

**5/21/80 [1]**

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
letter w/att	<del>Emory W. Brown, Jr. to the President.</del> <del>Re: Hostage rescue mission. (3 pp.)</del>	<del>5/7/80</del> Open 2/10/93	<del>C</del>
memo w/att	<del>Zbigniew Brzezinski to the President.</del> <del>Re: Proposed European travel schedule,</del> <del>(1 pp.)</del>  opened per RAC NLC - 126-21-30-1-4 12/17/13	5/21/80	A

FILE LOCATION  
 Carter Presidential Papers- Staff Offices, Office of Staff Sec.-  
 Pres. Handwriting File, "5/21/80 [1]." Box 187

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THE WHITE HOUSE  
WASHINGTON

21 May 80

Jack Watson

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

Rick Hutcheson

2953

THE WHITE HOUSE

WASHINGTON

May 20, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *JW*

SUBJECT: Love Canal

As I reported to you on Saturday, we are faced with a volatile situation in Niagara Falls, New York, as a result of the public disclosure of a chromosomal study conducted in the course of the federal lawsuit against Hooker Chemical Company.

As a result of several meetings in the last three days with all the relevant federal agencies, I am now prepared to recommend to you that, if the Governor requests it, we declare Love Canal eligible for emergency assistance (under the authority of FEMA) to permit the temporary relocation of approximately 750 families in the immediate Love Canal area. The principal reasons for this recommendation, in which Justice, EPA, HHS, FEMA, SBA, HUD, OMB, and DPS concur, are as follows:

- o The chromosomal study, whatever its ultimate significance, is one in a long list of pilot studies that have been done on the health and environmental effects of the Love Canal waste site during the last two years. For example, New York State has preliminary studies substantiating adverse reproductive effects; one doctor's studies showing high incidence of miscarriage and birth defects; and another health professional's research indicating peripheral nerve damage. Although all of these studies require further empirical and scientific verification, the adverse psychological effects on the people who live around Love Canal of this endless barrage of "expert" speculations about how they have been, and are being, damaged, are hard to overstate.
- o In addition to the health studies, environmental studies conducted by EPA indicate that the quantity of hazardous chemicals present at the site represents the largest volume of hazardous wastes to which any population is known to be exposed. In addition, the range of hazardous chemicals at Love Canal is the widest that has been encountered in any one site anywhere in the country.

- o The FEMA statute gives us the flexible authority we need to respond to the situation and makes New York state take the lead responsibility for the temporary relocation.
- o The State will share the costs of the temporary relocation and will work closely with FEMA in actually relocating the families.
- o As you know, you declared Love Canal eligible for emergency assistance in 1978. As a result of that first declaration, 239 families were relocated; we are now recommending relocation of the additional 750 families who reside within a well defined area and who have been the subjects of the recent studies. Although the Governor may include in his request for emergency assistance a request for federal assistance in both the temporary and permanent relocation of the affected families, we have made absolutely clear to the Governor in telephone conversations this afternoon that the Federal government has no authority to buy the peoples' homes or otherwise to permanently relocate them. We have told the Governor that if you were to approve any further federal emergency assistance, it would cover only temporary relocation along the lines outlined above.

The understandable concern and anxiety which have been precipitated by this most recent study require, in our judgment, an immediate response. If you approve this recommendation to give the families emergency relocation assistance, we will work with the State tonight to draft a request from the Governor to you. We would announce jointly with the State tomorrow that:

- We are both amending our lawsuits against Hooker Chemical Company to add these additional costs of temporary relocation to the amounts already being claimed against Hooker in the pending litigation;
- We are immediately undertaking further scientific studies to assess the nature and extent of the health damage and risks as precisely as possible; and,
- In the meantime, we are responding prudently and immediately to the human need which is so evident at Love Canal.

Approve

✓

Disapprove

\_\_\_\_\_

See Me

\_\_\_\_\_

18/

**SOUTH CENTRAL INDIANA CENTRAL LABOR COUNCIL, AFL-CIO**

SW

FINANCIAL SECRETARY  
R. M. NOBLE  
424 East Main Street  
New Albany, Indiana 47150

RECORDING SECRETARY  
MARY BLUNK  
714 West Spring Street  
New Albany, Indiana 47150



PRESIDENT  
CARL WEIGLEB  
715 West Market Street  
New Albany, Indiana 47150

MAY 21 1980

22

President Jimmy Carter  
1600 Pennsylvania Avenue  
Washington, D.C.

cc: Carl,  
Thanks!  
You're great!  
Jimmy

Dear Mr. President:

I was honored to be part of the Indiana group that met with you and some of your advisors on May 1. I have been the president of the Labor Council for over twenty years and have been involved in scores of political campaigns, but never have I been as eager to help elect a candidate as I am for you. Not just because I was invited but because you thought it was important that we hear from the top people of your administration and were given the opportunity to question and comment.

Upon leaving the White House, Mr. Garry and I were interviewed by ABC News; and we must have helped some because strangers now come up to me and say, "I'm going to vote for Carter."

I thought that the best way to show my appreciation was to spend my vacation campaigning for you. After hearing from you and your advisors it will be easy to explain the issues; we will save gasoline, I will save money, and you will win.

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for Preservation Purposes

Sincerely,  
*Carl Weigleb*  
Carl Weigleb

THE WHITE HOUSE  
WASHINGTON

21 May 80

Hugh Carter

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

Rick Hutcheson

7 May 1980

CDR EMORY W. BROWN, JR.  
VF-84  
FPO New York 09501

The President  
The White House (1600 Pennsylvania Ave.)  
Washington, D. C. 20501

*Hugh - Check on  
how to handle routinely  
without getting CDR  
Brown in trouble*

Dear Mr. President:

On behalf of my command, Fighter Squadron EIGHTY-FOUR embarked aboard USS NIMITZ in the Indian Ocean, I would like to express our deepest admiration for your efforts to rescue our hostages from the Embassy in Iran and, furthermore, to salute your personal courage in assuming sole responsibility for the mission subsequent to abort. As military men, we are apolitical; however, you have gained exceptional support from your Navy for a valiant attempt.

*J  
ps - I  
talked to  
H Brown  
re this  
J*

You would have been tremendously proud as we were of the efforts this ship and her air wing directed toward support of the mission and of the remarkable sense of accomplishment as eight helicopters came to the flight deck in preparation for launch. We have never experienced a more moving moment than that instant at 1905 as dusk enveloped NIMITZ when those helicopters lifted and eased gracefully off toward the desert of Iran. Every man on this ship cheered silently as though our thoughts would break the secrecy of the mission.

You know the feelings that followed as your vigil and ours continued through the night. We waited in full flight gear in the ready room of each squadron with eighteen fully operational fighters praying that success would hold us in check but eager to respond if required. The bitter report that the force was aborting cast a pall upon our people that will forever remain a part of us. We know that the planning was excellent, the team highly trained and the mission could have been executed with perfection had the specific conditions not prevailed to turn it back at the first point.

I will be leaving this command in August to assume duties in Washington and as a current operator and prime planner of fighter cover for the extraction attempt, I offer my services directly to you should our government determine that another effort is feasible. We know that we have the resources and the will to execute this mission and we encourage you not to close the door on another extraction effort.

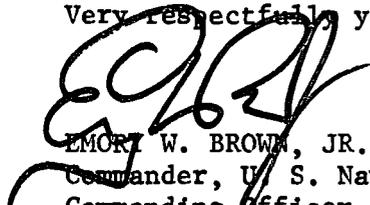
You should be aware that the men of NIMITZ and Carrier Air Wing EIGHT have performed far beyond the standards of excellence characteristic of previous ships on station and have given their all in behalf of our nation. No other ship has ever been called upon to function under these

Electrostatic Copy Made  
for Preservation Purposes

deployed conditions for so long and to maintain such a state of operational readiness. Our direct participation in the rescue effort gave worth and meaning to this deployment. May I be so bold as to suggest to you that this effort has been heroic and beyond the call of duty and recommend that you consider awarding the Presidential Unit Citation and the Armed Forces Expeditionary Medal to all direct participants in the operation. I assure you that such action would be of tremendous value to your military commanders in our effort to demonstrate the support and appreciation of the United States for her armed forces. May I also suggest that an award of lesser precedence would demean the efforts and would have negative impact. This is my personal opinion and the opinion of my command.

Mr. President, these comments have been formulated by one of your operational fighter commanders from the front line and at the direct level of the men in the trenches. Perhaps they are not in keeping with the strict structure of chain of command; however, were I in your office as the Commander-in-Chief, I would want to know the exact feelings of the men who do the work and to accomodate them in these most critical times of unacceptably low compensation, economic shortfalls and extraordinary separations that have diminished our Navy in manpower and strength.

Very respectfully yours,



EMORY W. BROWN, JR.  
Commander, U. S. Navy  
Commanding Officer

THE WHITE HOUSE  
WASHINGTON

21 May 80

John Macy

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

Rick Hutcheson

cc: Stu Eizenstat  
Jack Watson

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

Noted

- Gene Eidenberg
- Kate King
- Lynn Saft
- CL - House - Carlson

ADMIN CONFID
CONFIDENTIAL
SECRET
EYES ONLY

ACTION  
FYI

	VICE PRESIDENT
	JORDAN
	CUTLER
	DONOVAN
X	EIZENSTAT
	MCDONALD
	MOORE
	POWELL
X	WATSON
	WEDDINGTON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
X	John Macy, FEMA
	ANDRUS
	ASKEW
	BERGLAND
	BROWN
	CIVILETTI
	DUNCAN
	GOLDSCHMIDT
	HARRIS
	KREPS
	LANDRIEU
	MARSHALL

	MILLER
	VANCE
	BUTLER
	CAMPBELL
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	FRANCIS
	HARDEN
	HERTZBERG
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PRESS
	SANDERS
	SPETH
	STRAUSS
	TORRES
	VOORDE
	WISE

THE WHITE HOUSE

WASHINGTON

May 21, 1980

*Macy  
see note  
J*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*  
LYNN DAFT *Lynn*

SUBJECT:

Emergency Declaration for the  
State of New York

In the attached letter, John Macy recommends that you grant an emergency declaration to the State of New York as a result of the Love Canal problem.

We concur with the FEMA assessment and recommend that you approve the declaration.

FEDERAL EMERGENCY MANAGEMENT AGENCY  
Disaster Response and Recovery  
Washington, D.C. 20472

cc John  
J

The President  
The White House  
Washington, D.C.

Dear Mr. President:

Governor Hugh L. Carey of the State of New York has requested an emergency declaration under Public Law 93-288 due to the situation which exists in the Love Canal area. The recently publicized report of chromosome abnormalities existing among a sampling of the 700 families living in the vicinity of the Love Canal has raised concern over the health and welfare of all residents in this area. No scientific evidence exists quantifying a relationship between these problems and the chemical wastes in this area. Nevertheless, there may be a medical probability that a relationship does, in fact, exist. In any event, continued uncertainty has, as Governor Carey notes, created great tensions and stress among the residents. Attached is a copy of the results of this pilot study. Additional data from the Environmental Protective Agency indicates:

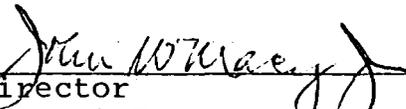
- o Nature of the chemicals is such that continued exposure is particularly hazardous.
- o Is widest range of hazardous chemicals encountered at any site. This increases the risk of synergistic effects.
- o The quantity of hazardous chemicals present at the site represents the largest volume of hazardous wastes to which any population is known to be exposed.
- o Unlike other hazardous waste sites under investigation, evidence of direct health damage exists. (Dr. Paigen's study on miscarriage rates, birth defects; New York State's preliminary study of reproductive effects; Dr. Picciano's study of chromosomal aberrations; and Dr. Barron's study of peripheral nerve damage).

I recommend that the Governor's request for an emergency declaration be granted. (In the event of this declaration, I intend to provide relocation assistance and temporary housing)

only

in cooperation with the State Government as well as related technical assistance. This action will allow an orderly and systematic scientific review of this situation in the months ahead by appropriate Federal and State agencies. We do not propose to use PL 93-288 funds for property acquisition or permanent housing, without further authorization by you.)

*Be cautious -  
avoid any  
implied  
commitment -*

  
\_\_\_\_\_  
Director  
Federal Emergency Management Agency

Date: May 21, 1980

Attachments:

- Pilot Study Results
- Declaration Letter
- Telegram to the Governor
- Press Release
- Representation
- Map
- Governor's Request

*PR* NAME CHARLIE ROSE

1458

TITLE Congressman

CITY/STATE Fayetteville, North Carolina

Phone Number--Home (     ) 759-4935

Work 202 225-2731

Other (     )                     

Requested by Frank Moore/ *FM*  
Jim Copeland */m*

Date of Request 5/19/80

INFORMATION (Continued on back if necessary)

H.R. 5200 - Fair Housing Legislation - votes expected late Tuesday or early Wednesday.

Congressman Rose is undecided on the Sensenbrenner amendment.

TALKING POINTS

- 1. I need your support in defeating the Sensenbrenner amendment to

NOTES: (Date of Call 5-21 )

*Will help*

the Fair Housing bill. Our vote count is very close.

2. The Sensenbrenner amendment would in effect gut the bill -- it would give us almost no additional enforcement power. It would provide no means for victims of housing discrimination to have their complaints acted upon unless those accused agreed to participate in the resolution process.

11:00 AM

THE WHITE HOUSE

WASHINGTON  
May 20, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: ALFRED E. KAHN *Frank*  
ANNE WEXLER *Anne*  
ALVIN FROM *Al From*

SUBJECT: Meeting with Representatives of the Hotel/  
Motel Industry

Wednesday, May 21  
Roosevelt Room  
11 a.m. to 11:15 a.m.

*Drugs  
Food  
Non-ferran  
Chem  
Pesticide  
Farm Equip*

---

I. PURPOSES

The hotel/motel industry has been a problem for our anti-inflation program for some time. Prices have risen sharply; a number of firms have not cooperated fully with the Council on Wage and Price Stability; several appear not to be complying with the guidelines.

