, the response is hard to predict. Home heating is essential. Oil price increases have been both sudden and extremely rapid. Few households, especially among the poor, have any ready and affordable alternative.

For many lower-income households, the choice may come down

TABLE 3

AVERAGE RESIDENTIAL HEATING OIL PRICES
BY REGION -- JANUARY 1978

<u>Federal Region</u>		
1	(New England)	49.4¢
2	(New York-New Jersey)	49.2
3	(Mid-Atlantic)	48.1
4	(South Atlantic)	47.5
5	(Midwest)	46.4
6	(Southwest)	N.A.
7	(Central)	44.5
8	(North Central)	45.2
9	(West)	44.7
10	(Northwest)	47.4
	National Average	48.5¢

Source: U.S. Department of Energy, Energy Data Report,
Heating Oil Prices and Margins, February 1978.

to one between heating fuel and other basic necessities. As Chapter III will indicate, our interviews with poverty field workers were replete with examples of this. Many of them were heart-rending, especially those involving elderly people.

Householders can, however, take certain steps to change both their own behavior and the fuel-using characteristics of their dwellings. These actions can be reasonably well encompassed under the categories of conservation and weatherization. Analyses of the 1973 and 1975 WCMS Energy Survey results, which cover a period during which the rise in the price of energy was about as great overall as during the three-year interval between 1974-1975 and 1977-1978, provide some guidance as to the probable limits and likely effect of such actions. Additional data from the CSA Weatherization Program provide further evidence from which we can make at least a rough estimation of the probable reduction in consumption.

Between the 1973 and 1975 WCMS surveys, low-income households heating with natural gas reduced their consumption by slightly under five percent. The reduction for households of higher income levels was somewhat less. We do not have consumption data for fuel oil from these surveys, but natural gas appears to be a reasonably good surrogate. Interestingly enough, households simultaneously increased their consumption of electricity, a more expensive fuel. We do not know precisely why, but it appears likely that they turned to electric space heaters in the thought that they were conserving by doing so.

How much more can householders reduce their heating fuel consumption without suffering in terms of comfort and even health? The amount appears to be limited. In the first place, analyses of the WCMS survey data make it clear that some of the variables most related to heat energy consumption are "built in" to the basic characteristics of the dwelling itself--factors like its location, its size, and its structural characteristics (for example, whether or not it is attached to other dwellings.) Only drastic and expensive changes to the structure could measurably affect these variables, if at all.

Second, households were already keeping their temperatures pretty low, and many reported having turned down their thermostats between the 1973 and 1975 surveys. Among those who kept temperatures highest were elderly people, who often require higher temperatures because of circulatory deficiencies. Householders also reported taking other steps to conserve.

One way that significant further reductions could be made is through weatherization. Chapter III details some of the heat-wasting attributes of many low-income dwellings. In light of the resources available and the time span involved, CSA weatherization programs have compiled a rather impressive record of achievement, treating over 350,000 homes to date. But this is only an estimated 3.5 percent of the need, believed to encompass at least 10 million low-income homes and apartments. typical measures taken to date CSA estimates that weatherization/often achieve energy savings of 20 to 35 percent. Applying this figure to the number of

homes weatherized to date, we can estimate that the total heat energy consumption of low-income households may have been reduced by about one percent at most.

In light of all the evidence, we think it probable that five percent is a good "ball-park" estimate of the overall reduction in fuel oil consumption between 1974-1975 and 1977-1978 as a result of both conservation and weatherization. Added to the amount achieved between the 1973 and 1975 WCMS surveys, this would mean a total reduction of somewhat under ten percent since the "energy crisis" became apparent to the public.

These components of change between the 1974-1975 and 1977-1978 heating seasons--temperature, price and conservation/weatherization--are summarized in Table 4 .

TABLE 4

COMPONENTS OF CHANGE
IN ESTIMATED FUEL OIL EXPENDITURES
TOTAL U.S. AND NORTHEAST REGION
1974-1975 TO 1977-1978

	<u>Percent Change</u>
<u>Total U.S.</u>	
Heating degree days November - March	+14.3%
Retail price of residential heating oil	+29.6%
Conservation and weatheriza- tion	- 5.0%
 <u>Northeast Region</u>	
Heating degree days November - March	+15.5%
Retail price of residential heating oil	+25.5%
Conservation and weatheriza- tion	- 5.0%

Sources of data:

- Oil prices -- U. S. Department of Energy, Energy Information Administration, Monthly Energy Review and Energy Data Reports. The price change for the total U. S. is for the average of the five coldest months in each year. The price change for the Northeast is for January to January. Minor adjustments were made for discontinuities in the data.
- Heating degree days -- National Oceanographic and Atmospheric Administration, National Climatic Center, State, Regional and National Monthly and Seasonal Heating Degree Data Weighted by Population.
- Conservation and weatherization -- no data; assumed for purposes of estimation based upon trend data from 1973 and 1975 WCMS Household Energy Surveys.

The 1977-1978 Expenditure Estimates

The expenditures reported for fuel oil by households heating with oil in the 1975 WCMS Household Energy Survey were adjusted to 1977-1978 by the following procedure:

- (1) we added 14.3 percent nationally (15.5 percent for the Northeast) for the increased number of heating degree days;
- (2) we next added 29.6 percent nationally (25.5 percent for the Northeast) for the increased price of oil;
- (3) finally, we deducted five percent from all figures for savings due to conservation and weatherization.

The resulting estimated expenditures are shown in Tables 5 and 6. Our definition of low-income households is households at or under 125 percent of the poverty income maxima as used by the Community Services Administration to determine eligibility for its programs. (For details, see Chapter III.)

Our estimates indicate that the average U. S. household heating with fuel oil (all income brackets combined) paid \$602 for oil during the 1977-1978 heating season. The average low-income household nationally paid \$530. In the oil-dependent Northeast (which for our purposes includes not only New England but also New York, New Jersey and Pennsylvania), the average household paid \$744 and the average low income household \$693.

TABLE 5

ESTIMATED ANNUAL EXPENDITURES
FOR FUEL OIL
FOR ALL U.S. HOUSEHOLDS HEATING WITH OIL,
LOW-INCOME HOUSEHOLDS,
AND HIGHEST 10 PERCENT OF HOUSEHOLDS
1974-1975 AND 1977-1978

	<u>1974-</u> <u>1975</u>	<u>1977-</u> <u>1978</u>
All U.S. households	\$427.70	\$602.00
Low-income households	\$376.60	\$530.00
Households in highest 10 percent by income	\$513.40	\$722.00

Source: 1974-1975 data -- Washington Center for Metropolitan Studies, National Survey of Household Energy Use, 1975.

1977-1978 data -- Updated estimates by The Grier Partnership (see text for methods and assumptions).

TABLE 6

ESTIMATED ANNUAL EXPENDITURES
FOR FUEL OIL FOR
ALL HOUSEHOLDS HEATING WITH OIL
AND ALL LOW-INCOME HOUSEHOLDS
NORTHEAST REGION
1974-1975 AND 1977-1978

	<u>1974-</u> <u>1975</u>	<u>1977-</u> <u>1978</u>
All households in Northeast	\$540.00	\$744.00
Low-income house- holds	\$503.60	\$693.00

Source: 1974-1975 data -- Washington Center for Metro-
politan Studies, National Survey of Household
Energy Use, 1975.

1977-1978 data -- Updated estimates by The
Grier Partnership (see text for methods and
assumptions)

This last figure, incidentally, accords well with independent estimates given us by several poverty field workers in communities scattered throughout the Northeast. Typically, they told us, the low-income fuel oil user assisted by their programs averaged about \$100 per month for oil for a seven-to-eight month heating season, with peaks of \$150 or more in the coldest months. Some paid much more--annual bills of \$1,000 or higher were reported in some instances--while some paid less; but \$100 was reported to be a good monthly average. These estimates were borne out by our own examination of program records.

In two of the communities contacted in the course of this study--Milwaukee and Schenectady--high oil bills were reported in special staff analyses that had been made of applicants for aid in meeting unpaid utility bills under the Emergency Energy Assistance Program. In Milwaukee, during the 1977-1978 year, there were 377 applicant households whose income fell at or below 125 percent of the poverty line and who used oil for space heating. Their average bill for fuel oil was calculated at somewhat over \$100 a month--\$104.56 for those who were at or below 100 percent of poverty and \$109.20 for those whose incomes were from 101 to 125 percent of poverty. For the first group this represented an increase of 12.6 percent over the average expenditure for oil during the preceding winter, and for the second group, the average bill

was 7.4 percent higher.*

In Schenectady, New York, the CAA conducted a follow-up survey of households which had received assistance under the Emergency Energy Assistance Program last winter. Information on oil bills during the last heating season was obtained from 29 households. Their estimates of the amount spent range from a low of \$250 to a high of over \$1,000, with an average of \$572. Seventeen of the 29 households consisted of one individual only, and that person was 60 years of age or older and living on social security income alone. The two oldest were 86 years of age. Several reported annual incomes of less than \$3,000; and few were much above this level.**

In some locations a substantial number of fuel oil users are supplementing oil heat with that furnished by other sources of fuel. Sometimes this is an electrically-run space heater, but in Maine a good many households are turning to wood as a secondary (or even tertiary) fuel.

For all home fuels combined, our 1977-1978 estimates were made by a slightly different method. We had data on the

*Klein, Philip E. "Heat Source Cost Comparisons and the Projected Impact of Oil Price Increases." Staff report of the Community Relations-Social Development Commission in Milwaukee County, Wisconsin, August 14, 1978.

**Statistics compiled by Sharon Jordan, Schenectady Community Action Program, Inc. from responses to survey of EEAP clients, August 1978.

combined annual expenditures for gas and electricity by households which heated with oil in 1974-1975. We adjusted these to 1977-1978 by applying the 38 percent increase in the Consumer Price Index for these two fuels combined between January of the two years. We did not adjust for weather since we assumed that these other fuels were used for purposes like cooking and lighting. We applied a somewhat more generous allowance for conservation with these secondary fuels, in this case ten percent. The results are shown in Table 7.

The electricity and gas estimates raise the total expenditure for all home fuels to \$1,003 annually for U. S. households of all income levels, and to \$831 for low-income households.

The Budgetary Impact

While the dollar incomes of most U.S. households, if not their real purchasing power, have risen rapidly of late, a substantial proportion of these households still have incomes which are staggeringly low by any standard. About 68 percent of the nearly 14 million low-income households--9.5 million--received total money incomes under \$4,000 in 1976, the latest year for which the Census Bureau currently has this information available.* In the same year, the average (mean) income of the 7.6 million low-income

*U.S. Bureau of the Census. Current Population Reports: Consumer Income. Series P-60, No. 109 (January 1978) and No. 115 (July 1978).

