9/20/77 [2]

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

September 20, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE F.M.

The Senate Human Resources Committee has had hearings on the age exemption. All of the groups have testified. They have previously put markup off at our request.

Senator Javits is in Paris. The only way to hold up the bill now would be a personal call from you to Senator Harrison (Pete) Williams (D-NJ).

~~Personally~~, the delay might enable us to get an amendment to delay the implementation, but it looks very bleak. I am afraid the grey power lobby is rolling so hard that the Senate is going to pass this regardless of what we do.

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THE WHITE HOUSE
WASHINGTON

September 20, 1977

Stu Eizenstat
Jack Watson

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

Rick Hutcheson

RE: SEC. ADAMS AND THE CONCORDE MEETING

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
X		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
	X	WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

		ARAGON
		BOURNE
		BRZEZINSKI
		BUTLER
		CARP
		H. CARTER
		CLOUGH
		FALLOWS
		FIRST LADY
		HARDEN
		HUTCHESON
		JAGODA
		KING

		KRAFT
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		POSTON
		PRESS
		SCHLESINGER
		SCHNEIDERS
		STRAUSS
		VOORDE
		WARREN

THE PRESIDENT HAS SEEN. A precedent, & voluntarily ok J

THE WHITE HOUSE
WASHINGTON

MR. PRESIDENT:

We have just learned that Secretary Adams intends to take minutes of the meetings on Concorde. The DOT General Counsel has advised that he must record all contacts with parties during the SST rulemaking process. We have discussed this matter with Bob Lipshutz and he sees no problem with minutes being taken of this meeting, even though they will eventually be included in the public rulemaking procedure record.

Stu Eizenstat

19 Sept 77

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THE WHITE HOUSE
WASHINGTON

September 20, 1977

Bob Lipshutz

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

Rick Hutcheson

cc: The Vice President
Stu Eizenstat
Jack Watson

RE: SUPPLEMENTAL REVIEW OF LABOR DEPARTMENT'S INVESTIGATION OF STEELWORKERS' ELECTION

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

Lipshutz memo only

ACTION	FYI	
	/	MONDALE
		COSTANZA
	/	EIZENSTAT
		JORDAN
X		LIPSHUTZ
		MOORE
		POWELL
	/	WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
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		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		POSTON
		PRESS
		SCHLESINGER
		SCHNEIDERS
		STRAUSS
		VOORDE
		WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

September 15, 1977

Bob-
I think the law should is ridiculous. use same type of Criteria as other elections to conduct investigation. Not just some sorehead complaining about a loss
F

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT LIPSHUTZ RL

SUBJECT: Supplemental Review of Labor Department's Investigation of Steelworkers' Election

Judge Bell has transmitted a supplemental memorandum reviewing the Labor Department's investigation of the recent Steelworkers' Union national election. Summarized below, the review responds to questions you raised with Secretary Marshall concerning Labor's options in planning the investigation.

Labor has considerable planning flexibility with regard to personnel assignments, budgetary allocations, and investigative techniques to be used. However, it is subject to statutory constraints requiring that its review be completed within 60 days (this includes completion of the field inquiry and preparation of the case to be filed in Federal Court if there is probable cause to believe violations have occurred) and that it provide a written statement of reasons for its findings concerning the outcome of the election. Labor handles many election complaints but few, if any, have involved as many specific alleged violations on such a broad scale as this (the Union has approximately 5,400 locals, some 600 of which are in Canada). A preliminary investigation alone will require reviewing a large volume of election records, and interviewing election observers and other witnesses. The statutorily mandated investigation will involve 228 persons in the field and will cost approximately $750,000. Due to the special circumstances, Labor has been granted a 30-day extension of the statutory time frame and the investigation is now scheduled for completion in mid-September.

Amendments to present legislation are under active consideration by Labor but until the law is changed, the investigative function will be subject to the noted statutory constraints. Given the scope of the Steelworkers' election and the number of allegations involved, the problem of devoting major resources and expenditures to this investigation is inescapable.

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THE WHITE HOUSE
WASHINGTON

include in file

not submitted

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

September 6, 1977

MEMORANDUM FOR THE PRESIDENT

I enclose an additional memorandum on the heavy expense problem in connection with the Steelworkers' election investigation. There does not seem any way out of the problem, given the scope of the election and the large number of charges.

Griffin B. Bell
Attorney General

ASSISTANT ATTORNEY GENERAL

Department of Justice
Washington, D.C. 20530

AUG 31 1977

MEMORANDUM FOR THE ATTORNEY GENERAL

Re: Supplemental Review of Steelworkers' Election Investigation

In two memoranda, dated June 17 and 24, 1977, Secretary of Labor Ray Marshall advised the President of an investigation instituted by the Labor Department into the recent steelworkers' union national election. The President raised several questions about the statutory provisions governing investigations of this sort, and this Office submitted to you a brief responding memorandum on July 15, 1977. Thereafter you transmitted our memorandum to the President along with a one-page summary (dated July 22, 1977). Those memoranda outlined in general terms the discretionary limits applicable to the Labor Department's examination of Edward Sadlowski's numerous complaints about the election. Because the President since receiving those memoranda has raised questions with Secretary Marshall about the options available in allocating time and resources to the Labor Department's investigation, we have undertaken a more detailed review of the facts. The following information is the result of a meeting between Hank Watkins of our office and an official in the Labor Department's Office of Labor-Management Standards Enforcement, the Office having the responsibility to investigate union election complaints.

On February 8, 1977 Lloyd McBride won the election for International President of the United Steelworkers of America (USWA) over Edward Sadlowski. Subsequently, on June 17, 1977, Sadlowski filed a detailed 45-page complaint challenging that election under Title IV of the Labor-Management Reporting and Disclosure Act of 1959. 29 U.S.C. § 401, et seq. The complaint identified with specificity numerous claimed election day violations as well as a pattern of conduct allegedly undertaken by those in control of the union to deprive Sadlowski of a fair chance to win the election.

As explained in our prior memorandum, the Labor Department does possess a certain amount of discretion in tailoring its investigations. Constrained by the statutory requirements that it has--in the ordinary course--only 60 days in which to complete its review, */ and that it must provide a written statement of reasons for its findings, the Labor Department nonetheless has considerable freedom to make the necessary investigation planning judgments. It will determine how many investigators will be assigned to the case, how much money will be earmarked for the review, and what sorts of inquiry techniques will be utilized.

Although the Labor Department handles many election complaints (it has conducted approximately 230 investigations already this year), it has rarely, if ever, been faced with a complaint with as many specific alleged violations on such a broad scale as in this case. The complaint involved a national election in a union that has approximately 5,400 locals, of which some 600 are located in Canada. Even a preliminary investigation of the alleged violations requires a review of a considerable volume of election records as well as interviews with election observers and other witnesses who Mr. Sadlowski claims have relevant information. The relevant statutes require that a claim must be investigated (1) if that claim on its face constitutes a violation of the union election laws, and (2) if that alleged violation may have affected the outcome of the election. 29 U.S.C. § 482(c)(2). Because the complaint in this case contained such a large number of allegations of specific acts of wrongdoing, the officials within the Labor Department determined that the statutorily mandated investigation would require 228 persons in the field (for varying periods of time up to as long as 30 days) and that their workup would cost approximately $750,000.00.

In the ordinary case the investigation would have been concluded within the previously mentioned 60-day limit. In

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*/ 29 U.S.C. § 482(b). Within that 60-day time-frame the investigative unit must not only conduct its field inquiry but must also complete its litigation review and prepare the case to be filed in federal court if it is found that there is probable cause to believe violations occurred.

this case, however, a 30-day extension has been granted at the request of the Department of Labor and the investigation is now scheduled to be completed in mid-September.

As stated in our prior memoranda, the Labor Department is actively considering amendments to the governing legislation, but until such time as the law is changed the union election investigation function will continue to be performed under demanding time deadlines and pursuant to the judicially-imposed requirements of a written statement of reasons for the Secretary of Labor's conclusion that the alleged violations were unfounded or did not affect the outcome of the election. Even though, in order to overturn a decision by the Secretary that the results of a challenged election should stand, the burden rests on the disgruntled candidate to show in court that the Secretary's findings are arbitrary and capricious, the threat of judicial review does impose upon the Labor Department an obligation to conduct an investigation that looks closely at the collection of alleged violations. In the case of the steelworkers' election, that obligation requires the Secretary to devote major resources to the investigation of Mr. Sadlowski's complaint.

John M. Harmon
Assistant Attorney General
Office of Legal Counsel

THE WHITE HOUSE
WASHINGTON

September 20, 1977

Frank Moore

The attache letter to Congressman Steve Solarz was returned in the President's outbox today. It is forwarded to you for delivery.

Rick Hutcheson

RE: AWACS

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
X		MOORE - Letter to deliver
		POWELL
		WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE

WASHINGTON

September 16, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: BILL CABLE Bill.

THROUGH: FRANK MOORE F.M.

SUBJECT: AWACS--House International Relations Committee

These additional members of the House International Relations Committee have been contacted by the State Department on AWACS.

Charles Whalen--Has been contacted by three department officials. Told Under Secretary for Political Affairs Philip Habib that he is with us this time. ✓

Steve Solarz--With us and wants ammunition to help us. State advises a thank you ~~call~~ be made by the President. ✓

Note ATTached.

**Cardiss Collins--She has shifted her position to opposition of AWACS by giving her proxy to Studds. ✓

J. Herbert Burke--Starting to lean against AWACS. The only Republican to switch his vote against AWACS. ✓

THE WHITE HOUSE

WASHINGTON

September 19, 1977

To Congressman Steve Solarz

I want to thank you for your continuing support as a member of the International Relations Committee.

I particularly appreciate your help on the matter of AWACS as it relates to our overall arms control policy.

Sincerely,

Jimmy Carter

The Honorable Stephen Solarz
U. S. House of Representatives
Washington, D. C. 20515

10:00 AM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

September 19, 1977

BILL SIGNING

H.R.5294 - Fair Debt Collection Practices Act

Tuesday, September 20, 1977
10:00 a.m. (15 Minutes)
The Rose Garden
(474 EOB if rain)

From: Frank Moore F.M.

