

6/20/77 [1]

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THE PRESIDENT'S SCHEDULE

Monday - June 20, 1977

7:45 Dr. Zbigniew Brzezinski - The Oval Office.

8:15 Mr. Frank Moore - The Oval Office.

8:30 Senior Staff Meeting -The Roosevelt Room.

9:00 Meeting of the Cabinet. (Mr. Jack Watson).
(2 hrs.) The Cabinet Room.

11:00 Mr. Jody Powell - The Oval Office.

12:00 Lunch with Vice President Walter F. Mondale.
The Oval Office.

12:45 Meeting with Congressional Leaders/Airline
(15 min.) Reform. (Mr. Frank Moore and Mr. Stuart Eizenstat).
The Cabinet Room.

1:05 Airline Reform Briefing. (Mr. Stuart Eizenstat)
(20 min.) Room 450, EOB.

2:00 Mr. Charles Schultze - The Oval Office.

2:30 Professor Joao Fernando Sobral, President, Lions
(5 min.) International, and Senator Jennings Randolph.
(Ms. Midge Costanza) - The Oval Office.

3:00 Mr. Kenneth Curtis, Chairman, Democratic National
(20 min.) Committee - The Oval Office.

3:45 Meeting with Administrator Peter B. Bensinger et al.
(20 min.) (Dr. Peter Bourne) - The Cabinet Room.

Airline Reform
New appl. 80% since '50
Flexibility → new markets
Price Competition
Protect small communities
16 years - 200 lost
[Difficult - Cannon - Kennedy
Rep Anderson] 3 years
Reduce regulation
Alfred Kahn - CAB
Here to learn

Revised:
6/20/77
9:30 a.m.

THE PRESIDENT'S SCHEDULE

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3:00 (20 min.)	Mr. Kenneth Curtis, Chairman, Democratic National Committee - The Oval Office.
3:30	Mr. Patrick H. Caddell - The Oval Office.
3:45 (20 min.)	Meeting with Administrator Peter B. Bensinger et al (Dr. Peter Bourne) - The Cabinet Room.

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for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

June 20, 1977

Z. Brzezinski -

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

Rick Hutcheson

**Re: Weekly Report from Secretary
of Defense**

~~CONFIDENTIAL~~

THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

C
/

THE PRESIDENT HAS SEEN.

June 17, 1977

MEMORANDUM FOR THE PRESIDENT

1977 JUN 17 PM 2 57

SUBJECT: Significant Actions, Secretary and Deputy Secretary of Defense
(Week of June 11-17)

Visit to Korea -- As was announced yesterday, I will meet with the Korean Defense Minister in Seoul on July 19 and 20. The objective is to complete the consultative process and help allay South Korean fears. The remaining major task is to determine the size and composition of an appropriate Security Assistance package, one which focuses on ROK ground force requirements generated by the removal of U.S. ground forces. I shall have recommendations to you by July 8.

Testimony on Forces in Korea -- Our implementation planning for the withdrawal of U.S. ground forces is proceeding on schedule despite continuing debate on the Hill. On June 10, Phil Habib and General Brown testified before a House subcommittee that American ground troops could be withdrawn from Korea without leading to an invasion from the north. General Brown noted that there is some risk involved in the withdrawal, but that with some ground equipment offsets provided to the South Koreans and their continued force improvement, "war would not result from a rational decision" on the part of the North Koreans. Habib and Brown also testified before the Senate Foreign Relations Committee in executive session, where they were asked about an alleged CIA study which indicated if U.S. ground forces were withdrawn, the force balance would swing overwhelmingly in North Korea's favor. In fact, there was no study; rather, a CIA representative had orally briefed the committee staff on the intelligence annex to PRM-13 (Korea) -- an assessment of a different situation, a force balance based on North-South Korean forces alone, and not including any U.S. contribution.

The House Armed Services Committee has scheduled hearings on the Korean troop withdrawals the week of June 27. Generals Brown and Rogers have been requested to testify. In the interim, a staff investigator has been sent to Korea to make a personal survey and report back to the Committee; he may be looking for statements in cabletraffic by military officers similar to those of General Singlaub.

Yesterday's Senate floor action suggests that Congressional hearings on the issue of ground force withdrawal will be more extensive than we (or at least I) had anticipated. For example, I now believe that the Senate Armed Services Committee will have hearings and that these will probably go beyond Phil Habib and George Brown to Cy Vance and myself. This could provide (if it occurs before my trip to Korea) an opportunity to develop Congressional support; to do so, we would have to tell them in general terms what our package of help to the ROK would be likely to include.

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Sec. Def. _____
PROPERTY OF THE SECRETARY OF DEFENSE
NO DUPLICATION OR DISSEMINATION WITHOUT AUTHORITY
AT TWO YEAR INTERVALS. DECLASSIFIED ON: _____

~~CONFIDENTIAL~~

11/13/44

SEC DEF CONTR No. X-1765

~~CONFIDENTIAL~~

- 2 -

Review of Consultant Arrangements -- Charles Duncan is overseeing a detailed review of consultant services used by DOD, in order to reduce the number to the minimum required. Charles has asked all components to provide (1) a report of all such arrangements; (2) plans to reduce numbers of consultants by 25 percent by September 30; and (3) longer range plans that will achieve further reductions of 10 to 20 percent by March of next year.

Control of Year-End Buying -- I have your June 14 memorandum on control of year-end buying. I shall be emphasizing your directions when I meet with the Secretaries of the Military Departments and the Joint Chiefs of Staff next Monday.

Discharge Review Program -- Army Secretary Cliff Alexander will appear next week before the House and Senate Veterans' Affairs Committees on the Special Discharge Review Program and its veterans' benefits implications. As you know, the House voted Wednesday to accept the Beard Amendment, which would prohibit use of FY 1978 VA funds to pay veterans' benefits to special program participants. Reaction to the House vote is likely to discourage applications to the program, although it is not clear that the amendment would have significant legal effect on entitlements, since it involves only FY 78 funds and entitlements derive from other statutory provisions. So far, DOD has had approximately 40,000 inquiries, 25,000 of them eligible for review under the program, and 6,500 of those already upgraded have been Undesirable Discharges. Some of the figures mentioned on the Hill as to likely cost of benefits appear exaggerated; I am informed that of the 284 discharges upgraded under former President Ford's January modification of his clemency program to permit some upgrading, only nine applied for veterans' benefits. DOD is supporting efforts of your staff to reverse the Beard Amendment provisions. The VA is also aboard. Alan Cranston tells me, however, that the Congress is unlikely to go along with anything more generous than a proposal by himself and Senator Thurmond which would allow benefits only to those who would have been upgraded without the special program. I am reluctant to accept such a limitation; we may have no choice, but my staff is looking at possible alternative approaches.

Unionization -- Senator Stennis apparently intends to resume hearings on the subject of military unionization -- an issue that has been quiet for some time. The American Federation of Government Employees is polling its members on whether to seek military members. More media attention to this issue is likely in the weeks ahead.

Remarks by Lt. General Starry -- Cliff Alexander is meeting today with Starry to discuss the General's ill-chosen remarks this past week at high school graduation ceremonies in Europe. Starry's statements, although (unlike Singlaub's) not flying in the face of any announced policy, were not submitted for clearance as is required by long-standing DOD Directive. They were an unwise expression of opinions that a senior officer ought not to make the subject of public remarks.

Harold Brown

~~CONFIDENTIAL~~

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THE WHITE HOUSE

WASHINGTON

June 20, 1977

EYES ONLY

The Vice President
Midge Costanza
Stu Eizenstat
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jody Powell
Jack Watson

Re: Cabinet Summaries

The attached reports were returned in the President's outbox and are forwarded to you for your personal information.

Rick Hutcheson

Reports Attached:

CEQ, Trade Negotiations, Labor, Justice, Transportation, HEW; GSA, Defense, Commerce re: U.S. Vessel Transfer Program, Agriculture, Commerce, CEA, HUD, Interior, Labor re UMWA National Election, Treasury, United Nations, HEW re Saccharin.

*Copy given to Sander
Bull at Bill's request.
6/20/77*

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

e

MEMORANDUM TO: THE PRESIDENT

FROM:

Jack Watson
Jane Frank

jack

June 17, 1977

RE:

Cabinet Summaries for Week of June 13 -
17, 1977; Miscellaneous Items

We attach summaries received from the following departments:

Agriculture	Labor	CEQ
CEA	STR	
Defense	Treasury	
GSA	UN	
HEW	Commerce	
HUD	Transportation	
Justice	Interior	

We are also attaching memoranda from:

--HEW Under Secretary Hale Champion explaining HEW's position on the proposed 18-month moratorium on the saccharin ban;

--Ray Marshall on the UMWA national election.

We are not transmitting memoranda from:

--Griffin Bell attaching the two-year plan for the Civil Division of the Justice Department;

--Mike Blumenthal, strongly supporting Bert Lance's proposal to control year-end buying.

Finally, we attach a useful summary prepared by the General Counsel of the Commerce Department on the question of U.S. flag status discussed at a recent Cabinet meeting.

CC: The Vice President

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THE WHITE HOUSE
WASHINGTON

June 20, 1977

Charles Warren -

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

Rick Hutcheson

Re: Clinch River Breeder Reactor

THE PRESIDENT HAS SEEN.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

June 17, 1977

C
/

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren *CW*
Gus Speth
Marion Edey

SUBJECT: Weekly Status Report

Environmental Message: The Council has assembled your May 23 Message on the Environment, along with related documents, into a publication (~~copy attached~~). We will be giving this document wide distribution.

Clinch River Breeder Reactor: In cooperation with Frank Moore's office, contacted Congressmen on the Administration's position on the CRBR appropriations. *Push this*

Water Quality Legislation: Continued work on proposed Federal Water Pollution Control Act amendments with EPA and with the Executive Office regulatory reform group.

Jobs/Environment: Initiated discussions with agencies (EPA, EDA, SBA, Labor) having responsibility for providing economic assistance to firms, workers, and communities impacted by pollution control requirements in order to develop a more effective coordinated federal assistance program.

Federal Taxes and Land Use: Testified before Congressman Reuss' Subcommittee on the City of the House Banking, Finance and Urban Affairs Committee on CEQ-sponsored study analyzing the impact of various federal tax provisions on land use and urban development.

Water Resources Policy Reform: Participated in a meeting of the Water Resources Council, during which a study plan was adopted for the water resources policy review which you initiated. CEQ staff will lead one task force and participate in several others.

Attachment

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THE WHITE HOUSE
WASHINGTON

. June 20, 1977

Robert Strauss -

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

Rick Hutcheson

cc: Mrs. Carter

Re: International Trade

THE PRESIDENT HAS SEEN.

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

1977 JUN 17 AM 9 52

June 16, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: Robert S. Strauss *R.S.S.*
SUBJECT: Weekly Summary

This past Tuesday, we formally signed the four-year Orderly Marketing Agreement with the Republic of China cutting back their record high of 156 million pair of shoes in 1976 to more reasonable figures with growth in each of the four years. A similar agreement should be completed with Korea in the next few days.

Response from the Hill and the U.S. footwear industry as well as the press in general has been most favorable.

I hope this is the last big OMA we will have to do for a long period of time.

Al McDonald, whom you approved for the Geneva job as Deputy Special Representative for Trade Negotiations, has completed visits on the Hill and at Treasury and State. The response to his selection has been positive.

I am trying to get some substantive progress on our Geneva negotiations and have July travel plans for Bonn, Stockholm, Paris, and Brussels with one day in each city.

International trade is becoming more and more a major issue and in my judgment might well be a subject of a major speech by you before an appropriate group in the next few months. It could fit well with Cy Vance's remarks before the OAS. In this connection, it is my intention to discuss with Vance, Blumenthal, and Kreps the advisability of our doing an STR, Treasury, State, and Commerce "team trip" covering trade through appropriate South American countries building upon Rosalynn Carter's recent successful trip. We would need people like Cooper, Solomon, Bergsten to make it significant.

?

*Sounds
Good*

THE WHITE HOUSE
WASHINGTON

June 20, 1977

Secretary Marshall -

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

Rick Hutcheson

cc: The Attorney General

Re: Youth Bill
Labor Management Services
Administration

THE PRESIDENT HAS SEEN.

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

"FYI"

cc Ray
G. Bell
J

June 17, 1977

1977 JUN 17 PM 3 21

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR, Ray Marshall *R.M.*

SUBJECT: Major Departmental Activities, June 11-17

INTERNATIONAL LABOR ORGANIZATION (ILO)

As you know, I addressed the current session of the ILO in Geneva on June 13. I reiterated the American position that we will be forced to withdraw from the organization unless our requirements for due process were met. In talking with various labor ministers, I detected much support for the American position. Saudi Arabian delegates were particularly helpful and your previous discussion with Prince Fahd on the ILO undoubtedly was a major factor in their support. It is, however, too soon to tell whether these general statements of support will be translated into the concrete actions that are required to prevent our withdrawal. I returned to Washington on June 16.

EMPLOYMENT AND TRAINING--ECONOMIC STIMULUS PACKAGE

Comprehensive Employment and Training Act (CETA)

As of June 10, the expansion of public service jobs has been following our projections closely. Next week we will have a more complete progress report for you on our portion of the economic stimulus package.

Youth Bill

On June 16, Senate and House conferees agreed on a compromise for the youth bill. The conference report corresponds closely to the Administration's position and calls for the creation of 175,000 jobs for those between the ages of 14 and 21. Final Congressional passage is expected next week. Planning for a signing ceremony is underway.

14?

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA)

OSHA won a significant legislative victory on June 16 when the House, by a 60-vote margin, defeated an amendment to cut OSHA funding. The tone of the floor debate was very supportive of Assistant Secretary Eula Bingham and OSHA's determination to focus its enforcement on the most serious health and safety hazards.

LABOR MANAGEMENT SERVICES ADMINISTRATION

We have received a formal complaint from Ed Sadlowski, the losing candidate in the Steelworkers' election last February. We are statutorily obligated to investigate such complaints within 60 days. The investigation will require 200 professional investigators who will, of course, have to be diverted from other tasks. This continuing obligation to investigate contested union elections places a strain on our current resources. Every effort to reduce this burden has been impeded by our requirements under the law.

↑
Check with Atty Gen re
minimum that we can do
J.C.

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THE WHITE HOUSE
WASHINGTON

june 20, 1977

The Attorney General -

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

Rick Hutcheson

Re: Mexican & Canadian Prisoner
Exchange
NICI Message Switching
Anti-Trust Study

THE PRESIDENT HAS SEEN.



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

cc Bell
J.

June 17, 1977 1977 JUN 17 PM 2 25

RE: Principal activities of the Department of Justice for the week of June 13 through 17

1. Meetings and Events

The Attorney General spoke to the National Association of Attorneys General in Indianapolis Tuesday about realizing the principles and goals of federalism in a Department of Justice context. The Deputy Attorney General spoke to the U.S. Conference of Mayors in Tucson, Arizona.

Judge Bell led a U.S. delegation to Ottawa, Canada Thursday afternoon for a series of discussions with officials of the Canadian Government on Friday arising from the President's earlier meetings with Prime Minister Trudeau. A variety of topics were on the agenda, including extraterritorial application of U. S. law, with special attention to antitrust law and extradition. This is likely the first Attorney General working visit to Canada in history.