TABLE 7

ESTIMATED COMBINED AVERAGE EXPENDITURES
FOR ALL HOME FUELS BY
ALL HOUSEHOLDS HEATING WITH FUEL OIL
AND ALL LOW-INCOME HOUSEHOLDS
UNITED STATES, 1974-1975
AND 1977-1978

	<u>1974-</u> <u>1975</u>	<u>1977-</u> <u>1978</u>
All U.S. households heating with oil		
Fuel oil	\$427.70	\$602.00
Combined gas and electricity	<u>\$322.40</u>	<u>\$401.00</u>
All home fuels	\$750.10	\$1,003.00
All low-income households heating with oil		
Fuel oil	\$376.60	\$530.00
Combined gas and electricity	<u>\$241.80</u>	<u>\$301.00</u>
All home fuels	\$618.40	\$831.00

Source: 1974-1975 -- Washington Center for Metropolitan Studies,
National Survey of Household Energy Use, 1975.

1977-1978 -- Estimated by The Grier Partnership,
(See text for methods and assumptions)

families was \$4,097. The median was \$3,943. For the 7.4 million low-income unrelated individuals (persons who lived alone or with nonrelatives) the median was an even more meagre \$2,302. Many had no income at all. The result the mean was even lower than the median, \$2,086.

An official average income for low-income households is unavailable. However, using the figures just cited, a reasonable estimate would place it below \$3,500 in 1976. These incomes probably increased by no more than 10 percent between 1976 and the 1977-1978 heating season. This would make the 1977-1978 average income for households in the group no more than \$3,850.

Such households, and especially those heating with fuel oil, have found that energy costs have become a sizeable part of their total budgets. For the average low-income household with the estimated before-tax income of \$3,850 or less in 1977-1978, the estimated \$831 average combined cost of all home fuels was well over one-fifth of that income. For households with incomes below the average it was proportionally still greater. Many of these latter households were elderly.

These, of course, are all national average figures. For low-income households in colder regions of the nation, both fuel oil costs and other utility costs are often substantially higher. In the Northeast, for example, annual fuel oil costs for low-income households are 31 percent higher than for their counterparts nation-

ally. Electricity costs tend to be higher in the colder regions also; but there are large local variations because of the mix of fuels used by different utilities in generation. In places like Vermont, experimental rate structures are now in existence as well.* We, therefore, found it impractical to construct a regional average expenditure for the secondary fuels which satisfied us that it was reasonably accurate.

In Milwaukee, however, a thorough analysis of applicants for emergency financial assistance with oil bills produced the following estimates: the average household whose income was 100 percent or less of the poverty line paid nearly one-third (31.8 percent) of its income for oil during the 1977-1978 year and close to half (45.7 percent) of its income for all utilities combined.**

Between 101 and 125 percent of the poverty line, the average oil bill was 24.8 percent of income, and the combined cost of all utilities was 32.4 percent.

Other Costs

For many low-income fuel oil households, these estimated average expenditures for fuel do not cover all the costs associated with home heating. Households which are not on an "automatic delivery" plan--and many low-income people are not, since these

*For an illustration of these local variations, see National Association of Regulatory Utility Commissioners, Residential Electric Utility Bills, January 1, 1978. Washington, D.C., March 30, 1978.

**Klein, Philip E., op.cit.

plans require established credit and consistent payments--have to keep watch on the oil in the tank and call for delivery well in advance of running out.

If they misjudge or forget until the oil runs dangerously low, they may have to call for "emergency" delivery at an extra charge. If the tank runs dry and the burner shuts down, it will be necessary to re-start it--for which most dealers charge an additional \$6 to \$10 and sometimes more.

While our estimates reflect the average prices of residential oil as reported to the Department of Energy in a regular survey, these averages include discounts available only to those able to make volume purchases--often 200 gallons or more. Information reported to us by poverty field workers in several communities indicates that most low-income households pay more than these averages. In effect, many pay a penalty charge reflecting their inability to bargain effectively in the marketplace.

III. PROFILE OF THE LOW-INCOME FUEL OIL USER

What Is Low-Income?

For purposes of this paper, low-income households include those whose incomes fall at or below 125 percent of the current federal poverty standards for households of its size. This definition corresponds to that used by the Community Services Administration to determine eligibility for participation in various types of energy assistance programs.

The maxima in force during the winter of 1977-78, when assistance with fuel costs was being furnished poor families under the Emergency Energy Assistance Program, are shown in Table 8. In rough terms, they allowed an upper limit of slightly over \$300 per month for a one-person household. This level increased by about \$100 for each additional household member. The eligibility levels were raised most recently in May 1978 to take account of increases in cost of living.

Fuel Oil Use Among Low-Income Households

As of 1975--the most recent year for which detailed information about fuel oil users is available--more than 2.4 million low-income households in the United States used fuel oil to heat their homes. They comprised an estimated 17.3 percent of all low-income

TABLE 8

COMMUNITY SERVICES ADMINISTRATION
ELIGIBILITY GUIDELINES
(125 PERCENT OF FEDERAL POVERTY LINE)
EFFECTIVE DURING WINTER 1977-78

<u>Number in Household</u>	<u>Annual Income</u>	<u>Monthly Income</u>
1	\$3,713	\$309
2	4,913	409
3	6,113	509
4	7,313	609
5	8,513	709
6	9,713	809

Source: Community Services Administration

households.* This is a slightly smaller proportion than for all U.S. households--19.5 percent of whom heat with oil. The difference, however, chiefly reflects differences in regional distribution of total and low-income households. There are also some categories of households who comprise unusually high proportions of all low-income fuel oil users.

Where Fuel Oil Users Live

More than half of all low-income households in the nation heating with oil reside in one of the states of the Northeast region (New England plus the Middle Atlantic states of New York, New Jersey, and Pennsylvania). In 1975 this group numbered almost 1.3 million households; they comprised an estimated 41 percent of all low-income households in the Northeast. No other region came close in matching either the number or percentage of poor households heating with oil. In the South Atlantic states, about 23 percent used oil; these households numbered less than 600,000. Taken together, however, the two East Coast regions have 76 percent of the nation's low-income households who heat with oil, but only 36 percent of the nation's low-income households. The South Central region, with the highest concentration of poor families, has almost no fuel oil users. (See Table 10)

*Figures in this and succeeding sections on household and housing characteristics are from Washington Center for Metropolitan Studies, National Survey of Household Energy Use, 1975. Another source of data is the 1975 and 1976 Annual Housing Survey. The WCMS survey provides somewhat more detail, but comparison of items which are identical or closely similar yield figures which are quite close.

TABLE 9

INCOME DISTRIBUTION OF
U.S. HOUSEHOLDS HEATING WITH FUEL OIL
VS. HOUSEHOLDS HEATING WITH GAS
AND ALL HOUSEHOLDS
UNITED STATES, 1975

	Numbers in Thousands		
	Fuel Oil	Piped-in Gas	All U.S. Households
Low-Income	2,428 17.4%	8,252 19.0%	14,002 19.6%
Non-low-income			
Under \$9,000	2,646 19.0%	8,083 18.6%	13,666 19.1%
\$9,000-13,999	3,436 24.7%	9,425 21.7%	15,866 22.2%
\$14,000-20,499	3,073 22.1%	8,414 19.4%	14,188 19.8%
\$20,500-24,999	641 4.6%	3,128 7.2%	4,309 6.0%
\$25,000 and above	1,363 9.8%	4,811 11.1%	7,221 10.1%
Total*	13,930	43,423	71,484

*Details will not add to total because of non-responses on income.

Source: Washington Center for Metropolitan Studies, National Survey of Household Energy Use, 1975.

TABLE 10

GEOGRAPHIC DISTRIBUTION OF
LOW-INCOME HOUSEHOLDS HEATING WITH FUEL OIL
VS. ALL LOW-INCOME HOUSEHOLDS
1975

	<u>Low-Income Households Heating with Oil</u>	<u>All Low-Income Households</u>
<u>Residence by Region</u>		
Northeast	52.6%	22.3%
South Atlantic	23.4	13.3
North Central	14.0	26.8
West	8.9	12.4
South Central	1.1	25.1
<u>Central City-Suburban- Non-Metropolitan Residence</u>		
Central city	32.1%	38.7%
Suburban	39.0	19.2
Non-metropolitan	28.9	42.1

Source: Washington Center for Metropolitan Studies, National Survey of Household Energy Use, 1975.

The high concentration of fuel oil users in the Northeast, with its often cold winters and generally higher-than-average price levels, places low-income fuel oil households in particular jeopardy from high and rising oil costs. Simply put, fuel oil use is concentrated where heating demands are relatively great and the costs of other necessary items in the household budget are often unusually high. For the majority of poor households, with their already-constricted budgets, the situation is inherently bad and certain to grow worse.

In addition to the uneven regional distribution of low-income fuel oil users, there is also a difference in their likelihood of living in cities, suburbs or small towns. They are considerably more likely than other low-income households to live within metropolitan areas. And within these areas they are more likely to reside outside the boundaries of the central city.

Other Characteristics of Low-Income Fuel Oil Users

In characteristics other than place of residence, low-income households who heat with oil generally follow the profile for all low-income households quite closely.

Renters -- A majority of households in the low-income bracket are renters--60 percent among fuel oil users vs. 55 percent among all low-income households in the United States. Many renters, of course, do not pay directly for their use of fuel, so they will not always be immediately aware of its rising cost. However, their landlords almost certainly will respond by translating their own

TABLE 11

DEMOGRAPHIC CHARACTERISTICS OF
LOW-INCOME HOUSEHOLDS HEATING WITH FUEL OIL
VS. ALL LOW-INCOME HOUSEHOLDS
UNITED STATES, 1975

	<u>Low-Income Households Heating with Oil</u>	<u>All Low-Income Households</u>
Renters	59.7%	54.7%
Heads 65 and over	35.5	37.0
Heads black	20.3	25.7
Heads female	46.6	51.8
Households with 5 or more persons	20.4	21.4
Households with only 1 person	37.9	*
Households with children under 18	36.0	36.7
Income less than \$4,000	71.8	*

*Not tabulated from WCMS data file

Source: Washington Center for Metropolitan Studies, National Survey of Household Energy Use, 1975.

awareness into higher rents. Where energy costs go above the level which the current market can bear, landlords may either abandon the housing or change to a use which brings in higher revenues. There is considerable evidence in a number of localities that rising energy costs have recently done a great deal to erode the supply of housing available to low-income people.

Low-income renters are further disadvantaged in their inability to take advantage of current federal programs to improve the energy efficiency of their homes. Even where they live in single-family homes, renters are often ineligible to receive any kind of assistance with weatherization. Where a weatherization program permits aid to renters, the help is usually minimal. Some of the reasons for these restrictions are, of course, obvious. An extensive amount of weatherization can raise the value of the property, but usually to the benefit of the owner and not the tenant. The result may be that the owner can now exact a higher rent from a higher income tenant and will take steps to do so. The improvement may also result in a higher assessment for the dwelling, making it essential for the owner to increase the rent to cover the rise in taxes.

Elderly -- A sizeable minority--more than one-third--of the low-income fuel oil users are headed by elderly persons. For this group, according to our local informants, the recent increases in fuel oil prices have been particularly devastating. Since they live largely on fixed monthly incomes, budgetting for expenses with seasonal peaks such as winter fuel bills has always been a problem. But recent price increases have made efforts to budget heating

expenses next to impossible for many. A representative of the Office of Aging in Lancaster County, Pa. reported to us that she found elderly persons who had sold their furniture and cut down on food intake in order to meet fuel bills during the 1977-78 winter. "When they ask for help, it's because they're up against the wall. They're proud; they don't want to ask for help." Asked if there had been instances last winter when oil tanks had actually gone dry, her response was: "Oh, goodness, yes!"

