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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Telex	To Phil Wise for Pres. Carter 1 pg., re: Israel <i>ODENCO 8/13/93</i>	4/9/78	A
Memo	H. Jordan to Pres. Carter, 16 pp., re: Member of Council on Environmental Quality	4/10/78	C

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of Staff Sec.-Presidential
Handwriting File 4/10/78 [2] Box 79

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~~SECRET~~

THE PRESIDENT HAS BEEN

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FM THE SITUATION ROOM

TO CAMP DAVID

ZEM

SECRET WH80496

DELIVER IMMEDIATELY TO PHIL WISE FOR THE PRESIDENT.

AT 13:50 EDT THIS AFTERNOON, TEN TERRORISTS LANDED ON THE ISRAELI COAST APPROXIMATELY 8 MILES SOUTH OF TEL AVIV, COMMANDEERED A TRUCK OR BUS, AND ARE HEADING TOWARD THE TOWN OF A SHKELON (APPROXIMATELY 41 MILES SSW OF TEL AVIV). THE DRIVER OF THE VEHICLE WAS KILLED. THEIR IS NO OTHER INFORMATION AVAILABLE ON CASUALTIES, THE NUMBER OF PERSONS ABOARD THE VEHICLE OR THE TERRORISTS INTENTIONS.

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E.O. 12356, Sec. 34
PER 2443 NCR HYRE MR-114-92-20
BY NARS, DATE 7/20/93

~~SECRET~~

THE PRESIDENT'S SCHEDULE

Sunday - April 9, 1978

CAMP DAVID

7:50 Depart South Grounds via Motorcade en route
The Kennedy Center.

8:00 International Children's Concert. (Business Suit).

THE PRESIDENT HAS SEEN

THE WHITE HOUSE
WASHINGTON

①

MEETING WITH REPS. HARKIN, BROWN (CALIF.), WIRTH,
OTTINGER, WALGREN, BEILENSON, DOWNEY, GLICKMAN,
BLANCHARD, AMBRO, AND FISH
Monday, April 10, 1978
2:00 p.m. (15 minutes)
The Cabinet Room

From: Frank Moore

I. PURPOSE

To discuss the Administration's plans regarding solar energy and encourage them to vote with us on Rep. Walter Flowers' compromise that will terminate the Clinch River Breeder Reactor.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: Rep. Harkin and the other Members in attendance represent the liberal members of the Science and Technology Committee who supported our move to end the Clinch River Breeder Reactor last year.

These Members have expressed reservations about our discussions with Rep. Flowers and Chairman Teague on a negotiated resolution of the Clinch River Breeder Reactor issue. They have also criticized the Administration for what they view as inadequate funding in the FY 1979 budget for solar and renewable energy sources.

They will present you with a letter on Monday (advance copy attached) which links their willingness to support a compromise on the CRBR with additional Administration support for solar and renewable energy resources. It is critical to us

to have their support within the House Science and Technology Committee if we are to succeed in negotiations on the CRBR.

You will recall that on the CRBR, we proposed to the Committee that, in return for termination of licensing and construction activities on the CRBR, we will agree to the following:

- A Presidential statement on nuclear power which affirms our belief that light water reactors can and should be relied upon as a domestic power source.
- Administration support for an intensified design study for a larger (650-900 MWe) breeder reactor which explores alternative fuel cycles (such as thorium) and which evaluates particular breeder designs. This study would be conducted over 30 months and would culminate in a report to the Congress on results of that study.
- This proposal would not involve commitment to build a commercial prototype breeder.

The participants at this meeting fear that this reorientation of the breeder program could lead to a commitment to build a breeder prototype on much the same timetable as the original CRBR schedule. In addition, they have expressed the belief that no compromise is necessary to secure the termination of the CRBR since a veto is always possible, and is likely to be sustainable. (We disagree with this assessment, and even if the CRBR could be stopped, the battle would be long and the political price high.)

We believe that a statement of our policy on solar energy, coupled with a clarification of what we are proposing with respect to the breeder and nuclear policy generally will keep these Members with us. They will, however, press hard for your support for substantial add-ons to the FY 1979

budget for solar and renewables. Their Committee has added about \$138 million in new budget authority above your budget request. DOE is considering recommending to you some additional funding in the solar/renewables area, but it would be premature to commit to anything beyond a willingness to give the DOE recommendations careful consideration.

- B. Participants: The President; Reps. Tom Harkin, George Brown, Tim Wirth, Dick Ottinger, Doug Walgren, Tony Beilenson, Tom Downey, Dan Glickman, Jim Blanchard, Jerry Ambro, and Hamilton Fish; Secretary Jim Schlesinger; Frank Moore; Jim Free; Kitty Schirmer; and Roger Colloff.
- C. Press Plan: White House photographer only.