Judge Bell held a meeting with a group led by the Rev. Jesse Jackson of Chicago to discuss priorities and concerns of the Department of Justice.

The Deputy Attorney General testified this week before the Senate Foreign Relations Committee on Mexican and Canadian Prisoner Exchange Treaties and before the Senate Subcommittee on Juvenile Delinquency on the Child Exploitation Act.

Expedite

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2. Foreign Intelligence Surveillance Act

The Attorney General and the FBI Director testified before the Senate Judiciary Committee on Monday, June 13, in support of the electronic surveillance bill. The questioning from Senators Kennedy and Abourezk focused upon the provision of the bill which would allow a warrant for surveillance of clandestine intelligence activity which might not violate a current espionage statute. Secretary Brown and Admiral Turner testified on June 14. The bill should soon be reported to the Senate Intelligence Committee for hearings in July.

3. Organized Crime

The Attorney General today submitted to the President a detailed report on the review of the organized crime program which was undertaken by Benjamin Civiletti, Assistant Attorney General for the Criminal Division. The report includes an outline of the priorities and strategy which the Criminal Division has adopted as a result of this review.

4. NCIC Message Switching

On May 19, 1977, the Deputy Attorney General advised the FBI that he was authorizing the limited switching of messages over the National Crime Information Center. Such switching would not include the computerized criminal histories for defendants maintained by the states. Some Congressmen have expressed concern over the limited message switching authorized by Deputy Attorney General Flaherty. The Deputy Attorney General will be meeting with Congressmen Edwards and Moss to discuss their concern. In the interim, the Attorney General has not yet signed the order which would permit such switching to take place; such order will not be signed until there has been appropriate consultation with officials within the Executive and Legislative branches.

*DeHaven
to consult
IST - then
announce*

5. LEAA

The Attorney General has approved a proposal to eliminate all regional offices of LEAA by September, 1977. (See attached memo).

6. Court Reform

In accordance with the President's request, we have forwarded along with this weekly report a status summary on Court Reform.

7. Current Major Prosecutions

Periodically the Attorney General receives a report identifying major prosecutions by the Criminal Division throughout the country. A sample of this report is attached.

*Proceed with Anti-trust study.
Draft executive order & consult with
me
JC.*

THE WHITE HOUSE
WASHINGTON

June 20, 1977

Secretary Adams

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

Rick Hutcheson

Re:
D. C. Metro Subway System
No-Fault Insurance



THE PRESIDENT HAS SEEN.
THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

*cc Brock
J*

1977 JUN 17 June 17, 1977
PM 5 25

MEMORANDUM FOR THE PRESIDENT

SUBJECT: DOT Issues for Presidential Review

Status of U.S./U.K. Air Negotiations

A C T I O N

Last week, the U.S. Government put forth its "bottom line" proposals with respect to our civil aviation negotiations in London. The U.K. has not accepted or rejected this position. As you know, unless an agreement is reached by midnight, June 21, the agreement will terminate. We have taken the position that if the agreement in fact terminates without some agreement in principle on the major issues, the U. S. Government will take action to cease air services between the U.S. and U.K. at midnight on June 21.

A public announcement of the proposed cessation of service should be made on Monday, June 20, if Ambassador Boyd informs you that day that there is no agreement. This cessation has been agreed to by the State Department, DOT, and is strongly supported by all the involved U.S. carriers.

The Department of Transportation has been coordinating efforts to assure an orderly transition in the event a new agreement is not reached and a cessation of air service occurs between the U.S. and U.K. We have met with the Presidents of all the U.S. carriers and have been informed of their general alternative service plans. Concerned government agencies have been advised of the situation. In addition, through the Federal Aviation Administration Communications Control Center, we have established a communications network that will permit immediate coordination with all interested carriers and governmental parties, if the situation warrants such action.

On June 16, 1977, the Civil Aeronautics Board transmitted to you for your approval the Order which you must sign as a technical matter to terminate British carriers' service to the United States at the expiration of the Bermuda Agreement. This CAB decision is now being reviewed in the Executive Branch and recommendations should be sent to you by June 20, 1977. You will, of course, be fully advised of the decision's impact upon the negotiating situation by Ambassador Boyd, who has requested that no public announcement of the order be made until he communicates with you by telephone on Monday, June 20.

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D. C. Metro Subway System

As outlined in my June 10 memorandum, local interests had opposed my decision that unbuilt segments of the subway be re-examined as a condition of final Federal funding arrangements. I met this week with officials of the Washington Metropolitan Area Transit Authority and reached agreement on performing an engineering analysis on the "B" route of the D. C. subway system. This will involve a study of the route alignment, both above and below ground as well as its general location through the city which are necessary for cost control. The study will be incorporated with the alternative analysis being performed on other Metro routes and will be considered as part of the overall system planning and financing decisions to be made this fall.

Be Conservative

Aviation Regulatory Reform

The staff of the Senate Commerce Committee released its new draft of the Aviation Regulatory Reform Bill on Monday, June 13. The Committee plans to meet on this legislation on June 21 and a mark-up and vote has been scheduled for June 28.

I have discussed the proposal with the key Senators involved and urged that we move the Bill through the Senate as soon as possible. Senators Cannon, Kennedy, Pearson, and Stevens have been involved in an attempt to build support for the Bill. Although I have reservations about the Bill (it is extremely complicated and there is no dollar limitation on proposed Federal subsidies), I believe we should support efforts to move the Bill since the Senators are continuing to improve it and there has been resistance to Administration efforts to draft or amend it. I don't want to jeopardize the chance for successful Senate passage this year, and there will be an opportunity to make adjustments in the legislation through the House version.

DOT and White House staff will continue to see Members of the Committee and express your support for the passage of this type of legislation.

No-Fault Insurance

I have transmitted to Congress the Department's analysis of 16 States' experience with no-fault insurance which was prepared at the request of the House and Senate Committees, chaired by Congressman Eckhardt and Senator Magnuson, respectively. The study's general conclusion is that the experience of those States with strong laws (Michigan, Pennsylvania) have shown that more adequate, equitable, and timely benefits flow to consumers and injured parties, and that administrative and judicial costs are less than under existing insurance systems whereas the weaker state laws have not been effective.

Congressman Eckhardt's Subcommittee on Consumer Protection and Finance held hearings this week on proposed Federal legislation based on the Michigan experience, and the Senate Commerce Committee has scheduled its first day of hearings for June 27. The Department has been asked to testify on July 12.

I have reviewed your campaign statements on this issue setting forth your position that any Federal standards be based on the best experience of the States and that such standards have real flexibility to the States in adapting no-fault insurance to local conditions.

I believe that the no-fault concept is sound and we have now gained sufficient State experience through the 16 States with no-fault laws to set broad Federal standards such as suggested by Senator Magnuson's bill, S-1381. I will send a memorandum and some proposed testimony to Stu Eizenstat for his examination. *ok*

Trans-Alaska Pipeline

Today the Department is sending a notice to the Federal Register that permits the Department of Interior to open the Trans-Alaska crude oil pipeline on June 20. As I reported at the June 13 Cabinet meeting, there are welds that are not in strict and literal compliance with existing DOT standards. However, based on an extensive engineering analysis and a review of the standards by a panel of experts, the Department has determined that these standards essentially apply to the performance of welders and do not have a substantive correlation with the structural integrity of the pipeline.

Our notice states, therefore, that we are granting a waiver of compliance with particular Departmental regulations regarding weld quality since the structural integrity of the pipeline is not in question.

Railroad Work Rules and Regulations

In view of OMB's concern expressed at the recent budget hearings regarding railroad problems which could not be solved by financial assistance, I have now met with the Department of Transportation Task Force on Rail Transportation. This is a cooperative labor-management-government organization which has been conducting work rule studies and demonstration projects in St. Louis on changing management and labor practices.

I am asking the Federal Railroad Administrator to supply OMB with the results of our work on these demonstration projects and suggestions on how these might be expanded throughout the rail industry.

THE WHITE HOUSE
WASHINGTON

June 20, 1977

Secretary Califano -

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

Rick Hutcheson

Re: Health Systems Agency

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THE PRESIDENT HAS SEEN.

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

cc Joe
C
/

June 17, 1977
1977 JUN 17 AM 11 32

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report on HEW Activities

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

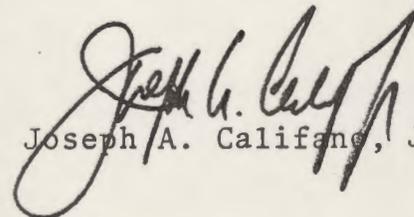
- Education Reorganization. The Vice President and I met last Wednesday to discuss this question, as you have directed. Within the next few days, the Vice President and Stu Eizenstat will send you a memo that seeks your guidance on two quite different courses of action:
2) (1) deciding now, in the absence of further analysis and study, to recommit to the concept of a Cabinet-level Department of Education, or (2) committing the broad issue of organization of education activities across the government to in-depth study by OMB and HEW as part of your total reorganization program. There was general agreement that every effort should be made to involve NEA in fleshing out the details of the organizational approach you select.

As you know, I believe that, as a matter of general policy, creating a Cabinet-level Department of Education at this time would be a serious mistake. I think we need to think through carefully the implications of what we are doing and for you to hear all views on this issue. I will develop my reasons for these conclusions more fully for inclusion in the memorandum sent to you by the Vice President and Stu.

- Social Security Financing. During my testimony last Monday before the Nelson Subcommittee, some members objected, as expected, to the increase in the employers' wage base, and to the use of general revenues. Senator Long was negative on the general revenue proposal; he strongly favors the employer tax and has asked his staff to look at accelerating the effective dates of that tax. A number of Senators suggested that we look at the benefits side as well as the payments side in our reforms, and that we consider inclusion of Federal employees in Social Security. On the Federal employee question, I responded that we would be exploring that and other pension problems.

Give me a
2 page memo
describing this
HSA
J

- Health Systems Agency. The Health Resources Administration will issue a press release by June 19 announcing the first full designation of a Health Systems Agency (Buffalo, N. Y.). Full designation is granted when HEW judges that an HSA has met the requirements of the Health Planning Act: development of a plan detailing the health goals of an area, and an annual implementation plan which describes the methods for achieving those health goals. The Buffalo HSA serves a population of 1.76 million persons.
- Health Services Appointment. I intend to appoint Dr. George I. Lythcott as the Administrator of the Health Services Administration, which is responsible for the delivery of health services to otherwise underserved populations within this country. Dr. Lythcott is a distinguished black professor of pediatrics and Associate Vice Chancellor at the University of Wisconsin's Center for Health Services. Peter Bourne knows him well and considers Dr. Lythcott an excellent choice.
- Modifications of the Byrd Amendment. Modifications of the Labor-HEW appropriation bill have been introduced in both Houses to overturn the Attorney General's interpretation of the Byrd Amendment. There appears to be a significant possibility that these modifications will be approved. Accordingly, I have decided that we will not take any action in the Kansas City school case, based upon Judge Bell's construction of Byrd, until the dust has settled in Congress on the issue. Obviously, with passage of the riders a distinct possibility, formal action on Kansas City now could provide momentum against the Bell interpretation on the Hill and would cause turmoil in the school system that might be unnecessary if Congress rejects that interpretation.


Joseph A. Califano, Jr.

THE WHITE HOUSE
WASHINGTON

June 20, 1977

Jay Solomon

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

Rick Hutcheson

Re: Judicial Encroachment



United States of America
General Services Administration
Washington, D.C. 20405

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cc Jay
J

Administrator

THE PRESIDENT HAS SEEN.

June 17, 1977

1977 JUN 17 PM 1 42

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report on GSA Activities

Following is a brief report on significant activities within the General Services Administration.

Federal Vanpooling Program

GSA testified at hearings before the House Subcommittee on Government Activities and Transportation in support of the provisions of H.R. 6831 which set up a 6,000-unit Federal Vanpooling Program to be established by either the Federal Energy Administration (FEA) or the Department of Transportation (DOT) and administered by GSA. We have been working with the Subcommittee staff, FEA and DOT to improve some of the details of the bill.

U.S./U.S.S.R. Archival Collaboration

A nine-member U.S. editorial team is currently in Moscow consulting with a Soviet team on records to be used in a documentary publication on early relations between Russia and this country. Some 400 records will be used and issued as a two-language volume, Development of Russian-American Relations, 1765-1815. Included on the U.S. team in this precedent-setting collaboration are three staff members from the National Archives as well as representatives of the State Department, Kennan Institute for Advanced Russian Studies and GSA. Despite strains in other areas of U.S.-U.S.S.R. relations, collaborative efforts in this cultural endeavor continue to proceed smoothly.

Handicapped Business Promotion Meeting

As a result of the White House Conference on Federal Programs and Assistance Available to the Handicapped, GSA received an inquiry from Occupational Forecasting Inc., which is seeking grant monies and competitive bid opportunities for the training and employment of the physically and visually handicapped. Representatives of the Rehabilitation Services Administration, Office of Handicap Development, HEW and GSA Region 3 Business Service Center presented in-depth counselling on Federal programs available.

Judicial Encroachment

On numerous occasions during the past several years, Judges of Federal District and Circuit Courts have issued orders to GSA Regional personnel directing various actions be taken, the alternative being a citation for contempt of court. These orders, ranging from setting temperatures in

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court rooms and judges' chambers at levels not permitted by GSA regulations to the provision of additional guards, are considered by GSA to be beyond the judges' authority. While most have been resolved informally, some have been complied with, and all involved a significant expenditure of time and effort by GSA personnel.

Within the last nine days two orders were issued by the Chief Judge of the Northern District of Ohio concluding that GSA has no authority over court spaces and requiring the Buildings Manager to transfer three parking spaces presently assigned to the U.S. Attorney, the Secret Service and Senator Metzenbaum to the court. Compliance with this order was required by June 10, 1977. Since these orders go much further than previous orders, and in view of the increasing frequency of such orders, the Acting General Counsel and the Assistant General Counsel, Public Buildings Division, met with representatives of the Department of Justice seeking their assistance in having the orders nullified. The Department was very receptive and a formal request for assistance has been forwarded to the Department.

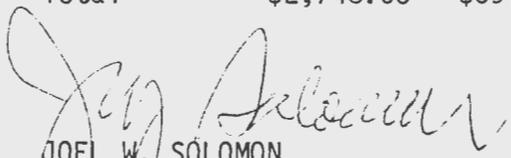
Let me know about progress

The formal request provided background information and pointed out the legal errors in the Judge's orders. The request also stated that the agency would prefer, rather than an informal resolution, some formal indication by the Circuit Court of Appeals that the orders were beyond the Judge's authority and had no basis in law. Such a formal opinion, it is believed, would be most helpful in reducing future orders of this type.