In Cranston, Rhode Island, CAP workers report that a number of the elderly persons who received help last winter under the Emergency Energy Assistance Program told them they had turned their thermostats way down in order to save fuel, in spite of the health risks involved. Had they not received financial aid with fuel bills, they would have borrowed money or eaten less in order to meet these expenses.

Female-headed households -- Another large group among the low-income fuel oil users are households headed by women; nationally, they are 47 percent of all poor families heating with oil. Many of these women, according to local CAP officials, are separated or divorced and have dependent children. In addition to the problem of low income which they share with other poor families, those who work often have no one at home to pay when oil is delivered. Often they must call the dealer for a night or weekend delivery, and an extra charge is levied for this service.

Small households -- Although there are a significant number

of large households among poor fuel oil users, well over half are small units--consisting of only one or two persons. In fact, almost four out of every 10 low-income households heating with oil is a single individual living alone. These households will often have as severe delivery problems as the working mother. This proportion of one-person low-income households is about two and a half times as large as the proportion among all fuel oil-heating families in the United States, regardless of income.

In the Northeast -- In the Northeast region, poor fuel oil users have a somewhat higher proportion of renters than oil users nationally, a smaller proportion of elderly and female-headed households, a somewhat smaller proportion of small household units (though these are still a majority, and substantially more households with children. (See Table 12)

Applicants for Emergency Aid--In one local community, Milwaukee, the local Community Action Agency made available for this study tabulations on oil-using households which had applied for financial aid in meeting its fuel bills during the difficult winters of 1976-1977 and 1977-1978. During the first winter these applicants totalled 1,034 households; during the second winter there were about half as many--495 in all. The difference between the two heating seasons was not that the weather was better the second year or that expenditures for oil were less difficult to meet. Rather, a special program during summer 1977 had enabled many poor households to apply a credit against their fuel bills for the upcoming winter.

During both winter seasons, the bulk of applicants for assistance were poor; that is, their total yearly incomes were no more than 125 percent of the federal poverty line. Even so, about one-fifth of applicants during both years had incomes which were above the 125 percent mark, and were therefore ineligible for aid.

In other respects, however, those who requested help were probably among the most vulnerable to problems caused by unexpectedly high expenses. Of all 495 oil-using households who asked for financial help last winter, 304 or 61 percent had incomes which were no higher than the poverty line. Almost two-thirds of those at or below the 125 percent/^{mark}were households headed by women. A substantial number of households were small; but one out of every five of the income-eligible households contained six or more members, almost and/one out of 14 had eight or more. About 70 percent of the households were renters.

Relatively few of the applicants were elderly, however. In part, this was probably due to the larger proportion of elderly who applied for aid during the summer program and were able to get ahead of their fuel bills before the heating season began. But it probably was also due to the reluctance of many older people, mentioned by CAP workers in every locality visited, to seek help until every other recourse had been tried.

Characteristics of Housing Units Heated with Fuel Oil

In addition to the region of the nation in which the user of fuel oil lives and his own personal characteristics, another important determinant of the cost he pays for heat is the housing in which he lives--its age, its size, and the type of structure in which it is located. The older the house is, the more likely it is to have been constructed during a period in which energy supplies seemed inexhaustible, prices were low, and there was little incentive to conserve. The larger the home is, of course, the more fuel will generally be required to reach all its spaces. And the more walls are exposed to the elements, the larger the consumption of fuel is likely to be for dwellings of the same age and with the

TABLE 12
DEMOGRAPHIC CHARACTERISTICS OF
LOW-INCOME HOUSEHOLDS HEATING WITH FUEL OIL
IN THE NORTHEAST REGION
COMPARED TO U.S. LOW-INCOME FUEL OIL USERS
1975

	Low-Income Households Heating with Fuel Oil	
	Northeast	United States
Renters	67.7%	59.7%
Heads 65 and over	28.4	35.5
Heads black	24.8	20.3
Heads female	39.2	46.6
Households with 5 or more persons	23.5	20.4
Households with only 1 person	30.4	37.9
Households with children under 18	44.6	36.0
Income less than \$4,000	69.6	71.8

Source: Washington Center for Metropolitan Studies, National Survey of Household Energy Use, 1975.

same interior space.

Age of housing -- Homes and apartments heated by fuel oil in the United States are substantially older, on the average, than other dwelling units. Taking all oil-heated dwellings together, regardless of their occupants' income, about half were constructed before 1940. Hence, the youngest of these are now well into their fourth decade, and many are considerably older. By comparison, only a little over one-third of all housing units in the United States are that old.

The housing of low-income fuel oil users is even older, on average, than that of all American households heating with oil. In 1975, almost 56 percent of their homes had been constructed before 1940. Virtually none had been built during the energy-conscious mid-1970s (the figure is estimated to be less than 10,000 units nationwide); and very few were built during the years just preceding the mid-70s. (See Table 13)

In the Northeast region of the nation, housing was even older; close to six out of 10 dwellings occupied by low-income fuel oil users in 1975 were of pre-World War II vintage; under four percent had been built after the 1950s.

Old housing is cited by several local informants as a major factor in high fuel oil costs for households in their communities.

For example, an engineer in charge of one CAP agency's weatherization program has calculated from actual experience that the combination of old houses and old oil burners raises fuel bills by an average of 35 percent over what would be

TABLE 13

YEAR BUILT FOR HOUSING OCCUPIED BY
LOW-INCOME HOUSEHOLDS HEATING WITH FUEL OIL
UNITED STATES, 1975

	<u>Low-Income Households Heating with Oil</u>
Before 1940	55.5%
1940-49	11.4
1950-59	11.9
1960-64	5.9
1965-69	5.1
1970-72	2.3
1973-75	*
Don't know or no answer	7.5

*Less than 1 percent

Source: Washington Center for Metropolitan Studies,
National Survey of Household Energy Use, 1975.

required to heat a newer house (or one properly weatherized to current standards) with an oil burner operating at peak performance. In Pennsylvania another CAP worker stated flatly: "The big problem here is old rental housing and old equipment." And in Milwaukee local officials reported that most housing heated with oil was constructed before 1939 when insulation was not required by building codes, and estimated that 80 to 90 percent of these houses have air infiltration problems.

Older houses are generally less likely to have insulation and more likely to be inflicted with cracks and other sources of air infiltration. Old houses often have old heating plants as well, and these are usually less efficient than a new unit would be. Oil burners tend to lose efficiency with age, especially if not well maintained. As a result, many fuel dealers offer service contracts for periodic burner cleaning and maintenance; these usually cost an extra charge and are provided only to regular customers. According to several local informants contacted for this study, low-income households seldom avail themselves of this service. In many older houses, also, the oil burner has been installed in a heater originally designed for coal. Small wonder that in a small-scale survey of the efficiency of oil heaters in the homes of some of his agency's low-income clients, the CAP weatherization engineer cited above found efficiency levels as low as 54 percent, with the average being about 65 percent. A fairly new old burner in good condition is usually about 75 percent efficient, he said.

Type of housing -- About four out of 10 low-income households heating with fuel oil reside in single-family detached dwellings. This is a smaller proportion than among fuel oil users generally (60 percent of whom live in freestanding homes) and among all low-income households, where the proportion is 54 percent. On the other hand, well over four out of ten low-income fuel oil users reside in apartments, compared to only 25 percent of all households heating with oil and 33 percent of all low-income households. (See Table 14)

Thus, poor households which heat with oil are more likely than other groups to live in the types of structures which are more energy-efficient than the single-family house. At the same time, apartment occupants may have little control over the energy they use. In fact, where fuel costs are included in the rent they pay (as in master-metered apartment structures), they may not even know how much fuel they are using--nor how much its price is increasing until the landlord raises the rent with the explanation that his fuel costs have gone up.

Size of dwelling -- Homes occupied by low-income households who heat with fuel oil are typically modest in size. More than six out of 10 have no more than four rooms, and almost half of these contain from one to three rooms only. The median of 4.6 rooms for low-income fuel oil users compares to a median of 5.9 rooms for households of all income levels heating with oil. (See Table 15)

Thus, poor households in the United States are already living

TABLE 14
TYPE OF HOUSING OCCUPIED BY
LOW-INCOME HOUSEHOLDS HEATING WITH FUEL OIL
UNITED STATES, 1975

	<u>Low-Income Households Heating with Fuel Oil</u>
Single-family detached	40.7%
Single-family attached	2.6
Apartment in structure with 2 to 4 units	11.9
Apartment in structure with 5 to 8 units	7.7
Apartment in structure with more than 8 units	24.0
Unit in other type of structure	10.3
No answer	2.8

Source: Washington Center for Metropolitan Studies,
National Survey of Household Energy Use, 1975.

TABLE 15

SIZE OF DWELLING OCCUPIED BY
LOW-INCOME HOUSEHOLDS HEATING WITH FUEL OIL
UNITED STATES, 1975

	<u>Low-Income Households Heating with Fuel Oil</u>
1-3 rooms	28.6%
4 rooms	33.6
5 rooms	19.4
6 rooms	11.9
7 rooms	3.2
8 rooms or more	3.3
Median rooms	4.6

Source: Washington Center for Metropolitan Studies,
National Survey of Household Energy Use, 1975.

in dwellings whose size should take less fuel than the average to heat. Nevertheless, some of the local CAP workers told of persons they knew, usually elderly, who closed off portions of their home last winter in an attempt to conserve fuel and cut costs. How much was actually saved, we do not know. If the dwelling was still subject to severe air infiltration and the inefficient performance of an old oil burner, the savings could have been fairly small.

Energy Behavior of Low-Income Fuel Oil Users

Except for some scattered information, mainly of an anecdotal nature, we found no reasonably systematic data on measures which poor families have been taking recently to counter rising home energy prices. In 1975, when the second national household survey was made by the Washington Center for Metropolitan Studies, most low-income fuel oil users did not report that they were keeping their thermostats unusually low--but neither did they report keeping them high.

Still, a rather large minority said they were keeping the thermostat set below 65 degrees. In the nation as a whole, about one in five said their usual daytime temperature in winter was less than 65; one in three said they kept the temperature this low at night. Just about half reported that the daytime temperature was under 70 degrees, and more said they kept their home this cool during the night. (See Table 16)

Countering this effort to keep thermostats at what then seemed fairly reasonable levels was an appalling lack of energy-saving

TABLE 16

USUAL WINTER TEMPERATURES REPORTED BY
LOW-INCOME HOUSEHOLDS HEATING WITH FUEL OIL
UNITED STATES, 1975

	<u>Low-Income Households Heating with Oil</u>	
	<u>Day</u>	<u>Night</u>
Under 65 degrees	19.7%	34.6%
65-69 degrees	29.3	27.0
70-72 degrees	30.7	25.8
73-75 degrees	10.3	7.7
More than 75 degrees	4.5	2.8
Don't know or no answer	5.5	2.1

Source: Washington Center for Metropolitan Studies,
National Survey of Household Energy Use, 1975.

amenities in many low-income homes. Among those households whose homes were heated by fuel oil, fully one-third reported in 1975 that there was no insulation in either walls or ceiling of the home. This percentage translates into an estimated minimum of more than 800,000 low-income homes known by their occupants to be unprotected by insulation. (Another 20 percent replied that they did not know whether or not the house was insulated.) Almost half of these families lived in the Northeast region of the nation where winters are seldom mild and insulation would seem an essential feature of every dwelling. (See Table 17)

More than one-half of low-income fuel oil users said they had no storm windows or insulating glass on any of the windows in their homes. This figure represented almost 1.3 million households, of whom almost half lived in the Northeast. And of those low-income families whose homes had exits to the outside, more than 900,000-- or almost half--said there were no storm doors on any of the exits; well over half of these resided in the Northeast.