III. TALKING POINTS

- 1. Appreciate this opportunity to meet with you and to thank you for your support on the CRBR. Your efforts have made possible development of a nuclear R&D policy which preserves reasonable energy options, but avoids a costly, unnecessary, and premature commitment to commercialization of a technology which poses serious non-proliferation risks. Your continuing support is essential if we are to succeed in this effort.
- 2. Share your commitment to development of an equally sound program for solar and renewable resource development. As stated in the National Energy Plan, these are the resources upon which we must increasingly rely. Our FY 1979 budget provides \$466 million for solar (breakdown follows) energy:

	<u>FY 1978</u>	<u>FY 1979</u>
DOE R&D on solar and related	394	377
Solar tax credit (revenue loss)	<u>-0-</u>	<u>89</u>
	394	466

(Criticism of a supposed reduction in the 1979 DOE solar budget, relative to the '78 budget, has generally not taken the tax credits into account.) The tax credits for solar--designed to stimulate use of those technologies which are available now--is critical to moving solar energy ahead on a rapid timetable. (Over the 7-year life of these credits, Federal revenue costs (tax expenditures) are estimated to exceed \$1 billion.)

3. The DOE is now getting organized to deal with solar energy in a comprehensive manner, including establishment of a Solar Policy Review Committee to coordinate the activities of all the concerned offices in the Department. This is a program which has historically lacked focus, but I have no question about Jim Schlesinger's or my commitment to ensure that this is no longer a stepchild in the Department's R&D program.
4. Jim Schlesinger and Charles Warren of the Council on Environmental Quality have developed a proposal, which I expect to review soon, for a Domestic Policy Review to coordinate and strengthen solar-related activities throughout the Federal government.
5. The Department of Energy is also considering a 1978 supply initiative and a number of solar proposals are, I understand, included in that study. I will give these recommendations very careful scrutiny. (Note: a list of possible new initiatives has been provided by DOE on the attached sheet.) I have also asked that the legislative proposals introduced by the members of the Congressional Solar Coalition be analyzed by DOE, working with my own staff.
6. I also expect to receive soon recommendations for my own participation in Sun Day on May 3.
7. Finally, I want to clarify my own position on the discussions which have been taking place on the CRBR and our breeder program.
 - In no way has my commitment to avoid premature commercialization of breeder technology changed.
 - I continue to believe that construction of a large fast breeder at the present time is unnecessary and

uneconomical given our projected energy demand and uranium availability.

- The redirection of a design study -- which is an "on-paper" study -- will, I believe provide us with sensible breeder option, if we need it, but implies no commitment to construct such a facility now or in the future.
- The examination of alternative fuel cycles, as well as alternative reactor designs, is consistent with a position which I believe we share -- we need to maintain a diversity of reasonable supply options, but we must weigh each potential source of supply in light of its costs, risks to the environment or to international stability, and the availability of alternatives to meet our energy needs.
- I believe that the proposal which has been discussed with your Committee meets this need responsibly and I ask for your commitment to support this program which gets the CRBR issue behind us and avoids the long and costly battle of confrontation over this issue.

SOLAR RELATED SUPPLY INITIATIVES

The Department of Energy is considering several solar energy initiatives as part of a larger set of energy supply initiatives. These are currently being reviewed by OMB and others within the Executive Office.

Photovoltaics - Provide an additional \$30 million in FY 1979 and subsequent years for research on new materials for solar-electric cells and advanced concentrator concepts.

Passive Solar Heating and Cooling - Provide \$5 million in FY 1979 and subsequent years for financial awards to building owners, architects, and builders for innovative, practical passive solar design concepts.

Solar Training and Education - Provide \$5 million in FY 1979 and \$3 million in FY 1980 to establish programs in labor unions, community colleges, etc., to train personnel to install and service solar heating units.

Wind (generally considered a form of solar) - Provide \$20 million in FY 1979 and appropriate funds thereafter to design, procure, and test both small farm-sized (8 to 40kw) and large utility-sized (1-3mw) wind machines.

Biomass (Wood) - Provide an additional \$10 million in FY 1979 and thereafter to develop a variety of alternative processes for converting wood directly into gasoline, other liquid fuels, and gas.

Low head Hydro (also a form of solar) - Provide an additional \$30 million in FY 1979 and appropriate funds thereafter to fund a large number of feasibility studies at existing dams (using forgivable loans) and to develop prepackaged lower cost turbo-generators.

Appropriate Technology - Provide an additional \$10 million in FY 1979 and \$27 million annually thereafter for small (less than \$50,000) grants to small business and individuals for development of innovative, small scale technologies for utilizing renewable resources or conserving conventional energy forms. The highly visible pilot program of the San Francisco Office would be expanded nationwide under this initiative.

Summary - These initiatives which are now being reviewed within the EOP total \$110 million in FY 1979, and \$725 million through FY 1984.