Teleprocessing Services Program (TSP) Is Off and Running

With the demise of Infonet now very close - September 30, 1977 - TSP will become the mandatory source of supply for all Government-wide teleprocessing services. To date, the volume of activity under TSP is as follows:

	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>April</u>	<u>To Date</u>
CSC	\$1,806.58	\$23,629.26	\$27,818.43	\$34,228.71	\$ 87,482.98
COMNET	942.05	14,796.47	10,219.36	24,735.62	50,693.50
Rapidata	--	1,375.20	1,478.12	2,314.95	5,168.27
USC	--	--	962.83	--	962.83
Informatics	--	--	--	1,081.76	1,081.76
Total	\$2,748.63	\$39,800.93	\$40,478.74	\$62,361.04	\$145,389.34


JOEL W. SOLOMON
Administrator

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo w/ attach.	From Eizenstat to The President (4 pp.) re: Bi-lateral Air Negotiations / enclosed in Hutcheson to Eizenstat <u>et-al</u> 6/20/77	6/17/77	A
memo w/ attach.	From Brzezinski, Eizenstat to The President (9 pp.) re: Bilateral Air Negotiations,	6/20/77	A
memo	From Brown to The President (2 pp.) re: activities of the Sec. of Def., week of June 11-17 / enclosed in Hutcheson to Mondale <u>et al</u> 6/20/77	6/17/77	A

FILE LOCATION
 Carter Presidential Papers- Staff Offices, Office of the Staff Sec.- Pres. Hand-writing File 6/20/77 [1] Box 34 closed 10/23/89 by GMF

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THE PRESIDENT HAS SEEN.

JUN 17 1977

U.S. VESSEL TRANSFER PROGRAM

*Sta -
Prefer short
Xfer policy - Make
"negative considerations"
more significant -
How?
J*

U.S. FLAG VESSELS. United States "flag vessels" are vessels owned by a U.S. citizen or a U.S. corporation, a majority of whose directors are U.S. citizens, and registered with the U.S. Coast Guard. Vessels built in foreign shipyards may be registered under the U.S. flag, but such vessels cannot operate in the domestic (U.S. port to U.S. port) trade.

ORIGIN AND PAST OPERATION. Government control over vessel flag transfers originated during World War I as a result of efforts by foreign interests to acquire large portions of the American merchant fleet, as well as shipbuilding and ship repair facilities. Transfer controls, instituted by the Merchant Marine Act of 1916, were premised on the United States' interest in maintaining control of our merchant fleet, for reasons of both national defense and commerce. Controls may be in the form of denials of transfer applications or approvals with express conditions.

For reasons of national defense, for example, transfers have been conditioned on the following: a contractual obligation to return the vessel if needed by the U.S. in war or national emergency; a requirement that a new vessel be built to replace the one transferred; and subsequent bar on use in trade with unfriendly countries (such as the Soviet Union). Transfer controls have been exercised for other purposes as well. For example, foreign policy considerations were determinative in the case of an attempt to transfer a vessel to transport Jewish refugees to Palestine prior to the creation of the state of Israel. The application was challenged by the British Government and subsequently denied by us. Whether transfer would permit violation of or evasion of U.S. laws has also been considered. During prohibition, for example, transfers



were approved only on condition that the vessel not be used to import narcotics or spirits.

Responsibility for the transfer program rests in the Secretary of Commerce, who has delegated the duties to the Assistant Secretary for Maritime Affairs. Views of other Federal departments and agencies are, however, regularly solicited in considering transfer applications. Thus, Defense, State, the Coast Guard, and, within Commerce, NOAA and the Office of Export Administration, are asked to participate, as appropriate.

PROS AND CONS OF TRANSFERS. The pros and cons of vessel transfers vary with the parties involved. The Government, vessel owners, seafarers, and business creditors all have separate perspectives.

Government interests are typically those discussed above: national defense, commercial needs, and foreign policy. Other concerns periodically arise in particular situations. The protection of marine mammals, for example, is relevant to applications for transfer of tuna purse seiners. Another example is the emerging policy on upgrading standards for oil tanker construction and operation, which could impact substantially upon the transfer program. Contrary considerations may be loss of tax revenues from both the owner and employed American seafarers, the loss of jobs, and impact on our balance of payments.

From the perspective of vessel owners seeking transfer, the positive reasons for transfer foreign depend on whether the selling owner will continue other U.S. flag operations. An owner disposing of an obsolete vessel will frequently realize a higher sales price from a foreign purchaser, thus permitting a larger capital investment in a new United States vessel. However, if the transfer is merely a device by which an American moves the vessel to foreign registry, the advantages may be substantial. Registry fees are lower in many foreign countries. The use of foreign officers and crews may result in a one-third to one-fourth savings in wages. Fringe benefits are typically less costly or nonexistent. Other conventional operating costs, such as insurance premiums and food, are also lower under foreign registry. Repairs are less expensive overseas and, in the case of

non-emergency repairs, the ad valorem duty of 50 percent imposed on U.S.-flag vessels by U.S. customs requirements are not imposed on foreign vessels or by other countries. Costs of maintaining United States vessel standards, especially for older vessels, are avoided. Nonexistent or more flexible union requirements encountered overseas may also be a factor to an owner who must bargain collectively with United States unions. Finally, tax benefits can be very significant. When U.S.-flag vessels are transferred foreign they are often transferred to flags of tax-haven jurisdictions that do not impose income taxes on vessels registered under their flag. Under the Internal Revenue Code, profits of most such vessels are either not subject to taxation or tax is deferred until the income is repatriated to the U.S.

Negative considerations are loss of privileges to engage in domestic trade (limited by the Jones Act to U.S. vessels), limitation on carriage of certain government cargoes, and loss of U.S. Government protection. *

From the viewpoint of the merchant seafarers, and their unions, foreign transfers are totally negative. Transfers represent the loss of jobs, and since most vessel jobs are worked by more than one seaman during the course of a year, the loss is multiplied.

Mortgagees and other business creditors generally benefit from transfer controls. Transfers are not approved without permission of American citizens possessing maritime liens. Accordingly, owners must pay outstanding debts prior to approval of transfer.

TUNA BOAT TRANSFERS. At this time fourteen applications for the transfer of purse seine tuna vessels are pending at the Maritime Administration. Although each applicant asserts that his application is based on purely economic or operational considerations, these applications have generated great concern among all parties interested in the reduction of porpoise mortality under the Marine Mammal Protection Act. Allegations have been made that: first, the purpose of the proposed transfers is to avoid compliance with U.S. laws and regulations; and, second, that if these vessels are permitted to be transferred without restriction the entire tuna fleet will soon follow.

The Administration's tuna-porpoise bill contains requirements that any such transfers be conditioned upon agreement subsequently to (1) comply with U.S. standards for the incidental taking of marine mammals, (2) permit U.S. observers aboard the vessel, and (3) to post a bond to ensure performance. The House has passed a bill that incorporates some, but not all, of these proposals (observers on transferred vessels would not be required). The Senate has not acted.

The Commerce Department now has the fourteen applications under consideration. The action taken on these applications will not necessarily determine what action would be taken should substantial numbers of additional tuna boat transfer applications follow. If applications were to appear to be motivated primarily by a desire to circumvent the Marine Mammal Protection Act rather than by economic circumstances, they might be denied altogether. In addition, the Department is considering what size bonds should be required for those transfers that may be approved. Whatever action is taken on tuna boat transfer applications is likely to be controversial.



THE PRESIDENT HAS SEEN.

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

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June 17, 1977

MEMORANDUM TO THE PRESIDENT

THROUGH Jack Watson
Secretary to the Cabinet

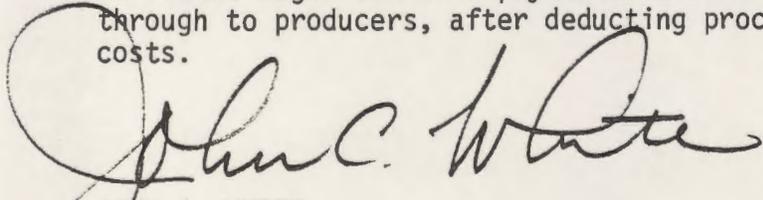
SUBJECT: Weekly Report

WORLD WHEAT AND COARSE GRAIN CROPS FORECAST. Based on conditions at planting, forecast of production is down two percent from 1976, with wheat production down three percent, coarse grain down one percent, and rice down four percent from last year.

WORLD SUGAR PRODUCTION. 1976/77 world sugar output estimated at record high, more than four million tons above 82.0 million metric tons produced a year earlier.

WORLD COFFEE PRODUCTION. 1977/78 estimate up 14 percent from 1976/77, but still nine percent under the average production during 1974-76.

SUGAR SUPPORT PROGRAM. USDA published for public comment details of sugar support program. Essentials of the program include maximum payment per pound of two cents, with payments applicable only to 1977 harvested sugar and with payments to be made to processors for pass-through to producers, after deducting processors' actual administrative costs.



JOHN C. WHITE
Acting Secretary

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THE PRESIDENT HAS SEEN.
THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

June 17, 1977

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"FYI"

REPORT TO THE PRESIDENT

As you know, I spent a day of this week at the annual meeting of the U.S. Conference of Mayors in Tucson. This afforded me and other officials from the Department the opportunity to discuss at some length the current issues facing the cities.

The mayors were most receptive to the new direction being taken by the Economic Development Administration (EDA). This new focus by EDA on long-term development, providing more comprehensive coverage for the needs of urban areas, was viewed as a natural follow-up to and a partial replacement for the local public works countercyclical initiative.

The mayors also expressed considerable interest in two other Commerce Agencies -- the National Fire Prevention and Control Administration and the Office of Science and Technology, and the resources they provide for cities. Fire control, for example, typically ranks second in city expenditures and current prevention procedures are generally inadequate.

In my remarks to this group, I stressed the Administration's continuing commitment to the cities and the fact that we realize that our overall economic objectives are in large part dependent on their revitalization.

I discussed three specific suggestions: (1) there is a need for developing an explicit and purposeful Federal policy on the siting of Federal facilities which will consider the potential effect on local and regional economic activity and population settlement; (2) this Administration, in dealing with urban problems, is committed to a partnership among the cities, States, and the Federal Government in which the resources and authorities of each are utilized. Federal aid can help, but it will be far more effective if accompanied by urban reforms which only the States can provide; (3) Our major emphasis must be on strengthening the local economic bases of cities, towns, States and regions; on creating permanent, private jobs where chronic unemployment exists.

In addition, I explained that many issues of relevance to the cities will be addressed by the White House Conference on Balanced National Growth and Economic Development scheduled for early next year.

In summary, I felt there was a useful exchange of ideas between the mayors and the Administration. Department of Commerce programs underway or planned can be quite beneficial to cities across the country.

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Juanita M. Kreps

THE PRESIDENT HAS SEEN.
THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 17, 1977 1 43
1977 JUN 17 PM

MEMORANDUM FOR THE PRESIDENT

FROM: Lyle Gramley *LSG*
Acting Chairman

SUBJECT: CEA Weekly Report

Foreign travel. Charlie Schultze has been traveling in Europe this week. He attended meetings in Paris of the Economic Policy Committee of the OECD, then flew to Bonn to speak at the Adenauer Foundation conference and visit with German officials. At the Paris meeting, Charlie was elected Vice-Chairman of the EPC and is expected to be elected Chairman in the fall.

Energy policy. CEA staff members are now attending the regular 7:30 a.m. meeting of the White House energy staff to discuss developments on Capitol Hill that affect the energy program. CEA staff members also have been working closely with other agencies analyzing proposed Alaskan natural gas pipeline routes.

Water pollution amendments. The staff has begun to explore with representatives of other agencies the possibility of introducing effluent fees into the Federal Water Pollution Control Act when amendments are proposed to the Congress in the near future.

Budget overview. OMB and CEA have been working together to develop a presentation for you on the economic outlook and the budget at next week's overview session.

Steel study. CEA staff members are participating in an EPG task force that is studying trade issues and domestic problems of industry. This study will lay the foundation for an Administration position on import relief for the steel industry. We expect that such a position will be required because of steel industry actions seeking increased protection from import competition.

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Minimum wage. CEA staff members, in consultation with Charlie Schultze in Europe, have been working with Domestic Council staff to evaluate options regarding the minimum wage. We will be providing Stu Eizenstat with estimates of the economic impact of various proposals.

Adjustment assistance. CEA, Treasury, OMB and other agencies have been participating in meetings with the Commerce Department to flesh out the Trade Adjustment Assistance program you have promised to present by June 30. Questions have come up regarding the economic impact and precedent-setting aspects of the adjustment program proposed for the shoe industry, and we are scrutinizing closely proposals for an overall adjustment program.



THE PRESIDENT HAS SEEN.

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

June 17, 1977

1977 JUN 17 PM 1 40

MEMORANDUM FOR: The President

SUBJECT: Weekly Report of Major Departmental
Activities

The following are brief descriptions of significant activities at the Department of Housing and Urban Development.

Urban Policy Emphasized at Mayor's Meeting. On Monday, I delivered a major statement on this Administration's urban policy at the annual meeting of the U. S. Conference of Mayors. I announced a new strategy to link Section 8 Housing Assistance to the Community Development Block Grant Program by making Section 8 funds available to cities to rehabilitate some 20,000 units. I informed the mayors that I expect them to use the block grant program to reduce the isolation of low income people and revitalize their communities. I emphasized HUD's partnership with the private sector and local governments to implement workable strategies to attract middle income families back to the cities.

During my three days at the Tucson convention I held a series of small meetings with all of the mayors present to discuss urban problems and to strengthen this Administration's relationship with the nation's mayors. The response was positive and encouraging. It demonstrates the wisdom of HUD's participation in such activities and the benefits for the Administration that such participation affords.

Block Grant Application Approvals Pass Halfway Mark. HUD's area offices have received 1,226 Community Development Block Grant entitlement applications for Fiscal Year 1977 funding. To date, 634 applications have been approved. Applications from two entitlement cities have been disapproved because of applicants' failure to provide housing opportunities for lower income families.

FHA Task Force Holds First Meeting. On Wednesday, the 24-member task force studying the future role of the Federal Housing Administration held its first meeting. The task force, chaired by former HUD Secretary Robert C. Weaver,

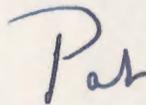
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is to review and consider alternative roles for FHA in a report to be submitted to me by July 1, 1977.

GNMA Applications Reach Record High. GNMA received a record volume of applications for mortgage-backed securities commitments during the week ending June 10. GNMA received a total of 312 applications for commitments in excess of \$400 million. This large increase in GNMA securities activity reflects the change in the maximum interest rate for FHA and VA loans to make them competitive with conventional financing rates.

Disaster Relief Continues. As of June 13, 7,613 families, or 77.1% of those requiring shelter, had been placed in either temporary, transient, or permanent housing.

HUD Fiscal Year 1978 Appropriations Bill Passes House. On Wednesday, June 15, the House of Representatives passed the HUD appropriations bill by a vote of 374 to 32 in substantially the form and amount recommended by the Administration.



Patricia Roberts Harris



THE PRESIDENT HAS SEEN.
THE SECRETARY OF THE INTERIOR
WASHINGTON

June 17, 1977
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MEMORANDUM TO THE PRESIDENT

FROM: The Secretary of the Interior (dictated over the telephone from California)

SUBJECT: Major Topics for the Week of June 13

My time has been spent in California on Redwoods, water problems, Auburn Dam, meetings with directors and supervisors of the Department of Interior and other governmental representatives, Westlands, advisory committees, Santa Barbara Channel problems, and many minor problem areas.