In 1975, of course, rapidly rising energy prices and the specter of foreign oil embargoes was still a relatively new phenomenon, and few American families at any income level had taken major steps to improve the weather-resistance of their homes.

Since that time, however, thousands of poor households have been aided with weatherization of their homes by the Community Services Administration and, more recently, by the U.S. Department of Energy. Beginning with Project Fuel in Maine in 1973, more than

TABLE 17

ABSENCE OF ENERGY-CONSERVING FEATURES
IN DWELLINGS OCCUPIED BY
LOW-INCOME HOUSEHOLDS HEATING WITH FUEL OIL
UNITED STATES AND NORTHEAST, 1975

	United States	Northeast
No insulation in walls or ceiling		
Percent of low-income fuel oil users	33.8%	29.9%
No. of households	821,000	382,000
No storm doors		
Percent of low-income fuel oil users	46.7%	51.0%
No. of households	920,000	501,000
No storm windows or insulating glass		
Percent of low-income fuel oil users	53.4%	44.7%
No. of households	1,297,000	571,000

Source: Washington Center for Metropolitan Studies, National Survey of Household Energy Use, 1975.

350,000 poor homes had been weatherized under the CSA-assisted program through mid-1978; and an estimated 5,000 additional households received help under the DOE program. Not all of these homes were heated by oil, of course; but many of those located in New England and the Middle Atlantic states unquestionably were. The combined total of homes weatherized in the six New England states, as of the close of 1977, was reported to be 30,170; the combined total for the states of New York, New Jersey, and Pennsylvania was 34,146. Altogether these dwellings totalled more than 64,000 homes--a significant contribution, but still far short of the total number of low-income homes in the Northeast and far short also of poor homes which were heated with oil and lacked basic energy-conserving features in 1975.

What has this weatherization assistance generally included? During the first year or two, according to staff of the Cranston program, funds were limited and the materials cost per house there probably averaged no more than \$40 to \$50. This sum might be spent on air infiltration problems and could include caulking, weatherstripping doors and windows, replacing broken windows, and a three-inch layer of insulation in the attic. More recently, according to the Cranston official, weatherization measures have included conventional storm windows and doors (plastic proved too fragile), plus more insulation.

There is no question that CSA-sponsored weatherization efforts have reduced energy consumption for many of the households who participated in the program. Nationwide, reductions are said to run

as high as 20 to 35 percent after weatherization. Despite rising per unit prices there may also be reductions in the annual expenditures made by the family for energy. In a recent survey of participants in its weatherization program, Southeastern Vermont Community Action, Inc. found that families who heated primarily with oil paid an average of 11 percent less for that fuel during the heating season immediately following the weatherization of their homes.

Nevertheless, there is only so much that these weatherization measures can accomplish. As oil prices continue to rise, the family whose home has been weatherized may find itself standing in the same place in its expenditures for fuel; it may even begin to spend more while using less. There are also many aspects of the profile of low-income households and their housing which further limit the effectiveness of present weatherization efforts.

For example, a majority of low-income fuel oil users are renters. In many communities weatherization assistance is available only to homeowners; in others renters receive only minimal measures. Age of housing is also an important deterrent to effective reduction in energy consumption. While it is quite possible to do a great deal to halt air infiltration and conserve heat in old houses, most available measures may not be nearly as effective as those achieved in a new dwelling whose initial design took into account the achievement of maximum energy efficiency.

IV. SOME POLICY AND PROGRAMMATIC ALTERNATIVES

Several approaches have been tried to date to alleviating the problems created by rising fuel oil prices. They include:

(1) price controls (which have been dropped, but whose reinstatement is being advocated by some);

(2) special financial assistance (which has been provided on a crisis basis by two different federal programs in the last two winters--the Special Crisis Intervention Program in 1976-1977 and the Emergency Energy Assistance Program in 1977-1978); and

(3) weatherization efforts (of which by far the largest supported by federal funds to date has been the CSA program).

It is not our intent in this chapter to attempt an evaluation of any of these approaches. All of them, as well as others unspecified here, may be required to meet aspects of the need. All of them have their drawbacks, and so might others. However, our discussion is intended to help in a small way to clarify the dimensions and complexities of the overall problem to which they are addressed, and hence to stimulate and assist in a constructive re-examination of the policy and programmatic options now available.

Emergency Financial Aid

In the past two winters, two slightly different federal approaches have been taken to meet the acute needs of low-income

families faced with discontinuance of their heating fuel service because of inability to pay their bills. In a number of states, legislation has also prohibited the regulated utilities from cutting off service for unpaid bills during the coolest months--although some states have imposed a financial limit to this protection (in Rhode Island it is \$250).

From a practical standpoint, these approaches have had an important (if hard to demonstrate) positive effect. There have been very few reported deaths by householders attributable to heating fuel cutoffs since their initiation. There almost certainly would have been some without them. But the basic problem remains a budgetary one, and these are at best stopgap measures which leave the main source of difficulty untouched. Our field investigations turned up a number of problems of practical implementation.

One inherent problem is common to any program with an income test for eligibility. It is that households just above the eligibility levels, no matter how acute their need, obtain no benefits. Others who are "fortunate" in having incomes just below the maxima receive full benefits.

Weatherization

Weatherization helps with one of the most serious inequities in the present situation. It is an inequity with three components. The first is that households who use fuel oil are so heavily con-

centrated in the very parts of the nation where winters are coldest. The second is that these areas also have disproportionate concentrations of old, deteriorating, energy-inefficient housing. The third component is that this housing is disproportionately occupied by low-income households who are least likely to be able to pay the high fuel bills that result.

Over the long run, also, governmentally-supported weatherization programs have the potential for contributing significantly to the national goal of conservation, a point which cannot be made for any other approach discussed here.

Weatherization has some important limitations, however. The first is that it is of comparatively little help to low-income renters. In fact, weatherization may actually harm some of these tenants by the fact that--unless only minimal work is done on the property--it improves it to the extent that the landlord can exact a higher rental from the same or other tenants. Since many of these renters can afford the property only because it is in poor condition and the rent is low, and since they have few other alternatives, a serious displacement problem could result. Many low-income renters who pay their own fuel bills are reported to refuse weatherization assistance for this reason, even though the supplying agencies have sometimes insisted that the landlord agree to forego rent increases for a year after treatment.

Another problem is the overall cost of weatherization. Although its economic benefits can be expected to repay that cost over a relatively few heating seasons, particularly for those low-income dwellings in worst condition, the expenditure must still be met out of the federal treasury. The Community Services Administration estimates that the average materials cost for optimal weatherization of low-income homes--which it strongly recommends be done--would come to about \$800 per dwelling. At this time, most CSA-supported projects have spent much less on the average, usually between \$200 and \$300. Labor is usually supplied by CETA workers, and is not included in these costs; but if it were it would add, at the minimum, another \$300 to \$400.

CSA estimates that about 10 million low-income dwellings are in need of weatherization, a figure which accords quite closely with overall statistics from the 1975 WCMS National Survey of Household Energy Use. To weatherize all of them optimally, therefore, would cost an estimated \$8 billion in materials alone. The program from its initiation in 1973 to date has weatherized an estimated 350,000 units, many of them less than optimally. Much of that has occurred in the past year, and hence progress is accelerating. But even at the recent pace, it would take several decades to complete all 10 million. A CSA official estimates that the program could be stepped up to a level of perhaps \$400 million a year in materials cost without difficulty. At optimum

weatherization, that would be 500,000 dwellings. More than that number, he believes, would be difficult to handle, since there are limits to the amount of skilled supervisory labor available. (CETA workers are largely untrained, and adequate supervision is absolutely essential.) At 500,000 units a year the program would take nearly two decades to complete.

CSA's estimate of \$800 per house on average is based on studies by the National Bureau of Standards which indicate that it is possible to achieve more than a 60 percent reduction in energy consumption through appropriate weatherization measures. Such measures are neither inexpensive nor instantaneous, but they can very well serve to reduce energy expenditures for low-income households to an extent that makes a real difference to their budgets over the long run.

In contrast, the Department of Energy, according to recent testimony by Secretary Schlesinger, plans to weatherize 800,000 homes for a total cost of \$200 million or \$250 per home. The expected reduction in consumption is 14 percent. From the standpoint of the nation's energy economy, this is a worthwhile saving. But from the standpoint of the low-income household, the recent rate of oil price increases would wipe out its entire monetary saving in less than two years.

In short, weatherization is neither a quick nor cheap "fix," although it is a worthwhile and cost-effective one over the long-term. Meanwhile, rising heating oil costs continue to press harder and harder on low-income budgets.

Oil Price Controls

Price controls are disapproved by many because they interfere with free-market mechanisms and have dubious long-run benefits. Over the short term, however, they may be required as a stopgap until other measures can be implemented. The present situation of rising oil prices is, we believe, one which justifies their application. Despite their limitations and even their negative aspects, the present situation requires their imposition.

In the face of oil prices that are beginning to squeeze out other necessities in the budgets of low-income households, especially in oil-dependent areas--and given the cost and pace of weatherization and the limitations and inequities of emergency financial aid--controls may be the only way to avert a crisis of the most serious proportions.

APPENDIX

COMPARISON OF SURVEY RESULTS WITH INDEPENDENT DATA SOURCES

The 1974-1975 base data on fuel oil expenditures and characteristics of fuel oil users which formed the basis for this analysis were collected by means of a sample survey, the WCMS National Survey of Household Energy Use.* This survey was carefully designed to obtain data as representative as possible of all U. S. households from a national probability sample of almost 3,200 household respondents.

Nonetheless, all survey results are subject to error. Hence, before using the data in this and other reports and publications, we checked them out for accuracy against a variety of independent data sources. Some of our comparisons are shown in the tables of this Appendix. While close similarity of results between such sources does not conclusively prove their accuracy, it does help to increase one's confidence in them.

Table A shows selected demographic characteristics of the U. S. population as a whole as measured by the WCMS Household Energy Survey for 1975 (WCMS) and the Census Bureau's Current Population Survey (CPS) for the same year. The CPS is a continuing survey, now covering over 50,000 U. S. households. It is the

* For further details on this survey, see Grier, Eunice S., Colder... Darker: The Energy Crisis and Low-Income Households. U. S. Community Services Administration, 1977.