The purposes of this meeting are:

- o to encourage the industry, as a whole, to cooperate more fully with our guidelines program.
- o to urge price restraint.
- o to send a message to other recalcitrant industries that they pay a price if they fail to cooperate.
- o to seek ways we can begin to work with the industry to restrain price increases in this high inflation sector.

Your remarks should emphasize the importance of price restraint in the hotel/motel industry, particularly with the summer vacation season ahead of us.

## II. BACKGROUND, PARTICIPANTS AND PRESS

### A. Background

This meeting is our second jawboning session with leaders of the hotel/motel industry.

Last December, Fred Kahn met with a number of these companies to urge them to restrain their prices and to cooperate more fully with the voluntary program. Since that meeting, some companies have responded positively, but others have not. The performance of the industry overall remains troublesome.

Prices have increased sharply in recent months. During the fourth quarter of 1979, the lodging while out of town component of the CPI increased at a seasonally adjusted annualized rate of 17.6 percent. During the first three months of 1980, that rate was up to 23.3 percent. Overall, hotel/motel prices increased 16.2 percent in 1978 and 15.7 percent in 1979, compared to 8.7 percent in 1976 and 8.4 percent in 1977.

The last half of the 1970s has been very profitable for the industry -- and the past two years have been particularly strong.

During 1978 and 1979, occupancy rates -- an important indicator and determinant of the industry's prosperity, were the highest in more than 20 years. Occupancy ran at 70 percent in 1978 and 71.5 percent for all last year, though the rate declined slightly during the second half of 1979.

While complete cost and profit data are not yet available for 1979, a survey of five of the largest hotel/motel firms showed both profits and profits as a percentage of equity remained strong in 1979 and through the first quarter of 1980. And no hotel/motel firm has yet been able to justify a profit margin exception to our price standard on the basis of costs.

The outlook for the rest of 1980 is less certain. This business is cyclical, and declines during recessionary periods as business travel is cut back and consumers drive less and take fewer vacations. Nearly 43 percent of the sales are to business patrons, nearly 32 percent to tourists.

79 Q4, +17%  
80 Q1, +23%

B. Compliance With the Standards

While we do not discuss the compliance status of individual firms at our industry meetings, the compliance status of a troublesomely large portion of the industry is deficient.

During the first program year, 17 hotel/motel firms came under the monitoring of the Council on Wage and Price Stability. Of those:

- o Seven are definitely in compliance.
- o Three are believed definitely out of compliance.
- o The compliance status of three others is unresolved.
- o Four have either requested a delay or have not supplied pertinent data.

All 17 were requested to send in additional price information for the fifth program quarter. Ten have done so. Seven have not.

C. Major Issues

- o The depth of the recession. During the 1974-75 recession, business travel was down a maximum of nine percent in May 1975, and that made for rough times for industry. So will a decline, in automobile travel: industry profits are very sensitive to small changes in occupancy ratios.
- o Energy supplies. The industry will, for obvious reasons, be concerned about fuel availability. There is a direct correlation between the number of airline passenger revenue miles and hotel occupancy. The industry is against gasoline rationing; against lowering the trigger plan from a 20 percent to a five percent shortfall. In sum, it does not want to become a victim of a national effort to conserve energy.

*Airline dereg +*

- o Minimum Wage. Each time the minimum wage increases, as it did in 1979, industry labor costs jump significantly.
- o Tourism development corporation. The industry would like to replace the U.S. Travel Service at the Department of Commerce with a travel and tourism development board. It supports S. 1097, which would establish a quasi-public or non-profit entity responsible for developing international tourism marketing programs outside the Federal government. S. 1097 passed the Senate in May 1979, and is moving through the House. The Administration testified against the bill last year, and will likely oppose whatever bill comes out of the Congress. The Administration had also originally proposed the elimination of the Travel Service and the closing of its foreign offices, but yielded to pressure from the Hill and has included it in the fiscal 1981 budget at a reduced level, but keeping the foreign offices open.

D. Agenda

- |              |  |
|--------------|--|
| 10:30-10:45: | Welcoming remarks and comments on the general economic situation by Fred Kahn  |
| 10:45-10:55: | Discussion of relevant energy issues by Richard J. Stone, Director of Intergovernmental Affairs for the Department of Energy |
| 10:55-11:00: | Remarks by Fred Kahn about hotel/motel industry.   |
| 11:00-11:15: | Remarks by the President   |
| 11:15-12:00: | Discussion   |

E. Participants

Top executives of the hotel/motel industry. A list is attached.

F. Press

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

G. Talking Points

Talking points are attached. Talking point #6 has been modified from the version you were sent last night.

HOTEL/MOTEL INDUSTRY  
PARTICIPANTS

Richard Ashman - Executive Vice President, Hotel Group on  
Public Affairs, Holiday Inn, Inc.  
William B. Cockroft - Chairman of the Board, United Inns  
L. Robert Conley - President, Best Western Way  
James T. Frame - Chairman of the Board, Day Realty of Texas  
Day's Inn Motel  
Wilhelm Hartauer - Vice President, Hyatt Corporation  
Howard P. James - President, Chairman of the Board and Chief  
Executive Officer, Sheraton Corporation  
Robert C. Jenks - Senior Vice President and Treasurer,  
Western International Hotels Company  
Dietrich Mayring - Executive Vice President, Del Webb  
Corporation  
Joseph W. McCarthy - President, Quality Inn, Inc.  
Albert McDermott - Washington Representative, American  
Hotel-Motel Association  
William J. Moran, Jr. - Vice President of Corporate Affairs,  
Ramada  
Philip Pistilli - Association President and President,  
American Hotel-Motel Association  
Maurice Scanlon - Vice President and Treasurer, Hilton Hotels  
William J. Shaw - Vice President and Corporate Controller,  
Marriott Corporation  
Paul C. Sheeline - Chairman of the Board and Chief Executive  
Officer, Inter-Continental Hotels Corp.  
Roger Sonnabend - Chairman of the Board, Sonesta International  
Hotels Corp.  
Thomas Stauffer - President, Stouffer Hotels  
Lawrence Stone, Jr. - Vice President for Financial Planning  
and Analysis, Howard Johnson Company  
Jorgen Viltoft - President, Radisson Hotel, Carlson  
Company Hotel Group

THE WHITE HOUSE  
WASHINGTON

May 19, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Al McDonald  
Rick Hertzberg  
Bob Rackleff *MR*

SUBJECT: Presidential Talking  
Points: Hotel  
Industry Leaders

Scheduled Delivery:  
Wed, May 21, 11 AM  
Roosevelt Room

Your talking points for this group  
are attached.

Clearances

Alfred Kahn  
David Rubenstein  
Ray Jenkins

11:00 AM.

[No salutations necessary]

Bob Rackleff  
Draft A-1; 5/19/80  
Scheduled Delivery:  
Wed, May 21, 11 AM  
Roosevelt Room

Meeting with Hotel-Motel Industry

1. THANK YOU FOR JOINING ME HERE TODAY. THIS IS A CHANCE TO DISCUSS HOW WE CAN JOINTLY WORK TO REDUCE INFLATION IN THE HOTEL-MOTEL INDUSTRY. THIS IS ONE OF SEVERAL SUCH MEETINGS I AM HOLDING WITH KEY INDUSTRIES.

2. LET ME BEGIN FRANKLY: I AM NOT PLEASED WITH EITHER THE PRICE PERFORMANCE IN THE HOTEL-MOTEL INDUSTRY OR THE OVERALL COOPERATION OF YOUR INDUSTRY WITH OUR VOLUNTARY PROGRAM. LAST DECEMBER, FRED KAHN DISCUSSED WITH MANY OF YOUR REPRESENTATIVES WHAT COULD BE DONE TO SLOW THE RATE OF INFLATION IN YOUR PRICES AND TO IMPROVE COOPERATION WITH THE COUNCIL ON WAGE AND PRICE STABILITY.

3. SOME COMPANIES RESPONDED POSITIVELY. I WAS PLEASED THAT HOLIDAY INN TOOK CORRECTIVE ACTION TO STAY IN COMPLIANCE AND THAT SEVERAL OTHER COMPANIES HAVE COOPERATED. YET THE OVERALL RESULTS HAVE BEEN DISAPPOINTING.\* FOR ALL OF 1979, PRICES IN THE HOTEL-MOTEL INDUSTRY INCREASED 15.7 PERCENT. OF EVEN MORE CONCERN, DURING THE LAST QUARTER OF 1979 PRICES WENT UP AT A SEASONALLY-ADJUSTED ANNUAL RATE OF 17.6 PERCENT, AND IN THE FIRST QUARTER OF THIS YEAR AT A 23.3 PERCENT RATE.

4. MOREOVER, I WAS DISAPPOINTED TO LEARN THAT THE COUNCIL ON WAGE AND PRICE STABILITY STILL QUESTIONS THE

---

\* Kahn notes that negotiations may yield some last-minute compliance; he will notify you of any major changes.

COMPLIANCE STATUS OF SEVERAL MAJOR HOTEL-MOTEL COMPANIES.

OF COURSE, THIS FACT ALONE DOES NOT MEAN THAT ALL OF THESE COMPANIES WILL BE FOUND OUT OF COMPLIANCE. SOME UNDOUBTEDLY WILL BE FOUND IN COMPLIANCE. BUT THE INCIDENCE OF COMPLIANCE QUESTIONS IN YOUR INDUSTRY CONCERNS ME GREATLY. SOME HAVE ARISEN BECAUSE COMPANIES HAVE NOT SENT REQUESTED DATA TO THE COUNCIL.

5. I HOPE THAT EACH OF YOUR FIRMS WITH UNRESOLVED COMPLIANCE QUESTIONS WILL RESOLVE THEM IMMEDIATELY. IN SOME CASES, THAT WILL MEAN PRICE REDUCTIONS OR A LOWER THAN PLANNED INCREASE IN FUTURE PRICES. I URGE YOU TO FOLLOW THE EXAMPLE OF SUCH COMPANIES AS HOLIDAY INN AND OTHERS WHICH HAVE MADE RESPONSIBLE AND POSITIVE CONTRIBUTIONS TO OUR NATIONAL EFFORT TO REDUCE INFLATION.

6. I HAVE ASKED FRED KAHN TO KEEP ME PERSONALLY INFORMED ABOUT COMPLIANCE PROGRESS IN YOUR INDUSTRY. I CAN ASSURE YOU THAT WE WILL MAKE EVERY EFFORT TO ENCOURAGE COOPERATION. IF COOPERATION IS NOT FORTHCOMING, I WILL NOT HESITATE TO BRING THAT TO THE PUBLIC'S ATTENTION. AS ONE STEP, I WILL ASK EVERY FEDERAL OFFICIAL WHO SPEAKS AT A CONVENTION HELD AT A NON-COMPLYING HOTEL TO ANNOUNCE THAT FACT AS PART OF HIS OR HER PRESENTATION -- JUST AS FRED DID RECENTLY AT THE HYATT HOTEL HERE IN WASHINGTON.\*

---

\* David Rubenstein questions whether this step should be put before EPG or some other policy body before being voiced. Kahn sees no problem with you announcing this step because it is consistent with your announced intention to publicize non-compliers whenever they refuse to cooperate.

7. LET ME CONCLUDE BY NOTING OUR PROGRESS AGAINST INFLATION. THE INFLATION PSYCHOLOGY HAS BEEN BROKEN; INTEREST RATES ARE FALLING; THE BOND MARKET HAS RECOVERED; AND WE EXPECT TO SEE A MARKED IMPROVEMENT IN THE CONSUMER PRICE INDEX IN THE VERY NEAR FUTURE. TO SUSTAIN THAT PROGRESS, WE NEED WIDE COOPERATION. WE ARE WILLING TO WORK WITH YOU, BUT YOU MUST DO YOUR PART.

THANK YOU.

# # #

THE WHITE HOUSE  
WASHINGTON

21 May 80

Zbig Brzezinski

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

Rick Hutcheson

cc: Fran Voorde  
Phil Wise

~~CONFIDENTIAL~~

DECLASSIFIED

Per, Rac Project

ESDN: NLC-126-21-30-1-4

KS NARA DATE 12/12/13

2952

MEMORANDUM

~~CONFIDENTIAL~~

THE WHITE HOUSE  
WASHINGTON

CONFIDENTIAL

May 21, 1980

*ZS*

MEMORANDUM FOR: THE PRESIDENT  
FROM: ZBIGNIEW BRZEZINSKI  
SUBJECT: Proposed European Travel Schedule

In response to your decision yesterday to include stops after the Venice Summit, a small group met today -- including scheduling, the advance office, press office, State and NSC -- to define the itinerary more precisely and to discuss announcement of this portion of the trip.

The proposed travel schedule is at Tab A. The key issue which emerged is whether or not to include Lisbon. A Lisbon stop would shorten the Madrid visit slightly and add yet another stop to an already long and complex trip. On the other hand, the stop in Lisbon would be very important to the Portuguese who have been quite helpful to us on a number of issues and in conjunction with Madrid, could be accommodated into the schedule at relatively low cost. Also, your schedule for Friday and the weekend after returning has been cleared to minimize the demands on your time after eight days away from the office. Everyone, including State, concurs in the proposed travel schedule. If you approve, we plan to announce this portion of the trip early next week.

RECOMMENDATION

That you approve the attached schedule.