Most of these initiatives are in areas where the House Science and Technology Committee has proposed budget increases. HS&T additions totaled \$138 million in FY 1979. The specific programmatic initiatives differ from the HS&T proposals, however.

BACKGROUND

Rep. Tom Harkin (D-Iowa-5) -- Committees: Agriculture (16), Science and Technology (11). Percentage of support in 1977 - 84.6%. Wife, Ruth.

Rep. George Brown (D-Calif-36) -- Committees: Agriculture (7), Science and Technology (6). Percentage of support in 1977 - 90.9%. Wife, Rowena.

Rep. Tim Wirth (D-Colo-2) -- Committees: Interstate and Foreign Commerce (17), Science and Technology (17). Percentage of support in 1977 - 86.4%. Wife, Wren.

Rep. Dick Ottinger (D-NY-24) -- Committees: Interstate and Foreign Commerce (14), Science and Technology (10). Percentage of support in 1977 - 91.5%.

Rep. Doug Walgren (D-Pa-18) -- Committees: Interstate and Foreign Commerce (26), Science and Technology (20). Percentage of support in 1977 - 88.6%. Wife, Carmala.

Rep. Tony Beilenson (D-Calif-23) -- Committees: International Relations (21), Judiciary (23), Science and Technology (24). Percentage of support in 1977 - 90.2%. Wife, Delores.

Rep. Tom Downey (D-NY-2) -- Committees: Armed Services (24), Science and Technology (19), Select Committee on Aging (11). Percentage of support in 1977 - 95.5%.

Rep. Dan Glickman (D-Kan-4) -- Committees: Agriculture (28), Science and Technology (22). Percentage of support in 1977 - 71.7%. Wife, Rhoda.

Rep. Jim Blanchard (D-Mich-18) -- Committees: Banking, Finance and Urban Affairs (13), Science and Technology (16). Percentage of support in 1977 - 95.7%. Wife, Paula.

Rep. Jerry Ambro (D-NY-3) -- Committees: Public Works and Transportation (14), Science and Technology (13). Percentage of support in 1977 - 84.8%

Rep. Hamilton Fish (R-NY-25) -- Committees: Judiciary (4), Science and Technology (6), Ad Hoc Select Committee on the Outer Continental Shelf (Ranking Minority Member). Percentage of support in 1977 - 46.3%. Wife, Billy.

Congress of the United States

House of Representatives

Washington, D.C. 20515

April 7, 1978

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

Dear Mr. President:

We are writing to express our views regarding the compromise proposed by you, Chairman Flowers of the Fossil and Nuclear Research, Development and Demonstration Subcommittee and Chairman Teague of the Science and Technology Committee on the Administration's breeder reactor program.

As you know, each of us strongly supported your initial decision to defer construction of the Clinch River Breeder Reactor. Because the proposed compromise now before our committee contemplates substantial changes in the direction and schedule of the breeder program, we want to share with you two major concerns we have with this proposal.

First, we are concerned that the compromise moves us substantially ahead with the breeder program before a comparable program for developing alternative energy resources is in place.

Second, we are not convinced that the compromise is necessary to terminate the Clinch River Breeder Reactor. We are concerned that the compromise may signal a series of actions by the Administration that will result in an earlier commercialization of the breeder reactor than if we did nothing at this time, and in greater DOE reliance on nuclear as the predominant energy alternative.

While we agree that the breeder R & D program must be maintained to assure the availability of this option for the future, in order to fairly judge the necessity of breeder commercialization we need to be developing on the same timetable a comparable R & D program for alternative energy resources, such as geothermal, solar and energy conservation. If only the breeder option is developed for a commercialization program in this century, then it is likely that only the breeder option will be available when future decisions must

President Jimmy Carter

Page 2

April 7, 1978

be made. In effect, we will have no choice in the future. However, if other options, such as the solar electric option, are similarly developed to the point where they, too, can meet future energy needs, then we will be able to make an intelligent choice among several options at that time.

In order to have these alternative energy technologies available at the same time as the breeder option, we will have to substantially accelerate their R & D programs. This year for the first time the federal energy R & D budget is more than 50% non-nuclear. While we are encouraged by this we must remember that nuclear programs have been heavily supported for more than twenty years, and have substantial momentum. Thus, we believe an even greater proportion of federal energy R & D funds must be directed to non-nuclear, alternative energy resources. Because the traditional supply technologies have a longer history of federal support and because most of these technologies are now well established in the private sector, they need less federal assistance than alternative technologies.

An examination of DOE's organization and priorities reinforce our concern. It appears that solar, as one example of an alternative program, is in significant disarray within the Department, without a coherent home, and without strong advocacy. And we seem to be in a continual battle to restore solar funding, at a time when the nuclear budget has a strong and historic interest group to support it at every turn.

Further, we believe that these alternative technologies have some "catching up to do" to bring them to an equal state of development. While we may disagree about the mix of nuclear fossil and alternative technologies, we do agree about the desirability of developing true options from which our society can choose in the years to come.