I have had personal meetings with Governor Brown, Speaker Leo McCarthy, President Pro Tem Mills, Mayor Bradley, and local supervisors throughout the State. All send their best wishes to you and expressed pleasure that the Carter Administration is listening to their concerns.

I held public meetings with private citizens in Northern and Southern California. They were well attended and well received by the citizens and definitely beneficial to me. Washington, D.C. is not the "real world."

Ken Curtis arranged a reception of State Democratic leaders and supporters where I played the part of your representative. Their attitude was positive.

Alaska Oil Pipeline Certification will be completed the first of next week. Everything is on schedule.

CECIL D. ANDRUS/cz

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THE PRESIDENT HAS SEEN.
U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

"PRIORITY"

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JUN 17 1977

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MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR, Ray Marshall

Ray Marshall

SUBJECT: UMWA National Election

The official tally of the UMWA June 14, 1977 national election will begin at noon, July 1, 1977 at International Headquarters. Unofficial results indicate that incumbent Arnold Miller won. With 70% of the votes tallied, Miller's leading by 48,407 (42.71%) to 38,731 (34.18%) for Patterson and 26,147 (23.08%) for Patrick.

Protests must be filed with the Tellers by July 1, who announce official results by July 15. Appeal of the Teller's finding must be made to International Executive Board (IEB) within 30 days thereafter. The IEB has no specific time limit for acting on such an appeal.

Quick response by the IEB could result in a Landrum-Griffin Act complaint filed as early as August 15. Likewise, a slow response by the IEB means that a timely complaint could be filed as late as November 14, 1977. In either case, a viable complaint will require DOL to investigate the election.

Patterson indicated prior to the election that he would file a complaint internally if he lost. As he controls a majority of the votes on the IEB, they could set aside the election and order a new one. Miller would then likely file a complaint with DOL demanding his own installation. Irrespective of the outcome of the internal issues, Miller will lead the upcoming UMWA contract negotiations. The present agreement expires December 6, and unless the election issue is resolved it will constitute a serious handicap in negotiations which begin August 1, 1977.

A further problem is the union's Health and Welfare Fund, which has been in serious financial difficulty for at least the past three months, being underfunded by approximately \$76 million. The union trustees refused to cut the benefit level pending the outcome of the election. UMW President Arnold Miller has requested that new pension monies beginning July 1977 be diverted to the Health and Welfare Fund to make up these losses. The Bituminous Coal Association has refused, indicating that the fund's difficulties were caused by unauthorized walkouts. If benefits are cut next week as predicted by the trustees, this could lead to increased wildcat strikes.

We are monitoring developments closely, and taking steps to insure coordination within the administration regarding the coal situation. We are attempting to reconcile the parties' differences but have no way of predicting the outcome and will attempt to schedule a meeting on Monday.



THE PRESIDENT HAS SEEN.

THE SECRETARY OF THE TREASURY

F.Y.I.

WASHINGTON

June 17, 1977

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MEMORANDUM FOR THE PRESIDENT

SUBJECT: Highlights of Treasury Activities

1. ENERGY TAX MARKUP

The markup of the House Ways and Means Committee is expected to continue at least until the end of June. The Committee's decisions to date have been tentative, and they may reconsider some items; so it is still early to hazard a guess as to where we will stand when the bill reaches the House floor. Although the energy markup has not gone quite as well as we might have liked, the Committee did agree (subject to certain modifications) to the crude oil equalization tax, one of the most significant items in our proposed legislation. I was happy that the Committee rejected attempts to add a "plowback" provision, which would have returned a significant portion of the crude oil tax revenues to the oil companies. Yesterday Congressman Pike presented a compromise substitute for our original oil and gas consumption tax proposal, which was developed in consultation with the White House energy office and Treasury and which we expect to pass. The tax rate proposed would be approximately two-thirds of what we had proposed originally. Next Monday, the Committee is scheduled to vote on the Administration's proposal to provide a per capita rebate of the crude oil tax.

2. TAX REFORM

During the past week I have spent a substantial amount of time with special interest groups and the media, discussing the economy generally and, in particular, the need for tax reform. I will be continuing next week with more meetings with representatives of small business, big business, and the academic community, to seek their views on tax reform.

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3. INTERNATIONAL FINANCIAL INSTITUTIONS

The House Appropriations Committee voted \$2.1 billion in appropriations for the International Financial Institutions for FY 1978, the same reduction of \$500 million from our request recommended by its Foreign Operations Subcommittee. A move to slash a further \$500 million from funding for IDA, which would destroy the IDA V agreement cited at the Summit, was narrowly defeated. So was an effort to preclude any use of U.S. funds for bank loans to Vietnam, Cambodia and Laos. There is a serious risk of similar moves on both fronts when the bill reaches the House floor on June 22. We are working with White House staff on the best means for avoiding such steps.

The Senate voted on June 14 to authorize the full \$5.1 billion which we have requested for all current bank replenishments, as the House had done earlier. In addition, they supported our more flexible approach to human rights and rejected the House requirement for automatic negative votes on loans to violators.

However, the Senate also added several undesirable features. A Dole Amendment would require negative U.S. votes on any loans to Indochina, and would reduce U.S. contributions to offset any such loans. A Schweiker Amendment would limit U.S. participation in future bank replenishments to a maximum of 25 percent. We are working with the Congressional leadership to eliminate these amendments in conference, and to get the best possible language on human rights.

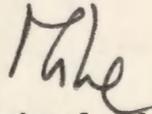
On human rights, we abstained on June 16 on a World Bank loan of \$100 million for industrial credits in Argentina. Our statement welcomed recent prisoner releases in Argentina and expressed hope that future progress would permit us to support bank loans in the coming months.

4. BLUMENTHAL WHEREABOUTS

Cy Vance and I will be attending the annual OECD Ministerial meeting in Paris June 23-24. Incidentally, I think that tax reform and other pressing business indicate that I should keep my foreign travel in coming months to a minimum. I am tentatively planning a trip to the Middle East at the beginning of October but I have no other plans to be out of the country for the remainder of this year.

5. NEW YORK CITY FINANCES

I have reported to you previously on New York City problems. The City will shortly apply for a \$700-800 million July 1 seasonal loan. This would represent the first loan in the third and final fiscal year of the Seasonal Financing Act. The statute requires me to find that a "reasonable prospect of repayment" exists before granting these loans. In addition, for the first time, each loan application beginning July 1 must contain a "certification" that New York City has tried and failed to borrow the same amount on its own. This new requirement is intended to begin getting New York City back into the credit markets, in anticipation of the June 30, 1978 termination of the legislation. (Congress takes it seriously. It is not clear, however, that New York City is taking this new requirement seriously.) In a municipal election year, Mayor Beame would like to avoid any difficult negotiations with local banks over financing. But I hope to work quietly with New York City to assure compliance with statutory requirements.



W. Michael Blumenthal

TO: President Carter June 16, 1977

THROUGH: Jack Watson THE PRESIDENT HAS SEEN.

FROM: USUN - Ambassador Young

SUBJECT: Weekly Summary of U.S. Mission to the United Nations
Activities, June 8-15

1. SECOND ROUND OF CAPE TOWN TALKS ON NAMIBIA CONCLUDED
Amb. McHenry returned June 15 after talks with Vorster and briefings of SWAPO, frontline states and interested parties. Group of Five will now begin discussions with UN Secretary General concerning the specifics of UN involvement.
2. MY MEETING WITH ANGOLAN PERMANENT REPRESENTATIVE FIGUEIREDO, JUNE 16
Figueiredo stressed Angolan readiness to normalize relations and willingness to cooperate with the Group of Five on Namibia.
3. AMB. WELLS LEAVES FOR GENEVA
Following her swearing-in, Amb. Wells left for Geneva for the UN Development Program Governing Council. This is the first of various meetings that will be attended by members of the Economic and Social Section in Geneva through August.
4. SECURITY COUNCIL: RENEWAL OF UN FORCES MANDATE IN CYPRUS
The mandate for the forces was renewed for another six months precisely at the deadline, midnight of June 15.
5. THE LAW OF THE SEA CONFERENCE PASSES ITS MID-POINT
The first three weeks were devoted to discussions of the exploitation of the deep seabed; some progress has been made. A new draft text on the question will become the basis for further negotiations.
6. TRUSTEESHIP COUNCIL CONCLUDES THE GENERAL DEBATE ON MICRONESIA
Relatively non-controversial session concluded with plans to resume July 22 to approve the Council's report and recommendations.
7. BI-WEEKLY STATE DEPARTMENT BRIEFING FOR CONGRESS (THE "WEDNESDAY MORNING GROUP"), JUNE 14
I stressed to the group, which included a number of conservative and middle-of-the-road Republicans and Democrats, the need for Congressional support for southern African Special Requirements Fund.
8. OTHER MEETINGS: Amb. Herzog (Israel), British M.P. Dennis Walters, Prof. Herskovits (NY State University), Mairead Corrigan (Irish Peace Movement); Press: MacNeil/Lehrer Report, ABC's Issues and Answers, Italian (Eurovision) TV, Post Editorial Board; Speaking Engagements: Medgar Evers College (Long Island), Michigan State University, United Nations Association (Wash., D.C.); Congressional presentations: Democratic Study Group, Members of Congress for Peace Through Law.



THE PRESIDENT HAS SEEN.

THE UNDER SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D.C. 20201

June 14, 1977

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MEMORANDUM FOR THE PRESIDENT

I am responding to your inquiry about saccharin because the Secretary has disqualified himself on this subject. While in private practice, he represented before the Food and Drug Administration a major commercial firm which has an interest in the outcome. He has delegated to me the responsibility of working with Commissioner Donald Kennedy on the saccharin problem.

Since taking office, the new Commissioner has held public hearings and reviewed personally all aspects of the proposed ban on the use of saccharin in foods. He and an independent panel of the Congressional Office of Technology Assessment have both found that the scientific evidence supporting the finding that saccharin is a carcinogen is valid and therefore demands an automatic FDA ban on use as a food additive under the so-called Delaney clause.

Labeling therefore would not solve the legal problem in the case of diet foods and drinks. The Delaney clause does not apply in cases where saccharin is not used as a food additive, however. The Commissioner of FDA is permitted legally to use appropriate judgment except for food additives and he intends to make saccharin available as a drug, in liquid or solid form, and with appropriate labeling.

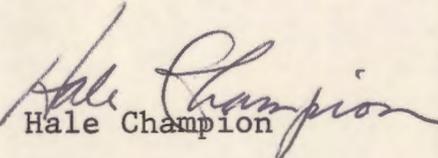
Representative Rogers has introduced legislation taking a different approach. It calls for an 18-month moratorium on the saccharin ban while a study of the Delaney clause and its justification can be completed. Commissioner Kennedy publicly opposes the Rogers' approach as a bad precedent in food additive regulation because it could put the Congress into a case-by-case review of unpopular regulatory decisions which have a good basis in science, but he understands why Congress may choose to regard the saccharin matter as an exception, not a precedent.

Page 2 - The President

Rogers' bill almost certainly will pass the House. In addition, Senator Kennedy has just announced support for the 18-month moratorium, thus improving further the strong chances for approval in the Senate. Senator Kennedy is also advocating a strong warning label on products containing saccharin and a ban during the moratorium on television and radio advertising of those products.

Aside from Commissioner Kennedy's announced position, the Department is not working against the moratorium and probably would not recommend a veto, particularly if the legislation contains a provision requiring an appropriate label on the products in question and at least a warning in all advertising.

Attached is a position paper from the Food and Drug Administration.


Hale Champion



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
PUBLIC HEALTH SERVICE
FOOD AND DRUG ADMINISTRATION
ROCKVILLE, MARYLAND 20857

June 8, 1977

MEMORANDUM FOR THE PRESIDENT

In recent days the debate about FDA's action against saccharin has centered on the possibility of combining, or substituting, some form of warning on foods containing saccharin that would advise consumers about the risk of cancer but allow them to decide for themselves whether to consume particular products. This memorandum outlines considerations that bear on this issue.

Desirability of Product Warnings

In Senate testimony on June 7 members of the expert panel appointed by the Office of Technology Assessment indicated that, at a minimum, the Canadian study warrants the inclusion of a warning about the risk of cancer on all products containing saccharin, even if no other restrictions are placed on its use. FDA's own proposal to ban saccharin in foods would permit it as an over-the-counter drug, accompanied by the following statement: "Warning: Saccharin causes bladder cancer in animals. Use of saccharin may increase your risk of cancer."

The Department believes that if Congress were to enact legislation delaying any FDA action against saccharin, it should at a minimum permit, and perhaps prescribe, warnings on all products containing saccharin. In addition, we believe that such warnings should appear in all advertising for products, such as soft drinks, which are heavily promoted for, and consumed largely by, young people.

Adequacy of Current FDA Authority to Require Warnings

FDA currently has adequate legal authority to prescribe a warning for the labeling of all products containing saccharin, including soft drinks, tooth-pastes, and drugs. The Agency could rely on the general prohibition of misbranding in the Federal Food, Drug, and Cosmetic Act, coupled with a provision, section 201(n), which provides that a product may be misbranded if its label "fails to reveal facts material . . . with respect to consequences which may result from the use of the article" Other provisions of the Act would provide supplementary legal authority.

Of course FDA could not, under the Delaney clause, prescribe a label warning for food products containing saccharin but permit it to continue to be used. The OTA panel unanimously confirmed FDA's conclusion that saccharin is a carcinogen. Accordingly, a warning could be a substitute for termination of use in foods only if Congress enacted legislation modifying the substantive standards of the current law or delaying any FDA action against saccharin.

Time Required for Implementing Warnings

Assuming that implementation were left to FDA, a minimum period would be required for completion of the administrative process required for promulgation of a final rule prescribing label warning. Conservatively, this period (from publication of a proposal through analysis of public comments to publication of a final rule) would be four months.

There would, in addition, be a significant period before manufacturers and distributors of saccharin-containing foods and other products could implement any required label warning. This period would vary from product to product, and among types of containers (e.g., cans vs. paper cartons). Implementation could be hastened by requiring overlabeling with gummed stickers, but at additional expense. Posting of warnings at points of sale -- in vending machines and in grocery stores -- could be accomplished more rapidly than relabeling of individual packages. A conservative estimate of the time required for complete relabeling would be one year.

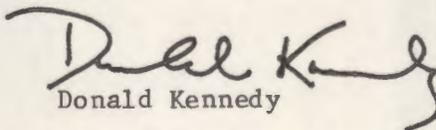
Inclusion of warning in all advertising for widely promoted products could be accomplished more readily, within a matter of months.

Possible Advantages of Congressional Action on a Warning

If Congress were to enact a moratorium on FDA action, there might be advantages in requesting that it address the warning issue as well. Prescribing a warning in legislation would eliminate the time required for completion of the administrative process. Congress could also resolve dispositively any dispute over the text of the warning, although it can be assumed that the text that would emerge in legislation would be less forceful than one that FDA might prescribe by regulation.

Congress could also lay to rest possible procedural objections to any FDA warning regulation, such as failure to issue an Environmental Impact Statement.