APPROVE

DISAPPROVE

*Looks ok -  
No more additions!*

*J*

CONFIDENTIAL

~~CONFIDENTIAL~~

DECLASSIFIED  
Per, Rac Project  
ESDN: NLG-126-21-30-1-4  
BY: JCS NARA DATE 12/17/13

THE WHITE HOUSE

WASHINGTON

May 20, 1980

PROPOSED EUROPEAN TRAVEL SCHEDULE  
June 19-26, 1980

Thursday, June 19

7:30 a.m. Depart for Rome  
10: p.m. Arrive Rome - RON - no events scheduled

Friday, June 20

Italian State Visit

Saturday, June 21

morning Vatican Visit  
afternoon Travel to Venice - no events scheduled

Sunday, June 22

Economic Summit - Venice

Monday, June 23

Economic Summit - Venice  
RON - Venice - no evening event

Tuesday, June 24

8:30 a.m. Depart for Belgrade  
10:00 a.m. Arrival Ceremony - Belgrade  
11:00 - 1:00 Substantive Talks with President Mijatovic et al  
1:30 p.m. Visit President Tito's gravesite - wreath-laying  
2:00 - 5:00 p.m. PRIVATE TIME  
5:00 p.m. Visit Belgrade public site  
6:00 - 7:15 PRIVATE TIME  
7:30 p.m. Reception followed by State Dinner

Wednesday, June 25

a.m. Depart for Madrid

noon Arrive Madrid  
Arrival Ceremony

1:00 p.m. Working lunch with Prime Minister Suarez

3:30 p.m. Visit Madrid Site (The Prado)

5:00 - 7:00 PRIVATE TIME

7:30 p.m. Private Visit with King Juan Carlos  
and Queen Sofia followed by  
STATE DINNER

Thursday, June 26

9:30 a.m. Depart for Lisbon

9:30 a.m. Arrive Lisbon

10:00 a.m. Courtesy Call - President Eanes

10:45 a.m. Substantive Talks with Prime Minister  
Sa Carneiro

12:00-2:00 Luncheon

2:30 p.m. Depart Lisbon

5:00 p.m. Arrive Andrews

Friday, June 27 through Monday, June 30

Camp David Option

THE WHITE HOUSE  
WASHINGTON

May 21, 1980

Mr. President,

You are scheduled to receive  
Rubin Askew's report of his  
trip to Tokyo in just a few  
minutes. Do you want to have  
the NSC staff member responsible  
for U.S.-Japan trade, Rud Poats,  
sit in?

APPROVE



DISAPPROVE



A handwritten signature, appearing to be "ZB", is written above the name "Zbigniew Brzezinski".

Zbigniew Brzezinski

A handwritten mark, possibly a stylized "J" or "L", is written below the name "Zbigniew Brzezinski".

THE WHITE HOUSE  
WASHINGTON

Copy given to

2 by per  
O'phil.

Neil

THE WHITE HOUSE  
WASHINGTON

May 21, 1980

MR. PRESIDENT:

Bob Lipshutz called this morning  
with this message:

Ezir Weizman called Leon Chaney  
yesterday and asked Leon to meet with you  
on Thursday to discuss a commitment Ezir  
made to you during your last meeting.  
It concerns an explosive situation which  
will be brought to a head at next Sunday's  
Israeli Cabinet meeting.

What would you like me to do?

Schedule Chaney meeting.

Have Linowitz handle.

Have Zbig handle.

Have Muskie handle. J

PHIL

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

C

ACTION

May 20, 1980

MEMORANDUM FOR: THE PRESIDENT  
FROM: ZBIGNIEW BRZEZINSKI *ZB.*  
FRANK MOORE *F.M.*  
SUBJECT: Response to Congressman Cavanaugh  
on MDB Conference

Congressman Cavanaugh wrote to you on May 16 (Tab B) asking you to oppose the Conference Report on S. 662 providing authorization for the Multilateral Development Banks because the Conferees agreed to recommend cuts. As Bill Miller told you last night, the Administration accepted the cuts very reluctantly as the only way to get any authorization in this Congress.

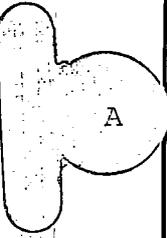
Treasury reports that since he wrote the letter, Cavanaugh has started to back off his strident opposition. Nevertheless, a response from you would be helpful as a way to state concisely our position, and to assure our supporters of the Administration's future commitment to an all-out effort for full funding of other bank bills.

RECOMMENDATION

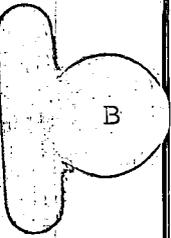
That you sign the letter at Tab A. It has been cleared with Speechwriters.

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for Preservation Purposes

2955



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THE WHITE HOUSE

WASHINGTON

May 20, 1980

Dear Congressman Cavanaugh:

Thank you for your letter regarding the Multilateral Development Bank legislation. I appreciate your concern that the Administration's acceptance of any reduction in the negotiated replenishments for the regional banks would create a very bad precedent. However, I do not believe that a two-step replenishment authorization process, in which the Administration would ask the next Congress to fill the initial shortfall, constitutes diminished American support for these institutions; nor do I accept this as a precedent for World Bank and IMF legislation. We will do our utmost to assure that the full U.S. shares in IDA VI and the IMF quota increase are authorized.

As you know, a further rejection by the House of the U.S. subscriptions to the regional banks would be disastrous. Both Secretary Miller and I understand the risks involved with the Conference Report, but after wide consultation, we believe it is the best approach possible. Therefore, I believe that the Conference Report deserves support as the best of the options available at this time.

I hope that ultimately you will be able to support the Conference Report with the explicit understanding that we are not accepting less than full funding for our negotiated replenishments and that we will do everything possible to help you and other bank supporters in seeking full funding for IDA VI and the IMF.

If you cannot support the Conference Report, then I hope you will not actively oppose it, because failure of the Conference Report this week will almost certainly mean no regional bank bill or IDA VI legislation this year. Although we may not agree on the best way to approach the problem, I think we would both agree that a result of no legislation this year would be the worst possible outcome.

Sincerely,

*Jimmy Carter*

The Honorable John Cavanaugh  
House of Representatives  
Washington, D. C. 20515

*John, you have been a  
staunch & courageous ally  
in this fight, & I need  
you in these closing rounds.*

*Thanks,  
J*

ADDITIONAL DISTRICT OFFICE

HOUSE OFFICE BUILDING  
WASHINGTON, D.C. 20515  
(202) 225-4155

DISTRICT OFFICE:  
8424 FEDERAL BUILDING  
215 NORTH 17TH STREET  
OMAHA, NEBRASKA 68102  
(402) 221-4117

Congress of the United States  
House of Representatives  
Washington, D.C. 20515

May 16, 1980

COMMITTEES:  
BANKING, FINANCE AND URBAN AFFAIRS  
SUBCOMMITTEES:  
FINANCIAL INSTITUTIONS SUPERVISION, REGULATION AND INSURANCE  
INTERNATIONAL TRADE, INVESTMENT AND MONETARY POLICY  
INTERNATIONAL DEVELOPMENT INSTITUTIONS AND FINANCE  
DOMESTIC MONETARY POLICY  
POST OFFICE AND CIVIL SERVICE  
SUBCOMMITTEE:  
INVESTIGATIONS

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

Dear Mr. President:

Your leadership, the institution of the Presidency, and the basic interest of our nation are greatly threatened by the actions taken yesterday by the House-Senate Conference on S. 662, the authorization legislation needed to implement the United States' negotiated commitment to the Inter-American Development Bank, the Asian Development Bank, and the African Development Fund. The conference agreed to recommend to the House of Representatives and the Senate a reduction of 10% in the negotiated commitment of the United States, the U.S. subscription to the capital stock of the Inter-American Development Bank and a 15% reduction in the United States' negotiated commitment to the Asian Development Bank. If this conference report is accepted by the House of Representatives and the Senate, it will mark the first time in the history of the United States participation in the International Financial Institutions that the negotiated commitments of our country were not honored by the Congress of the United States.

If this precedent is established on this legislation, it will mean not only the severe impairment of your ability to maintain our nation's leadership in the world community, but will also erode the authority of all future Presidents to negotiate in consultation with the Congress with confidence that the commitments which they make on behalf of our country can be fulfilled. Never again will the other member nations of these International Financial Institutions be able to rely on the negotiated commitments of the United States. As you stated in your letter to Chairman Reuss on May 6, 1980, "The United States will suffer an enormous loss of confidence among our industrial allies as well as among the developing nations if our support for these institutions is diminished." Mr. President, if the conference report agreed to yesterday is adopted, the enormous loss of confidence which you fear will be inevitable.

Within the Congress itself consequences of this precedent will be of an immediate equal magnitude. Pending before the Congress is the sixth quota increase for the International Development Association and a 50% increase in the United States' subscription quota to the International Monetary Fund. Both of these negotiated agreements will be subjected to similar cuts if the principle that the Congress must honor the negotiated commitments of the President if our leadership in the world is to be maintained will not be available to defend them against the clamors for fiscal austerity in every authorization.

Every President of the United States for 35 years has vigorously and successfully defended his authority to negotiate and to make commitments on behalf of the United States to these international institutions. Every previous Congress has supported every previous President, sustaining these negotiated commitments because it was clearly understood that to fail to do so desecrates the word of the United States and thereby denegrates the ability of the United States to lead the world. Now is not the time for either the Presidency or the Congress to shirk from that tradition of leadership.

Mr. President, I believe that if you are willing to assert your leadership, this Congress as every other Congress will respond to maintain the integrity of commitments made and honor obligations undertaken for the purpose of maintaining stability and progress in the world community. Mr. President, I intend to oppose this conference report and I can't succeed without your help. At stake is your word, the nation's position of world leadership, protection of fundamental perogatives of the Presidency and ultimately continued stability in the international economic order.

Sincerely,

JOHN J. CAVANAUGH  
Member of Congress

JJC/jct

COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

CHARLES L. SCHULTZE, CHAIRMAN  
GEORGE C. EADS  
LYLE E. GRAMLEY

May 21, 1980

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Lyle E. Gramley *LG*

Subject: New Orders for Durable Goods in April

This afternoon (Wednesday, May 21) at around 3:00 p. m. the Census Bureau will release April figures on new orders for durable goods. Total new orders for durables declined 4.2 percent. The March figure was revised down substantially, and it now shows a decline of 4.8 percent.

The deterioration of orders in April was worse than the decline in the total indicates, because aircraft orders (which are very volatile) surged. Excluding orders for transportation equipment, the total fell 7-1/4 percent last month. Orders fell 9 percent for primary metals, 7-1/2 percent for fabricated metals, and 8 percent for nondefense capital goods excluding aircraft and parts.

These are very large declines, clearly indicating that a steep recession is in process. For orders excluding transportation equipment, the decline of 7-1/4 percent parallels that of December 1974, the largest of the 1974-75 recession.

The sharp decline in orders for nondefense capital goods is perhaps the most worrisome element in the orders figures. It raises the possibility that a significant retrenchment of capital spending plans may be underway. The signs, however, are mixed. Yesterday, we learned that capital appropriations of manufacturers rose 30 percent in the first quarter (confidential until May 30).

12:30 PM

THE WHITE HOUSE

WASHINGTON

May 21, 1980

MEMORANDUM TO THE PRESIDENT

FROM: RAY JENKINS *R.J.*  
SUBJECT: Luncheon with Newsweek Editors

Your luncheon today with five top Newsweek editors is to be at 12:30, in the Cabinet Room, off-the-record. It is scheduled for one hour.

Four of the participants are the same ones who made a brief courtesy call a couple of weeks ago. They are:

- Lester Bernstein, 59, editor of Newsweek. Bernstein was with both Time Magazine and The New York Times before he came to Newsweek in 1962 as National Affairs Editor. In that position, he directed the magazine's civil-rights coverage, and he is especially proud of an award-winning issue in the middle 1960's devoted entirely to the problems of Black America. He no doubt will have some interest in the Miami upheavals, which will enable you to reassure that the budget is not draconian in its impact upon the most vulnerable members of American society.

Bernstein was managing editor when he left Newsweek in 1972, having lost out in competition for the editorship against Ed Kosner. He went to RCA as a vice president dealing mostly with corporate public relations. Last summer, after Katherine Graham abruptly fired Kosner, she asked Bernstein to come back as editor. He took the job only with a long-term contract and assurance that he would have Graham's backing in an effort to put Newsweek back on a more serious and stable footing journalistically. As a result we see more hard news covers and fewer Bo Derek covers. In short, Bernstein is a traditionalist who values Newsweek's reputation for objectivity as opposed to what is perceived to be Time's various political biases dating back to the days of Henry Luce.

2050

- Ken Auchincloss, 42, managing editor. He has been with Newsweek since the mid-sixties in a variety of top position, including National Affairs Editor. He is viewed within and without as a cool and steadying presence. He is a graduate of Harvard, attended Oxford, and his work experience goes back to the Marshall Plan when he was on Averell Harriman's staff at ECA.
- Maynard Parker, 39, executive editor. Parker is from Oregon, was educated at Stanford. At Newsweek his primary domain is international coverage. He served as the magazine's Saigon bureau chief during the Vietnam war. Your paths may have crossed briefly, as he did spend some time covering the campaign in '76.
- Steve Shepard, 40, national affairs editor. He is most immediately responsible for Campaign '80 coverage. He came to Newsweek from Business Week, and served as Newsweek's business editor before taking over national affairs two years ago. Before that, he directed the Columbia Journalism School's training of environmental and energy reporters.
- Rod Gander, 49, assistant managing editor. Gander is the only one who was not among the group which paid the courtesy call recently. He has spent virtually all of his journalistic career at Newsweek and now functions as Bernstein's chief of staff, in a fashion. He is a very pleasant, low-key sort of guy.

Newsweek is, of course, owned by the Washington Post Company, and Kay Graham is chairman of the board. It has a weekly circulation of 3 million.

Newsweek runs more columnists than Time, and Meg Greenfield and George F. Will are their principal political commentators.

Since this is off-the-record social occasion, we have not prepared interview-type Q&A briefing papers. I suspect one of main topics will be the economy, so we did ask Charlie Schultze's people to give you a brief update on the economy. Also, Frank Press suggests that I call your attention to the fact that Newsweek has exhibited a keen interest in the area of innovation and technological

### III

competitiveness -- which would give you a receptive audience for some remarks about productivity and its role in inflation.