I. PRESS PLAN

Open Press Coverage

II. TALKING POINTS

Statement attached

III. PARTICIPANTS

Cabinet

Secretary Blumenthal
Attorney General Bell

Senate (Committee on Banking, Housing and Urban Affairs)

Don Riegle
John Heinz

Staff

Kenneth McLean, Staff Director
Pat Abshire, Counsel
Lewis Taffer, Assistant Counsel
Ethan Siegal, Riegle's Staff
Jeremiah Buckley, Minority Staff

House(Committee on Banking, Finance and Urban Affairs)

Clifford Allen
Frank Annunzio
Thomas Ashley
Les AuCoin
Herman Badillo
Doug Barnard
James Blanchard

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Bruce Caputo
Norman D'Amours
Butler Derrick
David Evans
Thomas Evans
Walter Fauntroy
Millicent Fenwick
Henry Gonzalez
Charles Grassley
James Hanley
Mark Hannaford
Harold Hollenbeck
Richard Kelley
John LaFalce
Jim Leach
Jim Mattox
Joseph Minish
Stephen Neal
Mary Rose Oakar
Jerry Patterson
Edward Pattison
Henry Reuss, Chairman
John Rousselot
Gladys Spellman
William Stanton
Bruce Vento
Wes Watkins
Chalmers Wylie

Staff

William Dixon, Counsel
Ted Doremus, Minority Counsel
Michael Flaherty, Counsel
Mercer Jackson, Minority Staff Dir.
James Kutcher, Professional Staff Member
James McMahon, Professional Staff Member
Curtis Prins, Staff Director, Subcommittee on Consumer Affairs
William Roche, Professional Staff Member
Judith Shellenberger, Professional Staff Member

Government

Michael Pertschuk, FTC
Gene Godley, Treasury
Sandy Kress, Treasury
Vernon Weaver, SBA

State Officials

Richard Gross, Assistant Attorney General, Boston
Joseph Morello, Assistant DA, New York
Jay Ashman, Assistant AG, Burlington, Vermont
Stanley Van Ness, Public Advocate, New Jersey

Industry

Michael Goldberg, President, American Collectors Association
Joseph Garber, Chairman, American Collectors Association
John Spafford, President, Associated Credit Bureaus
Barry Connelly, Senior Vice President, Associated Credit Bureaus
Dennis Kelly, President, American Credit and Collection Institute Inc.
Donald Ogden, Credit Bureau of Monroe, Wisconsin

Labor

Ken Peterson, AFL-CIO
Jack Sheehan and Ken Kovack, Steelworkers

Consumer

Kathleen O'Reilly, Consumer Federation of America
Erma Angevine, National Coalition for the Consumer Protection Agency
Sandra Willett, National Consumers League
Mark Green, Congress Watch
Albert Wynn, Executive Director, Prince George's County Consumer Protection Commission
Ann Daleys, Office of Consumer Protection
Patricia Miller
Karen Berger, Queen's Legal Services, N.Y.
Sandy DeMent, Executive Director, National Resource Center for Consumers of Legal Services
Alan Morrison, Public Citizen Litigation Group
Polly Craighill
Joan Claybrook
Carol Tucker Foreman

Minority

William Davis, Executive Director, United Planning Organization
Carl Johnson, Executive Director, National Citizens Participantion Council
Clarence Mitchell, Leadership Conference on Civil Rights

THE WHITE HOUSE
WASHINGTON
September 20, 1977

The Vice President
Jody Powell

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

Rick Hutcheson

cc: Stu Eizenstat
Hamilton Jordan
Frank Moore
Jack Watson
Bert Lance
Bunny Mitchell

RE: DC TASK FORCE

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
X		MONDALE
		COSTANZA
	X	EIZENSTAT
	X	JORDAN
		LIPSHUTZ
	X	MOORE
X		POWELL
	X	WATSON
	X	LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

9/19/77

Mr. President:

Lipshutz concurs. OMB views are reflected in the memo.

Eizenstat's views are attached (and Bunny Mitchell concurs with Stu).

Congressional Liaison observes that increased voting representation for D.C. will be viewed as a partisan issue by Republicans (since the new Senate seats would be Democratic). No comment on the rest, provided that Senators Byrd, Leahy and Eagleton are fully informed.

---Rick

THE PRESIDENT HAS SEEN.

Fritz ±
Jody - prepare
press release -

OFFICE OF THE VICE PRESIDENT
WASHINGTON

September 13, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: THE VICE PRESIDENT

SUBJECT: DISTRICT OF COLUMBIA TASK FORCE

The District of Columbia Task Force has completed its review of short-term issues affecting the Federal government's relationship with the District of Columbia. This paper sets forth below the major options on these issues as identified by the Executive Branch representatives. Tab A is a financial chart prepared by OMB to show the costs per fiscal year of the various financial options.

OBJECTIVES

In presenting these options, we seek to achieve several goals. First, to support the principle of voting representation for the District in both Houses of Congress. Second, removal of the Federal government from those District matters which do not involve a substantial federal interest consistent with your stated belief that "interference of the Federal government, including the President, in the internal affairs of the District of Columbia's government ought to be minimal." Third, to improve the process for determining Federal financial contributions supporting the District's budget to both provide a greater degree of certainty for local officials and to reflect the net impact of the Federal presence in the District.

This options paper relates only to short-term questions involving the Federal-District relationship. Subsequent Task Force meetings will concentrate on long-term issues with the goal of establishing a more coordinated

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and efficient relationship between the Federal and District government. (Included among the long-term issues are alternate sources of revenue for the City, planning and land use, and economic development.)

The options have been grouped into three categories: 1) Voting Representation, 2) Financial issues, 3) Increased local control. Implementation of these options will require a Constitutional amendment for voting representation and new legislation or amendments to existing legislation for the others. Legislative proposals on these issues have been introduced in some form in the ninety-fifth Congress, and thus will not require new Administration initiatives.

ANALYSIS OF ISSUES

I. VOTING REPRESENTATION

The Democratic Party Platform endorsed full Congressional voting representation as though the District were a state; i.e., two Senators and the number of Representatives warranted by population (presently two).

The Justice Department reports there are no legal impediments to treating the District as a state for purposes of Congressional representation so long as this is done through the Constitutional amendment process.

There are 10 states with populations smaller than the District's. Those familiar with this problem agree it is unfair for 750,000 citizens of the District to be denied voting representation in Congress. The disagreement arises over the form such representation should take.

The Senate is generally not sympathetic to increased representation in its chambers although a bi-partisan group of thirteen (13) Senators has endorsed voting representation in the Senate as well as in the House. (Letter listing the Senators is attached.) The House will probably oppose any amendment which fails to provide for the possibility of representation in both Houses of Congress. Although hard work and luck are needed for passage of an Amendment, Administration support of a voting representation amendment is of great symbolic importance.

Options for Increased Voting Representation

Option 1. Support a Constitutional amendment (proposed by District Delegate Fauntroy and co-sponsored by Congressman Edwards and Senators Kennedy, Humphrey, Bayh, Mathias and Brooke) providing voting representation in Congress as though the District were a state -- two Senators and the requisite number of Representatives. As presently written, this proposed amendment treats the District as a state for ratification of constitutional amendments and repeals the 23rd Amendment, which limits the District to no more Presidential electors than permitted the least populous state. The amendment does not affect the unique legislative relationship between the District and the Congress nor does it affect the District's unique status with respect to participation in financial distribution programs. This option is consistent with the Democratic Platform.

Although thirteen Senators have endorsed full voting representation for the District, passage of the amendment by the Senate will be difficult. Chances of passage in the House are better since efforts last session failed by only 45 votes and there are many new members who would support it.

Option 2. Support a Constitutional amendment stating the principle that citizens of the District are entitled to voting representation in both Houses of Congress, but leave it to Congress to determine the precise form of the representation.

Leaving to Congress the power to implement the amendment by appropriate legislation is consistent with the power given it in Article I of the Constitution to exercise exclusive legislative responsibility over the District. Note however, that during hearings on such an amendment, the Administration would be pressed to state its views on appropriate District representation.

Decision

Option 1 ✓

Option 2 _____

FC

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II. FINANCIAL ISSUES

A. Federal Payment.

Presently, the Federal government makes an annual payment to the District to offset money lost by the District's inability to tax Federal property and buildings. The present authorization ceiling is $300 million per year. The District feels a substantial increase is needed to keep the city financially stable. (Some Councilmen have called for a doubling of the payment). Both the House and Senate want a formula developed to determine the size of the federal payment in the future. Senate District Subcommittee Chairman Eagleton is adamant about reducing the District payroll as a prerequisite to increasing the Federal payment.

Also related is the District's desire to have the Federal payment predictable to facilitate long-range planning as well as to terminate Congressional and Executive Branch detailed involvement in the District's appropriations process.

Some gradual increase in the Federal payment to reflect inflation is necessary and reasonable to maintain current services. While OMB is willing to increase the Federal payment by 5.5% to reflect inflation during the next three fiscal years while a more precise formula is developed, it opposes linking the size of the Federal payment to a percentage of local revenues as proposed by the City. It is impossible to compute a formula which precisely reflects the cost to the City of having the Federal presence as balanced by the financial benefits of that same presence. OMB feels a long-term study of the question might result in a formula with reasonable components for a Federal payment possibly linked in some way to revenues. OMB also identifies 1982 as the target date for removing the Federal government from the District's budget process since the D.C. Audit Commission Report on District finances will have been submitted by then.

Options for the Federal Payment.

Option 1. Maintain present Federal payment authorization ceiling of $300 million as well as continuing present Executive and Congressional involvement in District appropriations process. Senators Eagleton and Leahy and Chairman Diggs favor holding current level of Federal payment until a more precise formula is developed. This option would be the most attractive to Congress and least acceptable to the District.

Option 2. Support moderate increase of 5.5 percent in Federal payment authorization to reflect inflation for the next three fiscal years in order to maintain current services. Also undertake study of alternative methods for determining the Federal payment and support removal of Federal government from District appropriations process by 1982 once audit of City financial condition already underway is completed. OMB recommends this option, and it would be favorably received by the District since it would show some movement to increase the Federal payment. The disadvantage of this option is that it might dampen District incentive to reduce its employee rolls to streamline costs as advocated by Senator Eagleton. For that reason, if this option is selected, announcement should be accompanied by a strong statement urging the District to analyze its present authorized level of employees for ways of reducing the number of positions consistent with maintaining necessary services. Most studies show the District with the highest per capita city employee-citizen ratio of cities its size.

Option 3. Support moderate increase of 5.5 percent and other points as outlined in Option 2 but only for one fiscal year with strong statement on need to reduce District employee levels.

Option 4. Support Federal payment at 40% of anticipated District revenues which would result in Federal payment of $340 million in FY'79. This option is supported by District representatives but opposed by Congress. This option has same disadvantage as Option #2, only more so.

Decision

Option 1 _____
Option 2 _____
Option 3 ✓ — JC
Option 4 _____

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B. St. Elizabeth's Hospital.

The Federal government has had financial and administrative responsibility for St. Elizabeth's Hospital (SEH) since its establishment by Congress in 1855. SEH now serves primarily as a local mental hospital (2,400 patients -- more than 85 percent are D.C. residents.)

While HEW, Congress, and the District favor transferring responsibility of SEH from HEW to the District, there are problems. First, SEH must be renovated to regain accreditation prior to any transfer. Second, the Federal and District governments are under a court order to place 800-1000 SEH inpatients in long-term nursing homes in the community since such alternative care has been judged to be more appropriate treatment. Third, while administrative responsibility for SEH can be transferred and integrated into the District's mental health system in a fairly short time, transfer of financial responsibilities will require a transition period. In that regard, HEW agrees that Federal assistance should be made available for construction and renovation and that Federal financial support for SEH operations should be gradually phased out. Funds to accomplish these goals have already been projected in HEW's budget planning and do not represent new dollars.

The District and HEW are presently negotiating how best to accomplish a transfer. Congress apparently is willing to support the transfer if the District and HEW can agree on terms. We recommend that you support HEW's efforts to reach a transfer agreement acceptable to the Congress, OMB, and the District based on the following concepts: transfer of an accredited

hospital by 1982; outplacement of patients consistent with court order; management and financial responsibility to the District within five years; phase-out of Federal financial support; and Federal assistance in renovation and construction costs.

Building a transfer plan upon these concepts with a specified time for transfer of all responsibilities for SEH to the District would achieve a fair and practical solution to this long-standing problem which will in the long run save the Federal government money since eventually it will be relieved of all financial and administrative responsibility for SEH.

Decision

Approve ✓ JC

Disapprove_____

C. Pension Funds.

There is presently a total unfunded liability of $2.04 billion against pension plans for D.C. police and firemen, teachers and judges. These plans were first established by Congress essentially on a "pay-as-you-go" basis in the 1930's when the Federal government was totally responsible for the City. In addition, positions in the District's fire and police departments were used by Congressional overseers of the District as "employment plums" for their constituents.

While many public and private employee pension plans have been established on a similar basis, the passage of the Employee Retirement Income Security Act of 1974(ERISA) has caused private plans to convert to an actuarially-sound basis and has encouraged some public plans to also consider doing so.

Legislation introduced in the House by Congressman Mazzoli proposes a twenty-five year transition

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from the present pay-as-you-go system to an actuarially- sound system. The legislation, which acknowledges the Federal responsibility to help finance plans it created, provides that the Federal government bear the full twenty-five year transition cost with annual payments declining from $48 million in 1978 to zero in 2004.