Finally, and of critical importance, only Congress could require -- or authorize FDA to require -- a warning in advertising for products containing saccharin. Current FDA authority, except for prescription drugs which comprise a tiny percentage of the usage of saccharin, is limited to labeling of products.


Donald Kennedy

3:45 p.m.

THE WHITE HOUSE
WASHINGTON
June 20, 1977

C

MEMORANDUM TO THE PRESIDENT

FROM: Peter Bourne *P.B.*

SUBJECT: 3:45 P.M. Meeting, June 20, 1977, Cabinet Room

I. Purpose

To review the narcotics environment in Colombia and explore ways to improve Government of Colombia efforts to combat the problem.

II. Background, Participants, Press

- a. Background -- Colombia is a major producing and transit country for cocaine and marihuana destined for the United States. Additionally, field reports indicate experimental cultivation of opium poppies in the last few weeks. During the First Lady's recent trip to Latin America, including Colombia, she discussed the U.S. concern over the drug abuse problem and our desire to work jointly with the nations of the world to combat it. Colombia has been a particular problem noted principally by the lack of government effort in controlling narcotics and widespread corruption.
- b. Our own efforts in Colombia have been hampered by an ongoing conflict between CIA and DEA over the collection of intelligence data. This should be discussed.
- c. Participants -- Peter Bourne (ODAP)
Seymour Bolten (ODAP)
Joseph Linneman (ODAP)
Peter Bensinger (Drug Enforcement Administration)
Mathea Falco (State Department)
Peter Flaherty (Justice)
Robert Pastor (National Security Council)
E. Henry Knoche (CIA)

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MEMORANDUM TO THE PRESIDENT

FROM: Peter G. Bourne

SUBJECT: 3:45 PM Meeting, June 20, 1977 - Cabinet Room

III. Talking Points

- What pressures can we bring to bear and what sanctions can we reasonably take against the Colombian government.
- What guarantees should we extract from the President of Colombia before releasing helicopters and other support.
- What additional steps can we take in better coordinating our own interagency policy in this area.

PGB:ss

THE WHITE HOUSE
WASHINGTON

June 20, 1977

The Vice President
Stu Eizenstat
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jody Powell
Jack Watson
Bert Lance
Charlie Schultze

Re: Minimum Wage

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

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

*Rush to HJ
& SE*

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

June 18, 1977

MEMORANDUM FOR THE PRESIDENT
FROM: STU EIZENSTAT
SUBJECT: Minimum Wage

*Stu - I prefer
either 2) or 3), if
used - full year period,
retaining tip credit.
It also includes many women,
young marrieds, and minorities
& is 1st step away from
welfare for some. The
Stu differential hurts the
most vulnerable workers.
JC*

I called a meeting and met Saturday with Secretary Blumenthal, Secretary Marshall, Charlie Schultze, Bo Cutter (for Bert Lance who I talked with about the meeting on Friday), Frank Moore, Hamilton, Landon and Bill Johnston and Bert Carp of my staff, to discuss the mark-up of the minimum wage bill in the House, scheduled before Congressman Dent's subcommittee Tuesday morning.

Based on Frank's assessment of the mood of the House, there was a general feeling that politically we would not be able to hold our \$2.50 and 50% figure for the minimum wage. Frank noted that Congressman Quie, the ranking Republican, favored a \$2.70 level (though presumably without indexing).

After lengthy discussion we arrived at a number of alternatives which everyone present at the meeting accepted.

1) A "split" option providing a lower minimum for the groups covered since 1966: retail and wholesale trade, services, farm workers and certain other businesses which until recently had a lower minimum wage than other industries. For this group the new minimum would be set at \$2.50 and indexed at 50% of the manufacturing wage. For other industries covered by the minimum wage before 1966, the minimum would go to \$2.65 and thereafter be indexed at 53% of the manufacturing wage. In both cases the increase in the minimum would become effective as soon as possible after the bill is passed.

2) The minimum for all industries would go to \$2.60 and be indexed at 52% of the manufacturing wage effective upon passage.

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3) The minimum for all industries would go immediately to \$2.55 (51% of the manufacturing wage) and then rise to 52% in 1978 and 53% in 1979. This is essentially the option which we presented to you in our memo of June 6, 1977 which you indicated was "probably OK if final."

We likewise agreed that the average manufacturing wage would be computed over a full year period from December to December for application the succeeding July. We also agreed that we would strongly favor retaining the current credit on tips, contrary to the position of Congressman Dent who favors its elimination over a five year period.

We believe that each of these options is roughly comparable in its overall economic effect. There was general consensus that the "split" option was the best one since the industries subject to the lower minimum are heavy employers of youth and are characterized by large numbers of small business firms who would have a particularly hard time with a larger jump in the minimum. Thus it would be a move toward a youth differential.

If you approve of these options, we would not agree to them in your behalf unless we had gotten the agreement of Congressman Dent (the Chairman of the Subcommittee) and Congressman Perkins (the Chairman of the full Committee) and the House and Senate leadership that they would not exceed this limit.

We would propose to have a team existing of Secretary Marshall, Charlie Schultze, Frank and myself meet with Congressmen Dent and Perkins on Monday. We would first present the "split" option. Hopefully, we could obtain a delay in the mark-up when it was obvious serious negotiations were underway.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

June 15, 1977

MEETING WITH PRESIDENT OF LIONS CLUB INTERNATIONAL

Monday, June 20, 1977

2:30 p.m. (5 minutes)

Oval Office

From: Margaret Costanza *mc*

I. PURPOSE

Courtesy call by Professor Joao Fernando Sobral, President of Lions International, from Brazil.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background:

Lions International is the largest service club organization in the world with a total membership of 1,200,000 in 149 countries. It has been traditional for the President of the United States to receive the President of Lions International each year.

B. Participants:

Professor Joao Fernando Sobral
President of Lions International

Senator Jennings Randolph

Mr. Ulysses Buffington
International Director, Lions International
Clarksburg, West Virginia

C. Press Plan:

White House photo

III. TALKING POINTS

1. President Carter has been a member of Plains Lions Club since 1953 and served in the high office of District Governor in 1968 and 1969.
2. Lions International's largest activity is their work with the blind but they also provide community leadership wherever needed.

X

3. Membership of Lions International is growing at a net rate of 50,000 new members per year. The majority of new members are in the 149 countries outside the United States.

THE WHITE HOUSE
WASHINGTON

June 20, 1977

Frank Moore -

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

Rick Hutcheson

cc: Tim Kraft

Re: Meeting with Jim Wright

THE WHITE HOUSE
WASHINGTON

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

June 20, 1977

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE *FM*

SUBJECT:

JIM WRIGHT

With exception of the water projects which was a pretty bitter fight, Jim Wright has supported you. He has and will be our strongest supporter on the Panama Canal in the House. He will be our strongest supporter for foreign aid, and the only Member with sufficient clout and influence from the Southern or Southwestern states who can turn votes on this unpopular program. (Foreign aid will be on the floor of the House next Wednesday, June 22). He has also been generally supportive of us on our Energy Plan, which is an unpopular issue for a Texas Congressman.

I think now that the die has been cast on the water projects (we have won whether you veto or not), you should probably get Jim down for a meeting or a lunch and go over foreign aid and the Panama Canal with him asking for his help.

*← ok
JC*

He and Jack Brooks are also helping with the Texas delegation on the voter registration.

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for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

June 20, 1977

Stu Eizenstat -

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

Rick Hutcheson

Re: Domestic Policy Staff Weekly
Status Report

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

June 17, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Domestic Policy Staff Weekly
Status Report

HOUSING AND URBAN AFFAIRS

Neighborhood Commission: The role of the commission is being linked to policy efforts of Urban and Regional Task Force, including formation of federal interagency committee representing neighborhood-related programs.

Tris Ban: Commerce and SBA are taking the lead in this situation. Longer term indemnification question (asbestos, PPB, cancer-causing chemicals) is being addressed on an interagency basis.

Data Systems: We are beginning to evaluate how census data can be fine-tuned to trigger faster policy responses at the local level to decision-makers operating in housing and community development efforts, e.g. middle class influx and population dislocation, housing abandonment and neighborhood stability.

FHA Review: We are closely monitoring the work of the FHA Task Force that Secretary Harris has initiated in order to make recommendations for the Administration in July before the Senate Banking Committee.

Federal Home Loan Bank Board: Providing substantive briefings for Bob McKinney and meeting with consumer opponents to his nomination in order to attempt to overcome this opposition.

EDUCATION

Adams v. Califano (dual public higher education systems): HEW has held a series of reviews with black college officials, state higher education officials, the lawyers from the NAACP Legal Defense Fund, and students in affected states, to prepare its court submission at the end of June. HEW is required to report to the court how it plans to accomplish the desegregation of dual public higher education systems in six southern states, including Georgia and North Carolina.

Energy in the Schools: The Office of Education has nearly completed its work on development of energy curriculum, facilities standards, staff development authority, and discretionary funds to supplement the national energy program. ERDA and the Domestic Policy Staff are involved in this undertaking. The Commissioner of Education will make a major address on this program during the week of June 20.

AGRICULTURE AND RURAL DEVELOPMENT

Sugar: USDA proposed rules for administering new payment program were made public on Monday, June 13. Public comments are due by July 14. Processors are protesting proposed division of benefits between processor (to cover administrative expense only) and producer (balance of payment). *good*

Crop Insurance: We are working with USDA, OMB and CEA to develop a comprehensive program to replace the existing agricultural disaster program hodgepodge. We will keep you advised.

Farm Bill: We are working with USDA, OMB, and CEA to prepare an Administration strategy. We will have a memo to you next week.

CIVIL RIGHTS AND JUSTICE

Privacy Protection Study Commission: The Privacy Protection Study Commission is to issue their report on July 12. We are reviewing advance copies of the report to develop possible Administration initiatives.

Undocumented Aliens: Following the meeting with you, we have met extensively with the affected agencies and have finished a decision memorandum for you, which Rick Hutchison now has.

Equal Employment Reorganization: Continue meeting with task force.

Privacy: H.R. 214 is still being discussed by Justice. We will have a memo to you as soon as we know their position.

Drugs: DEA will submit three bills to OMB, one of which includes a controversial preventive detention measure. It is being reviewed first by Peter Bourne.

Handguns: Justice has drafted legislation and wants to know whether the Administration wants to proceed. A decision memorandum is now in Rick Hutchison's hands for you.

LEAA Reorganization: Task Force made up of Justice and LEAA is meeting.

Drug Enforcement Administration-FBI: Justice is studying the possibility of combining DEA and the FBI for drug enforcement purposes. *just*

Grand Jury Reform: Justice has been working on legislation. Justice to testify on June 22. Justice Department's decision on use of FBI's computer information (p. 1 New York Times, June 16, 1977), which is a big civil liberties issue, is another example of a major decision with no OMB or White House review or clearance. *this was bad*

COMMUNICATIONS

International: We are working with State to designate the delegation to the 1979 World Administrative Radio Conference which promises to be a politically-charged debate over worldwide allocation of frequencies.

ECONOMICS AND BUSINESS

Trade Adjustment Assistance: We are working with Commerce, Labor and STR to meet your commitment in the shoe case to improve this program and recommend new legislation.

Tax Reform: We are working with Treasury and CEA on the Administration's tax reform proposals. We have met several times with Joe Pechman and have talked extensively with other outside experts. *How about consumer group reports?*

Humphrey-Hawkins Bill: Working with CEA and EPG to develop compromise position.

HEALTH

National Health Insurance: First meetings of the Advisory Committee on National Health Insurance Issues were held on May 20 and 21. The next meeting is on June 17th in Los Angeles and June 18th in San Francisco. *Why all over the country?*

Preventive Care: OMB and Domestic Policy Staff will be meeting with the Center for Disease Control on fluoridation. Also planned is a visit to Maryland and New Jersey, two states with extremes in level of fluoridation protection. Report to be submitted in September. *region passed from some*

Cost Containment: Kennedy hearings on Administration bill held on May 24 and 26. Hearings on Talmadge's bill began June 7. HEW, Domestic Policy Staff and Frank Moore's staff are now working out the Administration's position on the Talmadge bill. Mark-up is scheduled for July 28.

Alcoholic Labeling of Beverages: The Justice Department has asked for a White House decision on whether to appeal a District Court decision holding that the Bureau of Alcohol, Tobacco, and Firearms rather than the FDA has jurisdiction over alcohol labeling. Both agencies have been asked to present their positions. A memo to you soon.

Medicare Reimbursement for Physician Extenders: Ways and Means Committee staff and HEW appear on the verge of working out a compromise bill. Subcommittee mark-up is scheduled for July 18.

Recombinant DNA: House Interstate Commerce Committee is marking up its bill, which, in the main, parallels the Administration bill.

Regulation of Carcinogens: We have circulated a memo to OMB and appropriate agencies suggesting that Frank Press chair an interagency task force to study the regulation of carcinogens. Comments are due on June 25.

POSTAL SERVICE

An options memorandum is being prepared on postal matters and will be submitted to you on June 20. Next week's scheduled hearings before the House Subcommittee have been postponed until the Administration's postal policy is announced in early July. I have met this week with the Senate and House staff members from the Post Office Committee to obtain their inputs and to develop a close working relationship. *good - I guess*

ENERGY AND NATURAL RESOURCES

Alaskan Natural Gas: First draft of agency comments on the FPC decision reviewed and commented upon by Schlesinger's staff and core group. Agencies will revise drafts accordingly.

Water Pollution Legislation: Working with EPA, CEQ, and CEA to develop position on major issues of treatment plant funding and mid-course corrections. Strategy being planned on construction grant funding on wetlands issue.

Strip Mine Bill: Conference committee proceeding. We have worked with Interior to present Administration's position on conference issues. Difficult vote splits on key issues anticipated.

*Tell Cecil
if help is
necessary*

Boldt Decision on Indian Fishing Rights: Plan for enforcement of Indian fishing rights in Washington State this summer has been developed by Interior, Justice, Commerce, State and Transportation. This is a very difficult and volatile situation. I have resolved differences between the departments at a meeting yesterday. Information memorandum to you within a few days.

CONSUMER MATTERS

Package of Substantive Consumer Reforms: A task force has met. A memo is being drafted on the consumer agenda in Congress.

REGULATORY REFORM PROJECTS

Regulatory Reform Agenda: Regulatory Working Group is drafting a decision memo for you. Target date is June 30.

Surface Transport Deregulation: Following your meeting with Secretary Adams, task force is studying and preparing decision memo for you on options for surface transport deregulation. First meeting was on June 13. Target date for memo is July 15.

Broadcast Deregulation: Under the supervision of Barry Jagoda and the Policy Staff, OTP has initiated a review of possibilities

for deregulation measures in the broadcast area. We plan to get a strategy options paper to you in late June.

Financial Institutions Regulatory Reform: Treasury legislation has gone to Hill. Task Force will be formed to develop longer-term reform proposals.

Economic Impact Analysis Procedure: EPG Subcommittee developing a proposed executive order. Informal group assessing EIA bills now in Congress.

Legislative Veto: Working group assessing question of legislative veto of regulations.