Attachment

## UPDATE ON THE ECONOMY

First, in April, most of the major statistics indicated a steep decline in the economy.

- o auto sales: auto sales in April fell almost 10 percent, and the annual sales rate for new domestic cars was about equal to its low in the 1974-75 recession.
- o housing: in March housing starts (seasonally adjusted annual rate) fell by 22 percent. This was a drop of 42 percent from a year earlier. April figures showed a small further decline but building permits dropped sharply again.
- o unemployment: in April the unemployment rate rose 0.8 percentage points to 7.0 percent.
- o industrial production in April fell 1.9 percent, a sizable decline.

However, there are crosscurrents:

- o retail sales outside of autos, adjusted for inflation, were about unchanged in April. (This is not great news but it does suggest the sky is not falling.)
- o with respect to two of the major factors that lie behind the current recession, we do see some improvement:
  - interest rates have come down. Since March 14 rates on 3-month Treasury bills have dropped 6-1/2 percentage points the prime rate is now officially 16-1/2. A recent HUD survey of mortgage bankers reported a decline of 1-3/4 percent over the past month in conventional mortgage rates.
  - in late 1979 and early 1980 consumer purchasing power was cut as prices rose much faster than wages. This erosion of consumer purchasing power will slow as the rate of inflation falls in the second half of the year; this will help moderate the recession.

Thus, in sum: there is no question that the decline in April was steep and larger than we expected; but you can't size up the shape of a recession from one month's numbers and some corrective factors are now working.

## THE WHITE HOUSE

WASHINGTON

May 20, 1980

MEETING WITH DR. ROBERT TAGGART

Wednesday, May 21, 1980

12:20 P.M. (5 minutes)

The Oval Office

From: Stu Eizenstat

*Stu*I. PURPOSE

To recognize Dr. Robert Taggart for his outstanding accomplishments as Director of the Office of Youth Programs at the Department of Labor and to present him with a Presidential commendation. He is leaving his post to do additional research and writing on youth employment.

II. BACKGROUND AND PARTICIPANTS

- A. Background: Bob Taggart has served as the Administrator of the Office of Youth Programs for the past two and a half years. Under his leadership:
- o the Youth Employment and Demonstration Projects Act (YEDPA) was launched in 1977, adding \$1 billion and four new experimental programs;
  - o The Summer Youth Program was expanded to 1 million jobs and the most intensive monitoring and assessment ever undertaken was launched to improve the quality of the program;
  - o the successful expansion effort to double the Job Corps to 44,000 slots was launched; and
  - o one of the most comprehensive social science research demonstration and evaluation efforts ever undertaken was initiated.

He undertook this ambitious agenda with a rare vision, dedication and sense of humor that won him the respect and admiration of both national and local leaders. He reached out to community based organizations, educators and business and got them actively involved in working to solve youth unemployment. He commissioned pathbreaking research which documents in detail the labor market experiences of disadvantaged black and Hispanic youth.

These substantial efforts are the solid foundation upon which your new youth initiative is built. Passage of the Youth Act of 1980 is our number one domestic priority.

- B. Participants: Dr. Robert Taggart; Bill Spring, Associate Director of the Domestic Policy Staff; and Kitty Higgins, Assistant Director of the Domestic Policy Staff.
- C. Press: White House Photographer Only.

### III. Talking Points

1. Thank Bob for the outstanding contribution he has made over the last 2-1/2 years. His personal efforts and sacrifices have meant new found opportunity and hope for thousands of young people around the country.
2. His dedication and commitment have been an inspiration to all those who have worked with him. His leadership on this critical national problem has been an example for all in public service to follow.
3. Reaffirm our commitment to passage of the new youth act, which he helped shape, to ensure that the next generation of young people will have an even better chance for the quality education and jobs that they so desperately need to succeed.
4. Present him the Presidential commendation plaque "in recognition of exceptional service to others in the finest American tradition."
5. Wish him good luck in the writing and research he is presently doing. He will be missed, but you hope you can continue to call on him in the months ahead.

12:25 PM

THE WHITE HOUSE

WASHINGTON

May 19, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: LOUIS MARTIN

SUBJECT: COURTESY VISIT WITH NATE SMITH, THE OVAL  
OFFICE, WEDNESDAY, MAY 21, 1980, 12:25 P.M.

I. PURPOSE

This is a courtesy visit with a Black community leader from Pittsburgh who supported the President during the 1976 campaign.

II. BACKGROUND, PARTICIPANTS AND PRESS

During the 1976 Presidential campaign, the President requested a meeting with Nate Smith who, at the time was the most vocal and visable Black community leader in Pittsburgh. Mr. Smith granted the meeting and promised his support on the condition that if elected, the President would grant him a brief meeting in the Oval office.

Nate Smith describes himself as a personification of the American dream. He was born poor in Pittsburgh, Pennsylvania and cannot read or write. At age 12, he ran away from home and joined the Navy. He served for two years. He married at age 18 and is still married to the same person 32 years later despite the fact that during that time he spent six years in a penitentiary. Mr. Smith fought 125 fights as a professional boxer. In 1968, he was instrumental in forming the Pittsburgh Plan under the auspices of the U.S. Department of Labor. The Plan is credited with increasing the number of minority craftsmen working in construction in the Pittsburgh area from zero in 1969 to over 3,000 today. Mr. Smith currently works for Operation DIG, a community based construction assistance organization. He has three children, all of whom have completed college and are professionally employed.

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for Preservation Purposes**

B. PARTICIPANTS

Nate Smith and his son, Nate Smith, Jr.  
White House Staff: Louis Martin

C. PRESS

White House Photographer

THE WHITE HOUSE

WASHINGTON

May 20, 1980

MEETING WITH OFFICERS OF ASSOCIATED BUILDERS AND CONTRACTORS, INC.

Wednesday, May 21, 1980  
12:15p.m. (3 minutes)  
The Oval Office

From: Anne Wexler *Ann*

I. PURPOSE

Brief greeting and photo with the officers of Associated Builders and Contractors, Inc.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. The Associated Builders and Contractors, Inc., (ABC), established in 1950, is a national trade association comprised of more than 15,000 member firms engaged in the construction industry. Its membership, with 500,000 employees, includes general contractors, subcontractors, construction suppliers and associates, mostly medium and small-sized firms.

ABC's "merit shop" members believe in the preservation of an open competitive marketplace, where every firm has the right to work with every other firm, regardless of its respective labor relations policies. The merit shop (open shop) segment of the industry constructs approximately 60 percent of all construction put in place each year. ABC has a network of state organizations and local chapters across the nation.

The major issues that concern ABC are common situs picketing, labor law reform and Davis-Bacon.

Ted C. Kennedy, President of ABC, was born in Pittsburgh, Pennsylvania. He graduated from Duke University with a B.S. in Civil Engineering. He served in the U.S. Navy as a "Seabee" and spent two years in the Far East. Last year, Engineering News-Record ranked Mr. Kennedy's company, BE&K of Birmingham, Alabama, as the 35th largest in the U.S. with a volume of

\$382.6 million in just their sixth year of business. They are today considered one of the largest contractors in the South in pulp and paper and forest products, and the design portion of BE&K ranks among the top sixty in the nation.

Ted C. Kennedy and BE&K have been active in Associated Builders and Contractors since the time the company was formed.

Herky Harris will become the Executive Vice President of ABC on July 31, 1980.

- B. Participants: Mr. Ted C. Kennedy (President)  
Mr. Franz June (First Vice President)  
Mr. Don Ball (Second Vice President)  
Mr. John Fielder (Third Vice President)  
Mr. Pat Alibrandi (Chairman, Interstate Electrical Services)  
Mr. William Gentry (Secretary)  
Mr. Frank Ireby (Assistant Treasurer)  
Mr. Edward Frohling (Assistant Secretary)  
Mr. Robert A. Turner (Immediate Past President)
- Mr. Herky Harris, Assistant Director for Legislative Affairs, Office of Management and Budget  
Mr. Richard Reiman, Staff
- C. Press Plan: White House Photographer

### III. TALKING POINTS:

1. Although the construction industry is suffering at this point, in part due to current economic policy, ABC supports a balanced budget and your entire inflation program in general. You should thank them for their support.
2. You should tell them what a great man they are getting in Herky Harris and that you are sorry to be losing him.
3. Mr. Kennedy will ask you to look into modification of Davis-Bacon regulations and their administration. He will not suggest repeal of the Act.
4. Mr. Kennedy will mention his approval of your efforts to improve the regulatory climate particularly as relates to small business. Although ABC has not taken a position, you should ask for their support of your truck deregulation legislation in the House.

THE WHITE HOUSE

WASHINGTON

May 20, 1980

*Rick  
J*

MEMORANDUM FOR THE PRESIDENT

FROM:

Rick Hutcheson *Bell Simon for RH*

SUBJECT:

MEMOS NOT SUBMITTED

1. ARTHUR FLEMING, Chairman of the U.S. Commission on Civil Rights, wrote to you about the Commission's increasing concerns over allegations that the U.S. is discriminating against alien refugees because of their race. He urges you to "... employ all means at your disposal to ensure that our policies ... (toward the refugees) are free from unconstitutional discrimination..."
2. AL MCDONALD sent you a note about your concern over the clearance process for emergency declarations. He is working with Jack to have a standard clearance procedure with whatever consultations may be needed before the documents go to you for signature.
3. HUGH CARTER and ESTEBAN TORRES sent you a note stating that the White House and Congressional presence at the funeral of Governor Munoz-Marin was very positive and well received. Many felt that your delegation showed "an above-politics attitude in recognizing a true statesman..."
4. Routine CAB DECISIONS in which the Counsel's office and all agencies concur:
  - Docket 35473: Allows Flying TigerLine, Inc. to include Travis AFB to carry military mail and cargo on its commercial flights.
  - Dockets 28379, 36208, 30053: Permits Laker Air Travel, Limited to organize charter flights between the United States and other points for 5 years. Allows Canada Learjet to provide charter services between Canada and the United States. Renews permit of Transporte AereoRioplatense

May 20, 1980  
page two

of Argentina, and allow nonscheduled cargo transportation between Argentina and certain United States' cities.

Dockets 32516,32517,37306:

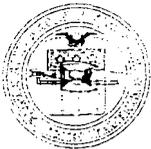
Allows Arrow Airways, Inc. to engage in foreign charter air transportation. Amend SABENA permit for new service between Belgium and certain United States' cities.

Dockets: 36632,37174:

Authorizes air service between the Dominican Republic and Miami. Allows non-stop or one stop service between Dallas/Ft.Worth and Belgium.

5. ARTHUR BLAUSTEIN, Chairman of the National Council on Economic Opportunity, wrote to congratulate you on the appointment of Richard Rios as the Director of CSA.
6. SECRETARY MILLER sent you a memo noting that the Customs Service has been reconsidering its classification of cab chassis. They had been dutiable as 4% ad valorem but a court decision last summer prompted a review of the current practice. After an analysis, Customs concluded that these cab chassis are properly classifiable as "unfinished trucks," dutiable at 25%. This change would effect approximately \$1.2 billion of chassis from Japan. During the next 90 days you will have the authority to reduce this to 8.5% or to 6.8% (with Japan only). Miller notes that the development of the United States position is being coordinated by USTR and a separate memo will be sent you after interagency clearance.

*to me  
when ready  
J*



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CIVIL AERONAUTICS BOARD

WASHINGTON, D.C. 20428

IN REPLY REFER TO: B-1-58

MAY 20 1980

Mr. Rodger O. Schlickeisen  
Associate Director for Economics  
and Government  
Office of Management and Budget  
Room 246, Old EOB  
Washington, D.C. 20503

Dear Mr. Schlickeisen:

I enclose a letter of transmittal to the President, together with the Board's proposed order and certificate amendments in the United States-Bermuda Show Cause Proceeding, Docket 37164. The proposed order will, if not disapproved by the President within 60 days of this transmittal, adopt the Board's tentative decision in its Order to Show Cause 79-11-185 (enclosed) and amend the certificates of public convenience and necessity held by the applicants.

If the President agrees with the Board that amending the certificates would be in the public interest, I request to be advised of his intent not to disapprove, so that the applicant can prepare to start service to the public without awaiting the expiration of the full 60-day consideration period.

I enclose additional copies of the letter, order, and certificate amendments. In connection with any distribution which the Office of Management and Budget may find necessary and desirable, you should note that until the decision is released to the public in accordance with Executive Order 11920, the documents are confidential in nature and should be treated accordingly.

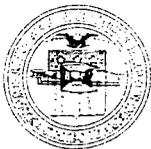
Sincerely,

**(Signed) Marvin S. Cohen**

Marvin S. Cohen  
Chairman

cc: National Security Council  
Department of Transportation  
Department of State  
Department of Defense  
Department of Justice  
The White House

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FOR OFFICIAL USE ONLY

CIVIL AERONAUTICS BOARD

WASHINGTON, D.C. 20428

IN REPLY REFER TO: B-1-58

MAY 20 1980

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

Dear Mr. President:

I transmit the Board's proposed order in the United States-Bermuda Show Cause Proceeding, Docket 37164, for your consideration under section 801(a) of the Federal Aviation Act of 1958, as amended by the Airline Deregulation Act of 1978 and the International Air Transportation Competition Act of 1979. The order will amend the certificates of public convenience and necessity held by the applicants and adopt the Board's tentative decision in its Order to Show Cause 79-11-185 (enclosed) unless you disapprove it within 60 days of this transmittal.

If you should decide earlier that you will not disapprove, please advise me to that effect; this will allow the earlier issuance of the permit and may allow earlier service to the public.

We are submitting this proposed decision to you before publication under the provisions of section 801(a) of the Federal Aviation Act of 1958. In accordance with Executive Order 11920, however, we plan to release all unclassified portions of the decision upon receipt of authorization from your Assistant for National Security Affairs.