OMB, recognizing some Federal obligation, recommended that the Federal government bear 50 percent of the transition cost. This position is vigorously opposed by Congressional supporters who consider this the "watershed" financial issue. They feel the entire responsibility for creating the plans rests with the Federal government, and thus it should underwrite the entire cost of converting the plan from "pay-as-you-go" to actuarially-sound systems. After examining the entire District financial package proposed in this options paper, OMB now feels the Federal share of the transition costs can be raised to at least 60 percent.

Options

Option 1. Support original OMB recommendation that the Federal government pay 50 percent of transition costs which amounts to $24 million per year for the next five fiscal years with subsequent payments decreasing eventually to zero by 2004.

Option 2. Support revised OMB position that Federal government pay 60 percent of the transition costs. This would reflect a $5 million per year increase above the cost of option #1 for the next five years. Subsequent payments would decrease to zero by 2004. This option recognizes some Federal responsibility for the pension plan cost and can be supported given the overall assessment of the District's financial issues.

Option 3. Support Federal payment of 100 percent of transition cost as advocated by House supporters and Senator Eagleton which would cost $48 million per year for next five fiscal years with subsequent payments decreasing eventually to zero by 2004.

Decision

Option 1____

Option 2 ✓ JC

Option 3____

D. RFK Stadium.

RFK Stadium was constructed in 1961 as the result of Congressional interest in a modern sports facility for the nation's capital. Nevertheless, lacking a professional baseball team or other revenue-generating events, stadium revenues have not been sufficient to establish a sinking fund to meet bond interest payments or to meet bond redemption costs.

RFK Stadium bonds and interest are guaranteed by the Federal government if the District is unable to meet its obligation. The entire principal for the bonds -- $20 million -- is due December 1, 1979.

Over the years, the District government has made (pursuant to legal requirement) interest payments of $10.5 million, but no funds have been set aside for the principal. Legislation introduced by House District Committee Chairman Diggs would have the Federal and District governments share the principal cost 50-50. Title to the stadium would be transferred from the Federal government to the District.

Assuming a Federal responsibility for some share of the stadium's cost, a 50-50 split with title to the city offers an equitable balance of costs;

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however, there is little net difference in the outlay impact on the federal treasury* for any of the options since the District will almost certainly seek a loan from the U.S. Treasury to finance its share of the principal. Options 2 and 3 would involve the District repaying such a loan over a twenty-year period.

Options for RFK Stadium.

Option 1. Support Federal payment of entire $20 million principal with Federal government maintaining title in and control of stadium. Some Congressmen feel the Federal government was sole force behind construction of the stadium, and that it is a federal responsibility.

Option 2. Support 50-50 split of principal payment between Federal and District governments with City receiving title to the stadium, as proposed in legislation introduced by House District Chairman Diggs. Congressman Natcher, a chief Congressional spokesman on District financial matters, supports this position. This option as well as Option 1 could cause other cities with stadium funding problems to resent the District's "special" treatment of Federal assistance.

Option 3. Transfer title to the District but require the District to pay the entire principal financed through a long-term loan from the U.S. Treasury. This option requires a greater outlay from the District's budget in the long run than the other two options.

Decision

Option 1 ____

Option 2 ✓

Option 3 ____

FC

*OMB states that there is little net difference in the shortrun, but this does not hold true over time if D.C. repays the loans.

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E. Federal Water and Sewer Payments and Borrowing Authority.

Two legislative items OMB supports should be part of our financial package for the District. First, changes in the District's billing practice for Federal water and sewer services would make the practices consistent with acceptable municipal accounting principles.

Second, extension by two years of the District's authority to borrow from the U.S. Treasury until it can finance its capital works projects via bond issues, or other revenue sources. **

All parties -- District, Congress, OMB -- support this legislation, and we recommend approval as part of the Task Force's financial package.

Approve ✓

Disapprove____

Discuss_____

III. INCREASED LOCAL CONTROL (Requires Amendments to Home Rule Act)

A. Presidential Review of Mayoral Vetoes.

The present Home Rule Act provides for Presidential review of locally-passed Acts passed by the Council over the Mayor's veto. This process has been used sparingly (three or four times) and requires the President to settle differences between the Council and the Mayor over purely local issues.

For example, you earlier were required to consider whether a local hospital should be operated by the Department of Human Resources or an independent commission. Repeal is supported by both City and Congressional representatives. We recommend repeal of this provision as a positive display of the Administration's commitment not to interfere in internal District affairs.

Approve ✓
Disapprove _____
Discuss _____

FC

*...would permit completion of financial audit and subsequent entrace into the bond market by D.C.

B. Congressional Time Frame for Review of Local Legislation.

Acts passed by the District do not take effect until they have been submitted to Congressional review for thirty legislative days(i.e. when both Houses are in session.) During that time resolutions of disapproval are in order and if adopted by both Houses, the local legislation is nullified. The result is uncertainty about when local legislation becomes effective.

Congressional Task Force members and the City agree that the time period of review should be a time certain of 60 calendar days -- similar to the reorganization legislation. Failure of Congress to take action within that period means the law takes effect automatically. Since Congress has never disapproved any legislation passed by the District government since home rule, we recommend Administration support of this change to a time certain which in effect reduces the length and ambiguity of the review period.

Further, in announcing this position, you could urge Congress to consider elimination of Congressional review of local legislation as a step toward increased District control over local affairs, an item Chairman Diggs said the next Congress could well consider. This is analogous with eliminating Presidential review of Council overrides of Mayoral vetoes.

Our support early would be another sign of Administration commitment to full home rule. Congress can always enact legislation affecting the District if any local measure has a substantial adverse impact on Federal interest.

Approve ✓ - Keep review authority 60 days ok.

Disapprove_____

Discuss_____

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C. Federal Enclave.

The 1973 Home Rule Act established a National Service Area which includes that part of the City between the Kennedy Center and the Capitol. No President has ever appointed an Administrator for this "federal enclave" whose function would be to assure that police, fire, sewer, and other services are provided to the area. Task Force members, both Congressional and City, feel the provision is not needed since the District already provides these services and is assisted by Executive and Congressional Administrative entities. The enclave provision is thus a useless symbol of Federal presence.

Options on Federal Enclave.

Option 1. Make commitment not to appoint an Administrator for the enclave. City and Congressional Task Force representatives support this option.

Option 2. Support repeal of the enclave provision. This could meet with some Congressional opposition since some members who originally advocated this provision are still in Congress. Support of this option would be a vote of confidence in the ability of the local government to provide the needed services for the Federal properties and the ability of the Federal and local government to work together in these areas.

Decision

Option 1____

Option 2 ✓ JC

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D. Role of U.S. Attorney for the District.

The United States Attorney for the District has the unique responsibility of being both a Federal and local prosecutor. Congress wanted to maintain control over the District's criminal justice system when the local courts were reorganized in 1970, thus the U.S. Attorney continued to be the local prosecutor. There is no local equivalent of a District Attorney to prosecute violations of local law.

The City wants to assume this function by having the authority to prosecute local crimes transferred to its control. The U.S. Attorney's Office is reluctant to relinquish any authority. Further the local bar and some Senators would be reluctant to support such a change without consultation on the scope and timing of such a transfer. The Attorney General and Deputy Attorney General think the matter should at least be explored.

There is a related financing issue regarding D.C. reimbursement for these services. Prior to 1976, appropriations language in the relevant appropriations acts specified the amounts D.C. should provide the Federal government as reimbursement. This language was dropped in favor of negotiated contractual agreement between Justice and D.C., but no agreement has yet been reached. D.C. has consequently provided no reimbursement for these services currently costing about $10 million annually. The Justice Department has already been directed to complete a study on alternatives for the future provision of the prosecution for D.C. code violations. The preliminary report favors retention of local prosecutorial functions by the U.S. Attorney and also lists several options on how local prosecution should be financed. The report has not yet been finalized, however.

Options on U.S. Attorney

Option 1. Continue to have U.S. Attorney handle both Federal and local prosecution and require District reimbursement. Adoption of this option would be subject to charge of inconsistency with the overall principle of giving the District government more control over local matters.

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Option 2. Defer decision on transfer and District reimbursement pending review and discussion of Justice Department study. This option provides for proper consultation with local bar, Congress and Judges on transfer once Justice Department report is completed.

Decision

Option 1____

Option 2 ✓ JC

E. Selection of Local Judges.

The President must now appoint local judges from names submitted by a seven-member Judicial Nominating Commission to which the President appoints one member. A second panel -- the Commission on Judicial Disabilities and Tenure -- evaluates sitting judges and makes recommendations on whether they should be reappointed. Persons nominated for local judgeships must be confirmed by the Senate.

Legislation introduced by Chairman Diggs and Congressman McKinney (ranking Republican on the House District Committee) provides for the Mayor to make these appointments with City Council confirmation. Such a change, at least in the confirmation process, would meet opposition in the Senate, from the local establishment and would not be encouraged by local judges and might endanger other District proposals.

Because of intense Congressional concern about the District's court system, efforts toward more local control have always excluded the court system. The City will not gain authority over its criminal code until 1980 at the earliest and any shift in authority from the U.S. Attorney to local officials must be phased in over several years.

Whichever option is adopted, we recommend that the City provide the commissions with increased resources to do investigatory work so that the pool from which candidates are selected is expanded to include persons traditionally excluded from judicial positions, specifically minorities and women.

Options on Selection of Local Judges.

Option 1. Support selection of local judges by the Mayor with City Council confirmation. City and House representatives favor this option, but there would be strong Senate opposition especially to elimination of Senate confirmation. Local bar establishment could also be expected to oppose this.

Option 2. Defer decision on change in appointment process. City will not gain authority over criminal code until 1980 and decision must be made on role of U.S. Attorney and local officials. To defer any change in the judicial appointment process until these other matters are resolved would result in a more coordinated judicial system.

Decision

Option 1_____

Option 2 ✓ JC

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COSTS OF FINANCIAL ISSUES

(In Millions)

1. District Pension Plan	FY 78	79	80	81	82
Option #1(50% Federal share)	24	24	24	24	24
Option #2(60% Federal share)	29	29	29	29	29
Option #3(100% Federal share)	48	48	48	47	47
2. Federal Payment					
Option #1 (Maintain present level)	300	300	300	300	300
Option #2 (OMB recommended moderate increase for inflation)	300	317	334	352	372

HUBERT H. HUMPHREY
MINNESOTA

United States Senate

WASHINGTON, D.C. 20510

Jim D

July 8, 1977

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

Lipshutz
11 JUL 1977

Dear Mr. President:

At its June 28th meeting, the Presidential Task Force on the District of Columbia addressed the issue of full Congressional voting representation for the citizens of Washington, D.C. We understand that the Task Force will make a formal recommendation to you regarding this matter and that you will take a position on the issue within a short time thereafter. We are writing in support of voting representation for the District of Columbia in the Senate as well as in the House of Representatives.

In 1961, the Congress began chipping away at the barriers which stood between democracy and the American citizens residing in the Nation's Capital. In that year, the 23rd Amendment to the U.S. Constitution was enacted, enabling District residents to vote in the Presidential and Vice-Presidential elections. In 1971, Congress created the position of non-voting delegate for the District of Columbia in the House of Representatives. Again, in 1973, Congress provided significant self-government authority to the local resident population. The unfinished business, which would bring democracy to the Nation's Capital, is to enact a constitutional amendment for full voting representation in Congress. The accomplishment of this goal will place D.C. citizens on an equal footing with all other Americans.

With your help, we can pass a full voting representation amendment in the Senate and the House of Representatives this year.

We urge your endorsement and active support of this long overdue goal.

Sincerely,

Hubert H. Humphrey

Jacob K. Javits

Birch Bayh

Edward M. Kennedy

Edward W. Brooke

Donald W. Riegle, Jr.

Charles McC. Mathias, Jr.