Mr. President, we simply cannot afford to be in a position ten, twenty, thirty years from now where we must choose nuclear energy by necessity, and coal by default.

We are also concerned that the proposed compromise, in effect, revitalizes the LMFBR program and once again elevates it to a dominant status within DOE, and in our overall energy planning, rather than as one of a number of energy supply options we must consider.

President Jimmy Carter

Page 3

April 7, 1978

We are troubled by the possibility that a commitment to design a larger breeder reactor will be construed, both in the U.S. and abroad, as a signal of our intention to build such a facility. This, we believe, could seriously undermine your efforts at controlling nuclear proliferation throughout the world. We believe the decision to actually construct the proposed demonstration breeder reactor can only be made after the evaluations required by the proposed compromise are completed and properly considered by Congress.

Moreover, the proposed compromise appears to commit the Administration to virtually the same commercialization schedule established for the breeder program in 1972 by the Atomic Energy Commission.

Because of these concerns, we are reluctant to support the proposed compromise absent the following:

- 1) Your assurance that the proposed compromise is nothing more than your commitment to a design study, and not a commitment to construct a facility. //
- 2) Your assurance that you would not approve any further change or stronger commitment to the breeder program in legislation this year. //
- 3) Your commitment to the development of alternative energy programs, such as geothermal, solar (including dispersed solar technologies) and conservation, with a level of funding and within a time frame which parallels that of the nuclear R & D program. ?
- 4) Your assurance that the energy supply strategies (NEP II) now being formulated by DOE will include a comparable role for all forms of solar energy. //

In sum, while we support the development of alternative energy resources, we want to support all the potential alternatives. Absent your active intervention on behalf of alternatives other than nuclear, we predict that these alternatives will not gain momentum, organization and support in the future. Thus, five years down the line, when major "go-no go" decisions are to be made on alternatives the country will have only one well-developed alternative: nuclear.

President Jimmy Carter
Page 4
April 7, 1978

We look forward to meeting with you and sharing our concerns about alternative energy strategies. We want to support our future energy program, but we want it to be a program with balance.

Sincerely,

• Tom Harkin
Member of Congress

• George Brown
Member of Congress

• Timothy Wirth
Member of Congress

• Richard Ottinger
Member of Congress

• Douglas Walgren
Member of Congress

• Hamilton Fish, Jr.
Member of Congress

• Anthony Beilenson
Member of Congress

• Thomas J. Downey
Member of Congress

• Dan Glickman
Member of Congress

THE PRESIDENT'S SCHEDULE

Monday - April 10, 1978

- 7:45 Dr. Zbigniew Brzezinski - The Oval Office.
- 8:15 Mr. Frank Moore - The Oval Office.
- 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.
- 2:00 Meeting with Congressman Tom Harkin et al.
(15 min.) (Mr. Frank Moore) - The Cabinet Room.
- 2:45 Drop-By Meeting of the Executive Board of
(5 min.) The Asia Foundation. (Dr. Zbigniew Brzezinski)
The Roosevelt Room.
- 7:00 Private Dinner with Mr. and Mrs. Thomas P. O'Neill, Jr.
The Residence.

THE WHITE HOUSE
WASHINGTON

April 10, 1978

Stu Eizenstat
Charlie Schultze

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

Rick Hutcheson
RE: YOUR SPEECH BEFORE THE NATIONAL
NEWSPAPER PUBLISHERS ASSOCIATION

THE WHITE HOUSE
WASHINGTON

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

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

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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

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

THE PRESIDENT HAS SEEN.

Stu
J

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 7, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze and Stu Eizenstat *Stu*

Subject: Your Speech before the National Newspaper Publishers Association

Prior to your recent trip, you agreed to undertake a series of actions to signal your commitment to a strong anti-inflation policy and to affect directly the rate of wage and price increase. The purpose of this memo is to bring you up to date on developments since you left on your trip, been presented to you.

Energy Policy

If you decide to mention publicly your willingness to take "administrative actions" to deal with oil imports, should that prove necessary, the speech draft contains a bracketed paragraph to this effect.

You should be aware of some important pros and cons regarding this announcement:

- Pro: The speech has a focus on energy, but does not include any specific actions to resolve the impasse over energy legislation. Hand-wringing without concrete actions could make the speech appear weak. A statement that you are contemplating Administrative actions would thus strengthen the speech considerably.
- Con: There is some risk that Congressional reaction to the statement will be undesirable in one of two ways: Either (a) Congress could view that the actions contemplated are a relief, thus dooming any chance of compromise on natural gas and the tax portion of the energy bill; or (b) they could be angered and undertake to revoke your authority to invoke temporary oil import fees.