Respectfully yours,

**(Signed) Marvin S. Cohen**

Marvin S. Cohen  
Chairman

Enclosures

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FOR OFFICIAL USE ONLY

UNITED STATES OF AMERICA  
CIVIL AERONAUTICS BOARD  
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board  
at its office in Washington, D. C.  
on the 13th day of May, 1980

-----  
UNITED STATES-BERMUDA :  
SHOW CAUSE PROCEEDING :  
-----

Docket 37164

ORDER

By Order 79-11-185, November 27, 1979, we directed all interested persons to show cause why we should not issue an order granting the applications of Eastern Air Lines, Evergreen International Airlines, Transamerica Airlines (formerly Trans International Airlines), Trans World Airlines and any other carrier whose fitness could be established by officially noticeable data, for authority between Bermuda and one or more of the U.S. gateways authorized under Bermuda 2, other than Boston. 1/ These gateways are Atlanta, Baltimore, Chicago, Detroit, Miami-Ft. Lauderdale, New York, Philadelphia and Washington, D. C.

We received new applications for the authority in issue and motions to consolidate from American, Delta, Ozark, Pan American, Republic, Trans Carib Air, Trans World and USAir. 2/ These applicants and five of the original applicants (Eastern, Evergreen, Mackey, Transamerica and Trans World) submitted the requisite illustrative service proposals, environmental evaluations and fuel availability for the authority they request. The applications are summarized in Appendix A and by U.S. gateway in Appendix B.

1/ We deferred action regarding Boston until the completion of an environmental assessment of multiple authority awards at that point.

2/ USAir also seeks Boston-Bermuda authority. We will consider its Boston-Bermuda request after the completion of the Boston Environmental Study Proceeding, Docket 36944.

FOR OFFICIAL USE ONLY

Bermuda's Objections

On January 3, 1980 the Government of Bermuda objected to our show-cause order and requested an oral evidentiary hearing. 3/ It states that the use of show-cause procedures authorizing multiple permissive entry was not contemplated by the United States-United Kingdom Air Services Agreement (Bermuda 2). It takes issue with multiple permissive awards in this proceeding on the grounds that such awards give it no assurance of any new service; that the new authorities would lead to uncertainty and instability in the entire pattern of service to Bermuda; 4/ that it has the right to know which of the services proposed by the twelve applicants will actually be instituted; that there are limiting factors on the institution of any new air service to Bermuda, resulting from the Island's limited tourist accommodations and airport facilities; and that carrier selection is required to avoid an unnecessary "competitive shakedown". 5/ It also states that we should not overlook or dismiss the burden-of-proof provisions for authorizing new certificate authority in foreign air transportation, which were unchanged by the Airline Deregulation Act of 1978. In further argument, the Government of Bermuda contends that we should recognize the special problems involved in providing air service to a unique island area, such as Bermuda, and afford Bermuda the same special consideration that Congress gave Hawaii, when it excluded it from the automatic entry provisions of the Airline Deregulation Act. 6/

3/ On the same date the U.S. Department of State transmitted to us a copy of British Embassy's Note No. 237, dated December 28, 1979, presenting the views of the Government of Bermuda. We placed this Note in the correspondence section of this docket.

4/ In particular, the Government of Bermuda expresses concern that there would be no guarantee of adequate service by any of twelve applicants during Bermuda's "off season", i.e., from approximately November through March.

5/ The Government of Bermuda alleges that following our grant of multiple permissive authority in the Philadelphia-Bermuda Nonstop Proceeding, (Order 78-12-192) Bermuda has been subject to occasional limited aircraft availability, abrupt changes of equipment, reductions of seats and other unforeseen difficulties, which it characterizes as a "competitive shakedown".

6/ In support of this contention the Government of Bermuda argues that the granting of multiple permissive entry in this proceeding would be tantamount to an automatic entry policy since carriers, at their leisure, will be able to introduce a service from one of the gateway cities to Bermuda. Hawaii's exception from automatic entry was justified by Congress on the ground that an airline would be unable to develop a variety of air service (nonstop, multi-stop, etc.) in a lengthy Hawaii-Mainland turnaround market to allow it greater utilization of the aircraft and crews. (Senate Report No. 95-631, at p. 67). Bermuda alleges that the same circumstances exist in the U.S.-Bermuda market. A carrier serving this market can mount only a limited pattern of turnaround service.

In conclusion, the Government of Bermuda requests an oral evidentiary hearing to determine whether the public interest is best served by the continuation of a multiple permissive entry policy in the U.S.-Bermuda market.

Consideration of Bermuda's Objections 7/

We have carefully considered the objections advanced by the Government of Bermuda. However, for the reasons outlined below we find that Bermuda has not alleged facts or policy arguments sufficient to justify a departure from our policy of multiple entry. An oral evidentiary hearing is not required in the circumstances involved here.

Multiple entry is now the norm for U.S. international air transportation, except in cases in which the bilateral aviation relations between the United States and the foreign country concerned call for a different approach. 8/ This basic policy is founded on broad economic considerations which have been thoroughly evaluated in Congress and in the Board's adjudicatory processes. 9/ It was recently given explicit Congressional sanction by the International Air Transportation Competition Act (LATCA). 10/ Objectors to multiple entry now have a heavy burden of proof to show that application of the policy would be inconsistent with the public convenience and necessity.

7/ Bermuda 2 and the Shovelton-Boyd exchange of letters accompanying that Agreement require that we give full consideration to the views and concerns of the Government of Bermuda. We believe we have done so here. We would do so in any event, even without the urging of the agreement.

8/ For example, see Orders: 79-1-160, Anchorage-London Service Case, Docket 34573; 79-6-42, Wild Card Route Case, Docket 35752; 79-8-103, Texas-Alberta-Alaska Case, Docket 36419; 79-10-4, Miami-London Case, Docket 36764; and 79-10-6, Miami/New Orleans-San Jose, C.R. Case, Docket 36767. We perceive no bilateral constraints with respect to Bermuda. Under the United States-United Kingdom Air Service Agreement (Bermuda 2) the United States has the right to designate multiple air carriers in U.S.-Bermuda markets.

9/ For example, see Philadelphia-Bermuda Nonstop Proceeding, Docket 32786; United States-Benelux Low-Fare Proceeding, Docket 30790; United States-Costa Rica Show Cause Proceeding, Docket 36766; United States-Central America Show Cause Proceeding, Docket 37076.

10/ P.L. 96-192, effective February 15, 1980. See especially section 102(a)(12) and section 1102(b). Bermuda's argument that certificates authorizing foreign air transportation can be issued only if the transportation is "required" by the public convenience and necessity, has been mooted by this law. However, even under the former standard, we have stated that "where a bilateral agreement by its terms allows for multiple U.S.-flag entry, that agreement constitutes prima facie evidence that the public convenience and necessity require multiple authority in the market." United States-Germany Show-Cause Proceeding, Order 80-2-37, at 5. That order cites Philadelphia-Bermuda (and other cases) as authority for the quoted statement.

Bermuda has not met that burden. It generally objects to open entry, by asserting that if a larger number of airlines are licensed to operate than can reasonably do so, given the limited size of the market, there will inevitably result either excessive service or unreliable or insufficient service. 11/ However, actual economic experience, foreign and domestic, demonstrates that excessive service is unlikely to occur in multiple entry markets over the long run. The facts are that the airline industry is workably competitive; that on the average and over time supply and demand will be in equilibrium; that the lowest economic price consistent with the quality level acceptable by the market will be attained by competitive forces; and that the combined effect of the foregoing will assure optimum service and a more efficient allocation of resources than would be possible under governmental determinations. 12/

Bermuda's second argument, that service will not be provided or will be inadequate, suggests either that airlines will not offer service in response to a level of demand that could support profitable operations, or that airlines should be required to operate at a loss, presumably on the basis of cross-subsidization, if demand is not sufficient to support profitable Bermuda operations. We cannot accept this line of argument. Experience shows that airline managements will act rationally and grasp profit opportunities where they occur, given the flexibility to do so. Where the profit opportunity is inadequate, or does not exist, entry will not occur. Moreover, the presumed benefits Bermuda claims would derive from the selection of a single carrier are not available through the licensing process. Licensing a single carrier provides no guarantee that it would in fact fully exercise its authority or continue service once begun. All U.S. carrier international authority is permissive and may be suspended upon 60-days' notice to the Board pursuant to section 401(j) of the Act. To the extent Bermuda has significant seasonal traffic variations, seasonal pricing together with combining traffic flows by linking domestic markets may permit a level of service to be operated that otherwise might not be profitable. However, the answer to such problems rarely--if ever--lies in restricting carrier access to markets.

Bermuda expresses dissatisfaction with some of the service adjustments that resulted from the multiple awards granted in the Philadelphia-Bermuda proceeding. However, these service changes merely reflected the nature of the demand in the market and the quantity of service needed to accommodate that demand as perceived by the airlines. Bermuda does not offer any evidence in support of its contention that superior service would be provided by a single carrier. In fact, such improved service as is provided in the market might well ~~not~~ have been provided at all if the Board had engaged in carrier selection in that case. 13/

11/ We considered similar objections of the Government of Bermuda in the Philadelphia-Bermuda Nonstop Proceeding, Docket 32786.

12/ U.S. air carriers, which are privately owned and operated, can continue in business only if sufficient profits are earned to provide investors with a reasonable return on investment. Service cannot be provided at a loss on a continuing basis.

13/ Another argument advanced by Bermuda is that its airport slot congestion and limited hotel facilities require that service be tailored to the island's peculiar characteristics. This line of reasoning was considered and rejected in Philadelphia-Bermuda. See Order 78-12-192 at 9-10.

The service experience in the Philadelphia-Bermuda market shows that prior to the award of multiple permissive authority only one-stop service was provided in that market over Newark and Baltimore. As a result of the multiple awards, which became effective in March 1979, new nonstop service was instituted--by American with a daily 707 round trip flight on March 28, 1979 and by Eastern with a daily 727 round trip flight on May 1, 1979. Both carriers provided nonstop service from May 1 through the end of October. However, in June and July American operated only 36 out of its 122 scheduled 707 flights, presumably as an indirect result of the DC-10 grounding. From September 5 to October 31, American operated only twice weekly nonstop service. From November 1, 1979 to January 30, 1980 only one-stop service was offered in the Philadelphia-Bermuda market. 14/ On January 31, 1980 Eastern reinstated daily nonstop service. Currently, the Philadelphia-Bermuda service consists of one daily nonstop flight and one daily one-stop flight, both provided by Eastern. While it is true that there have been scheduled modifications since our Philadelphia-Bermuda decision, it is clear that they are the direct result of initial adjustments to a competitive environment, seasonal schedule changes and the above noted grounding of the DC-10.

Total United States-Bermuda traffic in the months of April through October 1979 increased by 12.6 percent over the same period in 1978. The number of flights increased by 9.3 percent and available seats by 2.2 percent. Load factors on nonstop Philadelphia-Bermuda flights were comparable with load factors on nonstop flights between other U.S. gateways and Bermuda, except in the two initial months of operation--April and May--when they were somewhat lower. These data indicate that overall the quantity and quality of air services between Philadelphia and Bermuda have improved, and that the public has responded favorably to this service. Prior to the institution of the Philadelphia-Bermuda nonstop service, passengers were forced to use inferior one-stop service over Baltimore or Newark. These data also indicate that economically motivated carrier management has been able to respond promptly and rationally to operational, seasonal and other demand fluctuations.

Finally, Bermuda argues that because Hawaii was excepted from the automatic entry provisions of the Airline Deregulation Act, a similar exception should be made for Bermuda. We disagree. The automatic entry provisions have no bearing on the issues in this case, since Hawaii is not immune from the multiple entry provisions of the Act.

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14/ Daily one-stop service via Baltimore was provided by Eastern. Daily one stop service was provided by American via Newark through January 15, 1980.

No facts concerning Bermuda markets have been advanced which distinguish it from others, domestic or foreign, to which the multiple permissive entry policy has been applied. Based on the foregoing considerations, we have decided to affirm our tentative findings and conclusions contained in Order 79-11-185.

Fuel Considerations

Although seven of the twelve applicants propose fuel consumption above 10 million gallons per year, the threshold standard in Part 313 of our Regulations for identifying a "major regulatory action" under the Energy Policy and Conservation Act, we conclude that the awards we are making are consistent with the Act. <sup>15/</sup> It is unlikely that most of the applicants will serve the markets at issue at the levels proposed. Moreover, multiple awards should ultimately produce higher load factors which will result in a greater number of passengers being carried without a significant increase in fuel consumption. Finally, we believe that the overall public benefits of multiple awards here outweigh any increase in fuel consumption.

Findings and Conclusions

We have decided to make final our tentative findings and conclusions set forth in Order 79-11-185, and to amend the certificates of American, Delta, Eastern, Evergreen, Ozark, Pan American, Republic, Transamerica, Trans Carib Air, <sup>16/</sup> Trans World and USAir as specified in Appendix C and in the attached certificates.

<sup>15/</sup> The maximum additional fuel requirements for those applicants anticipating fuel consumption in excess of 10 million gallons per year are as follows:

<u>Applicant</u>	<u>Gallons of Fuel</u>
American	28,650,000
Delta	20,048,000
Evergreen	24,783,000
Ozark	18,498,572
Pan American	47,400,000
Republic	20,115,675
Trans Carib Air	12,667,526

<sup>16/</sup> We found Trans Carib Air fit, willing and able to engage in domestic and overseas transportation in Northeast Points-Puerto Rico/Virgin Islands Service Investigation, (Docket 32293) Order 78-12-105, Houston Service Investigation, (Docket 33320), Order 79-6-90 and Northeast/Ohio Valley-Florida Show Cause Proceeding, (Docket 36590) Order 79-11-143. The authority Trans Carib Air requests in the U.S.-Bermuda market is comparable to the scope of the authority it received in those proceedings, particularly to the New York-San Juan market. Therefore, we will extend our fitness findings with respect to Trans Carib Air to include U.S.-Bermuda foreign air transportation.