Wendell R. Anderson

James Abourezk

Howard M. Metzenbaum

Daniel K. Inouye

Edmund S. Muskie

Thomas R. Eagleton

EIZENSTAT COMMENT

THE WHITE HOUSE

WASHINGTON

September 19, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT
BUNNY MITCHELL
KURT SCHMOKE

SUBJECT: The Vice President's Memorandum on the District of Columbia Task Force Report

We have the following comments on the Vice President's memorandum summarizing the options presented by the District of Columbia Task Force's Executive Branch representatives:

I. VOTING REPRESENTATION

We strongly favor Option 1, for it permits the District full voting representation in both Houses of Congress (and the right to ratify constitutional amendments) without otherwise changing the unique District-Federal relationship.

There are a number of compelling reasons to support full representation:

- District residents are disenfranchised in Congress, even though the District population is larger than 10 states. (The Founding Fathers assumed that D.C. residents would vote in Virginia, Maryland or their home states, but that has of course not happened.)

- The Democratic Party Platform supports full voting representation.

- Full voting representation is supported by a substantial segment of the Party's liberal wing.

- Because of D.C.'s large black population, perpetuation of the present situation is viewed by most black leaders as an effort to continue black disenfranchisement and to block increases in black Congressional membership.

- Full voting representation is consistent with our position that the Electoral College should be eliminated because it disenfranchises so many voters; also part of our recommendation (as well as Option 1) involves repeal of the 23rd Amendment, which artificially limits D.C. electoral strength to that of the least populous state. It is also consistent with the concept underlying our voter registration bill -- that the franchise should be expanded to include as many Americans as possible.

Even strong Administration support will almost certainly be insufficient to induce 2/3 of the Senate and the House and 3/4 of the States to dilute their power. It nevertheless deserves the Administration's support, for the reasons set out above.

In our view, Option 2 has two serious drawbacks: It is no more likely to be ratified than full representation, and it too transparently shifts leadership from the Executive Branch to Congress on a matter that requires Executive leadership if change is to occur.

II. FINANCIAL ISSUES

A. Federal Payment: Our recommendation is Option 3, which would provide a one year 5.5% increase in the current $300 million Federal payment, with a strong statement that the District needs to decrease its personnel levels.

We are concerned that Option 2, the OMB recommendation, would give the District something not given to other recipients of Federal assistance (assured funding at an increased level for three years) without imposing any requirements that the District streamline its high level of public employees. We also favor the development of a funding formula which will enable the Congress and the Executive Branch to extricate themselves from detailed involvement each year in the District's budgetary process. But we do not believe enough work has yet been done to determine what the formula should be; the 40% figure suggested by Option 4 seems overly generous.

B. St. Elizabeth's Hospital: Secretary Califano has made public statements (with OMB clearance) about the transfer, and we fully support the proposal under the conditions outlined in the Vice-President's memorandum.

C. Pension Funds: OMB had recommended that the Federal government should assume 50% of the transition cost to an actuarily sound pension system; OMB now feels that the Federal share can be raised to 60%. We support this share and feel that a 60% assumption is sufficiently generous; it would be a mistake to assume 100%, as recommended by Congressman Mazzoli.

D. RFK Stadium: The Federal government is responsible for RFK Stadium being built and the District is correct in not wanting title to it without some Federal assistance in paying off the principal. We believe Option 2, which recommends a 50/50 split, is the most equitable solution.

E. Federal Water and Sewer Payments and Borrowing Authority: These are relatively minor legislative items and we recommend that you endorse them.

III. INCREASE LOCAL CONTROL

A. Presidential Review of Mayoral Vetoes: You have privately expressed your displeasure at having to spend time reviewing bills passed by the D.C. City Council over the Mayor's veto. The repeal of this unnecessary review is supported by all interested parties in the city and in Congress, and we recommend that you propose the repeal of this review.

B. Congressional Time Frame for Review of Local Legislation: We recommend the change to a time certain of 60 calendar days. We are leary about going the next step ---proposing elimination of Congressional review--- because that would give the District the opportunity to impose a commuter tax on Maryland and Virgina residents working in the District. For that reason alone, Congress would never surrender its review authority, and we see no reason now to propose such a fruitless and controversial home-rule measure. Having Congress extend the review period will be difficult enough to secure.

C. Federal Enclave: We support Option 2. If the enclave is a bad idea, and we believe it clearly is, refusing to appoint an administrator is an ineffective way to deal with the problem. We should simply end the enclave concept. The District currently services this area, and there is no reason for the Federal government to now assume this activity and expense.

D. Role of U.S. Attorney: There appears to be a marked hesitancy even among many of the most ardent home-rule advocates to favor local appointment of prosecutors and judges. That reluctance is due to the view that Presidential appointment ensures high caliber prosecutors and judges. There is a concern that local appointment would not ensure such a high caliber. We think that concern is unfounded, and believe that the District should have a locally appointed prosecutor. But we agree with Option 2, which would postpone a final decision on the issue until the ongoing Justice Department study is completed. That study should provide the fullest information upon which to base a final decision.

E. Selection of Local Judges: Currently, the President with the advice and consent of the Senate, appoints District Superior Court judges, in addition to Federal District Court and Circuit Court judges for the District. We favor in principle Option 1, which would give the Mayor and the D.C. City Council the authority to select judges. However, it is difficult to support this option until the Justice Department study on prosecutors has been completed, for the decision on prosecutors and judges is intertwined and should be made simultaneously. We recommend that you defer a decision on judicial appointments until you have reviewed the Justice study. The study should be completed within the next few weeks.

THE WHITE HOUSE

WASHINGTON

Date: September 14, 1977

MEMORANDUM

FOR ACTION:
Stu Eizenstat will not comment
Hamilton Jordan " " "
Bob Lipshutz
Frank Moore attached
Jack Watson
Bert Lance attached
Bunny Mitchell will be w/ Stu's

FOR INFORMATION:

need SE comment

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Vice President's memo dated 9/13/77 re District of Columbia Task Force

Rush

[VP rely Pres for lunch today]

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: ~~Friday~~ noon/SE

DATE: September 16, 1977

ACTION REQUESTED:

X___ Your comments

Other:

STAFF RESPONSE:

____ I concur. ____ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

THE WHITE HOUSE
WASHINGTON

/	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
/		EIZENSTAT
/		JORDAN
/		LIPSHUTZ
/		MOORE
		POWELL
/		WATSON
/		LANCE
		SCHULTZE

		ENROLLED BILL
		AGENCY REPORT
		CAB DECISION
		EXECUTIVE ORDER

Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

		ARAGON
		BOURNE
		BRZEZINSKI
		BUTLER
		CARP
		H. CARTER
		CLOUGH
		FALLOWS
		FIRST LADY
		HARDEN
		HUTCHESON
		JAGODA
		KING

		KRAFT
		LINDER
/		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		POSTON
		PRESS
		SCHLESINGER
		SCHNEIDERS
		STRAUSS
		VOORDE
		WARREN

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

September 16, 1977

MEMORANDUM FOR RICK HUTCHESON

THROUGH: BO CUTTER

FROM: DENNIS GREEN

SUBJECT: District of Columbia Task Force Memo

Pension Funds (p. 8)

The OMB view is that the Federal share of transition costs could be raised to 60 percent. The language should be changed accordingly.

RFK Stadium (p. 10)

The statement that there is little net difference for the outlay impact of the options is accurate for the shortrun, but does not hold true over time if D.C. repays the loans. The language on page 10 should reflect that the immediate outlay impact shows little net difference.

Federal Water and Sewer Payments and Borrowing Authority (p. 11)

The second statement should be completed with the following insert:

> "...would permit completion of financial audit and subsequent entrance into the bond market by D.C."

Date: September 14, 1977 MEMORANDUM LCS

FOR ACTION:
Stu Eizenstat
Hamilton Jordan
Bob Lipshutz
Frank Moore / Leo Francis
Jack Watson
Bert Lance
Bunny Mitchell

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Vice President's memo dated 9/13/77 re District of Columbia Task Force

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:
TIME: 12:00 NOON
DAY: Friday
DATE: September 16, 1977

ACTION REQUESTED:
X Your comments
Other:

STAFF RESPONSE:
____ I concur. ____ No comment.
Please note other comments below:

Senate Liaison: "Increased Voting Representation--This amendment will be viewed as a partisan issue by the Republicans, since the new Senate votes would be Democratic. Option 2 is preferable, because we fulfill a commitment without getting entirely out front on this issue.

No comment on the rest as long as Senator Leahy and Sen. Eagleton are fully informed. Sen. Byrd should be informed about the question of voting representation. I expect the VP has already arranged for this." (BT)

House Liaison: See attached memo

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

THE WHITE HOUSE

WASHINGTON

September 16, 1977

TO: JIM DYKE

FROM: VALERIE PINSON

SUBJECT: District of Columbia Task Force Memo to the President

I have read the memo to the President on the D.C. task force. Concerning Option 2 of the voting representation issue, it seems unusual that a staff member's opinion's should be mentioned. I also believe that politically the recommendation is not a good one. As you know, it is not a good idea to let Congress determine how the District should be represented. If the President decides to go with Option 2, I think there are valid arguments to persuade him to decide for Option 1. Although we many not get the two Senators and the requisite number of Representatives, we probably will get a reasonable compromise from the House and Senate.

Politically it would not look good for the Administration, in terms of our commitment to the District, to publicly recommend Option 2. We owe the District a good faith recommendation by allowing them voting representation. We all realize that this has been an issue for too long and I do think the mood on the Hill is a favorable one.

WASHINGTON

Date: September 14, 1977 MEMORANDUM

FOR ACTION:
Stu Eizenstat
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jack Watson
Bert Lance
Bunny Mitchell

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Vice President's memo dated 9/13/77 re District of Columbia Task Force

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: Friday

DATE: September 16, 1977

ACTION REQUESTED:

X__ Your comments

Other:

STAFF RESPONSE:

✓ I concur. ____ No comment.

Please note other comments below:

subject to

No comment on II (c).

RJH

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

THE WHITE HOUSE
WASHINGTON

THE WHITE HOUSE
WASHINGTON
September 20, 1977

Stu Eizenstat
Hamilton Jordan
Frank Moore

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

Rick Hutcheson

RE: POSTPONEMENT OF TAX REFORM MESSAGE

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON

conf-d

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
	/	EIZENSTAT
	/	JORDAN
		LIPSHUTZ
	/	MOORE
		POWELL
		WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

		ARAGON
		BOURNE
		BRZEZINSKI
		BUTLER
		CARP
		H. CARTER
		CLOUGH
		FALLOWS
		FIRST LADY
		HARDEN
		HUTCHESON
		JAGODA
		KING

		KRAFT
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		POSTON
		PRESS
		SCHLESINGER
		SCHNEIDERS
		STRAUSS
		VOORDE
		WARREN

THE PRESIDENT HAS SEEN.

THE SECRETARY OF THE TREASURY

WASHINGTON 20220

September 16, 1977

MEMORANDUM FOR THE PRESIDENT

Subject: Postponement of Tax Reform Message

The Vice President's memo points up the real dilemmas we face with regard to the timing of Tax Reform. I feel that it is necessary for me to emphasize that changing our agreement with Chairman Ullman to send up Tax Reform the week of October 3 would have the most serious consequences.

- If we miss Chairman Ullman's deadline for the Message -- the week of October 3 -- the Ways and Means Committee will not schedule hearings this year on Tax Reform. Chairman Ullman has been adamant on this point.

- Without several weeks of hearings in 1977, we have virtually no chance of moving the Tax Reform through the Congress, to your desk, in 1978. The 1978 session of Congress begins late (January 17) and will end early (because it is an election year). We simply must have a sizeable head start in 1977 to finish in 1978.

- If we don't finish in 1978, we will of course have to start all over again with Tax Reform in the new 1979 Congress.

- If we don't finish Tax Reform in 1978, strong Republican pressures and even stronger macro-economic considerations will very likely force us to accept a simple tax cut - without reform - in 1978. That could well kill the prospects for comprehensive reform in your entire First Term.

There is always some reason why sending up a major initiative like Tax Reform is not opportune. The political cost of waiting past the date when this key part of your legislative program is expected will be very high.