Airline Regulatory Reform: We are arranging a meeting on June 20 for Secretary Adams to brief representatives of business, labor, the airline industry and consumer groups on our policy.

OSHA Reform: Task Force chaired by Bert Lance and Ray Marshall will begin operating soon. Expect public announcement within two weeks. *let me approve*

INTEGRITY AND OPENNESS MATTERS

Freedom of Information Act Liberalization: Justice to draft an executive order. Target date is third week in June.

Hatch Act Reform: Working with Civil Service Commission and Senate staff on policy amendments to Senate bill.

Executive Order on Logging: Memo prepared by Justice has been reviewed. Justice has submitted a draft executive order. Target date for issuance is fourth week in June.

Lobby Reform: We are working with OMB and Justice to develop policy positions on executive branch lobbying. *Be short*

Revision of Security Classification System: The interagency committee, which we are co-chairing with NSC, has begun work. A first draft of the new executive order should be ready in July. We have briefed interested Hill staffers and asked their advice.

WELFARE ISSUES

Aging: We have solicited from interested agencies their views on the elimination of the mandatory retirement age in civil service. The Civil Service Commission now favors the idea and OMB is analyzing the responses from other agencies. Civil Service and Labor are scheduled to testify on June 23. We will have a memo to you as soon as OMB prepares its views.

Social Services: We are beginning to work with the Office of Human Development at HEW in its effort to develop a new comprehensive approach to social services.

Veterans: We are reviewing the report of the National Academy of Sciences on the Veterans Hospital System. We are also working with Labor to insure that the veterans preference in the CETA jobs allocation is enforced at the local level.

Welfare Reform: The consultation with the states has continued and has revealed a number of areas where the proposed plan will need to be modified to deal with the peculiarities of AFDC in several states. The states have generally been appreciative of the opportunity to comment prior to the submission of final legislation. Fiscal relief or at least a hold-harmless provision for the states and recipients have been recurrent themes.

TRANSPORTATION AND LABOR

Labor Law Reform: Agency reviews were due June 14. Our analysis by June 20.

Cargo Preference: EPG discussed May 19. Hearings postponed. Treasury and Commerce memoes are in staff circulation. We will forward our analysis with these.

Dual Compensation: Options for administrative action on agency waivers to you by June 27.

OTHER ISSUES

World Hunger: We are meeting on June 20 with Chip Carter, *Good*
the National Security Council staff, Frank Press and
Peter Bourne to discuss initiatives on world hunger.

Patent Policy: We will participate in a meeting with *Good*
Admiral Rickover this morning to discuss the growing
loss of patents developed under government contracts.

Oceans Policy; We will work with Secretary Kreps to *Good*
develop a comprehensive oceans policy, as you directed.

International Whaling Commission: The Commission meets
in Australia next week. We have worked with CEQ, Interior
and other agencies to develop a statement supporting
a ten-year whaling moratorium and treaty revisions.

Consumer Cooperative Bank: We are working with Congress-
man St. Germain on your chosen policy.

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for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON
June 20, 1977

Stu Eizenstat
Z. Brzezinski
Jack Watson

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

Rick Hutcheson

Re: The Bilateral Air Negotiations

THE WHITE HOUSE
WASHINGTON

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

June 17, 1977

*Stu -
Boyd has changed
his position*

MEMORANDUM FOR: THE PRESIDENT *Stu*
FROM: STU EIZENSTAT
SUBJECT: The Bilateral Air Negotiations

Yesterday you expressed to me your concern with the course of the air negotiations with the British. You indicated that you felt you had given Prime Minister Callaghan a commitment to a 65% load factor as a standard for judging capacity additions.

- o Our negotiator, Alan Boyd, who was with you when you spoke to Callaghan by phone on April 29, has indicated his understanding of your statements on load factors as tentative and hypothetical, and not as commitments. The log of the conversation indicates that you proposed 65% as a "capacity target" but that you added that you were "not trying to negotiate."
- o Boyd indicates that in the negotiations we have never agreed to, and should not now consider any specific load factor. He argues that any pre-determined screening number would tend to divide the market 50-50, since reciprocal capacity additions would follow automatically from market forecasts.
- o Moreover, the specific figure of 65% is apparently well above what is feasible over the North Atlantic. Large seasonal fluctuations in traffic and the directional flow of passengers make seat factors above 55-60% very difficult to achieve without sharp cutbacks in service levels. At current fares, most air carriers with large jets can cover their out-of-pocket costs at 35-40% load factors. During the winter when they have no alternative uses for their aircraft, they prefer to fly them at these lower load factors rather than ground

them. If air carriers were required to cut back on winter capacity in order to meet a higher annual load factor, such as 65%, the public would receive less service, and in the absence of greater rate competition (which the British have resisted) both British and American airlines would reap great profits from their cartelized market.

- o The 65% capacity figure, according to our negotiators, is not a key British demand. The British team has indicated privately to our team that they do not consider 65% average load factors attainable. They continue, however, to demand that some specific load factor be written into the agreement. All agencies involved in the negotiations feel that the insertion of any such factors would have unacceptable anti-competitive consequences. This is particularly crucial because our agreement with the British is certain to be a precedent for other air negotiations around the world. The basic consideration is not so much protection of our airlines as it is protection of our rights to compete in world air traffic markets.

- o It is the judgment of our negotiators and those involved here that we must continue to make preparations for, and indeed be willing to accept, cessation of services on June 22. The British appear to be waiting until the last moment, perhaps assuming that we will make further major concessions. Our negotiators are still hopeful that cessation will not be necessary. But the credibility of our negotiating stance, and the likelihood of the British acceptance of our position depends upon our continued resolve.

You expressed concern that our negotiators might be too swayed by the argument of the American air carriers. Our best judgment is that while our negotiators are trying to protect the ability of our airlines to compete, they are taking a position fully consistent with the best interests of the American public.

Brzezinski concurs with these views. Watson also concurs.

549

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FM PRESIDENT CARTER

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TO PRIME MINISTER CALLAGHAN

C O N F I D E N T I A L WH70353

TO: PRIME MINISTER CALLAGHAN

DEAR JIM:

I APPRECIATE VERY MUCH YOUR TAKING THE TROUBLE TO HAVE WRITTEN TO ME ON THE QUESTION OF OUR AVIATION NEGOTIATIONS WHICH AS YOU KNOW ARE OF CONSIDERABLE INTEREST TO ME. HOWEVER, YOUR MESSAGE CONCERNED ME BECAUSE MY FUNDAMENTAL POSITION INCORPORATED IN THE VARIOUS PROPOSALS PRESENTED BY AMBASSADOR BOYD, APPEARS NOT TO HAVE BEEN TAKEN SERIOUSLY BY YOUR NEGOTIATORS. I HAD HOPED THAT BY NOW WE WOULD HAVE ENTERED THE FINAL STAGES OF THE NEGOTIATIONS, COMPLETE IN ALL MAJOR RESPECTS EXCEPT FOR THE ACTUAL WRITTEN DOCUMENT, WHICH OF COURSE WILL TAKE TIME. I SAY THIS BECAUSE HE RESPONDED TO YOUR BASIC NEEDS AND HAVE GONE A SUBSTANTIAL DISTANCE IN MEETING YOUR POINT OF VIEW ON THE QUESTION OF CAPACITY AND CHARTER LINKAGE, INCLUDING SOME CONCESSIONS SINCE YOU SENT YOUR LETTER. WE HAVE PROVIDED BRITISH AIRLINES GREATER OPPURTUNITIES THAN HAVE BEEN OFFERED ANY OTHER NATION. I MADE THESE CONCESSIONS BECAUSE IT IS OBVIOUS THAT OUR OVERALL RELATIONSHIP TRANSCENDS NARROW ISSUES, BUT ANTI-COMPETITIVE REGIMES HAVE NEVER BEEN OUR POLICY AND I DO NOT INTEND TO INITIATE THEM NOW.

Keep 65%

OUR PROPOSALS TO YOUR NEGOTIATORS REFLECT MY VIEW. I SINCERELY HOPE, JIM, THAT YOU WILL AGREE WITH ME THAT A CESSATION OF AIR SERVICE BETWEEN OUR COUNTRIES WOULD BE HIGHLY REGRETTABLE, BUT I MUST REITERATE THAT FURTHER CONCESSIONS, ON MATTERS OF PRINCIPLE, ON OUR SIDE ARE JUST NOT POSSIBLE BECAUSE THEY WOULD BE INCOMPATIBLE WITH OUR INTERNATIONAL AVIATION POLICY.

I HAVE INSTRUCTED AMBASSADOR BOYD, IN THE FEW HOURS WHICH REMAIN, TO ATTEMPT TO REACH AN AGREEMENT PROVIDED IT DOES NOT INCLUDE FURTHER COMPROMISE ON THE CENTRAL ISSUES.

WITH ALL GOOD WISHES,
JIMMY CARTER

0332

*****WHBR COMMENT*****

ZB, AAR, IND

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Per: Rac Project
ESDN: NLC-126-8-9-2-2
BY: KS NARA DATE 1/27/12

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FM PK CALLAGAN

TO PRESIDENT CARTER
O 151428Z JUN 77

C O N F I D E N T I A L

MESSAGE FROM THE PRIME MINISTER TO THE PRESIDENT OF THE UNITED STATES

DEAR JIMMY,

WHEN WE SPOKE ON 29 APRIL ABOUT THE NEGOTIATIONS FOR A NEW AIR SERVICES AGREEMENT WE AGREED THAT IT WAS UNTHINKABLE THAT WE SHOULD NOT ARRIVE AT A NEW AGREEMENT, AND THAT WE SHOULD CONSULT TOGETHER TO RESOLVE THE PROBLEM IF NECESSARY. I NOW HEAR VERY WORRYING NEWS ABOUT THE LATEST TURN OF EVENTS.

AFTER OUR PGEVIDUS CONVERSATION I HAD HOPED THAT OUR RESPECTIVE TEAMS COULD CLOSE THE REMAINING GAPS BETWEEN THEM, BUT I NOW LEARN THAT YOUR TEAM, UNDER YOUR SPECIAL ENVOY, AMBASSADOR ALAN BOYD, ON INSTRUCTIONS FROM WASHINGTON, INSTEAD OF MOVING FORWARD TO MEET US HAS GONE BACK ON POSITIONS TAKEN UP AS RECENTLY AS 3 JUNE.

IN THE ALL-IMPORTANT MATTER OF THE SAPWCITY CONTROL MECHANISM ACROSS THE NORTH ATLANTIC YOUR PEOPLES OFFER IS NOW WORSE THAN IT WAS SOME WEEKS AGO. WE WERE PERFECTLY PREPARED TO ADOPT THE STANDARD WHICH YOU YOURSELF PROPOSED TO ME OF A 55% LOAD FACTOR BUT UNFORTUNATELY YOUR TEAM HAD REJECTED THIS, AS A RESULT THE WASTE OF FUEL AND OTHER RESOURCES WOULD CONTINUE.

AS REGARDS TRAFFIC RIGHTS THROUGH LONDON AND HONG KONG WE HAVE BEEN PREPARED TO MAKE SUBSTANTIAL CONCESSIONS (DESPITE THE FACT THAT WE HAVE VIRTUALLY NO REQUIREMENTS FOR WHAT YOU DESCRIBED TO ME AS ON-FLYING RIGHTS OUT OF THE U.S.). BUT YOUR SIDE CONTINUES TO PRESS FOR IMPORTANT OPPORTUNITIES THAT THEY DO NOT HAVE EVEN UNDER THE PRESENT AGREEMENT.

MOREOVER I FIND THAT YOUR PEOPLE ARE IN PRACTICE DENYING THE PHILOSOPHY OF COMPETITION ON WHICH THEY HAVE TAKEN THEIR STAND - FOR EXAMPLE IN THE DIRECT SERVICES BETWEEN OUR TWO COUNTRIES THEY HAVE NOT SO FAR BEEN PREPARED TO GRANT US EQUAL RIGHTS. THEY WANT TO RETAIN SEATTLE AS AN AMERICAN MONOPOLY AND TO IMPOSE CONDITIONS ON THE HONG KONG AIRLINE (CATHAY PACIFIC) WHICH WOULD MAKE IT IMPOSSIBLE FOR IT TO OPERATE A COMPETITIVE SERVICE ACROSS THE PACIFIC TO THE U.S. WEST COAST. THEY ALSO CONTINUE TO INSIST ON

***** WHSR COMMENT *****

BRZEZINSKI, AARON, INDERFURTH

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PAGE 01

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TTING A SECOND U.S. AIRLINE ON THE LOS ANGELES-LONDON ROUTE IN
COMPETITION WITH OUR ONE ALTHOUGH, EVEN BY THEIR OWN STANDARDS,
THE TRAFFIC IS INSUFFICIENT TO WARRANT THIS.

I ALSO UNDERSTAND THAT THE U.S. SIDE HAVE PROPOSED AT THIS
LATE STAGE A CHARTER LINKAGE ARTICLE WHICH, IF WE WERE TO
ACCEPT IT, WOULD PUT AT RISK THE MAIN SUBSTANCE OF THE NEW AGREEMENT.

I ASK YOU TO TAKE A CLOSE PERSONAL LOOK AT THE SITUATION
AND TO GIVE AMBASSADOR BOYD FRESH INSTRUCTIONS.

WARM REGARDS
JIM

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PAGE 02

OF 02

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

5

MEMORANDUM TO: THE PRESIDENT

FROM:

Jack Watson
Jane Frank

Jack

June 17, 1977

RE:

Proposed Agenda for the Cabinet Meeting, Monday, June 20, 1977

1. Summary of the Vice President's trip to California;
2. Current status of energy legislation;
3. Comments on Senate vote on withdrawal of U.S. ground troops from South Korea;
4. Reports from Cabinet members.

CC: The Vice President

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for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

June 20, 1977

Z. Brzezinski -

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

Rick Hutcheson

Re: Dept. of State International
Narcotics Control Program

Jimmy

3619
info
J

Department of State International Narcotics Control Program

THE PROGRAM HAS SEEN.

To encourage international drug control cooperation and to assist foreign governments and international organizations to strengthen their narcotic control capabilities, the Department of State has provided \$150 million in grant assistance over the past six years. Our bilateral programs have concentrated on enhancing narcotics enforcement capabilities and eradication of opium crops and developing ways to substitute the income of opium and coca cultivators.

The bulk of our resources are targeted against heroin, with Mexico as our current top priority.