However, we have decided to defer action on the application of Mackey International. We are unable to make a finding today that Mackey is fit to engage in U.S.-Bermuda service. <sup>17/</sup> In Order 79-11-185 we deferred making any fitness finding with respect to Mackey pending the receipt of Form 41 reports. Since that time the carrier has filed these required reports. However, they indicated that Mackey might be in a precarious financial position. On the basis of these reports we could not conclusively determine that Mackey was prepared to expand substantially its scope of operations to the extent which its proposed Bermuda service would involve. Therefore, to help us evaluate Mackey's fitness, we requested the Audit Division of the Bureau of Accounts and Audits to conduct an audit of Mackey's operations. We have not yet received the final results of this audit. We will, therefore, defer making a determination of Mackey's fitness until a further order.

ACCORDINGLY,

1. We make final our tentative findings and conclusions set forth in Order 79-11-185;
2. We consolidate the following new applications into Docket 37164: American (Docket 37259), Delta (Docket 37264), Ozark (Docket 37258), Pan American (Docket 37269), Republic (Docket 37266), Trans Carib Air (Docket 37271), Trans World (Docket 37263), and USAir (Docket 37084);
3. We amend the certificates of public convenience and necessity of American for Route 137, Evergreen for Route 190-F, Ozark for Route 107-F, Pan American for Route 132, Republic for Route 86-F, Transamerica for Route 194, Trans World for Route 147 and USAir for Route 97-F as indicated in Appendix C;
4. We amend the certificates of Delta for Route 167 and Eastern for Route 165;
5. We issue a new certificate of public convenience and necessity to Trans Carib Air for Route 189-F;
6. We defer action on the requests for Boston-Bermuda authority by USAir in Docket 37084, Transamerica in Docket 31170 and Evergreen in Docket 31146, until further order;
7. We defer action on Mackey International's application in Docket 36829 until we can determine its fitness and ability to engage in U.S.-Bermuda operations;

<sup>17/</sup> However, we conclude here that the foreign air transportation proposed by Mackey is consistent with the public convenience and necessity, and that it should be granted a certificate for U.S.-Bermuda authority if its fitness can be established.

8. To the extent not specifically granted or deferred in this order, we deny all Bermuda applications, petitions and motions;

9. Unless disapproved by the President of the United States under section 801(a) of the Act, this order and the certificates attached shall become effective on the 61st day after submission of this order to the President, or upon the date of receipt of advice from the President that he does not intend to disapprove our order under that section, whichever occurs earlier. 18/

By the Civil Aeronautics Board:

PHYLLIS T. KAYLOR

Secretary

(SEAL)

All Members concurred.

18/ This order was submitted to the President on  
The 61st day is

The markets in issue for which each carrier has applied and has submitted illustrative service proposals and environmental statements are as follows:

<u>Carrier</u>	<u>Docket</u>	<u>Between Bermuda and</u>
1. American	37259	Atlanta, Baltimore, Chicago, Detroit, Miami-Ft. Lauderdale, Washington, D. C.
2. Delta	37264	Atlanta, Baltimore, Chicago, Detroit, Miami-Ft. Lauderdale, New York, Washington, D. C.
3. Eastern	30382 32188	Atlanta Miami-Ft. Lauderdale
4. Evergreen	31146	Atlanta, Baltimore, Chicago, Detroit, Miami-Ft. Lauderdale, New York, Philadelphia, Washington, D. C.
5. Mackey	36829	Atlanta, Miami-Ft. Lauderdale
6. Ozark	37258	Atlanta, Baltimore, Chicago, Detroit, Miami-Ft. Lauderdale, New York, Philadelphia, Washington, D. C.
7. Pan American	37269	Atlanta, Baltimore, Chicago, Detroit, Miami-Ft. Lauderdale, New York, Philadelphia, Washington, D. C.
8. Republic	37266	Atlanta, Baltimore, Chicago, Detroit, Miami-Ft. Lauderdale, New York, Washington, D. C.
9. Transamerica	31170	Atlanta, Baltimore, Chicago, Detroit, Miami-Ft. Lauderdale, New York, Philadelphia, Washington, D. C.
10. Trans Carib Air	37271	Atlanta, Baltimore, Chicago, Miami-Ft. Lauderdale, New York, Washington, D. C.
11. Trans World	35651 37263	New York Philadelphia
12. U S Air	37084	Baltimore, New York

The carriers that have applied for authority and submitted a service proposal between Bermuda and U.S. gateways at issue are as follows:

1. Atlanta - American, Delta, Eastern, Evergreen, Mackey, Ozark, Pan American, Republic, Transamerica, Trans Carib Air
2. Baltimore - American, Delta, Evergreen, Ozark, Pan American, Republic, Transamerica, Trans Carib Air, U S Air
3. Chicago - American, Delta, Evergreen, Ozark, Pan American, Republic, Transamerica, Trans Carib Air
4. Detroit - American, Delta, Evergreen, Ozark, Pan American, Republic, Transamerica
5. Miami-Ft. Lauderdale - American, Delta, Eastern, Evergreen, Mackey, Ozark, Pan American, Republic, Transamerica, Trans Carib Air
6. New York - Delta, Evergreen, Ozark, Pan American, Republic, Transamerica, Trans Carib Air, Trans World, U S Air
7. Philadelphia - Evergreen, Ozark, Pan American, Transamerica, Trans World
8. Washington, D. C. - American, Delta, Evergreen, Ozark, Pan American, Republic, Transamerica, Trans Carib Air

CERTIFICATE AMENDMENTS

American Airlines, Inc. for Route 137

Amend Segment 3 to read as follows:

"Between the coterminal points Atlanta, Ga., Baltimore, Md., Boston, Mass., Chicago, Ill., Detroit, Mich., Miami-Ft. Lauderdale, Fla., New York, N.Y.-Newark, N.J., Philadelphia, Pa., and Washington, D. C., and the terminal point Bermuda."

Delete and Reserve Segment 4.

Add a new condition to read as follows:

"The holder may carry local traffic between and among U.S. coterminal points on flights serving Bermuda."

Evergreen International Airlines, Inc. for Route 190-F

Add a new segment:

"Between the coterminal points Atlanta, Ga., Baltimore, Md., Chicago, Ill., Detroit, Mich., Miami-Ft. Lauderdale, Fla., New York, N.Y.-Newark, N.J., Philadelphia, Pa., and Washington, D. C., and the terminal point Bermuda."

This authority is permissive.

Add a new condition to read as follows:

"The holder may carry local traffic between and among U.S. coterminal points on flights serving Bermuda."

Ozark Air Lines, Inc. for Route 107-F

Add a new segment:

"Between the coterminal points Atlanta, Ga., Baltimore, Md., Chicago, Ill., Detroit, Mich., Miami-Ft. Lauderdale, Fla., New York, N.Y.-Newark, N.J., Philadelphia, Pa., and Washington, D. C., and the terminal point Bermuda."

This authority is permissive.

Add a new condition to read as follows:

"The holder may carry local traffic between and among U.S. coterminal points on flights serving Bermuda."

Pan American World Airways, Inc. for Route 132

Add a new segment:

"Between the coterminal points Atlanta, Ga., Baltimore, Md., Chicago, Ill., Detroit, Mich., Miami-Ft. Lauderdale, Fla., New York, N.Y.-Newark, N.J., Philadelphia, Pa., and Washington, D. C. and the terminal point Bermuda."

This authority is permissive.

Add a new condition to read as follows:

"The holder may carry local traffic between and among U.S. coterminal points on flights serving Bermuda."

Republic Airlines, Inc. for Route 86-F

Amend segment 4 to read as follows:

"Between the coterminal points Atlanta, Ga., Baltimore, Md., Chicago, Ill., Detroit, Mich., Miami-Ft. Lauderdale, Fla., New York, N.Y.-Newark, N.J., Philadelphia, Pa., and Washington, D. C. and the terminal point Bermuda."

This authority is permissive.

Add a new condition as follows:

"The holder may carry local traffic between and among U.S. coterminal points on flights serving Bermuda."

Transamerica Airlines, Inc. for Route 194

Add a new segment:

"Between the coterminal points Atlanta, Ga., Baltimore, Md., Chicago, Ill., Detroit, Mich., Miami-Ft. Lauderdale, Fla., New York, N.Y.-Newark, N.J., Philadelphia, Pa., and Washington, D. C. and the terminal point Bermuda."

This authority is permissive.

Add a new condition to read as follows:

"The holder may carry local traffic between and among U.S. coterminal points on flights serving Bermuda."

Trans World Airlines, Inc. for Route 147

Add a new segment:

"Between the coterminal points New York, N.Y.-Newark, N.J., and Philadelphia, Pa., and the terminal point Bermuda."

This authority is permissive.

Add a new condition to read as follows:

"The holder may carry local traffic between U.S. and among U.S. coterminal points on flights serving Bermuda."

Amend the last paragraph on page 4 of the current certificate, issued by Order 78-10-134, starting with the words "This certificate shall . . ." to read as follows:

"This certificate shall be effective on \_\_\_\_\_ Provided, however, That its continuing effectiveness is subject to timely payment by the holder of such license fees as the Board may prescribe."

U S Air, Inc. for Route 97-F

Amend segment 5 as follows:

"Between the coterminal points Baltimore, Md., New York, N.Y.-Newark, N.J., and Philadelphia, Pa., and the terminal point Bermuda."

This authority is permissive.

Add a new condition to read as follows:

"The holder may carry local traffic between and among U.S. coterminal points on flights serving Bermuda."

UNITED STATES OF AMERICA  
CIVIL AERONAUTICS BOARD  
WASHINGTON, D. C.

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CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY  
(as amended)

for Route 167  
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DELTA AIR LINES, INC.

is authorized, subject to the following provisions, the provisions of Title IV of the Federal Aviation Act of 1958, as amended, and the orders, rules, and regulations issued under it, to engage in foreign air transportation with respect to persons, property, and mail as follows:

Between the coterminal points Atlanta, Ga., Baltimore, Md., Boston, Mass., Chicago, Ill., Detroit, Mich., Miami-Ft. Lauderdale, Fla., New York, N.Y.-Newark, N.J., Philadelphia, Pa., and Washington, D. C. and the terminal point Bermuda.

The authority is subject to the following terms, conditions, and limitations:

- (1) The holder shall at all times conduct its operations in accordance with all treaties and agreements between the United States and other countries, and the exercise of the privileges granted by this certificate shall be subject to compliance with such treaties and agreements.
- (2) The authority granted here is permissive.
- (3) The holder may continue to serve regularly any point through the airport it regularly used to serve that point before the effective date of this certificate. Upon compliance with procedures prescribed by the Board, the holder may, in addition, regularly serve a point through any other convenient airport.
- (4) The exercise of this authority shall be subject to the holder's first obtaining from the appropriate foreign government such operating rights, as may be necessary.
- (5) The holders may carry local traffic between and among U.S. coterminal points on flights serving Bermuda.

The exercise of the privileges granted by this certificate shall be subject to any other reasonable terms, conditions, and limitations that the Board may prescribe in the public interest.

The holder acknowledges and agrees that it is entitled to receive only service mail pay for the mail service rendered or to be rendered solely in connection with the authorization granted here and that it is not authorized to request or receive any compensation for mail service rendered or to be rendered for such operations in excess of the amount payable by the Postmaster General.

This certificate shall be effective on \_\_\_\_\_ ; Provided, however, That its continuing effectiveness is subject to timely payment by the holder of license fees as the Board may prescribe.

The Civil Aeronautics Board has directed its Secretary to execute this certificate and affix the Board's seal on May 13, 1980.

PHYLLIS T. KAYLOR

Secretary

(SEAL)

UNITED STATES OF AMERICA  
CIVIL AERONAUTICS BOARD  
WASHINGTON, D. C.

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CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY  
(as amended)

for Route 165  
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EASTERN AIR LINES, INC.

is authorized, subject to the following provisions, the provisions of Title IV of the Federal Aviation Act of 1958, as amended, and the orders, rules, and regulations issued under it, to engage in foreign air transportation with respect to persons, property, and mail:

1. Between the coterminal points Atlanta, Ga., Baltimore, Md., Chicago, Ill., Detroit, Mich., Miami-Ft. Lauderdale, Fla., New York, N.Y.-Newark, N.J., and Philadelphia, Pa. and the terminal point Bermuda.
2. Between the coterminal points Atlanta, Ga., and New York, N.Y.-Newark, N.J. and coterminal points in Belgium, The Netherlands and Luxemburg.

This authority is subject to the following terms, conditions, and limitations:

(1) The holder shall at all times conduct its operations in accordance with all treaties and agreements between the United States and other countries, and the exercise of the privileges granted by this certificate shall be subject to compliance with such treaties and agreements.

(2) The authority granted here is permissive.

(3) The holder may continue to serve regularly any point through the airport it regularly used to serve that point before the effective date of this certificate. Upon compliance with procedures prescribed by the Board, the holder may, in addition, regularly serve a point through any other convenient airport.

(4) The exercise of this authority shall be subject to the holder's first obtaining from the appropriate foreign government such operating rights as may be necessary.

(5) The holder may carry local traffic between and among U.S. coterminal points on flights serving Bermuda.

The exercise of the privileges granted by this certificate shall be subject to any other reasonable terms, conditions, and limitations that the Board may prescribe in the public interest.

This certificate shall be effective on . Provided, however,  
That its continuing effectiveness is subject to timely payment by the holder of such license fees as the Board may prescribe.

The Civil Aeronautics Board has directed its Secretary to execute this certificate and affix the Board's seal on May 13, 1980.

PHYLLIS T. KAYLOR

Secretary

(SEAL)

UNITED STATES OF AMERICA  
CIVIL AERONAUTICS BOARD  
WASHINGTON, D. C.