W. Michael Blumenthal

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OFFICE OF THE VICE PRESIDENT

WASHINGTON

September 16, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT

SUBJECT: POSTPONEMENT OF THE TAX REFORM MESSAGE

Following breakfast last Tuesday, Bob Byrd strongly recommended that your tax reform message be postponed until the Congress completes action of the tax portion of the energy bill. Bob believes the tax reform proposals will unduly complicate resolution, favorable to the Administration, of the energy issues affecting special interest groups, and that it will foster behind-the-scenes trade-offs and jeopardize enactment of key elements of the energy tax bill.

Mike Blumenthal feels strongly that if the tax reform message is delayed there is little chance for passage of a tax reform bill in this Congress. His memorandum is attached.

In view of Bob Byrd's concerns and after examination of arguments favoring and opposing a delay, I believe that submission to the Congress of your tax reform message in early October could seriously jeopardize favorable Congressional action, not only on the energy bill but on other priority legislation including the social security finance and hospital cost containment bills. I, therefore, urge that the tax message be postponed at least until Senate passage of the tax part of the energy bill and preferably until completion of conference committee action on the entire energy bill. This delay would still enable you to submit a tax reform message to the Congress before adjournment.

Arguments in Favor of a Postponement

1. The tax reform message is presently scheduled for the week of October 3rd. The Senate debate on the energy tax bill is likely to begin that

week and may continue through the following week. The tax reform proposals will dominate new stories, columns and editorials in the following weeks. This will provide persons representing oil and other special interests additional ammunition to pressure Members of Congress concerned about particular tax reform proposals to vote with them on energy issues.

2. The tax reform proposals could well give those opposed to Administration positions on other legislation, including hospital cost containment, social security financing, welfare reform and the Panama Canal Treaties, a critical weapon for use in internal trade-offs in the closing weeks of this session of Congress.

3. Bob Byrd's cooperation is, of course, essential to the success of your legislative program in the Senate. His advice should be considered very carefully in view of the Senate's very full agenda of Administration legislation and the difficulty of Senate as distinct from House passage of controversial legislation. There is a feeling on the Hill particularly among the leadership, that we are asking of Congress more than it can handle in a short time. A three or four week delay of the tax reform proposal would help alleviate this concern.

4. Although Al Ullman is anxious to start hearings before adjournment and Treasury has worked out a tight schedule to assure passage of a tax reform bill in this Congress, postponement of the hearings until January would entail a delay of the Ways and Means Committee's tax reform hearings and mark-up schedule of only two weeks, the time contemplated for hearings this session.

5. The Congress has demonstrated that in one session it is quite capable of becoming familiar with and processing a legislative package as complicated as the energy bill. There is no reason why tax reform should take longer particularly since the House and Senate, and their tax-writing committees are familiar with the issues presented by our tax reform proposal. These issues were all debated

in the last Congress. Thus the Committees and Members need not spend time familiarizing themselves with issues or arguments on either side.

6. The House Ways and Means Committee must still act on hospital cost containment and social security financing in October. Two weeks of hearings on tax reform as contemplated by Al Ullman may divert the committee's attention from these measures and could jeopardize their enactment this session.

Arguments Against Postponement

1. Submission of the tax reform message the week of October 3rd is the first step in a tight schedule carefully designed to assure final passage before the end of this Congress. Delay would prevent the beginning of House hearings this session and so compress the schedule that enactment would be improbable, particularly with the approach of election day.

2. Further delay in the tax reform proposal will enable the Republicans to continue to embarrass the Administration and obtain additional support for across the board tax cuts.

3. Further delay could increase anxieties in the business community and have an effect on business and consumer confidence.

Recommendations

1. That the tax reform message now scheduled for the week of October 3rd be postponed until the end of this Congressional session after the conference committee resolves the House-Senate differences on the energy tax bill. Alternatively, send the tax reform message after Senate passage of the energy tax bill.

2. Urge Al Ullman to hold his initial hearings as soon as possible after adjournment, explaining that we believe delay is necessary to protect

the provisions of the House-passed energy bill which may be jeopardized by public debate on and private lobbying by special interests affected by the tax reform proposals.

THE WHITE HOUSE
WASHINGTON

September 20, 1977

Zbig Brzezinski

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

Rick Hutcheson

cc: Bob Linder

RE: FUNDING FOR REFUGEE PROGRAM

MEMORANDUM 5580

THE WHITE HOUSE

WASHINGTON

ACTION September 19, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI

SUBJECT: Funding for Refugee Program

It is now necessary to make funds available for the resettlement program for the 15,000 additional Indochinese refugees whose entry the Attorney General authorized on August 11, pursuant to your newly liberalized policy. The program for selection, documentation, transportation and resettlement of these refugees has now been worked out, and can be set in motion as soon as the funds are available.

Two Presidential Determinations (Tab A) are required to release $7.2 million from the Emergency Refugee and Migration Assistance Fund: one to release $3.0 million from FY '77 funds and a second to release $4.2 million from the FY '78 appropriation which will become available in October.

State now estimates that the total cost of the program will be $13.5 million. The remaining $6.3 million not covered by these two determinations is being requested by State as a FY '78 supplemental appropriation for migration and refugee assistance.

RECOMMENDATION:

That you sign the two Presidential Determinations at Tab A.
OMB has reviewed State's plan and also supports this recommendation.

THE WHITE HOUSE

WASHINGTON

Presidential Determination
No. _____

MEMORANDUM FOR THE SECRETARY OF STATE

SUBJECT: Determination pursuant to Section 2 (c) (1) of the Migration and Refugee Assistance Act of 1962, as amended, (the "Act") authorizing the use of $3,000,000 of funds made available from the United States Emergency Refugee and Migration Assistance Fund

In order to meet urgent needs arising in connection with the entry of 15,000 Indochinese refugees presently in Thailand and elsewhere who were authorized by the Attorney General on August 11, 1977 for parole into the United States, I hereby determine, pursuant to Section 2 (c) (1) of the Act, that it is important to the national interest that $3,000,000 from the United States Emergency Refugee and Migration Assistance Fund be made available to the Department of State for this purpose.

The Secretary of State is requested to inform the appropriate committees of the Congress of this Determination and the obligation of funds made under this authority.

Jimmy Carter

THE WHITE HOUSE

WASHINGTON

Presidential Determination
No. _____

MEMORANDUM FOR THE SECRETARY OF STATE

SUBJECT: Determination pursuant to Section 2 (c) (1) of the Migration and Refugee Assistance Act of 1962, as amended, (the "Act") authorizing the use of $4,200,000 of funds made available from the United States Emergency Refugee and Migration Assistance Fund

In order to meet the continuing operating needs of the program for the entry of 15,000 Indochinese refugees from Thailand and elsewhere who were authorized by the Attorney General on August 11, 1977 for parole into the United States, I hereby determine, pursuant to Section 2 (c) (1) of the Act, that it is important to the national interest that $4,200,000 from the United States Emergency Refugee and Migration Assistance Fund be made available in FY 1978 to the Department of State for this purpose.

The Secretary of State is requested to inform the appropriate committees of the Congress of this Determination and the obligation of funds made under this authority.

Jimmy Carter

THE WHITE HOUSE
WASHINGTON

September 20, 1977

Bert Lance
Zbig Brzezinski

The attached signed memo was returned in the President's outbox today. The copy was forwarded to Bob Linder for appropriate handling. This copy is sent to you for your information.

Rick Hutcheson

RE: DEFENSE REORGANIZATION

cc: Bob Linder

THE WHITE HOUSE
WASHINGTON

9/19/77

Mr. President:

No comment from NSC.

Jim Fallows edited the attached proposed memorandum.

Rick

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

have delivered

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
	X	LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

		ARAGON
		BOURNE
	X	BRZEZINSKI
		BUTLER
		CARP
		H. CARTER
		CLOUGH
		FALLOWS
		FIRST LADY
		HARDEN
		HUTCHESON
		JAGODA
		KING

		KRAFT
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		POSTON
		PRESS
		SCHLESINGER
		SCHNEIDERS
		STRAUSS
		VOORDE
		WARREN

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

SEP 8 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Bert Lance

SUBJECT: Defense Reorganization

Attached is the memorandum to Secretary Brown that you requested at our reorganization meeting on August 15, 1977. The memorandum directs Secretary Brown to plan and conduct an extensive study of the three Defense organizational issues you approved.

In line with your guidance, the memorandum places the responsibility for the project on the Department, and assigns your Reorganization Project Staff an oversight and coordination role.

We believe that the potential for success in this reorganization will, to a significant extent, hinge on the openness, commitment and cooperation of the Department's leadership and staff assigned to the effort. The Reorganiztion Staff will report to you on the progress of discussions to initiate the project. We expect these discussions to start this week.

Attachment

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Defense Reorganization

The three issue summaries on Defense Reorganization (see enclosure) raise fundamental problems requiring our immediate attention. These problems have resisted change for many years. Successful reorganization of the Defense Department will require the full support and combined efforts of your Department and my Reorganization Project Staff. Often, our own personal involvement will be needed.

The task must be accomplished in harmony with the principles of my overall reorganization effort. I want to be assured of a close working relationship with Congress, linkage with the budget process, and public involvement throughout the proceedings. Some of the issues will require consultation with other Departments and with reorganization projects underway. Therefore, we should develop a single plan for the study of all defense issues that reflects and integrates these external concerns.

Accordingly, I request that you initiate a searching organizational review based on these issue summaries, so as to produce an unconstrained examination of alternative reforms in organization, management, and decision processes in the Department of Defense. As a first step, please prepare a study plan for such a review. The plan should be consistent with the government-wide reorganization effort of which it will form a part, and should provide for the participation of my Reorganization Project Staff throughout the review. As soon as you and OMB are satisfied with the plan, I will make a public announcement of the study.

Jimmy Carter

President's Reorganization Project
Issue Summary

Defense Resource Management

Issue: What changes in Department of Defense organization for resource management will provide increased control, accountability, efficiency, economy, and readiness?

Summary of Problems and Opportunities

The Department of Defense now spends approximately $36 billion or about 30 to 35 percent of its budget on support services and functions -- supply, maintenance, training, health care delivery, base operations and the like. There is much evidence that these functions are more expensive and less effective than they might be.

For example:

- Each armed service operates a central supply organization. In addition, there is a DOD-wide system for common-use-item support. There are 36 wholesale supply depots run by DOD at an annual operating cost of $1.3 billion. Each of these depots has excess storage capacity and many are located in the same geographic region, e.g., six in the San Francisco Bay area, four in eastern Pennsylvania and two in tidewater Virginia. Each of the military services also operates its own depot-level maintenance facilities for various classes of equipment common to all services, such as combat and tracked/wheeled vehicles, aircraft and communications and electronics components.

- Each service maintains its own training programs. This results in parallel organizations providing instruction in occupations required by all services, such as motor vehicle repairman, electronics technician, motor vehicle operator, cook and aircraft pilot. These training organizations require extensive headquarters and facilities support.

- Each service has its own recruiting program with parallel organizations and offices located throughout the United States. Each service mounts competitive advertising programs.

- Each military department maintains a medical corps headquarters and direct health care facilities. Fifty percent of military hospitals are within 50 miles of another military hospital; there is little cross-service coordination. In the Washington, D.C. area, there are four military hospitals. The San Antonio, San Diego, and San Francisco areas each have two military hospitals.

- Each service has its own research and development and acquisition organizations. There is also a control mechanism, at the Secretary of Defense level, to insure proper coordination of these activities. However, examples persist of failure to resolve service differences and coordinate common requirements (e.g., parallel development and acquisition of aircraft and the long-term development of tank systems).

Current Initiatives

- DOD Materiel Distribution Study is evaluating the present system's capability to provide timely and adequate supply support. The study's primary objective is to recommend improvements to the present field structure.

- Office of Federal Procurement Policy is conducting a number of projects addressing management systems, supply operations, and procurement policies.