Some of your advisers feel that, in the absence of such a statement, energy should not be brought up at all in the speech. If you decide to pursue a statement on administrative actions in the speech, we both believe that you should first contact the Congressional leadership and the leading energy conferees to consult with and inform each of them. However, Stu believes that even such Congressional consultations do not warrant risking the possible undesirable results desired above.

Federal Pay Increase

On March 24, you approved restricting the Federal pay increase that will take effect on October, 1978, to about 5-1/2 percent. You also directed your advisers to consult with Federal employees' unions. Your pay agents met last Wednesday with the union Pay Council, at which time Barry Bosworth presented the arguments in support of a ceiling on the pay increase. As expected, the Pay Council opposed reduction in Federal pay increases. They were particularly concerned that restraint on Federal pay would not be met by similar actions in the private sector, however. Yesterday, the Pay Council submitted a written version of their views. They emphasized that Federal pay increases have not matched those of the private sector in recent years. In addition, comparability would ensure that their own wage increase would slow if wages of the economy did so. They doubt that effective actions will be taken elsewhere and that they will be a "symbolic sacrificial victim".

The response that they will follow others is one that we get from everyone. The problem is who will go first and a voluntary program cannot guarantee that others will do the same. The wage increases of federal workers and their counterparts in the private sector have been less than the overall average. The same is true for many other groups who have also lost out in this inflationary spiral of recent years. Comparability is measured in levels of wage rates and Federal workers did receive increases which brought them fully in line with comparable private sector wage rates in 1977. (A copy of their full comments is attached as Tab A).

On the basis of these discussions and pursuant to your earlier decisions, a statement announcing that you intend to limit the pay increase has been included in the draft speech.

Federal Budget Policy

You approved on March 24 a statement on budgetary policy that by implication suggested that you intend, if possible, to attempt to reduce the fiscal year 1979 budget deficit from the \$60 billion recommended in the budget toward the \$53 billion figure now anticipated in FY 1978. The Secretary of the Treasury still feels strongly that you should include this language in your speech.



FEDERAL EMPLOYEES PAY COUNCIL

(Established Under Public Law No. 91-656)

Mr. Kenneth T. Blaylock, American Federation of Government Employees
Mr. Vincent L. Connery, National Treasury Employees Union
Mr. Richard M. Galleher, AFL-CIO - Public Employee Department, Chm.
Mr. Joseph D. Gleason, American Federation of Government Employees
Mr. James M. Peirce, National Federation of Federal Employees

RESPONSE OF THE FEDERAL
EMPLOYEES PAY COUNCIL TO:
PROPOSALS FOR IMPOSING A
"PAY CAP" ON THE 1978 GENERAL
SCHEDULE SALARY INCREASE

APRIL 5, 1978

F E D E R A L E M P L O Y E E S P A Y C O U N C I L

The Federal Employees Pay Council strongly opposes any attempt by the President to impose an artificial limit on Federal wages in 1978 without a similar mandatory requirement of the private sector.

By considering denying Federal employees the proper comparability catchup increase through the use of a 5 to 5.5 percent "pay cap," the President seems to be placing his faith in a policy that has consistently failed to curb inflation. Any voluntary program that seeks to decelerate inflation solely by mandatorily cutting Federal pay is shortsighted and naive.

Recent history shows that limiting Federal pay in the hope that private sector wages and prices will follow suit is irresponsible. Two previous Administrations learned from bitter experience that flag-waving and jawboning are useless weapons in the battle against inflation. For example, during the period from 1971 - 1974, prices doubled then redoubled, while wages remained under controls. The Administration has not installed a program designed to strike at the real causes of this problem, such as food prices, energy costs, interest rates, and increasing imbalance of foreign trade.

The position of the Federal Employees Pay Council has always been that full comparability with the private sector

April 5, 1978

should be the guiding principle behind Federal pay. The law requires this; equity demands it; and the President has stated his commitment to it. We believe that the system provided by law should be allowed to function as intended, free of external political pressure.

Yet this has rarely been the case. As a result of past limitations, most notably in 1975 and 1976, Federal pay has fallen hopelessly behind the private sector, in terms of purchasing power and ability to cope with inflation.

The evidence of this is everywhere. From October 1972 to February 1978, inflation, as measured by the Consumer Price Index, rose 48.8 percent. For that same period, the Bureau of Labor Statistics survey figures showed that private sector pay for those employees performing work similar to those in the Federal sector increased by 39.8 percent. The actual increase received by Federal white-collar workers over the same period was only 30.3 percent, a full 18.5 percent behind inflation as measured by the Consumer Price Index.

At the same time, manipulated limitations on Federal white-collar pay, compounded by rapid inflation, have resulted in enormous losses in real earnings for these employees. For example, the constant dollar earnings of a worker in GS-5, the most heavily populated grade in the General Schedule, declined from \$6886 in October 1972 to \$5938 in October 1977, and further fell to only \$5815 in February 1978. This represents a loss in buying power of over

\$1000 suffered by these employees. (Similar losses were suffered at all GS levels. See Attachments for grades 5, 10, and 15.) To add to this burden, recent figures released by the Commerce Department show that government employees had the lowest rise in personal income over the past year of all American workers.