For FY 1977 and 1978 our program activities are allocated by function as follows (in \$ millions);

	<u>FY 77</u> <u>Estimated</u>	<u>FY 78</u> <u>Proposed</u>
Narcotics Enforcement and Control	27.5	25.8
Crop Replacement	3.3	4.8
International Organizations (United Nations Fund for Drug Abuse Control)	4.1	6.1
Demand Reduction	.9	1.0
Program Development and Support	1.1	1.3
TOTAL	<u>36.9</u>	<u>39.0</u>

Geographically, our resources are allocated as follows:

	<u>FY 77</u>	<u>FY 78</u>
Latin America (of which Mexico received)	18.0 (10.9)	17.5 (10.5)
East Asia (Burma and Thailand)	6.4	5.7
Near East and South Asia (Pakistan, Afghanistan)	1.5	2.6

In addition, funds are allocated to international organizations and inter-regional programs:

<u>International Organizations</u>	<u>FY 77</u>	<u>FY 78</u>
Colombo Plan	0.1	0.1
U.N. Fund for Drug Abuse Control	4.0	6.0
TOTAL	<u>4.1</u>	<u>6.1</u>
<u>Inter-Regional Programs</u>		
Treatment & Rehabilitation	0.6	.8
Training (through DEA & Customs)	5.2	5.0
TOTAL	<u>5.8</u>	<u>5.8</u>
Program Support & Development (travel, overseas personnel, consultants)	<u>1.1</u>	<u>1.3</u>
PROGRAM TOTAL	<u>36.9</u>	<u>39.0</u>

THE WHITE HOUSE
WASHINGTON

June 20, 1977

The Attorney General

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

Rick Hutcheson

Re: Committee to Study the
Anti-trust Laws

cc: Bob Lipshutz

JOHN IZARD
ATLANTA, GEORGIA

To 6 Bell.
I agree.
Proceed.
J.C.

THE PRESIDENT HAS SEEN.

May 27, 1977

Dear Judge Bell,

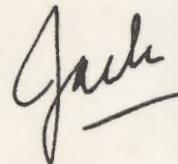
As requested, I have given some thought to the creation of a new Attorney General's Committee to study the antitrust laws and their enforcement. I believe that such a study is badly needed and should produce worthwhile results.

Attached is some background on the 1953 committee; a discussion of intervening events; excerpts from suggestions that have been made by members of the Antitrust Section; and a recommendation concerning the structure of a new committee.

I would be happy to discuss this subject at your convenience. Just let me know if you want any additional information.

Best regards.

Sincerely,



The Hon. Griffin B. Bell
Attorney General of the United States
Department of Justice
Washington, D. C. 20530

JI/cd

cc: Messrs. Michael Egan
John H. Shenefield

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A COMMITTEE TO STUDY THE ANTITRUST LAWS

Attorney General's 1954 National Committee to
Study the Antitrust Laws

The committee was announced by the Attorney General on June 26, 1953.

President Eisenhower made a statement indicating a hope that the study would point the way toward improvement of the free enterprise system.

Co-Chairmen - Assistant Attorney General in charge of Antitrust Division (Stanley N. Barnes) and Law Professor (S. Chesterfield Oppenheim)

Two months were spent putting together a list of members. The list was reviewed with the President. Members included the Secretary of Commerce, Chairman, Federal Trade Commission, Administrator of Small Business Administration, lawyers, law professors and economists (61 in all).

The committee appointed an Executive Secretary (Robert Bicks).

Fourteen additional persons were designated as conferees. Lawyers from the Antitrust Division and Federal Trade Commission also participated in their specialized area.

The committee's report was completed March 31, 1955.

Subsequent Publications

Antitrust Developments 1955 - 1968 was prepared by the Antitrust Section of the American Bar Association "to report in as objective manner as possible the developments in legislation and in case law in the antitrust field since publication of the Report of the Attorney General's National Committee . . .". Foreward, p. 1.

A successor volume, Antitrust Law Developments, published by the Antitrust Section in 1975 departed from the format of the Report of the Attorney General's National Committee and presented the material in a more logical arrangement. Moreover, it included a number of subjects not covered by the National Committee's report. The volume is kept current by pocket parts and in my judgment represents as accurate an exposition of existing antitrust law as can be developed.

The Javits Bill

In 1973, as in several previous years, Sen. Javits introduced legislation proposing a commission to study the antitrust laws. The commission would consist of four members from the Executive Branch, four senators, four congressmen and six members from private life.

The reasoning behind the commission was described in the 1973 Committee report accompanying the Javits bill as follows:

"Introducing the bill this year, Senator Javits gave three primary reasons he believes the Commission should be established. First, the market structure and nature of the U. S. economy has changed radically since the adoption of the Sherman Act in 1890, and it is necessary therefore to assess whether the antitrust statutes are adequate to meet the needs of a modern economy. Second, the general language of existing antitrust statutes has provided little guidance in predicting results, making business decisions and deciding cases, and has led to confusing and conflicting results.

Third, this situation has made it necessary for the judiciary, which has disclaimed any significant expertise in economic matters, rather than the Congress, to create the rules by which the general principles are effectuated."

"Senator Javits specified a number of areas in which commission attention would be profitable. These include: 1. Interaction between modern marketing techniques and the antitrust laws, including problems relating to resale price maintenance, fair trade laws, limitations on competition between distributors and franchising; 2. Justice Department -- FTC overlap in enforcing the antitrust laws, as well as the relationship between private antitrust actions and government enforcement; 3. The effectiveness of the Robinson-Patman Act; 4. The effect of the antitrust laws on U. S. trade position and on the competitive posture of U. S. firms." Committee Report, pages 4 and 5.

The Javits bill was never adopted. I understand, however, that Sen. Javits has just introduced similar legislation.

Antitrust Section of the American Bar Association

The Antitrust Section undertook a study of the Javits bill. Based on its recommendations, the ABA adopted the following resolution:

"BE IT RESOLVED, that the American Bar Association, without specifically supporting any particular legislation, approves in principle a study of the antitrust and other laws of the United States which have a significant competitive impact, by a broad-based commission of Senators, Congressmen, Government officials, and private persons."

During the study the Antitrust Section solicited comments from members of its Council and from committee chairmen. The responses included a number of thoughtful suggestions. Excerpts follow:

"The desirability of a comprehensive re-evaluation of legislation dealing with competition and its effects (particularly in the areas of foreign trade, regulated industries and private litigation as an economic

regulatory device) seems to me to be clear."

(Richard W. Pogue, Jones, Day, Cockley & Reavis,
Cleveland).

"As to the need [for a commission], it seems to me we are in a period of great and rapid social change in which faith in competition and reliance upon a free marketplace is rapidly disappearing. Solutions are increasingly being sought through governmental intervention and broader regulation of business activity to the point where we seem to be approaching a landscape of oases of free markets in a vast plain of more or less regulated industry.

Safety, environmental concerns and consumer protection are frequently invoked to impose new constraints on the market place. These new controls more often than not impose additional economic burdens on producers and consumers alike. In certain instances, these additional burdens have had serious effects on

the competitiveness of individual -- particularly
small -- businesses.

* * *

"Furthermore, it appears that the principles
of competition are not so much being evolved in the
public interest by policy makers in the Justice Department
as they are being formulated by the vagaries of treble
damage actions brought by private parties concerned
with their self-interest."

* * *

Similarly, the thesis that firms in "concentrated"
industry necessarily act like monopolists has never
been part of the common doctrine of theoretical economics.
Empirical research remains inconclusive and, if anything,
points to the likelihood that industry structure is
an irrelevant criterion of probable firm behavior."
(Robert A. Nitschke, General Motors Corporation).

"It would seem to me that the most important function of the proposed Commission would be to examine the validity of the economic theories relied upon by courts and agencies to prove certain business conduct to be uncompetitive and socially undesirable. For example, merger law as developed by the courts rests on Chamberlain's Theory of Monopolistic Competition. However, Congress never considered the reliability of this concept in predicting whether markets with few producers are economically undesirable. On the other hand, if the courts had applied Clark's Theory of Workable Competition, they might have come out with a different result. It seems that significant economic decisions ought not rest on unproven speculations of the theorists." (Arthur Medow, Sears, Roebuck and Co.).

"What was good for America in the 1890's may not be desirable in the changing world of tomorrow. I don't know. I regard antitrust as part of our unwritten

Constitution, the economic counterpart of the Bill of Rights, and thus like our personal freedoms, embodying eternal verities. Nevertheless, we should keep our minds open and test our policies against changing and emerging needs. Among the items the proponents of the new Antitrust Review and Revision Commission would have studied are:

1. What the proper objectives of the antitrust laws should be.
2. The proper use of per se rules and the relevance of economic evidence.
3. The proper relationship between antitrust and the jurisdiction of the various regulatory agencies.
4. The effect of antitrust on American foreign trade.
5. How antitrust considerations should be balanced with other national priorities in particular areas of national dimension.

A Commission should include lawyers from the Antitrust Division and the Federal Trade Commission; lawyers from the private bar, both plaintiff's and defendant's side; law professors; and economists. I would suggest 15 - 20 members in all.

Provision should be made for a full-time, competent staff. A director, two assistant directors and appropriate clerical support would probably be in order. If it chose, the Commission could also utilize consultants.

The Commission should be able to complete its report within six months.


John Izard

May 26, 1977

THE WHITE HOUSE
WASHINGTON

June 20, 1977

Bob Lipshutz -
Frank Moore

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

Rick Hutcheson

cc: Tim Kraft (page 5)

Re: Weekly Legislative Report

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THE PRESIDENT HAS SEEN.
THE WHITE HOUSE
WASHINGTON

To Frank
J

ADMINISTRATIVELY CONFIDENTIAL

June 18, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

FRANK MOORE

SUBJECT: Weekly Legislative Report

1. ENERGY

Ways & Means: The Committee will wrap up remaining provisions not yet covered beginning Monday -- including the rebate of the crude oil tax and intangible drilling costs -- and hopes to begin the second round of binding votes on each provision, perhaps beginning late next week. Markup is scheduled to conclude before the July 4 recess. Probably the main point of difficulty in final voting is with the crude oil equalization tax. The Administration proposal, as modified by Corman, passed by a margin of 21-16. Two New England Members (Burke, D-Mass. and Cotter, D-Conn.) voted for the tax, but their support was predicated on adoption of the New England home heating oil rebate, which was subsequently stricken. In addition, Rep. Holland (D-SC) also supported the crude oil equalization tax, but narrowly lost his amendment (17-18 with one "present" and one not voting) to limit the user tax only to boiler fuel use. Should these three Members shift their votes on the crude oil tax, the 21-16 tally for the Administration would be reversed to a 18-19 loss.

-- Another possible problem in final voting is the gas guzzler tax. Rep. Brodhead (D-Mich.) has been developing opposition to the proposal on grounds that (aside from being detrimental to the domestic auto industry) the mileage standards/fleet averages already established by law will accomplish the same end.

Energy & Power: The Subcommittee began markup on coal conversion last Friday, but did nothing substantive in the session. Markup will continue on Tuesday. Members have expressed concern about air standards, transportation to remote areas, availability of increased production, and capital costs.

Energy Department: Conferees probably will not meet until after the July 4 recess.

2. APPROPRIATIONS

Agriculture: The bill has been rescheduled for House floor action next Monday. Senate Subcommittee markup of the bill was completed last Thursday with full Committee action scheduled for next Wednesday. OMB reports the Senate bill is officially \$113 million under the House bill, but when special fund transfers are netted out, the bill is actually about \$220 million over the House bill and about \$650 million over the request. The Senate bill also increased Farmers Home Administration loan levels by \$320 million over

ADMINISTRATIVELY CONFIDENTIAL

the House bill which provides a \$1.6 Billion increase in these loans. These loan levels are of concern to OMB.

--The following amendments may be offered on the House floor: 1) a Michel (R-Ill) amendment to prohibit the use of any funds for government payments to sugar processors (USDA has proposed a sugar subsidy plan which will provide a maximum 2¢ per pound payment when sugar prices fall below 13.5¢ per pound.) USDA will be working in opposition to this amendment. 2) an AuCoin (D-Ore) amendment to add \$12.5 million to create 500 new positions at the Farmers Home Administration; 3) a Wirth (D-Col) and Johnson (R-Col) amendment to prohibit the use of funds for salaries and expenses of officers or employees involved with loans, price supports, sales or other programs for tobacco or its products; 4) an amendment to add \$1 million in first-time funding for research on rural housing programs; 5) an amendment to add \$5 million for low-income loan counseling services; 6) an amendment to bar the use of FDA funds to promulgate or enforce a prohibition against the distribution of saccharin in interstate commerce; 7) an amendment to place a \$20,000 limit on payments to sugar processors; 8) an amendment may be offered to strike the provision requiring that 7% of the funds approved for the Food Stamp program be placed in reserve, to be used only when necessary.

Military Construction: The House has rescheduled floor action for next Tuesday. According to OMB, the Administration supports the bill. No amendments have been noticed. Senate full Committee action is scheduled next Wednesday. The Senate bill as reported by subcommittee is \$115 million over the budget request, and is expected to remain at about this level.

Foreign Operations: The bill is scheduled for House floor action next Wednesday. The bill provides \$7.05 BILLION in new budget authority. The total is \$552.5 million below the Administration request, primarily because of a reduction of \$493 million for international financial institutions. State, AID and Treasury expect the bill to be used as a vehicle for Members to get on record on the same issues the Senate debated last week. Of particular concern are weakening amendments by Rep. Young (R-Fla) which would: 1) bar direct or indirect aid to Viet-Nam, Cambodia, Laos or Uganda (and, perhaps, Cuba, Mozambique, and Ethiopia); 2) reduce the prospective U.S. contribution to IDA from \$950 million to \$473 million; and 3) excise the \$100 million southern African Special Requirements Funds. Other possible amendments include: 1) a Young amendment to reduce funds for the Asian Development Bank by \$84.5 million; 2) a Young amendment to reduce funds for the World Bank and the International Finance Corporation; 3) a Roybal (D-Cal) amendment to delete funding for military training assistance for Argentina; 4) a Harkin amendment to reduce military assistance to South Korea by \$45 million, unless the President certified that South Korea is making substantial progress in the human rights area; 5) an amendment to restore Nicaraguan eligibility for security assistance; 6) a Miller (R-Ohio) amendment to reduce the total foreign assistance appropriations.

--Our strategy will be to support the Committee bill and oppose all amendments. State reports that we may have to offer substitute language on Viet-Nam and some assurances that we will hold up aid to Argentina unless their human rights performance improves. State believes your approaches to Chairman Mahon and other House leaders have been extremely helpful, and Andy Young's meetings with House Members last week have won votes for the Africa program. White House congressional liaison staff will be working with the House leadership to support the Committee bill.

Defense: The House has scheduled full Committee mark-up on the bill for next Tuesday with floor action beginning Friday or Monday. As reported by the House subcommittee two weeks ago, the bill is \$2.7 BILLION under the request. If a decision is reached on the B-1 prior to floor or full committee action, any money changes possibly could be included in this bill.

Transportation: Senate floor action is anticipated on the bill on Tuesday or Wednesday. As reported by the Appropriations Committee last Tuesday, the bill is \$6 million below the Administration's request, but \$373 million above the House figure. The Senate committee restored \$276 million deleted by the House for two Coast Guard programs.

State/Justice/Commerce/Judiciary: Senator Hollings' subcommittee reported the bill on Thursday, adding \$95 million to the House-passed bill. Major increases included \$45 million for unrequested EDA funding and \$94 million for restoration of LEAA cuts. The bill includes an amendment offered by Rep. John Myers on the House floor to prevent the use of Justice monies in the bill (e.g. Immigration and Naturalization Service) to administer the amnesty program. We nearly succeeded in getting the amendment deleted in Committee through the good offices of Senator Leahy, but the Committee felt the matter should be dealt with on the Senate floor.