APPENDIX TABLE A

COMPARISON OF SELECTED DEMOGRAPHIC CHARACTERISTICS
FOR THE TOTAL POPULATION AS MEASURED BY
1975 WCMS HOUSEHOLD ENERGY SURVEY (WCMS)
AND CENSUS CURRENT POPULATION SURVEY (CPS)

	WCMS %	CPS %
<u>Race</u>		
White	87.2	88.5
Black	11.3	10.2
Other and unknown	1.6	1.3
<u>Household Size</u>		
One person	16.1	19.6
Two persons	30.2	30.6
Three persons	17.5	17.4
Four persons	18.3	15.6
Five persons	9.8	9.0
Six or more	8.2	7.8
<u>Presence of Children</u>		
One or more under 18	44.6	43.9
One or more under 6	20.6	20.6
<u>Age of Head</u>		
Under 35	27.6	29.2
35-44	16.6	16.7
45-54	18.3	18.2
55-64	16.6	15.9
65 and over	18.4	20.1
<u>Education of Head</u>		
Less than H. S.	38.9	37.7
H. S. but less than college	44.7	46.6
College graduate or postgraduate	15.8	15.7

accepted source of national demographic data between the every-ten-year federal censuses. Note the close correspondence of the percentages for the various population categories from the two surveys. The comparison suggests that within close tolerances both survey samples were representative of the same household "universe."

Table B shows the income distribution for fuel oil users as measured by the 1975 WCMS Household Energy Survey and another continuing Census Bureau source, the Annual Housing Survey (AHS) for 1976. The AHS, taken for the U. S. Department of Housing and Urban Development, is a national survey of 89,000 households which gathers a variety of data, especially on the housing unit.

The income categories used in the two surveys were somewhat different. In addition, there was a one-year interval between the two, during which incomes were rising. The latter fact may account for much of the difference shown for the over-\$25,000 income category. For other comparable categories, however, the percentages are quite similar--indicating that within close tolerances the two surveys were measuring essentially the same universe of fuel oil users.

Appendix Table C compares reported annual average expenditures for electricity and piped-in gas between the 1973 WCMS Household Energy Survey and the 1972-1973 Consumer Expenditure Survey (CEX), taken by the Bureau of the Census for the U. S. Bureau of Labor Statistics. The WCMS survey has been run twice, once in 1973 and

APPENDIX TABLE B

COMPARISON OF INCOME DISTRIBUTION
FOR FUEL OIL USERS AS MEASURED BY
1975 WCMS HOUSEHOLD ENERGY SURVEY (WCMS)
AND HUD-CENSUS ANNUAL HOUSING SURVEY (AHS)

	WCMS (1975) %	AHS* (1976) %
<u>Income</u>		
Under \$5,000		19.3
Under \$6,000	21.4	
Under \$10,000	42.1	42.0
\$10,000-\$24,999	45.6	44.8
\$25,000 and over	9.8	13.1

*Source: 1976 Annual Housing Survey, unpublished tabulations.

APPENDIX TABLE C

COMPARISON OF REPORTED ANNUAL EXPENDITURES
FOR ELECTRICITY AND PIPED-IN GAS
AS MEASURED BY
1972 - 1973 BUREAU OF LABOR STATISTICS
CONSUMER EXPENDITURE SURVEY (CEX)
AND 1973 WCMS HOUSEHOLD ENERGY SURVEY (WCMS)

	WCMS (1972-1973)	(1972)	CEX (1973)
Electricity	\$193.50	\$193	\$219
Piped-in Gas	166.50	165	176

again in 1975. The CEX, with a 20,000-household sample, has not been run since 1972-1973, although preparations are now underway for another run. Thus it was necessary to compare it with the first WCMS survey, rather than the most recent.

The two sources used somewhat different methods to measure fuel expenditures. The WCMS survey obtained data directly from utility billing records for electricity and natural gas; the CEX used a self-reporting procedure fairly similar to that used by the WCMS survey for fuel oil. The WCMS survey was taken in a single month, although utility data were for a full year. The CEX was spread over two years, 1972 and 1973; the results for each year are shown separately in the table.

Despite these differences, note the close correspondence in reported expenditures between the two surveys. This is particularly true for the CEX results for 1972. The CEX 1973 data would be expected to capture more of the energy price rise during that year than the WCMS survey, which was taken in May of 1973. It appears that both surveys were measuring essentially the same quantity.

Finally, Table D compares the median annual cost of fuel oil as reported in the 1975 WCMS survey and the 1976 Annual Housing Survey. Note that the AHS median is \$16 (approximately four percent) lower than the WCMS median. The two surveys are for different years, but this should make for comparatively little difference

APPENDIX TABLE D

COMPARISON OF FUEL OIL EXPENDITURES
AS REPORTED IN
HUD-CENSUS ANNUAL HOUSING SURVEY (AHS)
AND WCMS HOUSEHOLD ENERGY USE SURVEY (WCMS)

	WCMS 1975 (FUEL OIL ONLY)	AHS 1976* (FUEL OIL, KERO- SENE, COAL, WOOD, ETC.)
Median Annual Cost	\$ 378	\$ 362

* Source: U. S. Bureau of the Census, Annual Housing Survey, 1976, unpublished tabulations. See text for explanation of differences between AHS and WCMS Surveys.

in the results. (In 1975-1976, measured by the AHS, a seven percent rise in fuel oil costs was largely counterbalanced by a five percent warmer winter than the 1974-1975 season, measured by the WCMS survey.)

Other divergences between the two surveys probably account for more of the difference. Probably the most significant is that the AHS did not separate expenditures for fuel oil from those for a miscellany of other fuels--including kerosene, coal and wood. While fuel oil is the most frequently used of this group, the others have significant usage. Kerosene, for example, is used by over one million households. Kerosene is used predominantly in space heaters, often in warmer areas. The reported expenditures from the AHS can be expected to be somewhat lower than those from the WCMS survey for this reason. When this fact is allowed for, the two appear very close.

THE WHITE HOUSE

WASHINGTON

10-2-78

To Bert Lance

Thanks for your phone
call & your TV commentary
& also for your birthday
greetings.

We enjoyed having your
boys (& their girls) with
us recently. You & they
have a lot to be proud
of.

Jimmy

The Honorable Bert Lance
Post Office Box 637
Calhoun, Georgia 30701

RECEIVED

OCT 3 1978

Personal

36 Thanks for birthday greetings
781002 1835

McClellan

THE WHITE HOUSE
WASHINGTON

10/2/78

stripping desk--

please note that copy has
already been sent to jerry

thanks -- susan clough

BERT LANCE

9-27-78

Mr. President:

Thought you might
like to see one of ~~my~~
T.V. Commentaries.

Have to go to
London or I would call
to wish you a Happy
Birthday Sunday. Hope you
have a nice day + may
many more. Will be thinking
of you.

Am very proud of you. ~~The Family~~
Dad

Jerry
J

President Carter is now a hero in Washington--where three weeks ago the popular theme was to berate him as "ineffective" and "lacking in Presidential qualifications." There was talk of Carter not measuring up to the job. A lot of the "Washington crowd" didn't believe a farmer from Georgia could handle the delicate problems of international affairs..but now we see fickle Washington officialdom and certain elements in the media, true to the old "pack" instinct, suddenly heaping praise on the President and declaring total support for him. Now there's talk about a Nobel Peace Prize. Where were all these admirers and supporters when Carter needed them?

One of the President's biggest problems has been the skepticism, foot-dragging and opposition in the Congress and among the entrenched bureaucrats in Washington. These forces have worked to stymie the kind of dramatic progress on the domestic front that the President achieved in international affairs at Camp David. That's been an underlying cause of the public perceptions of Carter as uncertain or ineffective.

The point is: Jimmy Carter hasn't changed. He has steadfastly maintained his course all along. At Camp David, he set a goal, and worked with skill and determination to reach it. By no means was this a change of style, method, approach or philosophy. That's the domestic lesson of Camp David. And from

first-hand experience, I believe that before he's through, we will see real progress against inflation and other tough problems...and the American people will see a more accurate picture of their President....



Q
/

HWF
Box 104
Fmla = 10/2/78
CLJ

September 29, 1978

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. EPG

Pending your decisions, preparations continue on the wage-price program.

Over the next two weeks, the EPG will be examining our fiscal policy options for FY 1980, in light of updated economic forecasts. I believe it's clear already that the squeeze on spending will have to be even tighter than we imagined. Otherwise, we will show a deficit reduction, 1979 to 1980, of significantly less than \$10 billion -- even without any further tax cuts. In fact, anti-inflation tax cuts -- TIP, Social Security, etc. -- will also deserve close study. As a result, it is essential in my view that spending be cut back as far as possible.

2. IMF/IBRD ANNUAL MEETINGS

The meetings produced cautious optimism. A consensus was achieved on a 50 percent increase in IMF quotas covering a 5-year period and an allocation of 4 billion SDRs annually for 3 years. General agreement was also reached that negotiations on a general capital increase for the IBRD and an increase in IDA resources should proceed as expeditiously as possible. Equally important, the meetings instilled some sense that the principal economic problems of the past few years are being overcome and further improvements are under way. Your participation made an important contribution by underscoring your personal commitment to take the actions required for a sound dollar. Finance ministers, however, did emphasize in discussions with me the importance of early U.S. action on inflation and energy, if this enhanced confidence is to be sustained and reflected in the foreign exchange market.

3. THE DOLLAR

The dollar continued to experience selling pressure this week, despite the improved August U.S. trade figures, further increases in U.S. interest rates, Senate passage of the natural

gas bill and the consensus reached at the IMF and World Bank meetings on the outlook for narrower payments imbalances. Private bankers are focusing primarily on the inflation issue. Over the week, the dollar did not depreciate significantly, but the Treasury and Federal Reserve intervened at times to settle trading conditions.

4. FOREIGN AID AND WITTEVEEN

The Foreign Aid appropriations conference completed its work Wednesday. Witteveen was fully included. The outcome on foreign assistance was quite satisfactory -- the total increase is 30 percent over last year and 70 percent more than the last effort of the previous Administration. There were major qualitative improvements with significant inroads into IDA arrearages and complete elimination of IDB and Asian Development Fund arrearages. Words of thanks are in order to Inouye, Schweiker, Obey, McHugh and Conte. We are moving rapidly to obtain final Congressional approval of our participation in the Witteveen Facility. The only remaining hurdle is to ensure acceptance of the authorization and appropriations conference reports.

5. SUPPLEMENTARY FISCAL ASSISTANT LEGISLATION

Last Saturday the Senate amended and then passed a key element of your urban policy -- a bill to extend fiscal assistance to distressed local governments. The Senate bill is quite similar to the Administration's own bill. The full House will take up this legislation next week, and the vote may be quite close. We are working hard to obtain House approval.



W. Michael Blumenthal



THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

September 29, 1978

MEMORANDUM FOR THE PRESIDENT

ATTENTION: Rick Hutcheson, Staff Secretary

FROM: Brock Adams

SUBJECT: Significant Issues for the Week of September 25

Nationwide Railroad Strike - I have responded to the White House request for two memoranda regarding the nationwide railroad strike and also to Secretary Marshall's request for meetings and full information to assist him. I will, of course, be available now and over the weekend if you wish to give me instructions to contact any parts of the government or any of the parties involved in the dispute.