Viewed in this light, the Administration's suggestion that Federal employees sacrifice allegedly "only 1 to 1.5 percent" of their anticipated increase is especially misleading and reprehensible. In fact, a proper comparability increase this year could not be less than 8.5 percent. Should the pay cap be imposed, Federal workers will fall at least another 3 to 3.5 percent behind comparability.

Federal white-collar salaries lag behind rates paid in the private sector, due to the comparability process by 6 to 18 months. Any private sector movement is automatically reflected in federal rates and lags that movement for at least a year. Therefore, the simultaneous imposition of salary restraints on both federal and private employees at the same point in time would be both unfair and inequitable. To do so would result in lower salaries for federal workers for a year longer than their private sector counterparts, a loss they would never be able to recoup.

If the voluntary restraint program is successful, no action is required to restrain federal increases, as through the normal operations of the system, federal rates would automatically follow private sector movement and reflect the

effects of any restraint for the same length of time.

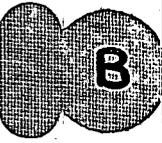
Considering that Federal employees have already suffered massive losses in the past, we say to you that Federal workers should not forego even one penny of their upcoming increase for the sake of a policy which even the Administration admits is a risk. Events have taken place already which discredit the Administration's shaky plan. For example, coal miners have recently negotiated a 12 percent increase in wages, and the nation's steel producers have announced their second price increase of this year. These developments, coming in industries that have a ripple effect across the entire economy, underscore the futility of hoping that a Federal pay cap will be anything more than a meaningless symbol in the fight against inflation.

In addition, the imposition of another pay cap is particularly inequitable considering that, unlike their private sector counterparts, Federal employees cannot bargain on wages and fringe benefits, cannot withhold their labor in the event of a dispute, and do not have the adequate means to defend themselves against the arbitrary and capricious actions of the Administration. While any wage limitation on the private sector will be the result of full collective bargaining, a cap on Federal pay would be unilaterally dictated.

As the Administration is aware, the Advisory Committee on Federal Pay has also repeatedly decried any effort on the part of the President to set aside the Federal Pay Comparability Act

provisions by resort to an alternate plan. The Advisory Committee noted that under these alternate plans, "the legislative intent has been frustrated, and, indeed, the comparability system is in danger of collapse."

In summary, the Federal Employees Pay Council stands firmly against the imposition of any artificial limit on the October 1978 adjustment. The Administration's plan to offer Federal pay merely as a symbolic sacrificial victim on the altar of inflation is reprehensible and naive, and we call on the President to live up to both the letter and spirit of the law by allowing the comparability process to function freely in 1978.



ok
J

DRAFT LETTER TO INDEPENDENT REGULATORY AGENCIES

Dear

Inflation is one of our most pressing national problems. This Administration is committed to a program that we hope will lead to a gradual deceleration of the rate of inflation over the next few years. The program calls on the private sector to exercise restraint in their wage and price decisions. In order to make this request credible, the Federal Government must lead the way in those areas where it has a direct or an indirect impact on inflationary pressures.

We must recognize that actions of the Federal government frequently contribute to inflation. In some major instances, by restricting entry into a market or by preventing the forces of competition from reducing prices, government regulation of economic activity is clearly inflationary.

The Executive Order that I issued last month on Federal regulation will help assure that regulatory initiatives do not exacerbate our inflationary problem. Though this Order is directed at Executive Branch agencies, I hope that your agency will make every effort to comply with its intent.

The Order directs regulatory agencies to analyze and take careful account of the economic consequences of major regulatory initiatives. The costs and benefits of alternative means of achieving regulatory goals should be fully analyzed, so that such goals are achieved in the least costly manner and that the costs to society do not exceed the benefits provided.

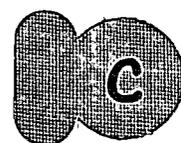
Many independent regulatory agencies play a direct role in the setting of rates in the industries which they regulate. As you know, we are requesting that business and labor take steps to ensure that prices and wages increase by less than their average rate of increase over the last two years. I hope you will be guided by this deceleration principle in making decisions on rate requests during the coming year.

I believe that regulatory agencies can contribute to the effort by fostering competitive markets and prices, which often provide the most powerful restraint on inflationary pressures. In addition, we should attempt to use market forces more constructively than has been the case in the past to achieve our social goals.

Clearly your agency faces vital needs and diverse objectives that must be met. But in everything you do, I urge you to consider the impact on inflation. The actions of government must reflect a continuing awareness that our resources are limited and that our goals must be met in the least burdensome fashion. Your cooperation is essential if the goal of reducing inflation over the next several years is to be achieved.