Treasury/Postal Service: The Senate bill is \$118 million below the Administration request and restores requested funds for six Executive Office accounts which had been denied by the House in points of order lodged because the items lack authorizing legislation. OMB recommends support of the bill.

3. FOREIGN POLICY ISSUES

-- State reports the following:

-- The Senate devoted its attention almost exclusively to foreign policy last week -- the first time during the Carter Administration that the full Senate has addressed foreign policy issues. It passed authorization for International Financial Institutions, bilateral assistance, security assistance and the Department of State. The only outright defeat was a 56 to 32 vote on Dole's amendment forbidding IFI aid to Viet-Nam (State expects the Dole amendment can be stricken in conference, however). Otherwise we managed, using acceptable substitute amendments, to neutralize all efforts to repudiate the Administration's policy towards Viet-Nam, Cuba, Korea, etc., at the same time keeping the basic structure of the legislation intact. As the Korea debate demonstrated, however, the Senate was not prepared to affirm the Administration's initiatives in these highly charged areas, either. The Senate will not only have to be educated but also be a full participant in developing these policy initiatives if it is to affirm them in the future. Just as in the case of domestic innovations (energy, welfare reform, tax reform), Congress has to be in on the takeoff if we expect them to help with the landing. Incidentally, Senator Byrd saved us from major repudiations during the State Department Authorization debate last Thursday and should be thanked.

4. AGENCY FOR CONSUMER PROTECTION

-- Senator Byrd's opposition to Senate consideration of the ACP bill prior to House action remains resolute. Esther Peterson met with Byrd Thursday and "found very little flexibility in his position." Nevertheless, Mrs. Peterson feels that she is close to having the requisite 60 votes needed to break a filibuster. (Her count shows 57 in favor of cloture.) Mrs. Peterson plans to keep working to get 60 cloture votes and then use that as an incentive for the Majority Leader to reconsider his position. Meanwhile, the pro-ACP lobbying activity will shift once again to the House. Mrs. Peterson feels some positive signs have appeared and that we still have a chance. Her vote counts shows 80 Members in the "flexible" category, of which we need approximately 55. Of the 80, 32 are new Members and another 32 voted for the agency last year. In order to win in the House, some compromises will have to be made; Mrs. Peterson and her staff are beginning to look at possible modifications now. An option memo to you should be forthcoming soon.

5. OMNIBUS RIVERS AND HARBORS BILL

-- The bill is likely to reach the Senate floor on Tuesday. Senator Domenici has been

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rounding up co-sponsors for his amendment authorizing the construction of a new Lock and Dam 26 and imposing waterway user fees. In a move designed to gain environmentalist support, the amendment also provides for a study of river use on the upper Mississippi.

--OMB and DOT are in agreement that we will support the Domenici Amendment in the Senate, in order to get user fees, but continue to work for the 18-month rehabilitation study of the lock and dam in the House, in conference, and in the appropriations process.

--Senators Stevenson and Long are leading the opposition to user fees and will have an amendment authorizing a new lock and dam without the fees. We have reiterated your threat to veto a bill containing such an amendment.

--Senators Humphrey and Anderson are key to our efforts. Senator Anderson is now supporting the Domenici Amendment, but Senator Humphrey is leaning toward Stevenson. Senators Culver and Clark have come out for Domenici.

--On Monday and Tuesday, we will be contacting all Senators expressing the Administration's preference for the Domenici approach. The count is now very close with over a third of the Senate uncommitted on the issue. The matter will be debated extensively, and may well hold up Senate consideration of numerous appropriations measures this week.

--S. 1529 also contains \$100 million for flood control on the Try Fork River in West Virginia. Consequently, Senator Byrd probably is taking more than a passing interest in the Lock and Dam 26 controversy and your threat to veto a lock and dam bill without user fees. The bill would also require the U.S. to pick up cost overruns on the \$1.5 BILLION Susitna Dam project which is being financed by the State of Alaska. Moreover, S. 1529 lifts authorization caps on a number of public works projects now underway, a step which paves the way for future supplemental appropriations requests. *may need veto*

6. MINE ENFORCEMENT & SAFETY ACT-S. 717

--This comprehensive measure is aimed at toughening mine health and safety standards and enforcement procedures, extending coverage of the 1969 Coal Mine Health and Safety Act to metal and non-metal mining as well as the coal industry, and shifting enforcement responsibility from the Interior Department to the Labor Department. The Administration generally favors the bill's substantial revisions of existing procedures for setting standards and imposing penalties. The two labor unions most directly affected--the UMW and the Steelworkers--strongly favor the measure while most segments of the mining industry are opposed.

--The Labor Department's preliminary headcount indicates 51 Senators for, 14 against and 35 undecided/unknown. We know of more than 60 amendments which have been prepared, but expect only a fraction of that number will be offered.

7. THE BREEDER

--The Senate Public Works Appropriations Subcommittee has reached no final decision on FY 78 funds for the Clinch River Breeder Reactor due in large part to efforts by the President, White House CL and Dr. Schlesinger. We have encouraged Senator Stennis to resist funding 1) to avoid adding another item which could make the FY 78 ERDA-Public Works Appropriations Bill unacceptable and 2) on the grounds that the real fight will come on the FY 78 ERDA authorization bill awaiting mark-up by the Energy and Natural Resources Committee.

--Probably realizing that the Administration had the votes (6) to beat the breeder in the 10-person Energy Research and Development Subcommittee, breeder supporters avoided

subcommittee action in favor of full committee consideration next week. The breeder has substantial support in the full committee and the Senate. ERDA's efforts in opposition to the breeder do not appear to be very effective or enthusiastic. *Let me know why*

--In any event, White House CL will continue its work and believe Dr. Schlesinger should be encouraged to do likewise since his efforts will probably be pivotal. The Energy and Natural Resources Committee, not the Appropriations Committee, is where the breeder fight will be won or lost because, once authorized, the breeder can be funded in supplemental appropriation bills.

--The House Science and Technology Committee has voted to retain the breeder, but the bill is not expected to reach the House floor before the week of June 27.

8. AVIATION DEREGULATION

--The Senate Aviation Subcommittee issued a rewritten deregulation bill on Monday. The Committee hopes to mark the bill up by the end of this week. However, it is likely that this schedule will be delayed, since several Senators have requested additional time to study the bill. We have meetings scheduled with all members of the Commerce Committee to express the Administration's support for the bill, as rewritten.

9. THE TUCKER NOMINATION-FBI REPORTS

--A problem with potentially serious consequences is developing in the context of Don Tucker's nomination to the CAB. Senator Cannon has requested access to Mr. Tucker's FBI report, pledging not to consider the nomination until he sees the report. Bob Lipshutz has serious reservations, in general, about disclosing this sensitive and personal information to Hill committees, although in Tucker's case, Bob believes the FBI report would lay to rest many unfounded allegations against Tucker. We have urged Bob to develop a policy in this area, since we expect similar Hill requests in the future.

Bob see me

10. HATCH ACT

--We arranged a meeting with Stu and Senator Ribicoff to discuss scheduling Hatch Act hearings in the Senate. Ribicoff does not personally favor the Amendments, but will not hold up the legislation in Committee. He has suggested that Senator Sasser, the Subcommittee Chairman, chair the hearings, possibly in late July, and manage the bill.

11. PUBLIC FINANCING-FECA AMENDMENTS

--Common Cause and Senate sponsors are spearheading a move to have the Congressional public financing bill scheduled in the Senate. At this time, they count 55 Senators for cloture. We have agreed to help, after we inform Senator Byrd on Tuesday that we will be seeking cloture votes on this bill. Senator Cannon's committee reported the bill last week after combining the FECA amendments and public financing provisions into one package.

Push this

12. YOUTH EMPLOYMENT

-- House-Senate conferees reached an agreement last week on the bill, and the conference report is expected to go to both Houses for approval in about a week. All parties are very happy. This may be a good signing ceremony prospect to include some kids.

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FLOOR ACTIVITIES FOR THE WEEK OF JUNE 20

HOUSE

- Monday --Three Bills Are On The Unanimous Consent Calendar
- 1) H.R. 2931, Federal Employee Health Benefits
 - 2) H.R. 1678, Naming VA Hospital for Hanes Haley in Tampa, Florida.
 - 3) H.R. 7643, Naming VA Hospital for Edith Rogers in Bedford, Mass.
- H.R. 7558, Agriculture and Related Agencies Appropriations. To be managed by Rep. Whitten (D-Miss), Chairman of the Appropriations Agriculture Subcommittee.
- Tuesday --H.R. 7589, Military Construction Appropriations. To be managed by Rep. McKay (D-Utah), Chairman of the Appropriations Military Construction Subcommittee.
- H.R. 6666, Legal Services Corporation Amendments. The House will complete consideration. To be managed by Rep. Kastenmeier (D-Wisc), Chairman of the Judiciary Subcommittee on Courts, Civil Liberties and the Administration of Justice.
- Bill Summary: According to OMB, the Administration supports the bill's substantive amendments, except for Section 10. Section 10 would require administrative law judges as hearing examiners to hear appeals concerning grantee funding. The Corporation believes that its current procedures accord due process to grantees and the alternative in Section 10 would hamper program management. The following amendments may be offered:
- 1) Kindness (R-Ohio) amendment to require that OMB approve the Corporation's budget request before it is submitted to Congress.
 - 2) Kindness (R-Ohio) amendment to extend the Legal Services Corporation only through FY 1978 and authorize \$125 million.
 - 3) Crane (R-Ill) amendment to require legal service programs to pay attorney fees in all cases where they file suit and lose.
 - 4) Fenwick (R-NJ) amendment to make it mandatory that attorney fees be awarded to a defendant in a case where a Corporation-funded program has brought suit with malicious intent or for the purpose of harassment.
 - 5) Wylie (R-Ohio) amendment to prohibit legal service attorneys from representing cases involving school desegregation.
 - 6) Butler (R-Va) amendment to delete the provision requiring an independent hearing examiner in cases involving the termination of funding or the refusal to refund a local legal services program.
 - 7) Biaggi (D-NY) amendment to insure recipient programs give high-priority consideration to outreach, training, and support services for client groups with special legal problems and poor access to legal services.
 - 8) McClory (R-Ill) amendment to require that the rights of an individual eligible client must be at stake before a Corporation-funded program may engage in legislative or administrative representation.
- Wednesday --H.R. 7797, Foreign Assistance and Related Programs Appropriations. To be managed by Rep. Long (D-MD), Chairman of the Appropriations Subcommittee on Foreign Operations.
- Thursday --H.R. 5023, Indian Claims Filing Extension. To be managed by Rep. Danielson (D-Calif), Chairman of the Judiciary Administrative Law & Governmental Relations Subcommittee.

Why?
Bill Summary: The House rejected this bill under suspension of the rules on June 6 by a vote of 162 to 128. The bill extends to December 31, 1981 (4 1/2 years) the statute of limitations under which the Federal Government, as trustee for the Indians, may file suit for monetary damages which occurred prior to July 18, 1966. The statute is presently due to expire July 18, 1977. The Senate passed an identical bill. According to Interior, the Administration strongly supports the extension, and would be opposed to any amendments shortening it from the currently proposed 4 1/2 years (Rep. Cohen, R-Maine, is expected to offer such an amendment).

- H.R. 7010, Victims of Crime Act of 1977. The House will complete consideration of the bill. To be managed by Rep. Mann (D-SC), Chairman of the Judiciary Subcommittee on Criminal Justice.

*?
see me*
Bill Summary: The bill provides federal compensation to victims of violent crimes to cover medical bills, loss of wages, and other expenses. According to OMB, the Administration would support enactment of the bill if the maximum compensation for each claim is reduced to \$420,000 and the federal share of compensation to state crime victims does not exceed 25% of the total of each such claim. Amendments to change the compensation formula and to incorporate the program into LEAA may be offered.

- Friday -- H.R. ?, Defense Department Appropriations. To be managed by Rep. Mahon.

The House leadership also has noticed six other bills which may be added to the schedule at any point during the week, time permitting. They are: The Federal Insecticide, Rodenticide and Fungicide Act, ERDA National Security Authorization (does not include breeder), Office of Rail Public Counsel Authorization, Earthquake Hazard Reduction, National Climate Program Act, and Requiring Con Rail to Make Premium Payments Under Certain Medical and Life Insurance Plans. The Coast Guard Authorization Conference Report may also be brought up for floor consideration next week.

Senate

-- The Senate will take up the Mining Enforcement and Safety Act Amendments on Monday with final passage of the bill ordered by 8 PM Tuesday. Subsequently, the Senate will dispose of the Omnibus Rivers and Harbors bill and the fight on Lock and Dam 26 could drag out consideration of the measure.

-- Whenever possible during the week, the leadership will bring up at least four appropriations bills: Transportation, Treasury/Postal Service, HUD/Space/Independent Agencies, State/Justice/Commerce/Judiciary, and possibly Labor/HEW.

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THE WHITE HOUSE
WASHINGTON

Cabinet
6-20-77

- > Cy. Ros trip notes
 Jackson - Vanik
- > Fritz. M.I.E speech
- > Breeden - frs, Thayer circ.
 Foreign aid
 Regional appointments
- Thurs 23rd NY Democracy
- > Labor elections - steel/coal
- > Carney EDA probes → keeps
 Legis reports - law?

Beef quotas

Personnel quotas

US-UK Air agreement

Passive restraints

Airline dereg

Cargo Preference

3 Korea troop withdrawal

THE WHITE HOUSE
WASHINGTON

Washington not real world

AMA - anti-Carter admin.

Labor/HEW \$18 B > budget

to Abortion/Busing amends.

Too much cancer money

CTB - Warnke - 7/13 Grenada

Indian Ocean - Moscow

Belgrade -

Germany - no respoc. in future

France visit

Canada - salmon

Grenada - terrorism vs Hum Rts

bureaucracy of OAS

OECD - slow growth - unemp^d

Non prol.f } Global Δ
Human Rts }

Mid East

Intelligence reorg

THE WHITE HOUSE
WASHINGTON

Chemical warfare

Ros trip

See council mtg - Rh/Plz
Namibia/Angola wants
settlement
us/Soviet UN - good rels

ILO - mixed

Canada - US anti-trust
KCIA investigation

"NOW acts"
Interest on deposit acct
Reg Q extension for 2 yrs
Tax reform mths

Ag bill
SE drought

Mayor's conference - good

Energy. Util. Hrs - Coal Controversy

L Amer trip - Trade

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo w/ attach.	From Eizenstat to The President (4 pp.) re: Bi- lateral Air Negotiations / enclosed in Hutche- son to Eizenstat et al 6/20/77 <i>opened 1/29/13</i>	6/17/77	A
memo	From Brown to The President (2 pp.) re: activities of the Sec. of Def., week of June 11-17 / enclosed in Hutcheson to Mondale et al 6/20/77 <i>Ogund 11/18/74</i>	6/20/77	A
memo w/ attach.	From Brzezinski, Eizenstat to The President (9 pp.) re: Bilateral Air Negotiations	6/20/77	A

FILE LOCATION

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- (B) Closed by statute or by the agency which originated the document.
- (C) Closed in accordance with restrictions contained in the donor's deed of gift.