- The Office of Management and Budget will be examining base structure and training issues in the course of developing the FY 1979 Budget.

- Department of Defense has created an advisory DOD Health Council to coordinate DOD health matters.

Prior Initiatives

The principal efforts have been:

1. The National Security Act of 1947 directed the Secretary of Defense to take appropriate action to eliminate waste and duplication through greater resource management control.

2. The first Hoover Commission Report in 1949 proposed a nationwide government supply system for all common use items. No such system was developed.

3. The second Hoover Commission in 1955 recommended the establishment of a central DOD supply organization for common supplies and services. No action followed.

4. The Blue Ribbon Defense Panel Report of 1970 recommended the establishment of a Deputy Secretary of Defense responsible for all personnel and materiel resources. No such action followed.

5. Report of the Military Health Care Study in 1975 examined the requirements, planning, management and increasing costs associated with military health care and led to DOD establishing the Defense Health Council.

Recommended Action

We propose a comprehensive study of Defense organization for resource management. The Study will address how management can be improved by centralizing or decentralizing functions, and by removing functions from DOD that are not essential to national security objectives.

Potential Benefits:

- Insure accountability of resource management for all support activities.

- Provide logistics users, health care recipients, and combat element commanders with better support service at the same or lower cost.

- Remove from DOD those support functions which are not essential to the national security mission.

Constraints:

Each military service in the defense structure will work to protect its base of support activities. The services' concerns will be that reorganization of functions will impair readiness. The support functions, with their facilities and manpower levels, are important to elected representatives and officials where these activities are located. Political pressures resulting from closing bases and consolidating functions will be intense. Any changes in medical/health care delivery will arouse great concern and may meet resistance from retirees and dependents.

Agencies, Groups, and Individuals Concerned

- Agencies: Department of Defense; General Services Administration; Office of Management and Budget; Department of Health, Education, and Welfare; Veterans Administration.

- Groups: Defense contractors; medical associations; logistics associations; public employee unions; chambers of commerce; State and local governments; associations of retired personnel; veterans associations and professional military and naval associations.

Related Issues

- Administrative Services
- Economic and Community Development
- Education
- Law Enforcement
- Integrating Defense Policy with National Priorities
- Defense Management Structure
- National Military Command Structure

President's Reorganization Project
Issue Summary

Defense Management Structure

Issue: How can the top management structure of the Department of Defense become more effective and efficient in carrying out the national security mission?

Summary of Problems and Opportunities

Since World War II, there have been several initiatives to improve the organization of the Department of Defense. Its current organization is the result of a series of legislative initiatives, Presidential organization plans, Blue Ribbon studies and internal reorganizations. The major thrusts of these efforts have been toward increased civilian control, centralization, and unification. In addition, there has been a trend toward separating the management of resources from operational command and control. The Department has retained, however, the historical Departments of the Army and Navy, and the more recent Department of the Air Force, each with its own Secretary.

The Blue Ribbon Defense Panel concluded the last formal, comprehensive review of DOD's management structure in 1970. Subsequent investigations by congressional committees, the General Accounting Office, private foundations and DOD itself, have continued to identify many of the problems identified in the Blue Ribbon Defense Panel Report, but little action has resulted. The basic questions yet to be resolved include: overlapping and duplication in staffs as a result of redefined roles and responsibilities over time; growth in counterpart and coordination-only activities within these staffs; layering of staffs within organizations; and shared responsibility and accountability for various activities.

Current Initiatives:

- The Secretary of Defense has recently initiated organizational changes within the Office of the Secretary of Defense and within the Service Secretariats designed to shorten the span of control, to improve internal coordination, and to reduce staff.

Prior Initiatives:

The principal initiatives were:

- National Security Act of 1947, which remains the foundation of the present defense establishment.

- Amendments to the National Security Act in 1949 resulting from the first Hoover Commission, which enlarged the role of the Secretary of Defense and removed the Service Secretaries from the Cabinet.

- The Reorganization Plan of 1953, which increased the authority of the Secretary of Defense and reduced that of the Service Secretaries and Service Chiefs.

- Amendments to the National Security Act in 1958 which enhanced the authority of the Assistant Secretaries of Defense.

- No major statutory changes have occurred since 1958, though the national defense establishment has been the subject of a series of reorganization studies by the Congress, GAO, private organizations, and the Defense Department. The most notable of these is the Blue Ribbon Defense Panel Report of 1970.

Recommended Actions

A study should be conducted to focus on:

- The relative roles and responsibilities of the Office of the Secretary of Defense, the Office of the Joint Chiefs of Staff, the Service Secretaries and the Military Department Staffs (including the Service Chiefs of Staff) and the interrelationships of these staffs.

- The organization of the Office of the Secretary of Defense to make sure he can exercise control over both operating forces and defense resources; to develop and implement long-range national security plans consistent with national policies and goals; to evaluate current and new defense systems to ensure readiness, adherence to performance standards, and compatibility with other programs.

- The organization, authority, and capability of the Service Secretaries to exercise their responsibilities as resource managers.

- The ability of the Joint Chiefs of Staff simultaneously to provide effective advice to the President and the Secretary of Defense, to participate in resource management activities and in the operational command chain, and to function without conflict as both individual Service Chiefs and as members of the Joint Chiefs of Staff.

- The ability of the Military Department Staffs to simultaneously manage resources and support their respective Service Chiefs in their roles as members of the Joint Chiefs of Staff.

Potential Benefits:

The review should propose improvements leading to a more effective and efficient national security establishment by:

- Reducing redundancy and duplication, minimizing layering, and grouping by functions.

- Simplifying the decision-making process, with clearer accountability for performance.

- Eliminating or reducing some staffs with corresponding reductions in cost.

Constraints and Potential Liabilities

As previously noted, the Office of the Secretary of Defense and the Service Secretariats are already undertaking some improvements in the organization. Additional studies may create an atmosphere of perpetual revision. The design and management of the review must deeply involve departmental management and personnel, and take special care to address the problems of implementation which have hindered or blocked most past reorganization efforts.

Agencies, Groups and Individuals Concerned:

- Agencies: Department of Defense, National Security Council and Department of State.

- Groups: Many groups are interested in this issue, including those representing veterans, retired department personnel, reservists, military and naval professional associations, defense industry, foundations, and academic institutions.

Related Issues:

- Integrating Defense Policy with National Priorities

- Defense Resource Management

- National Military Command Structure

President's Reorganization Project
Issue Summary

National Military Command Structure

Issue: How can the National Military Command Structure of the national security establishment become more effective and efficient in carrying out the national security mission?

Summary of Problems and Opportunities

The National Military Command Structure (NMCS), which has evolved since World War II, consists of the National Military Command Authorities, the Joint Chiefs of Staff, the unified and specified commands, and the subordinate component commands. The President and the Secretary of Defense are the National Command Authorities. The President has the statutory authority for the establishment, mission assignment, and composition of forces. On behalf of the National Command Authorities, the Joint Chiefs of Staff function as the central headquarters to control the operations of unified and specified commands. There are five unified commands (Pacific, Atlantic, Europe, Southern, and Readiness) and three specified commands (Strategic Air, Air Defense, and Military Airlift). The existing structure consists of commands with functional responsibility (Strategic Air), commands with area responsibility (Pacific), and commands with both (Atlantic). The makeup of the unified command structure is influenced by various mutual security arrangements such as NATO and the United Nations Command, Korea.

There are 11 subordinate component commands assigned to the eight unified and specified commands. For example, under the Pacific Command, there are two component commands -- one for Air Force and one for Naval Forces. In total, 20 headquarters exercise command and control over the operating forces of the United States.

Serious questions persist about the effectiveness of the command structure for the conduct of war, for peacetime activities, and for crisis management. Past studies and interviews with selected former and present DOD employees, Congressional committee staff members, and GAO officials raise questions concerning:

- The ability of the NMCS to respond effectively to the President and Secretary of Defense during wartime, peacetime, and crisis conditions. During the Vietnam War, the Pacific Command had to be restructured so that the Theater Command could respond directly to Washington requirements.

- The roles and responsibilities of the JCS in the NMCS. Of concern is the JCS capability to provide guidance, to review contingency plans, and to resolve differences between commands regarding forces. Several conflicts that were not easily resolved have occurred between the Readiness Command and other unified commanders over matters of contingency planning and the conduct of operations.

- The structure and missions of the unified and specified commands. The following are specific concerns:

  - The effectiveness of having commands with the dual mission of strategic deterrence and limited warfare. Three commands have dual responsibilities.

  - The need for the unified commands to cover the whole world. Presently each part of the world falls into some command. Limiting responsibilities could reduce the number of personnel engaged in unnecessary contingency planning.

  - The necessity of assigning all operating forces to a command instead of assigning uncommitted forces to their Service Secretaries and Military Departments.

  - The feasibility of increasing readiness by consolidating logistics functions into the unified or specified commands. Presently each service maintains a separate logistics system with each command.

- The responsibilities of component commands in operational matters and as resource managers. In actual combat operations, there are examples of elimination of this management layer by unified commanders.

Current Initiatives:

No major studies or plans are currently underway. Some minor shifts in geographic boundaries are being considered.

Prior Initiatives:

The principal efforts were:

- The Blue Ribbon Defense Panel Report of 1970 recommended extensive revision of the National Military Command Structure. Included in the proposal were realignment of the commands into strategic and tactical forces and the creation of a unified logistics command.

- Alaska Command was disestablished and the Air Defense Command was established as a specified command in 1974. At the same time, the Secretary of Defense and the JCS recommended disestablishment of the Southern Command. Because of Panama Canal negotiations, the President did not concur.

- The Military Airlift Command became a specified command in February 1977.

- Separate GAO Studies published in February and May 1977 recommended changes to the component commands within the Pacific and European Commands.

Recommended Actions

A study should be undertaken to review the structure and organization of the NMCS and specifically to examine:

- The responsiveness of the structure to the National Command Authorities.

- The authority and responsibility of the JCS in the NMCS.

- The organization and missions of the unified and specified commands with emphasis upon the requirements for and responsibilities of the component commands.

Potential Benefits

A review of the NMCS should propose improvements to create a more effective and efficient operation of the national security establishment by:

- Simplifying the decision-making process to meet wartime, peacetime, and crisis conditions.

- Reducing some staffs with corresponding reductions in costs.

Constraints and Potential Liabilities

The issue of a unified or specified logistics command may trigger inter-service rivalry and general resistance as the Military Departments will want to retain control of their assets. Their principal concern will be that a centralized logistics system will not be responsive enough to the operating forces and will downgrade readiness.

Agencies, Groups, and Individuals Concerned:

- Agencies: Department of Defense, Department of State, and National Security Council.

- Groups: Military and naval professional associations, defense industries, particularly those involved in telecommunications and data processing, and academic institutions.

Related Issues:

. Integrating Defense Policies with National Priorities

. Defense Resource Management

. Defense Management Structure

MEMORANDUM

NATIONAL SECURITY COUNCIL

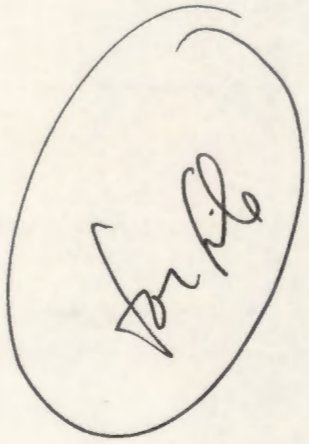
September 19, 1977

MEMORANDUM FOR: RICK HUTCHESON

FROM: CHRISTINE DODSON for Carolyn Cleveland

SUBJECT: DOD Reorganization

This is to confirm our telephone call today that the NSC has no objections to the OMB memo on Defense reorganization.



8:00 AM

C

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

September 19, 1977

CONGRESSIONAL LEADERSHIP BREAKFAST

Tuesday, September 20, 1977
Family Dining Room
8:00 a.m.