Sincerely,

Jimmy Carter



DRAFT LETTER TO STATE AND LOCAL GOVERNMENT LEADERS

Steadily rising prices are a problem that afflicts every American and ^{every} level of government. Each of us has an obligation to ~~do everything we can~~ to reduce the rate of inflation. As you may know, I have initiated a voluntary program to reduce the inflation rate gradually but steadily. The purpose of this letter is to request your help and the active participation of the officials and employees of your government in this multi-pronged attack on our nation's serious inflation problem.

Although ~~ultimately~~ we can succeed in reducing the rate of inflation only if all Americans join in the effort, I believe that government must take the lead and set an example for others to follow. Since state and local governments employ about one of every seven workers and purchase a considerable amount of goods and services, your assistance in this effort is critical.

As one important component of ^{the} ~~my~~ deceleration program, I have asked businesses and American workers to reduce the rate of their 1978 price and wage increases below their average rates of increase over the past two years. I have also announced that I intend to hold federal pay increases in 1978 to that same standard as one action to indicate that

the government is willing to do its part to make this deceleration effort work. I hope that you will agree that similar restraint on the part of state and local governments is fair and appropriate.

I also have directed agencies within the Executive Branch that have regulatory responsibilities to make a concerted effort to assure that their regulatory initiatives do not exacerbate our inflation problem. State and local governments also have important regulatory responsibilities, and I ask that you, ~~too,~~ ^{seek} ~~emphasize to the maximum feasible extent reliance on~~ the least burdensome means of achieving your regulatory goals. Along this same line, I would like to know which federal regulatory policies you feel are most inflationary or which cause inflationary action on your part. I suggest you respond to this through your public interest organization, the ACIR or ^{spell out} directly to Dr. Barry Bosworth, Director of the Council on Wage and Price Stability.

Finally, although many jurisdictions are under considerable financial pressures, a significant number of state and local governments are in a strong financial condition and contemplate tax reductions during 1978. If your government plans to reduce taxes, I ask that you first consider lowering sales taxes since they impact directly on prices paid by consumers.

None of these actions that I have asked you to consider will be easy, but I know that you perceive, as I do, the urgent need for progress against inflation. I need and would appreciate your full cooperation and help in this vitally important undertaking.

IMM
PRECEDENCE

UNCLAS
CLASSIFICATION

FOR COMM CENTER USE ONLY

FROM: BILL SIMON
TO: PHIL WISER
for the
INFO: President

DEX _____
DAC 07 _____ GPS _____
LDX _____ PAGES 17
TTY _____ CITE _____

DTG: 072250Z April 78

(Camp David)

RELEASED BY: GD

TOR: 072348Z

SPECIAL INSTRUCTIONS:

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 7, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze ^{CS} and Stu Eizenstat ^{Stu}

Subject: Your Speech before the National Newspaper Publishers Association

Prior to your recent trip, you agreed to undertake a series of actions to signal your commitment to a strong anti-inflation policy and to affect directly the rate of wage and price increase. The purpose of this memo is to bring you up to date on developments since you left on your trip, been presented to you.

Energy Policy

If you decide to mention publicly your willingness to take "administrative actions" to deal with oil imports, should that prove necessary, the speech draft contains a bracketed paragraph to this effect.

You should be aware of some important pros and cons regarding this announcement:

Pro: The speech has a focus on energy, but does not include any specific actions to resolve the impasse over energy legislation. Hand-wringing without concrete actions could make the speech appear weak. A statement that you are contemplating Administrative actions would thus strengthen the speech considerably.

Con: There is some risk that Congressional reaction to the statement will be undesirable in one of two ways: Either (a) Congress could view that the actions contemplated are a relief, thus dooming any chance of compromise on natural gas and the tax portion of the energy bill; or (b) they could be angered and undertake to revoke your authority to invoke temporary oil import fees.

Some of your advisers feel that, in the absence of such a statement, energy should not be brought up at all in the speech. If you decide to pursue a statement on administrative actions in the speech, we both believe that you should first contact the Congressional leadership and the leading energy conferees to consult with and inform each of them. However, Stu believes that even such Congressional consultations do not warrant risking the possible undesirable results desired above.

Federal Pay Increase

On March 24, you approved restricting the Federal pay increase that will take effect on October, 1978, to about 5-1/2 percent. You also directed your advisers to consult with Federal employees' unions. Your pay agents met last Wednesday with the union Pay Council, at which time Barry Bosworth presented the arguments in support of a ceiling on the pay increase. As expected, the Pay Council opposed reduction in Federal pay increases. They were particularly concerned that restraint on Federal pay would not be met by similar actions in the private sector, however. Yesterday, the Pay Council submitted a written version of their views. They emphasized that Federal pay increases have not matched those of the private sector in recent years. In addition, comparability would ensure that their own wage increase would slow if wages of the economy did so. They doubt that effective actions will be taken elsewhere and that they will be a "symbolic sacrificial victim".