Surface Transportation Bill - On Thursday the House passed this bill by a 367-28 vote, the spending levels of which are unacceptable. I met today with representatives from OMB, the Domestic Council, and Frank Moore's office to focus our efforts on the Senate/House Conference. I appreciate your willingness to directly intervene with the conferees if necessary.

Airline Regulatory Reform - Since our meeting with the House and Senate Committee Chairmen, the conferees on this bill have been appointed and have held one meeting. We will coordinate with your staff and do everything possible to conclude this as soon as we can.

Airline Safety - This week Federal Aviation Administrator Langhorne Bond and I issued proceedings for tighter safety regulations for commuter airlines and air taxis. Unfortunately the San Diego mid-air collision overshadowed these new airline safety requirements which revise the existing regulations to make them more consistent with the changes in aviation which will occur due to the regulatory reform and CAB administrative action on these initiatives. The FAA, National Transportation Safety Board, and local officials are now working to determine the cause of the unfortunate mid-air collision in California.



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MEMORANDUM TO THE PRESIDENT

September 29, 1978

Attention: Rick Hutcheson, Staff Secretary

FROM: Graciela (Grace) Olivarez, Director
Community Services Administration

SUBJECT: Weekly Report of Significant Agency Activities
(September 25 - 29, 1978)

CSA Reauthorization (H.R. 7577)

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Impact of High Fuel Oil Prices on the Poor

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MEMORANDUM TO THE PRESIDENT

September 29, 1978

Attention: Rick Hutcheson, Staff Secretary

FROM: Graciela (Grace) Olivarez, Director
Community Services Administration

SUBJECT: Weekly Report of Significant Agency Activities
(September 25 - 29, 1978)

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VETERANS ADMINISTRATION
Office of the Administrator of Veterans Affairs
Washington, D. C. 20420

SEPTEMBER 29 1978

TO : The President
THRU : Rick Hutcheson, Staff Secretary
FROM : Administrator of Veterans Affairs

VA Presidential Update

Pension Reform - Reaction to your September 22 meeting with leaders of Hill Veterans Affairs Committees was very positive. Our follow on contacts indicates both chairmen much impressed by your grasp of the issues and your sincere desire to work out acceptable legislation with a reasonable price tag. First meeting of a joint House-Senate conference is slated for September 29, and indications are that conferees will be reasonably close to agreement.

Philippine Termination - Authority for VA medical grants to Veterans Memorial Medical Center in Manila expires 9/30/78. At present 298 Filipino veterans are patients in the center under the \$2 million a year VA grant program. Responsibility for these and similar type future patients reverts to Republic. Termination also means lay off of about 40 employees (all Filipinos) in VA's Manila office. VA aid program started in 1948 and has been extended several times in subsequent years. VA testified against additional extension and your budget requested no grant money in FY 1979. Director Manila VA office and American Embassy coordinating efforts to minimize repercussions.

Budget Update - Second Concurrent Budget Resolution for FY 1979 passed by Congress includes \$21.1 billion in budget authority and \$20.7 billion in budget outlays for veterans benefits and services. This is down about \$250 million and \$300 million, respectively, from First GBR, but is almost \$2 billion in budget authority, and \$1.4 billion in outlays over your budget request. However, VA's FY 1979 appropriations, as passed by Congress, is only about \$20 million over your budget request, an increase of 0.1%.

THE WHITE HOUSE
WASHINGTON

October 2, 1978

The Vice President
Hamilton Jordan
Stu Eizenstat
Tim Kraft
Bob Lipshutz
Frank Moore
Jody Powell
Jerry Rafshoon
Jack Watson
Anne Wexler
Jim McIntyre
Hugh Carter

Re: Cabinet Summaries

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

Rick Hutcheson

EYES ONLY

THE WHITE HOUSE
WASHINGTON

10/2/78

Ambassador Bob Strauss

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

Rick Hutcheson

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON
20506

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September 29, 1978

MEMORANDUM FOR THE PRESIDENT

From: Ambassador Robert S. Strauss 

Subject: Weekly Summary

By now you have received my response to the concern you expressed with respect to sending up legislation with respect to countervailing duties. I have been invited to speak before 50 members of the House next Thursday on this subject. It should be productive. If we are able to resolve the sugar controversy the chances are modestly good we can succeed with respect to the extension.

As I dictate this, Senator Hollings is introducing an amendment on the floor of the Senate to take textiles out of the trade negotiations which would probably kill or at least maim the talks badly. This illustrates the hostile trade sentiment we are working against on the Hill.

We are renewing, at a level below me, our agricultural negotiations with Japan next week.

I am dictating this memorandum long distance from California where Governor Brown and I have concluded a very good meeting with the entire agricultural community of California. In my judgement, it was productive for the Administration and for the Governor and I am certain he fully agrees.

I continue to be strongly impressed with the possibilities of using the tax cut in our inflation fight and I would not want to sign off on any program till it has been fully explored.

me
to



cc
Jerry
C

September 29, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report on HEW Activities

The following is my weekly report on significant activities in the Department of Health, Education, and Welfare:

- Cost Containment. In the last 24 hours I have spoken to Senator Byrd and Senator Baker. They have agreed that cost containment should go to a floor vote. Senator Byrd said that cost containment is an excellent Democratic issue, and he may be calling you about it. I hope you will urge him to find time as soon as possible next week for the vote. Senator Baker said he is opposed to any Republican filibuster.

Anne Wexler has done a first rate job of bringing in outside groups. But it is imperative that the White House legislative staff now follow your lead in making clear to the Hill that the Administration strongly wants a vote and strongly supports the Nelson amendment. Win or lose, this is a good budget and inflation reducing issue for you. And our present count in the Senate shows 40 right and 40 wrong. The undecideds and leaners could give us a majority if we can bring enough of them home.

There is another reason we should continue to press until the bitter end. Other Senators may try to introduce a cost containment amendment to the tax bill. We will, of course, want to support it. But we must not lose the lead on containing health costs. That has been your issue since the beginning of the Administration, and as we move forward with a National Health Plan your identification with that issue will be even more important.

- 2 -

- Elementary and Secondary Education. In an important legislative victory for you, the Conferees have agreed upon a bill that is quite similar to your proposals in most important respects. The Conferees adopted our provisions concentrating funds in areas of greatest urban and rural need and a slightly modified version of our basic skills proposals. Due in large measure to your pressure, the Conferees opened up about 20 percent of the Impact Aid program to the appropriations process. Although they did not precisely adopt our reform proposals, this is the first time any President has made a dent in Impact since Eisenhower started trying more than 25 years ago. This legislation is a big achievement for you, and it should be capped with a signing ceremony.

- Campaigning and Bill Signing Ceremonies. A technique we used at the end of the 89th Congress to get public attention and recognition of legislative achievements was for President Johnson to sign various pieces of legislation in different cities around the country. The success of your signing ceremony in New York City attests how effective local signing ceremonies can be. I suggest that you sign some of the significant and dramatic pieces of legislation coming out in the next couple of weeks around the country during the Fall: The Elementary and Secondary Education Act, the Energy legislation, the Teenage Pregnancy legislation, and the Child Health Assurance Program, to name a few. P.R.

- Fraud and Abuse. We took several important steps on this front last week.
 - We announced some remarkable results in our efforts to clean up the Guaranteed Student Loan Program.
 - By September 1st, we had cleared up 110,000 student default cases. Of these, 80,000 student defaulters have paid in full or are now on a regular repayment schedule. The remaining 30,000 have been written off because of death, disability, incorrect records, or other circumstances. P.R.
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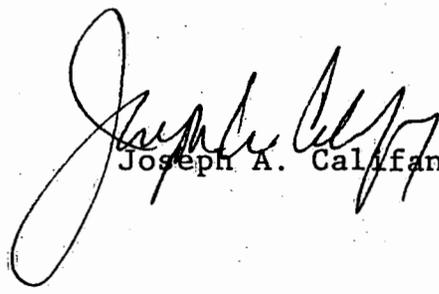
- 3 -

- For the first time in the 10-year history of the program, we are decreasing the default backlog, rather than increasing it. By the end of June, the default backlog -- which last May stood at more than 400,000 -- had dropped to 374,000; by the end of August, we had cut it to 354,000.
- In the last nine months, we have referred to U.S. Attorneys more than 2,000 cases arising from student loan defaults -- compared to a total of 500 for the previous 5 years.
- And for the first time in the history of our student aid programs, we are barring three educational institutions from participation in all Federal student aid programs because of widespread violations of the student aid regulations.

-- We have launched a new drive to crack-down on "croakers", the notorious doctors that prescribe drugs falsely to street pushers. PR

-- We announced the first indictments -- 11 present and 4 past HEW employees -- in Project Match which we started and which compares government payrolls and welfare rolls.

I will provide you with a complete update of all our efforts in this area at the end of the year. I hope that, by the end of four years, you will be able to show solid, perhaps dramatic, progress in reducing fraud, abuse and waste in Federal social programs.


Joseph A. Califano, Jr.



Office of the Attorney General
Washington, D. C. 20530

September 29, 1978

cc
Jerry
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Principal Activities of the Department of Justice
for the period September 25 through September 29

1. Meetings and Events

On Tuesday, September 26, the Attorney General and the Director of the FBI testified before the Senate Judiciary Committee on the proposed format of the non-intelligence charter for the FBI. On Wednesday, the Attorney General met with the Advisory Committee of U.S. Attorneys. He also met with the Prime Minister of New Zealand. On Thursday, the Attorney General addressed the Judicial Section of the Texas State Bar Association in Arlington, Texas. On Wednesday, the Assistant Attorney General for the Civil Rights Division, Drew Days, III, along with the General Counsel of the CSC and the chairman of the EEOC, addressed a gathering of over 50 general counsels of federal departments and agencies on the current status of affirmative action in the federal government after Bakke.

2. GSA Indictments

Russell T. Baker, Jr., United States Attorney for the District of Maryland (Baltimore), announced Friday the indictment of 18 individuals by the Special Grand Jury which has been investigating fraud at the General Services Administration. Each indictment contains one count that charges the defendants with conspiracy to defraud the United States. The defendants include 12 present and former managers and acting managers of GSA Region 3, including the former acting manager for the store at the Department of Justice. The other defendants include the president and the former vice president of a Maryland vendor that sold administrative and industrial supplies and goods to the GSA Federal Supply Service. Also indicted were 4 individuals who are employees of various federal agencies including one employee of the Department of Justice; these individuals purchased administrative and industrial supplies and goods for their agencies at the GSA self-service store.

3. Railroad Strike

The Department, acting through the Deputy Attorney General and his staff, is supplying legal counsel to the Department of Labor in its efforts to obtain appropriate court orders in the

railroad strike by the Brotherhood of Railway and Airline Clerks against the Norfolk and Western Railway.

4. Drug Enforcement

The latest estimates for the number of heroin addicts shows an 11-25% decline from 1975 to 1977 (550,000 down to 450,000-490,000), according to the Drug Enforcement Administration. The number of heroin-related deaths is currently less than half the mid-1976 figure, and emergency room mentions of heroin-related incidents have also dropped to almost 50% of the 1976 level. The average street price for heroin has gone up about 20%, while the average purity of the drug being sold has dropped about 20%. PR

5. Diversity Bill

The Department's bill to reduce a portion of the federal district courts' diversity jurisdiction was prevented from coming to a vote in the Senate Judiciary Committee by an almost-unprecedented filibuster in committee by Senator William L. Scott (R.-Va.). The Department, however, is still working on efforts to get the bill out of committee and on the the Senate floor.