From: Frank Moore FM

I. PARTICIPANTS

See Attached List

II. PRESS PLAN

White House Photo only

III. TALKING POINTS

As much as possible, I recommend that discussion be kept to two topics: the Breeder (House) and Energy (Senate.)

1. The Breeder. The vote is scheduled for this week. We do not know the exact day yet. We are supporting the Brown amendment to reduce the funding level from $150 M to $33M.

Although we have picked up some support, we are still down. The Speaker and his staff have been going all out to help on this. You need to encourage the other members of the House leadership to help actively.

2. Energy. On Monday, the Committee voted unanimously to provide "some sort of tax incentive"for solar, wind and geothermal energy and, with 2 absentees yet to vote, the Committee voted not to provide tax incentives for residential insulation (8-8 tie vote). This latter development is only tentative. It is very unlikely that the Committee will finish action on the bill this week, but a decision on the crude oil equalization and user taxes is likely later in the week.

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PARTICIPANTS

The President

The Vice President

Majority Leader Byrd
Senator Cranston
Senator Eastland

Speaker O'Neill
Representative Wright
Representative Foley
Representative Brademas
Representative Rostenkowski
Representative Chisholm

Frank Moore
Stu Eizenstat
Dan Tate
Bill Cable
Jim Free
Bill Smith

THE WHITE HOUSE

WASHINGTON

September 19, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE F.M.

SUBJECT: Addendum to Leadership Breakfast Briefing Paper

Attached are talking points prepared by Gene Godley of Treasury concerning IFI's. We should ask the Leadership their opinion on how to proceed in the future on authorizations and appropriations. I believe Inouye and Long have pretty well settled appropriations.

Talking Points for Breakfast with Congressional Leadership
on the September 21 Conference on the FY 1978
Foreign Assistance Appropriations Bill

-- Amendments to the FY 1978 foreign aid bill, as passed by the House, would proscribe the use of U.S. funds "directly of indirectly" for aid to seven countries (Vietnam, Laos, Cambodia, Uganda, Angola, Mozambique and Cuba) and for production of three commodities (palm oil, sugar and citrus).

-- I am deeply concerned about these earmarking provisions.

-- If such provisions were to become law the international development banks would have to refuse U.S. contributions.

-- As most of you know, World Bank President McNamara has already indicated this in a letter he wrote to Secretary Blumenthal in July.

-- In that letter Mr. McNamara indicated that the World Bank, IDA and IFC could not legally accept our earmarked contributions.

-- I believe that similar conditions obtain in the regional banks as well.

-- None of the development banks have ever accepted contributions which are conditioned in this manner.

-- Although I am sure you realize the seriousness of this matter, I would like to point out just a few of the things that would happen if this situation came to pass.

- U.S. participation in these banks would for all intents and purposes be terminated since it would be impossible for us to contribute our share to the on-going activities of the banks.
- The resulting failure by the U.S. to make its agreed contributions would, in turn, severely disrupt the economies of many poor countries; jeopardize U.S. relations with the entire developing world; and cause acute problems with our allies, many of whom have already made their contributions.
- The IDA V replenishment would collapse.
- The current replenishments of both the IDB and ADB would collapse and both would run out of money by the end of this year or early next year.

-- I cannot emphasize enough the importance I attach to preventing the House position on these issues from being adopted by the Conference.

THE WHITE HOUSE
WASHINGTON

September 20, 1977

Frank Moore

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

Rick Hutcheson

RE: SENATOR HOLLINGS AND THE PANAMA CANAL

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
	Y	MOORE
		POWELL
		WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

		ARAGON
		BOURNE
		BRZEZINSKI
		BUTLER
		CARP
		H. CARTER
		CLOUGH
		FALLOWS
		FIRST LADY
		HARDEN
		HUTCHESON
		JAGODA
		KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

September 19, 1977

Already read it & wrote him F

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE
BOB THOMSON

Senator Hollings wanted you to see this. We will draft a letter to Senator Hollings from you commenting on it.

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for Preservation Purposes

THE
FRITZ HOLLINGS
REPORT
bringing South Carolina government to Washington

Washington, D. C. Sept. 1977

THE PANAMA CANAL

Do you want to give the Panama Canal away? NO! I don't either. Nor does President Carter. If President Carter's treaty is not giving it away, what is it doing? Keeping it to use! Given the present circumstances, the two new treaties are the only reliable and fair way for the United States to keep the Canal to use.

We all start by agreeing that the Panama Canal is important to the United States, both from a commercial standpoint and from a strategic standpoint. We all start by agreeing that the Canal should be continuously open and continuously in use. The debate centers on how best to keep it open and operating, so that our commerce can flow and our Naval fleets can remain mobile.

After looking at this question from every angle, listening to both sides over the years, and visiting Panama for another first-hand look, I join all our recent Presidents, the Joint Chiefs of Staff, and a bi-partisan group of political leaders in supporting Senate ratification of the treaties. They are the best safeguards for an open Canal, and they guarantee America's continued access and continued freedom of transit permanently.

If this treaty prevented our ability to use or defend the Canal, it would be different. But it does no such thing. On the contrary, the United States continues to operate and defend the Canal until the year 2000. After 2000, we retain the right to intervene to guarantee the Canal's accessibility to U.S. shipping.

Let's be practical. The Canal is like an airplane -- it is no good unless it can be used. We can go out and squat in the airplane, but unless we can fly it, the plane is of no use. So title to the Canal is not the issue. The problem is the unimpeded right to use it. Does the treaty give the United States the permanent, unimpeded right to use the Canal? Are we guaranteed freedom of transit even after 2000? A few days ago in Panama when President Demetrio Lakas was asked these questions, he answered "Yes" to both. Returning home and checking, Article IV of the treaty provides it, and Dictator Torrijos states in Washington, "we are agreeing to a treaty of neutrality which places us under the protective umbrella of the Pentagon."

Why, then, all the hubub? Two main reasons. First, we have not yet fully learned the lesson of Vietnam. A decade there should have convinced us that people do not like foreigners in their country. The Vietnamese did not like it. The Panamanians do not like it. But failing to recognize this, the treaty opponents see no problem. They think the whole thing is a scheme of the State Department, and all we need to do is prove title or sovereignty and the treaty will be defeated. Secondly, we feel frustrated. The cry is, "We lost in Vietnam; we lost in Angola; we are pulling out of Korea; we talk about abandoning Taiwan. We have given away too much and 'detented' too much, and just once we should stand up and say -- 'NO!'" This was exactly my reaction ten years ago when former Secretary of the Navy Robert Anderson came before our Commerce Committee to testify on a proposed new treaty for the Canal. "We bought the Zone, we built the Canal, we paid for it all. Why should we want a new treaty?" Secretary Anderson said quietly, "We made a bad treaty. The people of Panama have never accepted it, and now they are ready to lay down their lives for their country." "Baloney" was the reaction. America's sovereignty must be protected at all costs. In 1967 in Vietnam, it was becoming difficult to explain to next-of-kin how their sons were being sacrificed for U.S. sovereignty. But in Panama -- it could be explained easily. This feeling permeated a glowing newsletter about U.S. "sovereignty" five years ago. But the legal opinions to support sovereignty were not forthcoming.

President Lyndon Johnson had conferred with former Presidents Eisenhower and Truman and the three Presidents agreed we needed a new treaty. When President Nixon and President Ford also endorsed the idea, everyone began to wonder. Nixon had ignored the State Department and Ford would like to have ignored State if his conscience would allow him. Ronald Reagan was giving him a fit and it would have been a lot easier for Ford if he could just stand up and say "No" on the Panama Canal. My conscience hurt -- and in another newsletter last year, it was pointed out that we did not have sovereignty, and the need was emphasized to rid ourselves of the vestiges of the "Ugly American" in the Canal Zone by relinquishing separate courts, the commissaries, special stores, etc. But, the newsletter concluded, the United States should make sure ". . .that we will be in charge of the Canal both five years and 50 years from now." Previously, I had joined in the Panama Canal resolution putting Henry Kissinger on notice. We never knew what he was up to and it was thought healthy to let him know that some of us in the Senate were watching. In January of this year, with Henry gone, there was no need to co-sponsor the resolution.

Today I am better informed -- reading "The Path Between the Seas" by David McCullough -- a 698 page historical account of how we created the Republic of Panama after Colombia, the sovereign, refused to ratify our treaty. Talking and listening at length to Ambassador Bunker and Ambassador Linowitz, who was President Johnson's Ambassador to the Organization of America States -- hearing the Joint Chiefs of Staff, including General Brown, the Chairman, and General Jones, head of the Air Force -- talking more recently with Army Secretary Alexander after his return from a trip to the Canal Zone -- traveling to Colombia, Argentina, Peru and the Canal Zone, meeting with their Presidents -- talking in Brazil to the Foreign Minister and the President of the Brazilian Senate and with many other officials -- talking with the Economic Minister and Secretary of Commerce in the Republic of Panama -- meeting with a group of Zonians, people living in the Canal Zone -- lunching with American business leaders who had lived from two to twelve years in Panama City -- outside the Zone -- traveling with the U.S. Governor of Panama over the entire Canal -- being briefed all along by Lt. General Dennis P. McAuliffe, the U.S. Commander of the Canal Zone -- spending an evening with the U.S. Ambassador to Panama Jorden, meeting with a former prisoner of the Bay of Pigs in Cuba. With the exception of some of the Zonians, they agree to a man that the Senate should ratify the treaty. Even the Zonians emphasize that the treaty ought to be "modernized."

There must be good reason for all of these leaders plus six American Presidents to favor a new treaty. The good reason, of course, is an appreciation of the true character of America. Some think our strength lies in our military might alone. But America's power lies in its solid stand on the principle of self-determination. Having lost 56,000 for this principle in Vietnam, it is appalling that some would suggest we now lose Americans to deny the principle in Panama.

Much is proclaimed about building the Canal -- but so little said about building the Republic of Panama. If ever a country should be stamped, "Made in the USA," Panama is the country. We created it 70 years ago -- and today it is a stronghold of American free enterprise. Seventy major U.S. banks operate in Panama City -- those which refuse to operate in Communist countries. Recently, when Panama needed increased revenues, she took the Chamber of Commerce approach -- a value-added tax rather than an increase in income tax. Dictator Torrijos' economic team are all U.S. trained and educated. President Lakas -- six years in the United States, a graduate of Texas Tech. Planning Minister Nicolas Barletta, a classmate of Governor Hunt of North Carolina -- both graduates of N. C. State. The Guardia Nacional, or army -- U.S. trained. Like many other heads of state in Latin America, Torrijos has visited with Castro. But Panama does not recognize the Soviet Union and Panama refuses to recognize Red China -- she recognizes Taiwan instead. In a population of 1,700,000 -- there are reportedly 600 Communists -- but none in the government. The government is patterned after the United States' with three branches -- legislative, executive and judicial. And they have an American system of education. Now the important point of all this is that we have taught them one American trait -- patriotism. The Republic of Panama has developed a nationalism of its own. The people are proud, they are patriotic. They have learned the cardinal principle of government -- the right of the people to determine their own destiny. The ten-mile strip of foreign occupation in the heart of their country is viewed the same way as if the French had retained a five-mile zone on either side of the Mississippi. Every Panamanian schoolchild is taught the wrong that the United States did in obtaining the treaty in 1903. Everyone in the city and countryside of Panama feels it and as they showed in 1964, they are willing to die for it. But most importantly, in this section of the world where the United States lacks strong friends, the Panamanians are friends of the United States. Everything they feel or know comes from the United States. Pointing out to President Lakas the feeling that existed in the United States, that the people were tired of being pushed around, that somewhere, sometime we had to stand up and say "No" -- the President responded quietly, "But why do it to a friend."

Let me touch briefly on the certain aspects of the Panama Canal controversy:

1. SOVEREIGNTY

1. Legally, we don't have sovereignty;
2. Morally, we don't have sovereignty;
3. Realistically, we don't need, we don't want sovereignty.