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CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

for Route 189-F  
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TRANS CARIB AIR, INC.

is authorized, subject to the following provisions, the provisions of Title IV of the Federal Aviation Act of 1958, as amended, and the orders, rules and regulations issued under it, to engage in foreign air transportation of persons, property, and mail:

Between the coterminal points Atlanta, Ga., Baltimore, Md., Chicago, Ill., Miami-Ft. Lauderdale, Fla., New York, N.Y.-Newark, N.J., and Washington, D. C. and the terminal point Bermuda.

The authority is subject to the following terms, conditions, and limitations:

- (1) The holder shall at all times conduct its operations in accordance with all treaties and agreements between the United States and other countries, and the exercise of the privileges granted by this certificate is subject to compliance with such treaties and agreements and with any orders of the Board issued under, or for the purpose of requiring compliance with such treaties and agreements.
- (2) The holder may continue to serve regularly any named point through the airport it last used regularly to serve that point before the effective date of this certificate. Upon compliance with procedures prescribed by the Board, the holder may, in addition, regularly serve a named point through any convenient airport.
- (3) The exercise of this authority shall be subject to the holder's first obtaining from the appropriate foreign government such operating rights as may be necessary.
- (4) The authority granted here is permissive.
- (5) The holder's authority to engage in the transportation of mail is limited to carriage of a nonsubsidy basis, i.e., on a service mail rate to be paid entirely by the Postmaster General.
- (6) The holder may carry local traffic between and among U.S. coterminal points on flights serving Bermuda.

The exercise of the privileges granted by this certificate is subject to any other reasonable terms, conditions and limitations that the Board may prescribe in the public interest.

This certificate shall be effective on \_\_\_\_\_ . Provided, however,  
That its continuing effectiveness is subject to timely payment by the holder of such license fees as the Board may prescribe.

The Civil Aeronautics Board has directed its Secretary to execute this certificate and to affix the Board's seal on May 13, 1980.

PHYLLIS T. KAYLOR

Secretary

(SEAL)

UNITED STATES OF AMERICA  
CIVIL AERONAUTICS BOARD  
WASHINGTON, D.C.



Adopted by the Civil Aeronautics Board  
at its office in Washington, D.C.  
on the 27th day of November, 1979

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UNITED STATES-BERMUDA : Docket 37164  
SHOW CAUSE PROCEEDING :  
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Applications of :  
: :  
EASTERN AIR LINES, INC. : Dockets 30382, 32188  
EVERGREEN INTERNATIONAL AIRLINES, INC: 31146  
MACKEY INTERNATIONAL, INC. : 36829  
TRANS INTERNATIONAL AIRLINES, INC. : 31170  
(now Transamerica Airlines, Inc.) :  
TRANS WORLD AIRLINES, INC. : 35651  
: :  
for certificates of public convenience :  
and necessity under section 401 of the :  
Federal Aviation Act of 1958, as amended :  
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ORDER TO SHOW CAUSE

ERRATUM

New York was inadvertently omitted from ordering paragraph 1.  
Ordering paragraph 1 should read as follows:

"1. We consolidate the applications of Eastern (Dockets 30382, 32188), Evergreen (Docket 31146), Mackey (Docket 36829), Transamerica (Docket 31170) and Trans World (Docket 35651), into the United States-Bermuda Show Cause Proceeding, Docket 37164, to the extent that they request authority to serve Bermuda from Atlanta, Baltimore, Chicago, Detroit, Miami-Ft. Lauderdale, New York, Philadelphia, and Washington, D.C.;"

Date: December 5, 1979

UNITED STATES OF AMERICA  
CIVIL AERONAUTICS BOARD  
WASHINGTON, D.C.



Adopted by the Civil Aeronautics Board  
at its office in Washington, D.C.  
on the 27th day of November, 1979

UNITED STATES-BERMUDA : Docket 37164  
SHOW CAUSE PROCEEDING :

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Applications of	:
	:
EASTERN AIR LINES, INC.	: Dockets 30382, 32188
EVERGREEN INTERNATIONAL AIRLINES, INC.	: 31146
MACKEY INTERNATIONAL, INC.	: 36829
TRANS INTERNATIONAL AIRLINES, INC.	: 31170
(now Transamerica Airlines, Inc.)	:
TRANS WORLD AIRLINES, INC.	: 35651
	:

for certificates of public convenience and :  
necessity under section 401 of the Federal :  
Aviation Act of 1958, as amended :

**ORDER TO SHOW CAUSE**

We have received applications from five U.S. air carriers for certificates of public convenience and necessity to engage in scheduled foreign air transportation between points in the United States and Bermuda. Two applicants -- Evergreen and Transamerica (formerly Trans International Airlines) -- seek nonstop authority between Bermuda and nearly 50 cities in the United States. Trans World Airlines requests nonstop New York-Bermuda

authority. 1/ Mackey and Eastern request nonstop authority in the Miami (or Miami-Ft. Lauderdale) /Atlanta-Bermuda markets. Mackey has filed a petition requesting that its application be handled under show cause procedures.

Eastern filed an answer to the petition of Mackey stating that the Board should consider its petition and other carriers' applications for Bermuda authority in any proceeding held as a result of Mackey's petition. No other answers to these applications have been received. 2/

Under the United States-United Kingdom Air Services Agreement (Bermuda II), the Board may authorize U.S. airlines to provide nonstop service to Bermuda from nine U.S. gateways -- Atlanta, Baltimore, Boston, Chicago, Detroit, Miami, New York, Philadelphia, and Washington, D.C. 3/ Article 3 of Bermuda II provides for unrestricted multiple designations over each of the nine U.S. gateway-Bermuda routes.

1/ TWA's application was styled as a request for one-stop authority between the terminal point Albuquerque, New Mexico, and the terminal points Mexico City, Acapulco, Montreal, Toronto, and Bermuda. The authority it sought would be subject to a restriction that it operate all flights through an intermediate point that it is otherwise authorized to serve -- in the case of Bermuda, it proposed New York. TWA simultaneously filed a motion to consolidate the application into the Albuquerque Show Cause Investigation, Docket 35466. However, because TWA does not hold authority to the named foreign points, we have concluded that the application is beyond the scope of the Albuquerque case. We will deal with its request for Bermuda authority in this order. We will dismiss the remaining portions of its application in Docket 35651 because: the Canadian and Mexican routes it seeks to serve are subject to bilateral agreements that restrict the number of U.S. carriers that may operate; we have already designated the maximum number of U.S. carriers; and TWA has made no showing that any of the incumbents on the routes should be replaced.

2/ Continental filed an answer opposing that portion of TWA's application seeking Mexico authority, accompanied by a motion for leave to file its answer late. In view of our decision in this order we will dismiss Continental's motion.

3/ Bermuda II, Annex 1, Route Schedules, U.S. Route 4. Route 4 permits unrestricted behind-gateway service in the United States, but only turn-around service at Bermuda. Beyond Bermuda service is provided for under U.S. Route 5. U.S. carriers may perform service from Atlanta, Baltimore, Miami and Washington, D.C. beyond Bermuda to two points in Europe, other than in the United Kingdom, which points must be mutually agreed upon. The United States and the United Kingdom have not discussed selection of these two points, since no U.S. carrier has sought such authority.

We have decided to request interested persons to show cause why we should not authorize the current and any other applicants that submit illustrative service proposals and environmental evaluations and whose fitness can be determined from officially noticeable data, 4/ to provide nonstop scheduled service between Bermuda and one or more of the authorized U.S. gateways, other than Boston. 5/ We are instituting the United States-Bermuda Show Cause Proceeding for this purpose.

We will give new applicants an opportunity to apply and file illustrative service proposals and environmental and fuel statements within 10 days. 6/ Current applicants should submit new or updated service plans and environmental data within the same period. We have tentatively decided to award all authority contained in the illustrative schedules to the extent consistent with the scope of this case.

We will give interested persons 21 days after service plans are due (i.e., until January 3, 1980) to show cause why the tentative findings and conclusions set forth here should not be made final; replies will be due within 10 days thereafter.

4/ Officially noticeable data consist of material filed under section 302.24(m) of our Procedural Regulations. Applicants whose fitness cannot be so established must make a showing of fitness, as well as deal with any questions under sections 408 and 409 of the Act.

5/ We make no findings regarding Bermuda-Boston Service. By Order 79-10-133, October 22, 1979, we deferred for 90 days the award of new Boston authority while we conduct an environmental assessment of multiple entry at that point. We will decide a course of action regarding Boston after the environmental assessment is completed.

6/ Each applicant should submit an illustrative service proposal for the markets at issue for which it has applied, showing all points that it intends to serve, the type and capacity of the equipment it would likely use, and the elapsed time of flights and block hours over the segments. Each applicant should also provide an environmental evaluation pursuant to Part 312 of our regulations, and an estimate of the amount of fuel to be consumed by the proposed service, as well as a statement on the availability of the required fuel. Carriers that have already submitted this information and do not desire to change it may simply file statements that they adhere to their original proposals.

## Introduction

Nearly a year ago in the Philadelphia-Bermuda Nonstop Proceeding, Order 78-12-192, we decided to award nonstop certificate authority in the Philadelphia-Bermuda market to all qualified applicants, finding that such certification would best meet the public convenience and necessity standards of the Act. We concluded that Bermuda II permitted multiple awards in the market and that the competition, actual or potential, that would result from such awards would produce the services and prices which best match the preferences of consumers. We stopped short of adopting a general policy of multiple permissive awards, recognizing that a policy of carrier selection may be sound in some situations. In a series of cases that followed, we have expanded on the principles set forth in the Philadelphia-Bermuda case and have moved closer to a policy of granting the broadest possible international authority when there are no political constraints to multiple entry. 7/ It is in this context that we reach our tentative decision today.

## Proposed Grants of Authority

We tentatively find that the public interest requires additional air carrier authority from the United States to Bermuda. First, our bilateral agreement with the British on Bermuda air services provides for nonstop U.S. flag service in the markets at issue. This alone is reason to proceed with new awards. As we stated in the Philadelphia-Bermuda case, "These are valuable rights which were obtained after hard bargaining with the British and should be awarded so that some carrier might serve an important market and benefit several thousand travelers." Order 78-12-192, at 5.

In addition, we have recently emphasized that under our procompetitive aviation policies, a market capable of supporting some (even multistop or less-than daily) service justifies a finding that the public interest requires the award of new authority in the market. 8/ The U.S.-Bermuda market clearly meets this standard, as evidenced by the fact that three U.S. carriers now offer service to Bermuda from the United States. 9/

7/ See, for example, U.S.-Bahamas Service Investigation, Order 79-8-68; U.S.-Benelux Low-Fare Route Investigation, Order 79-10-16; TIA/National Exemption Case, (Israel), Order 79-5-55; U.S.-Costa Rica Show Cause Proceeding, Order 79-10-6.

8/ U.S.-Bahamas Service Investigation, Order 79-8-68, United States-Benelux Low Fare-Route Proceeding, Order 79-10-6.

9/ We are defining the market on a country-by-country basis consistently with our general policy of granting the broadest possible international authority when bilateral conditions permit and allowing the carriers to choose their own gateways. See U.S.-Bahamas case, *infra*.

O&D data reinforces this conclusion. The U.S.-Bermuda market generated over 1,930 passengers a day in 1978. 10/ This traffic level is sufficient to sustain air service. In fact, four of the individual gateways each generated sufficient traffic to support nonstop service. Although traffic from the remaining five gateways was lower, 11/ we believe that service, alone or in combination with other Bermuda service, can be supported--particularly since all U.S.-Bermuda traffic must flow through one of the nine authorized gateways. 12/

10/

Table 1

Scheduled Passenger Travel Between  
The United States and Bermuda  
Calendar Year 1978\*

	Total Scheduled Passengers	Passengers Per Day
Bermuda -		
United States (total)	703,780	1,930
Atlanta	6,730	20
Baltimore	49,830	140
Boston	175,560	480
Chicago	9,920	30
Detroit	5,660	20
Miami-Ft. Lauderdale	4,760	10
New York	288,810	790
Philadelphia	41,390	110
Washington, D.C.	3,950	10
Sum of Gateways	<u>586,610</u>	<u>1,600</u>

\*Source: Table 15, CAB O&D Surveys.

11/ Washington, D.C.-Bermuda traffic is relatively low due to the close proximity of Baltimore to Washington, D.C., and the availability of nonstop and one-stop service to Bermuda out of Baltimore.

12/ The passengers-per-day figures are somewhat deceiving since Bermuda traffic is characterized by high seasonal peaking in the April-October months. Philadelphia-Bermuda case, Order 78-12-192, at 2. As a result daily passenger travel would likely be higher in the peak travel season.

In addition to being able to support service, the U.S.-Bermuda market has important service needs and the need for U.S. carrier competition. Table 2 outlines the current pattern of single-plane service between the United States and Bermuda. 13/ Only eight U.S. cities

13/

Table 2

Air Service in the U.S.-Bermuda Market\*

<u>Gateways</u>	<u>Carriers</u>	<u>Weekly Round-Trip Single-plane Flights</u>	
		<u>Nonstop</u>	<u>One or More Stops</u>
Atlanta	Eastern/ Delta	0	7 (Eastern eastbound only, Delta westbound only)
Baltimore	Eastern	7	7
Boston	Delta	7	0
	American	7	0
	Eastern	0	0 (7 one-stops westbound only)
Chicago	American	0	7
Detroit	none	0	0
Miami-	none	0	0
Ft. Lauderdale			
New York	American	21	0
	Eastern	21	0 (7 one-stops eastbound only)
Philadelphia	American	2	7
	Eastern	7	0 (7 one-stops westbound only)
Washington, D.C.	none	0	0
<u>Other U.S. Cities</u>			
Hartford/ Springfield	Delta	0	7
Los Angeles	American	0	7 (13 additional one- stops, westbound only)
Phoenix	American	0	0 (7 2-stops westbound only)
Syracuse	Eastern	0	0 (7 2-stops westbound only)
West Palm Beach	Eastern	0	0 (7 1-stops westbound only)

\*Source: Official Airline Guide, North American Edition, October 1, 1979.

receive round-trip, single-plane service to Bermuda. Of the nine U.S. gateways from which nonstop service may be operated, only four are receiving it. Three of the authorized gateways, Detroit, Miami and Washington, D.C. receive no single-plane service. Behind gateway service is minimal, at best--only two cities, Los Angeles and Hartford/Springfield, receive any round-trip service to Bermuda. Table 2 further shows that competition among the three U.S. operating carriers is limited. Only at Boston, New York and Philadelphia does competition exist between two U.S. carriers. There is no foreign-carrier competition in these markets.