6. Anti-busing Amendment to Department Appropriation Bill

During consideration of H.R. 12005, the Department's appropriation bill, Representatives James Collins (R.-Tex.) and Ronald Mottl (D.-Ohio) added an amendment to prohibit the Department from seeking through court action the "forced busing" of public school students. The amendment was adopted 235-158, but it is hoped that the prohibition will be stricken in the conference committee since the Senate bill does not contain such a provision.

7. LEAA

The Senate Judiciary Committee held confirmation hearings on the appointment of Norval Morris as the new director of the LEAA and on the appointment of his two deputies, Homer Broome and Henry Dogin. Substantial opposition testimony was given by several groups, including most notably the National Rifle Association; several organizations also testified in behalf of Professor Morris, including the International Association of Chiefs of Police. No committee action has been taken yet.

8. Patty Hearst Case

Representative Leo Ryan (D.-Calif.) and Senator S. I. Hayakawa (R.-Calif.) personally delivered a petition for commutation of sentence from Patty Hearst to the Office of the Pardon Attorney. This will start the formal review process for possible executive clemency; a recommendation will be forthcoming from the Pardon Attorney in approximately 90 days.

9. Murders in Atlanta's Federal Penitentiary

Senator Sam Nunn (D.-Ga.) has begun two days of hearings over a series of 10 murders in the federal institution in Atlanta, the most recent of which occurred on September 21. The Deputy Attorney General is taking part in the hearings, and the Director of the Federal Bureau of Prisons has also instituted a number of changes in the wake of these murders.



United States
Environmental Protection Agency
Washington, D.C. 20460

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September 29, 1978

The Administrator

REPORT TO THE PRESIDENT

FROM: Douglas M. Costle

This week we achieved a significant breakthrough in our efforts to work out agreements with the steel industry for meeting pollution-control requirements without significant economic disruptions.

After six months of negotiation, we reached an agreement with Republic Steel concerning their facilities in the economically depressed Mahoning River Valley of Eastern Ohio.

The agreement provides that:

- o Republic will invest \$266 million in modernization of their steel production facilities at their Youngstown and Warren plant sites.
- o As the new facilities come on line, Republic will close some old, obsolete, and heavily polluting facilities at these mills.
- o EPA will extend Republic's schedule for complying with the pollution control requirements in keeping with the agreed-upon modernization schedule.

Republic officials state that employees whose jobs are affected by the Youngstown closures will be transferred to the nearby Warren facilities.

The agreement has to be approved by the States of Ohio and Pennsylvania, but we expect this to occur within two weeks. We hope the agreement will be a model for all the steel companies. Its announcement will counter a major thrust of Governor Rhodes' anti-environmental re-election campaign.

If you wish, we would be pleased to coordinate the announcement of the agreement with your news office.

A large, stylized handwritten signature, likely of Douglas M. Costle, written in dark ink.



VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420

September 29, 1978

•TO : The President

THRU : Rick Hutcheson, Staff Secretary

FROM : Administrator of Veterans Affairs

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Max G. ...

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Community WASHINGTON, D.C. 20506
Services Administration



51

MEMORANDUM TO THE PRESIDENT

September 29, 1978

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FROM: Graciela (Grace) Olivarez, Director
Community Services Administration

SUBJECT: Weekly Report of Significant Agency Activities
(September 25 - 29, 1978)

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THE SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

September 29, 1978

"FYI" C

REPORT TO THE PRESIDENT

The initial response to your announcement of the Administration's national export policy has been excellent. We have already received many comments from the business community applauding this initiative. During our briefing of key Members of Congress and their staffs, as well as in my subsequent appearance before the Senate Committee on Commerce, Science and Transportation, the export policy program was very well received. I expect that our trade mission to Japan, which departs this weekend, will contribute significantly to the Administration's momentum in dealing with the trade deficit problem.

The \$1.6 billion August trade deficit marks a substantial improvement from the July figure of \$3.0 billion. Exports rose in eight of the ten major categories, and imports declined in six. Significantly, oil imports rose. More encouraging, the trade deficit for the latest four months is one-third less than for the first four months of 1978, and our trade in manufactured goods during August showed a surplus for the first time in nine months. An improving market for U.S. exports provides a favorable atmosphere for the success of your new export policy. While we expect a continuing longer-term improvement in the trade balance, we may still see some larger monthly deficits because of the erratic nature of monthly trade data.

This week the Department issued its first-year report on the Administration's Footwear Industry Revitalization Program. This program and last year's orderly marketing agreements on footwear with Korea and Taiwan have together been decisive factors in the improved performance of the U.S. footwear industry. By focusing on solutions to industry problems, the revitalization program has helped our domestic footwear industry increase its production by 5.5% and its exports by more than 20% (2d Q 1978 vs. 2d Q 1977). We also announced an expanded program of technical assistance and research to help other impacted firms adjust to changing conditions and regain their competitive positions in the marketplace. Research efforts will focus on the adoption of new processes and procedures to help targeted industries. Examples of such industries include steel, apparel, industrial fasteners, and consumer electronics.

Next Thursday, Assistant Secretary Bob Hall will be joining Jack Watson and other Administration representatives to announce approval of several additional projects in the South Bronx in further support to your commitment to this area. Commerce projects to be announced include five EDA business loans and a grant from the Office of Minority Business Enterprise to the South Bronx Overall Economic Development Corporation. These loans are expected to generate 600 new jobs in the South Bronx, as well as save many existing jobs. Additional EDA business loans to enable other firms to retain or expand their employment in the South Bronx are under discussion.

Happy Birthday!


Juanita M. Kreps



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

September 29, 1978

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. EPG

Pending your decisions, preparations continue on the wage-price program.

Over the next two weeks, the EPG will be examining our fiscal policy options for FY 1980, in light of updated economic forecasts. I believe it's clear already that the squeeze on spending will have to be even tighter than we imagined. Otherwise, we will show a deficit reduction, 1979 to 1980, of significantly less than \$10 billion -- even without any further tax cuts. In fact, anti-inflation tax cuts -- TIP, Social Security, etc. -- will also deserve close study. As a result, it is essential in my view that spending be cut back as far as possible.

2. IMF/IBRD ANNUAL MEETINGS

The meetings produced cautious optimism. A consensus was achieved on a 50 percent increase in IMF quotas covering a 5-year period and an allocation of 4 billion SDRs annually for 3 years. General agreement was also reached that negotiations on a general capital increase for the IBRD and an increase in IDA resources should proceed as expeditiously as possible. Equally important, the meetings instilled some sense that the principal economic problems of the past few years are being overcome and further improvements are under way. Your participation made an important contribution by underscoring your personal commitment to take the actions required for a sound dollar. Finance ministers, however, did emphasize in discussions with me the importance of early U.S. action on inflation and energy, if this enhanced confidence is to be sustained and reflected in the foreign exchange market.

3. THE DOLLAR

The dollar continued to experience selling pressure this week, despite the improved August U.S. trade figures, further increases in U.S. interest rates, Senate passage of the natural

gas bill and the consensus reached at the IMF and World Bank meetings on the outlook for narrower payments imbalances. Private bankers are focusing primarily on the inflation issue. Over the week, the dollar did not depreciate significantly, but the Treasury and Federal Reserve intervened at times to settle trading conditions.

4. FOREIGN AID AND WITTEVEEN

The Foreign Aid appropriations conference completed its work Wednesday. Witteveen was fully included. The outcome on foreign assistance was quite satisfactory -- the total increase is 30 percent over last year and 70 percent more than the last effort of the previous Administration. There were major qualitative improvements with significant inroads into IDA arrearages and complete elimination of IDB and Asian Development Fund arrearages. Words of thanks are in order to Inouye, Schweiker, Obey, McHugh and Conte. We are moving rapidly to obtain final Congressional approval of our participation in the Witteveen Facility. The only remaining hurdle is to ensure acceptance of the authorization and appropriations conference reports.

5. SUPPLEMENTARY FISCAL ASSISTANT LEGISLATION

Last Saturday the Senate amended and then passed a key element of your urban policy -- a bill to extend fiscal assistance to distressed local governments. The Senate bill is quite similar to the Administration's own bill. The full House will take up this legislation next week, and the vote may be quite close. We are working hard to obtain House approval.



W. Michael Blumenthal



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

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September 29, 1978

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson
Staff Secretary

SUBJECT: Weekly Report

WHEAT EXPORTS. Stronger-than-expected world demand for wheat upped the 1978/79 export forecast by 50 million bushels from earlier estimates. 1978/79 exports are now expected to range between 1,050 to 1,250 million bushels. Carryover stocks could fall below 1.1 billion bushels for first time since 1975. Prices are likely to average in the \$2.50 to \$3.00 range.

SUGAR. Sugar bill is scheduled for House action today. I sent a strong letter to the House stating that the Administration will not accept a bill above 15 cent support rate.

AGRICULTURE APPROPRIATIONS. Both Houses have approved the Conference Report on Agriculture Appropriations this week.

BOUNDARY WATERS CANOE AREA. The Senate Committee on Energy and Natural Resources is expected to complete its consideration of the Boundary Waters Canoe Area bill this week.

1978 CORN CROP. Current estimates are that we will harvest the biggest corn crop in history -- 6.8 billion bushels -- because of a recordbreaking 100 bushel an acre average yield.

A handwritten signature in black ink, appearing to read "B.B." with a stylized flourish.

BOB BERGLAND



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410
September 29, 1978.

MEMORANDUM FOR: The President
Attention: Rick Hutcheson

SUBJECT: Weekly Report of Major Departmental Activities

New Directions for New Communities. The Department is planning to liquidate more than half of the 13 new community projects currently administered by the New Community Development Corporation, dissolve the Corporation and commit additional resources to those remaining projects to improve their chances for success. The statutory authority for the New Communities program would be retained as an optional method for dealing with urban problems. The new communities being considered for retention are: St. Charles, Maryland; Maumelle, Arkansas; The Woodlawn, Texas; Soul City, North Carolina; Harbison, South Carolina, and Shenandoah, Georgia.

Chicago Block Grant Approval Calls for New Housing Construction. The Department has approved \$117,803,631 in fourth year Community Development Block Grant funds for Chicago and has asked the city to make substantial progress during 1979 in meeting its Housing Assistance Plan goals for substantial rehabilitation of rental units and necessary large family new construction. The Department encouraged the city to make use of CDBG funds for site acquisition and preparation of land, and to use HUD resources during 1979 to build necessary new housing under the Section 8 rental assistance program. Failure to show substantial progress in achieving these goals could lead to a reduction in the city's block grant entitlement funds.

Final Housing Counseling Grants for FY 1978 Awarded. The Department awarded \$730,000 to 11 national and community-based organizations for comprehensive housing counseling to low income persons. Awards went to such diverse groups as the National Urban League, the South Minneapolis Community Federal Union, the Sac and Fox Indian Housing Authority, and Rural America. The expanded housing counseling program stems from an earlier five-city demonstration program which showed that counseling was effective in reducing mortgage foreclosure rates by as much as 46 percent. The program not only helps lower income persons learn to manage their housing finances, but can also help to reduce default on loans guaranteed by the Department.