LEGALLY -- Article III of the 1903 treaty grants to the United States certain rights as ". . .if it were the sovereign of the territory." This retained sovereignty in Panama. President Roosevelt's Secretary of War William Howard Taft, later to become President, said in a 1905 report: "The truth is that while we have all the attributes of sovereignty, the very form in which the attributes are conferred in the treaty seems to preserve the titular sovereignty over the Canal Zone in the Republic of Panama." The Supreme Court decisions cited by treaty opponents are like the 1896 Plessy v. Ferguson segregation decision -- totally untenable in this day and age. The real test is how the government of the United States or Congress treats the Canal Zone -- and it has not been as sovereign. If a Panamanian couple gives birth to a child in South Carolina or Louisiana or Alaska, under the Constitution that child is a U.S. citizen. If the same couple gives birth to a child in Guam or the Virgin Islands, then the child becomes a citizen, because Congress has treated these two areas as under our sovereignty. But if the same Panamanian couple gives birth to a child in the U.S. Canal Zone, that child does not become a citizen. So while the treaty said we could act as if sovereign, we were not and we did not.

MORALLY -- No question, the United States rooked Panama back in 1903. We actively supported the revolution against Colombia by its Isthmus section after Colombia refused to ratify the treaty we wanted. We sent ships and troops and this guaranteed the outcome. Then we signed the treaty hurriedly before the official delegation objecting from Panama could even arrive in Washington. Signing for Panama was -- not a Panamanian -- but a French citizen who had not been in Panama for 17 years, and who returned to France immediately after the ratification. Further, it was made known that our military might would be withdrawn from the fledgling revolution in Panama unless ratification was promptly forthcoming. Such withdrawal would have left Panama at the mercy of a far stronger Colombia. This congeals hundreds of items, but it is interesting to note that the majority of the U.S. payment was retained by a New York bank and invested in real estate in the City of New York. At the time, Teddy Roosevelt's Secretary of State commented, "You and I know too well how many points there are in this treaty to

which a Panamanian patriot could object." Said Woodrow Wilson, who would soon be President, "Our acquisition of the Panama Canal Zone has been a scandal since the day of the fake "revolution" of November 3, 1903.... In every country to the south of us we are distrusted, feared, hated." Today this diplomacy is characterized by conservative columnist James Kilpatrick as a "national shame."

DON'T WANT SOVEREIGNTY -- After spending our history destroying colonialism from the beginning in 1776 thru to the Philippines, Cuba, World War II, Korea and Vietnam, let's not insist on colonialism in Panama. If there is one thing that President Carter and the United States have going for us in the world today, it is our stand on human rights -- the right of people to determine their own destiny. We finally are getting the Soviets and others on the defensive about their denial of human rights, and things are beginning to move our way. Are we now going to say, "Yes, human rights for everyone -- except the people of Panama."

2. DEFENSE

Flying up and down the length of the Canal in a helicopter, Lt. General McAuliffe was pointing out the strategic points to be defended -- the lakes, the power facilities, the bridge and most important, the dam at Gatun Lake filling from the Chargres River. This lake is 24 miles across, the largest manmade lake in the world. The locks are filled by gravity flow taking 52 million gallons of water for each ship that goes through. If the dam was blown at any point emptying the lake, it would take two years to refill. "It would take 80,000 to 100,000 men to defend key points," said General McAuliffe. "This does not mean wall-to-wall coverage of the entire length, only the key places. And this would not include the hundreds of inspectors necessary to examine each ship going through -- an almost impossible task." Guantanamo Bay in Cuba is a tip of land -- easily defended. But the Panama Canal is open to ships from Cuba, Russia -- all nations -- and a lunch box of explosives could put it out of commission.

3. COMPETENCE

Can the Panamanians learn to operate the Canal efficiently? Presently there are 12,000 Panamanians helping to operate the Canal efficiently. Can they take over the jobs of pilots, engineers, etc? Yes. This could be done in short order. The Pan-American Airlines manager in Panama City, having operated in seventeen countries, said the best management and operating team of the seventeen was right now in Panama. Another friend, the Latin American manager of Intercomsa handling 85% of the communications from Latin America, came two years ago with an operating team of twenty-two U.S. experts. Already, he has sent back all but three to the United States -- the Panamanians are doing the job. Let's remember the Egyptians readily learned to operate the Suez Canal.

4. TOLLS AND PAYMENTS

Can the Canal operate without further appropriations from the Congress? This year the Canal will operate at a $7 million profit. But for the past several years, the Canal has been subsidized by the American taxpayer. The first ship with Alaskan oil went through the Canal on August 30. This increase in traffic will permit the Canal Company to pay the added 30¢ per ton plus the $10 million required annually under the treaty. Tolls will have to be increased from $1.29 a ton to approximately $1.70. But if a pipeline connection for Alaskan oil is made from the West to the East Coast, then further increases in tolls could be counterproducitve. This plus the loan guarantees may require us to subsidize again.

Treaty opponents cry, "It's bad enough to give it back, but why do we have to pay them to take it?" This completely ignores U.S. payments for military bases around the world.

SPAIN: $685 million for base rights for five years.
GREECE: $700 million for base rights for four years.
TURKEY: Demanding $1 BILLION for base rights for four years.
PHILIPPINES: Demanding $1 BILLION for base rights for five years.

We have had a free ride in Panama for 74 years. Now Panama, like other allies, wants compensation for the military installations in her country -- Fort Kobbe, Fort Amador, Howard Air Force Base, Fort Clayton, Albrook Air Station, Fort Davis, Fort Gulick, Fort Sherman, the Jungle Warfare Range, etc. We are not paying to take the Canal back -- we're paying for these installations. And most of the payments will be coming from toll revenues.

5. NEW CANAL

A new sea-level canal will probably be built by Panama and the United States before the year 2000. An estimate in 1970 reported the cost at $2.7 billion. With inflation today that cost would be $5.7 billion. With hindsight now we realize that rather than working for thirteen years to renegotiate the old treaty, we should have insisted on a new sea-level canal. This would have been wide enough for all our warships as well as the largest oil tankers. Then the sovereignty, sabotage and other problems would have been moot. What is unexplainable is the provision that forbids us to negotiate a new canal anywhere but Panama.

6. IMPORTANCE OF THE CANAL

The Panama Canal is important to the commerce and defense of the United States. It is especially important to South American countries such as Colombia, Peru, Chile, Ecuador and Nicaragua. Colombia, for example, drills its oil on the Pacific side and refines it on the Atlantic side. The Canal is Colombia's lifeline. Over 3/4 of Nicaragua's trade passes through the Canal. The list goes on. I recently heard the statement that all Latin American nations wanted Panama to control the Canal. False. They feel that Panama should have sovereignty over its own territory, but time and again different leaders in South America told me that the United States is the only power in the Western Hemisphere strong enough to protect the Canal. They are worried about toll increases. They are worried about freedom of transit for their countries. They feel that the neutrality treaty is ideal in that Panama regains sovereignty and they all

have freedom of transit -- with a U.S. guarantee. Finally, they are worried about communism. More so than are treaty opponents, because attempts have been made on these leaders' lives. They all oppose any communist takeover of the Canal.

7. COMMUNISTS IN THE CANAL

Treaty opponents feel that once the treaty is ratified then in a couple of years the Canal will be turned over to the communists. No one knows or can guarantee what will happen in the years to come. All studied opinion holds firm that communism will have no issue upon which to take root if the treaty is ratified. However, they all feel that if the Senate turns the treaty down, then the communists will have a controlling issue not only in Panama but all over South America. Right now the communists in Panama are in the streets agitating against this treaty which they know will deprive them of their big issue. The best way to keep it from the communists in the future is to validate the neutrality treaty. And the best way to keep it from the communists today is to ratify the new treaty.

8. TORRIJOS

No question about it -- he is a dictator. But not "tin horn" like opponents contend. Every head of state emphasized this fact -- Torrijos is a man supported by his people. Previously, rulers of Panama were from the city, educated in Europe. But as President Lopez-Michelsen of Colombia said, "Torrijos is not a patrician. He is first and foremost a man of his people." Torrijos is from the countryside. He was educated in Panama and trained at Fort Sherman and the U.S. Army School of the Americas. He came to power after the uprising in 1964. At the time he was a major in the National Guard -- and had the bitter task of subduing his own people. After the riots, he took over pledging to rid the Canal Zone of foreigners. When asked if the Senate's failure to ratify the treaty would weaken or strengthen Torrijos, all national leaders in South America plus the American business leadership in Panama City said it would strengthen him. Several immediately replied: "It would make him a hero."

WHAT HAPPENS IF THE SENATE RATIFIES THE TREATY -- There is no guarantee that this would solve all of our problems in Panama or in Latin America. Brazil particularly has a chip on her shoulder. They favor the treaty but the Brazilians want the United States to know that this would not solve all the problems in Latin America.

During the twenty year transition period, the Panamanians will have a chance to prove themselves. No doubt ratification will be followed with free elections next year as promised. There is every reason to believe that with the United States and Panama working together under the new treaty, Panama could become a showcase of American free enterprise. Ratification could prove a dramatic turning point in U.S. - Latin American relations. For ten years now, we have ignored South America. Each President has promised a new policy -- only to be followed with neglect. During this period, the countries down under have developed a nationalism. No longer are they client states of the United States. And the disregard for this development has resulted in a "Bad Neighbor" policy. With the new Panama treaty, the United States could once again start acting as a "Good Neighbor."

WHAT HAPPENS IF THE SENATE FAILS TO RATIFY -- The one group in Panama solidly opposed to the treaty are the communists. They realize that their principal arguing point will vanish with ratification. But they become an important movement if the treaty is rejected. Talking recently to a senior U.S. official in Panama, one who had served in combat at the DMZ in Vietnam -- a man with guts and a lot of sense -- "Just remember," he said, "There's lots of jungle out here and the use and control of this Canal depends upon a friendly people. If the treaty is not confirmed, you will have another Vietnam on your hands." Maybe not a Vietnam, but at least an Ireland. The top CIA man in one South American country said, "Turn that treaty down and within hours, cars will be overturned and this embassy will be firebombed." When asked how long this would last, he answered, "Just as long as the President of this country permits it -- and, politically, he would probably have to let it go on for some time." I wondered who would be with us. Surely not the British and French after the way we treated them in the Suez Canal. The Free World and the Communist World would both be arrayed against us. We would have learned nothing from experience. Separatism cannot sustain. It held us back in the South; it is the trouble today in Africa; and that ten-mile wide strip of separatism in Panama is an embarrassment.

Listening and studying as carefully and thoroughly as one can, I am convinced that our future in the Canal, our credibility on human rights, our being true to ourselves, and the respect for the United States will all be advanced by ratification. By every count, the new Panama Canal treaties are in the best interests of every American. In short, ratification is in our national interest.

United States Senate
WASHINGTON, D.C. 20510

Ernest F. Hollings

U.S.S.

1:15 PM

MEMORANDUM THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

Meeting with Heywood Gay
Tuesday, September 20
1:15 p.m.
(5 minutes)
The Oval Office

Electrostatic Copy Made
for Preservation Purposes

(by: Fran Voorde)

I. PURPOSE: to reaffirm support of President's efforts toward a National Energy Policy, and to seek reassurance of the President's support of the concept of rural electrification.

II. BACKGROUND, PARTICIPANTS, PRESS:

A. Background: Mr. Gay, Executive Vice President of the Georgia Electric Membership Corporation, is concerned by rumors that your support of rural electrification is not as strong as it was during the campaign.

REA is currently the subject of an OMB/USDA budget issue paper. It probably will not come to your desk for review until sometime in November. Therefore, specific commitments on your part should be avoided at this time.

Eliot Cutler, of OMB staff, will visit with Heywood at length following your brief visit to receive in detail his concerns and input.

B. Participants: Mr. Gay and the President.

C. Press: White House Photographer only.