Considering the low level of competition and the concentration of service at a few U.S. cities, it is not surprising that passengers in the U.S.-Bermuda market pay relatively high fares. Table 3 shows that U.S. travelers must pay higher coach fares to Bermuda than to other competing resort destinations of comparable distances. 14/

14/

Table 3

Coach Fares Per Mile For  
U.S.-Bermuda and Other Selected Markets  
July 1979\*

	<u>Nonstop Mileage</u>	<u>July 1979 Coach Fare (one-way)</u>	<u>Fare Per Mile</u>
Bermuda - Baltimore	820	\$ 162	19.8
San Juan - Miami	1,045	87	8.3
Houston - Acapulco	952	117	12.3
Freeport - Baltimore	878	109	12.4
Nassau - Baltimore	975	109	11.2

\*Source: Official Airline Guide, North American Edition, July 1979.

Against this background, we tentatively conclude that the public convenience and necessity require the grant of additional U.S. air carrier authority between the United States and Bermuda.

#### The Markets Require Multiple Awards

We believe that the best way to advance the transportation goals underlying our public convenience and necessity determination is to allow competition in the U.S.-Bermuda market by all qualified air carriers. We have explained our general rationale to the benefits of multiple awards in many previous cases, and need not restate it here. <sup>15/</sup> Even if one or more of the applicants do not start service immediately, the possibility that they may do so in the future without regulatory delay will spur the operating carriers to offer the services and prices that best match the preferences of the consumer. Multiple awards also offer the best long-term prospects for achieving the optimum price/service options between the United States and Bermuda. As we have repeatedly pointed out, the marketplace determines much more accurately than a Board proceeding the public's preference for carriers and routings.

We have asserted the legality of multiple awards in foreign air transportation too often to warrant repeating them here. See, for example, U.S.-Benelux Low-Fare Route Proceeding, supra, at 5-6; U.S.-Costa Rica Show Cause Proceeding, Order 79-10-6, at 8; and U.S.-Bahamas Service Investigation, supra, at 4-7. We have also stated that diversion is entitled to decisional weight only if it is so serious as to threaten a carrier's overall ability to perform its certificate obligations or results in the termination of essential services that would not be replaced by another carrier. Piedmont Boston Entry Case, Order 78-4-69, at 5; and Greenville/Spartanburgh-Washington/New York Subpart M Case, Order 77-i0-1, at 8-9. No party here suggests that the potential diversion involved would reach such a level.

#### Other Considerations

We tentatively conclude on the basis of officially noticeable data that Eastern, Evergreen, Transamerica and Trans World are fit, willing and able to perform the U.S.-Bermuda air services at issue and to conform to the provisions of the Act and to our rules, regulations and requirements. We are unable, however, to reach the same conclusions on Mackey at this time, since we have yet to receive and review any of the carrier's operating and financial reports required by Part 241 of our Economic Regulations for its certificated operations. We will therefore withhold consideration of Mackey's fitness to perform U.S.-Bermuda operations until a later order.

15/ See, e.g., Oakland Service Case, Orders 78-4-121 and 78-9-96; Improved Authority to Wichita Case, Order 78-12-106; and U.S.-Bahamas Service Investigation, Order 79-8-68.

Mackey was first authorized to engage in certificated operations in the Mackey Certification Proceeding, Order 78-7-107, served July 24, 1978. The carrier was awarded a permissive certificate to engage in foreign air transportation between the coterminal points Palm Beach-West Palm Beach, Fort Lauderdale and Miami, Florida; intermediate points within the following areas: The Bahamas; the Turks and Caicos, B.W.I.; and the terminal point Cap Haitian, Haiti. Subsequently, Mackey experienced financial difficulties which caused it to enter into Chapter XI bankruptcy on December 1, 1978. The carrier was able to continue operations under special exemption authority 16/ and in May 1979 commenced operations under its certificate. By letters dated October 30 and November 6, 1979, Mackey was relieved from filing certain second quarter 1979 reports and granted extensions to November 9 and 30, 1979, to submit all other reports required under Part 241 for certificated operators.

Because of Mackey's financial problems since our finding in July 1978 that the carrier was fit to engage in foreign air transportation, we are unable to reach a similar finding today in the absence of the carrier's Form 41 reports. Therefore, we must await receipt of these reports. Once they are received, we will review Mackey's fitness to perform certificated operations to Bermuda with the DC-8 aircraft the carrier proposes to use. If we determine that additional information is required or that further procedures are warranted, we will promptly advise all parties to this proceeding.

We also tentatively conclude that our proposed award of multiple U.S.-Bermuda authority in the eight markets at issue does not constitute a major Federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act of 1969. We reserve final judgment on the environmental issues, however, until the submission of new and updated service plans and environmental evaluations.

Our tentative conclusion rests on the fact that the eight U.S. gateway cities are major hub airports and even under a "worst-case" analysis the authority granted here would not produce a significant increment of additional service at them. Our experience indicates that if all of the applicants were to institute daily service from the same U.S. gateway, a highly improbable occurrence, the resulting five additional round-trip flights at the airport would not be environmentally significant.

Similarly, we tentatively conclude that our proposed grant of authority will not constitute a major regulatory action under the Energy Policy and Conservation Act of 1975. It is highly unlikely that any one applicant's fuel use would approach the ten million gallon threshold, as evidenced by TWA's projected fuel use of 2.5 million gallons in its proposed New York-Bermuda service. 17/ However, should the fuel consumption of all carriers combined exceed this threshold level, other considerations outweigh the possible fuel consumption. We expect that the threat of competitive entry will induce the operating carriers to make the most efficient use of fuel consistent with convenient service. In other words, any additional fuel consumption resulting from new U.S.-Bermuda operations

16/ See Orders 78-II-77, 79-1-80, and 79-4-20.

17/ See Attachment C to TWA's motion to consolidate in Docket 35651.

would be amply justified by the benefits to the public in the form of improved services and lower fares. Moreover, we emphasize that the burden of fuel conservation should not be discriminatorily imposed to inhibit needed new and replacement services, but should be borne by existing services as well. 18/

Nevertheless, we recognize that not all service proposals and supporting data have been filed, and we will reevaluate our tentative findings in light of any newly submitted information.

Finally, we tentatively find that no oral evidentiary hearing is warranted because there are no material determinative issues of fact requiring such hearing for their resolution, and that no party will be prejudiced by foregoing the oral hearing process. 19/

ACCORDINGLY,

1. We consolidate the applications of Eastern (Dockets 30382, 32188), Evergreen (Docket 31146), Mackey (Docket 36829), Transamerica (Docket 31170) and Trans World (Docket 35651), into the United States-Bermuda Show Cause Proceeding, Docket 37164, to the extent that they request authority to serve Bermuda from Atlanta, Baltimore, Chicago, Detroit, Miami-Ft. Lauderdale, Philadelphia, and Washington, D.C.;

2. We direct the carriers listed in paragraph 1 and any other carriers seeking authority described in paragraph 1 to submit no later than December 13, 1979, the information set in footnote 6 of this order; 19a/

3. We direct all interested persons to show cause why we should not issue an order (1) making final our tentative findings and conclusions; and (2) granting certificates to all applicants to engage in scheduled foreign air transportation between Bermuda and points in the United States for which they both apply and submit service proposals; provided that the U.S. points will be limited to Atlanta, Baltimore, Chicago, Detroit, Miami-Ft. Lauderdale, New York, Philadelphia, and Washington, D.C., and provided further that the applicants' fitness can be established by officially noticeable data;

4. We direct all interested persons having objections to the issuance of an order making final any of the proposed findings, conclusions, and certificates to file in Docket 37164, and serve upon all persons listed in paragraph 1 no later than January 3, 1980, a statement of objections, together with a summary of testimony, statistical data, and other material expected to be relied upon to support the stated objections; replies shall be due no later than January 14, 1980. We expect such persons to support objections, if any, with detailed economic analysis. If an oral evidentiary hearing or discovery procedure is requested, the objector should state in detail why such hearing or discovery is considered necessary and what material issues of decisional fact would be established through such procedures that cannot be established in written pleadings. The objector

18/ See Ohio/Indiana Points Nonstop Service Investigation, Order 78-2-71 at 17.

19/ See 14 CFR 302.1770.

19a/ New applicants must also file applications and motions to consolidate by December 13, 1979.

should consider whether discovery procedures alone would suffice to resolve material issues of decisional fact; if so, the type of procedures should be specified (see Part 302, Rules 19 and 20 of our Rules of Practice); if not, the reasons why should be explained;

5. If timely and properly supported objections are filed, we will give consideration to the matters and issues raised by the objections before we take further action; provided, that we may proceed to enter an order in accordance with our tentative findings and conclusions set forth in this order if we determine that there are no factual issues present that warrant the holding of an oral evidentiary hearing or the institution of discovery procedures; 20/

6. In the event no objections are filed, we will deem all further procedural steps to have been waived, and the Board may enter an order which (1) would make final our tentative findings and conclusions; (2) subject to the disapproval of the President under section 801(a) of the Act, would issue certificates of public convenience and necessity;

7. We grant Mackey's petition in Docket 36829 for issuance of a show cause order;

8. To the extent not consistent with the scope of this order, we dismiss the application of Trans World Airlines in Docket 35651;

9. We deny Trans World Airlines' motion in Docket 35651 to consolidate its application in Docket 35466;

10. We dismiss Continental's motion in Docket 35651 for leave to file an otherwise unauthorized document; and

11. We are serving this order upon Eastern, Evergreen, Mackey, Transamerica, Trans World, Continental, the Ambassador of the United Kingdom of Great Britain and Northern Ireland in Washington, D.C. and the Departments of State and Transportation.

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20/ Because we have provided for the filing of objections to our tentative findings and conclusions, we will not entertain petitions for reconsideration of this order.

We shall publish a summary of this order in the Federal Register and send a copy of the order to the President.

By the Civil Aeronautics Board:

PHYLLIS T. KAYLOR

Secretary

(SEAL)

All Members concurred and Member O'Melia filed the following concurring statement.

O'MELIA, MEMBER, CONCURRING:

I filed a separate concurring and dissenting opinion in the Philadelphia-Bermuda Nonstop Proceeding, Order 78-12-192, served January 4, 1979, objecting to the majority's insensitive application of its multiple permissive entry policy in that case without attention to the views of the concerned government or the needs and potential of the market. I have the same concerns here as we again propose to certificate any fit applicant to serve Bermuda. (We have five applicants so far.) However, the multiple permissive entry precedent has been firmly established in case after case in recent months and little purpose is served by my repeating my concerns whether needed services are in fact provided in the increasingly confusing welter of authorizations.

/s/ RICHARD J. O'MELIA



THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Customs Classification of Cab Chassis

The Customs Service has been reconsidering its classification of truck chassis with cab attached (cab chassis). These cab chassis have been classified by Customs as "chassis" dutiable at 4 percent ad valorem. A court decision last summer prompted a review of the current practice. After an analysis of the legal and technical issues, Customs has concluded that the cab chassis are properly classifiable as "unfinished trucks," dutiable at 25 percent ad valorem. The effect of the reclassification is to increase substantially the duty on approximately \$1.2 billion of imports (1979 value) of light truck cab chassis from Japan. Imports of European trucks will not be affected.

The reclassification will be sent to the Federal Register next week, probably on Tuesday, May 20. The reclassification will become effective at the end of 90 days.

During that period, or at any time thereafter, you have the authority to reduce the truck duty to 8.5 percent. Moreover, you have the authority, by agreement with Japan, to reduce the 8.5 percent rate further to 6.8 percent.

The development of the options with respect to reducing the duty and the positions the U.S. should take with the Japanese government will be coordinated by USTR, and a separate memo will be forwarded to you after interagency clearance.

G. William Miller

THE WHITE HOUSE

WASHINGTON

May 20, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*  
SUBJECT: Miami Riot Situation

I thought it would be helpful for you to have a brief status report on Ben Civiletti's trip to Miami. As you know, Ben went to Miami yesterday afternoon to have a series of meetings with State and local government leaders, as well as community leaders, especially in the black community. Our purpose in having Ben go "at your request" was to underscore your personal interest and concern in the matter and to demonstrate a clear, unequivocal federal interest in seeing that justice is done and order restored.

In a telephone conversation with Ben this morning, he reported to me the following items:

- o The situation is settling down considerably, although the underlying causes of the eruption obviously must still be addressed. Ben's meetings last night with a wide array of leaders went well; he was personally well received and treated with respect;
- o Ben announced this afternoon a series of Justice Department actions that he is taking as a result of his conversations with the governmental and community leaders and others. Those actions include the following elements:
  - The establishment of a Justice Department Community Relations office in Miami for at least the next 6 months, longer if necessary;
  - An increased role for the U.S. Attorney in reviewing and, where appropriate, prosecuting police brutality cases;
  - Increased staffing in the U.S. Attorney's office in Miami with a special emphasis on review and pursuit of possible civil rights violations;

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for Preservation Purposes**

- Convening of a federal grand jury on the McDuffy case, and a review of at least two other prominent cases for possible civil rights violations.
- Although he had not made a final decision on the subject when I spoke to him this morning, Ben is also considering bringing in about twenty-five black federal marshalls, more as a symbolic demonstration of federal presence than anything else. He has been urged to do so by the leadership in the black community because of their confidence in the U.S. marshalls.

Ben will be returning to Washington this evening. I believe his trip has had a salutary effect. It was well and favorably covered on the network evening news last night and tonight, as well as in the local media.