More Grants for Solar Heating and Hot Water Systems. The Department has awarded 96 grants totaling \$5,806,959 to install solar heating and domestic hot water systems in 4,849 housing units. The grants, made under the HUD residential solar heating and cooling demonstration program, support installation of equipment in projects in 35 states and the District of Columbia.

Single Family Applications Continue Climb. Applications for single family FHA mortgages during the first half of September totaled 28,367, a 30 percent increase over the comparable period in 1977. Failure of the Congress to pass a HUD continuing resolution prior to October 1 will make it impossible for HUD to make binding commitments until either the authorization statute is enacted or a continuing resolution adopted.

Pat

Patricia Roberts Harris



THE SECRETARY OF THE INTERIOR
WASHINGTON

September 29, 1978

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MEMORANDUM TO THE PRESIDENT

FROM: Secretary of the Interior

SUBJECT: Major Topics for the Week of September 25

Last Monday, I met with Mayor Royer of Seattle. He has been a supporter of ours from the beginning and Interior was able to help him with a problem. He sends you his appreciation and best wishes.

Mike O'Callaghan is helping to line up support with other Governors for the Public Works veto, but Lamm is working the other side of the street.

The copper industry representatives were in today to ask for our support of the International Trade Commission's recommendation to impose an import quota of 300,000 tons. I'm not too sympathetic to the firms because they created much of the foreign development, but it would create about 12,000 jobs in the western mining states. I would support them for this reason and the 300,000 level would protect Canada's historic levels of export if we went for individual quotas instead of global quotas. Strauss also met with them and will have comments and suggestions.

Interior's response time to White House referral mail is now averaging 10 days. A decided improvement over last Spring.

Many thanks for the great album of pictures and the rental fee. I don't agree that the rod gave you the advantage, but I'll keep the two dollars.


CECIL D. ANDRUS



THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

September 29, 1978

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MEMORANDUM FOR THE PRESIDENT

ATTENTION: Rick Hutcheson, Staff Secretary

FROM: Brock Adams

SUBJECT: Significant Issues for the Week of September 25

B. Adams

Nationwide Railroad Strike - I have responded to the White House request for two memoranda regarding the nationwide railroad strike and also to Secretary Marshall's request for meetings and full information to assist him. I will, of course, be available now and over the weekend if you wish to give me instructions to contact any parts of the government or any of the parties involved in the dispute.

Surface Transportation Bill - On Thursday the House passed this bill by a 367-28 vote, the spending levels of which are unacceptable. I met today with representatives from OMB, the Domestic Council, and Frank Moore's office to focus our efforts on the Senate/House Conference. I appreciate your willingness to directly intervene with the conferees if necessary.

Airline Regulatory Reform - Since our meeting with the House and Senate Committee Chairmen, the conferees on this bill have been appointed and have held one meeting. We will coordinate with your staff and do everything possible to conclude this as soon as we can.

Airline Safety - This week Federal Aviation Administrator Langhorne Bond and I issued proceedings for tighter safety regulations for commuter airlines and air taxis. Unfortunately the San Diego mid-air collision overshadowed these new airline safety requirements which revise the existing regulations to make them more consistent with the changes in aviation which will occur due to the regulatory reform and CAB administrative action on these initiatives. The FAA, National Transportation Safety Board, and local officials are now working to determine the cause of the unfortunate mid-air collision in California.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

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September 29, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze ^{CLS}

Subject: CEA Weekly Report

Anti-Inflation Policy. You should now have the final decision memorandum on specific details of the anti-inflation program. Bob Strauss' staff, working with CEA and other EOP and Cabinet agencies, is taking charge of coordinating the process of announcing the program and presenting it to the public in the months ahead. My staff is working closely with Bob's to prepare the written materials needed to explain this program to the press and to the public. I am also considering ways to deal with the need to administer this program well. I will be talking about some of the administrative difficulties with several of your advisers next week, and will report to you shortly with suggestions for administration of the program.

Humphrey-Hawkins. My staff, with DPS, has been working closely with Senate sponsors of the bill to ensure that those provisions we find objectionable in Committee versions of the bill can be fixed through floor amendments. Our major objections to the Human Resources Committee version of the bill have been resolved. We still oppose certain provisions introduced by the Banking Committee, and we are working with the Human Resources Committee staff to develop amendments to eliminate or improve those provisions. Floor action on this bill will be extremely close. The full employment coalition clings to opposition to any inflation goal that is written as strongly as the goal introduced by the Banking Committee. In all probability, however, the Senate will be inclined to opt for the toughest possible inflation goal. It is too early to say what the outcome on the floor will be. My staff is monitoring developments closely, however, to ensure that the bill remains acceptable to us should it pass.

Regulatory Reform. Stu will forward to you shortly a memo from me regarding the recent Council on Environmental Quality memo on the economic impact of environmental regulations. Accompanying that memo will be the final report of the interagency group that reviewed the Regulatory Analysis Program. That review resulted in some proposals for change in the program, but no agency recommended abolishing the regulatory analysis requirement and review process. Currently, the Regulatory Analysis Review Group is reviewing several major regulations: DOT's regulation on access to mass transit for the handicapped; OSHA's generic carcinogen regulation; EPA's ozone standard and new source performance standard for electric generating plants; and Interior's strip mining regulations. OSHA has announced the final acrylonitrile regulation -- the first to be reviewed by the group. OSHA selected the most cost-effective of the three alternative standards it considered, a decision that I believe can be credited, in part at least, to the review process.

Capital Gains Tax. Recently, Members of Congress have been citing a recent study by Harvard economist Martin Feldstein as justification for their view that a massive capital gains tax cut would not cost any budget revenues because it would induce asset holders to increase sharply their capital gains realizations. This study was severely flawed, however. The CEA staff has prepared a rebuttal study that, in my view, undermines most of Feldstein's most crucial arguments. On Friday, I sent copies of the report to the Chairmen of the budget and tax writing committees in both houses. Copies also have been distributed to staff on the Hill, and will be given to the press on Monday. If we are successful, we may take some of the hot air out of the exaggerated claims of the capital gains proponents.

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Cabinet Summaries	Schlesinger to Pres. Carter, 2 pp., re:Strategic Petroleum reserve	9/29/78	A

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of Staff Sec.-Presidential Handwriting File, 10/2/78 [2] Box 104

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THE WHITE HOUSE
WASHINGTON

10/2/78

Ambassador Bob Strauss

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
Stu Eizenstat
Zbig Brzezinski
Jim McIntyre

4904

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

27 SEP 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Robert S. Strauss

SUBJECT: Proclamation Terminating Import Relief for
Ceramic Dinnerware

On behalf of the Trade Policy Committee I recommend that you sign the attached proclamation terminating "escape clause" import relief of several types of ceramic dinnerware (certain earthen and china tableware and kitchen articles). This relief would normally terminate on April 30, 1979. This action is a necessary prerequisite to the revision of the U.S. tariff provisions for ceramic dinnerware in the context of the Multilateral Trade Negotiations (MTN). Following a Presidential directive in 1976, this Office reviewed the U.S. tariff provisions for ceramic dinnerware and prepared revisions designed to eliminate tariff loopholes and obsolete value categories. These revisions conform to modern commercial practice.

None of the agencies represented on the Trade Policy Committee (State, Treasury, Commerce, Labor, Agriculture, Defense, Interior, and Justice) object to the termination of escape clause relief. This relief is no longer effective because price increases have moved imports of dinnerware affected by the escape clause into higher value tariff categories on which no import relief was granted. The U.S. earthen dinnerware industry, which filed the escape clause complaint, supports this action since it will facilitate the revision of ceramic dinnerware tariff nomenclature and rates of duty in the MTN. A number of Senators and Representatives from West Virginia, Ohio, Pennsylvania and New York have also indicated their support.

The Trade Act of 1974 excludes from negotiations all articles subject to an escape clause action. Because we would like these articles to be part of the MTN bargaining, which is now taking place in Geneva, I would appreciate your consideration of this proclamation at your earliest convenience.

TERMINATION OF INCREASED RATES OF DUTY
ON CERTAIN CERAMIC TABLEWARE

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

1. By Proclamation No. 4125 of April 22, 1972, the President proclaimed increased duties on certain types of ceramic tableware that are defined in items 923.01 through 923.15 of the Tariff Schedules of the United States (TSUS). These increased duties were to be effective from May 1, 1972, through April 30, 1976, unless modified or terminated earlier. This action was taken under the following legal provisions: section 350(a)(1)(B) of the Tariff Act of 1930, as amended (19 U.S.C. 1351(a)(1)(B)); and sections 201(a)(2), 302(a)(2) and (3), and 351(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(a)(2), 19 U.S.C. 1902(a)(2) and (3), and 19 U.S.C. 1981(a)).

2. By Proclamation No. 4436 of April 30, 1976, the President proclaimed the extension and modification of the increased rates of duty then in effect on imports of some of the articles of ceramic tableware provided for in items 923.01, 923.07, 923.13, and 923.15 of the TSUS. This was done under section 203(h)(3) of the Trade Act of 1974 (19 U.S.C. 2253(h)(3)).

3. I have determined, pursuant to section 203(h)(4) of the Trade Act of 1974 (19 U.S.C. 2253(h)(4)) and section 351(c)(1)(A) of the Trade Expansion Act of 1962 (19 U.S.C. 1981(c)(1)(A)), after taking into account the advice of the U.S. International Trade Commission and after seeking the advice of the Secretaries of Commerce and Labor as required by those sections, that it is in the national interest to terminate the increased rates of duty currently in effect on imports of the articles of ceramic tableware now provided

for in items 923.01, 923.07, 923.13 and 923.15 of the TSUS.

NOW, THEREFORE, I, JIMMY CARTER, President of the United States of America, acting under the authority vested in me by the Constitution and the statutes, including section 203(h)(4) of the Trade Act of 1974 (19 U.S.C. 2253(h)(4)) and section 351(c)(1)(A) of the Trade Expansion Act of 1962 (19 U.S.C. 1981(c)(1)(A)), and in accordance with Article XIX of the General Agreement on Tariffs and Trade (GATT), do proclaim that --

(1) The modifications of tariff concessions on ceramic tableware provided for in items 533.28, 533.38, 533.73, and 533.75 in Part I of Schedule XX to the GATT made by Proclamations Nos. 4125 and 4436 are terminated;

(2) Subpart A, part 2 of the Appendix to the TSUS is modified by deleting items 923.01, 923.07, 923.13, and 923.15, including the superior headings thereto;

(3) The modifications of Part I of Schedule XX to the GATT and of the Appendix to the TSUS made by paragraphs (1) and (2) hereof shall be effective as to articles entered, or withdrawn from warehouse, for consumption on or after the date of publication of this Proclamation in the Federal Register.

IN WITNESS WHEREOF, I have hereunto set my hand this
day of in the year of our Lord
nineteen hundred seventy-eight, and of the Independence of
the United States of America the two hundred and third.