The response that they will follow others is one that we get from everyone. The problem is who will go first and a voluntary program cannot guarantee that others will do the same. The wage increases of federal workers and their counterparts in the private sector have been less than the overall average. The same is true for many other groups who have also lost out in this inflationary spiral of recent years. Comparability is measured in levels of wage rates and Federal workers did receive increases which brought them fully in line with comparable private sector wage rates in 1977. (A copy of their full comments is attached as Tab A).

On the basis of these discussions and pursuant to your earlier decisions, a statement announcing that you intend to limit the pay increase has been included in the draft speech.

Federal Budget Policy

You approved on March 24 a statement on budgetary policy that by implication suggested that you intend, if possible, to attempt to reduce the fiscal year 1979 budget deficit from the \$60 billion recommended in the budget toward the \$53 billion figure now anticipated in FY 1978. The Secretary of the Treasury still feels strongly that you should include this language in your speech.

We agree that you should include in the speech language that clearly states your intention to resist tax reductions or spending increases that enlarge the 1979 deficit, including using your veto authority when necessary. However, we are concerned about the statement described above. The leaders of both the House and Senate Budget Committees have proposed 1979 budget deficits below the figure in your January budget. The deficit is reduced, however, by trimming your tax reduction proposals rather than through expenditure reduction. We are concerned that the language above, by focusing on the deficit, weakens our efforts on the Hill to resist moves to scuttle part of your tax program in order to hold down the deficit. Moreover, it is unrealistic to expect that we can reduce the FY'79 deficit to FY'78 levels, as currently estimated, and thus we would be setting a goal we would be very unlikely to achieve. In order to protect the long-term integrity of the budget, and to maintain a strong posture in favor of both your expenditure and tax proposals, we recommend that your statement be revised. Jim Fallows has provided alternative language to you.

Regulatory Actions

In addition, we suggest that you send a letter (Tab B) to the heads of the independent regulatory agencies urging them to comply with the spirit of your Executive Order on regulatory process reform, and to keep the deceleration standard in mind when making decisions on regulatory matters. You approved a letter of this sort in principle at the time that you approved the Executive Order.

Approve Letter _____ Disapprove Letter _____

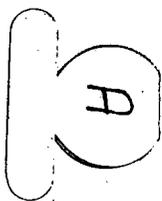
Comments:

State and Local Government Actions

A draft letter (Tab C) is attached for your approval urging state and local governments (a) to emulate the Federal Government and to apply the deceleration principle to the wage increases given to employees, and (b) to make every effort, where possible, to reduce taxes that directly affect prices or costs. If you approve the attached letter, it will be prepared for your signature and mailed on Tuesday. A statement announcing that you have sent such a letter will be included in the speech.

Approve Letter _____ Disapprove Letter _____

Comment:



F E D E R A L E M P L O Y E E S P A Y C O U N C I L

(Established Under Public Law No. 91-656)

Mr. Kenneth T. Blaylock, American Federation of Government Employees
Mr. Vincent L. Connery, National Treasury Employees Union
Mr. Richard M. Galleher, AFL-CIO - Public Employee Department, Chm.
Mr. Joseph D. Gleason, American Federation of Government Employees
Mr. James M. Peirce, National Federation of Federal Employees

R E S P O N S E O F T H E F E D E R A L
E M P L O Y E E S P A Y C O U N C I L T O:
P R O P O S A L S F O R I M P O S I N G A
"P A Y C A P" O N T H E 1 9 7 8 G E N E R A L
S C H E D U L E S A L A R Y I N C R E A S E

APRIL 5, 1978

F E D E R A L E M P L O Y E E S P A Y C O U N C I L

The Federal Employees Pay Council strongly opposes any attempt by the President to impose an artificial limit on Federal wages in 1978 without a similar mandatory requirement of the private sector.

By considering denying Federal employees the proper comparability catchup increase through the use of a 5 to 5.5 percent "pay cap," the President seems to be placing his faith in a policy that has consistently failed to curb inflation. Any voluntary program that seeks to decelerate inflation solely by mandatorily cutting Federal pay is shortsighted and naive.

Recent history shows that limiting Federal pay in the hope that private sector wages and prices will follow suit is irresponsible. Two previous Administrations learned from bitter experience that flag-waving and jawboning are useless weapons in the battle against inflation. For example, during the period from 1971 - 1974, prices doubled then redoubled, while wages remained under controls. The Administration has not installed a program designed to strike at the real causes of this problem, such as food prices, energy costs, interest rates, and increasing imbalance of foreign trade.

The position of the Federal Employees Pay Council has always been that full comparability with the private sector

April 5, 1978

should be the guiding principle behind Federal pay. The law requires this; equity demands it; and the President has stated his commitment to it. We believe that the system provided by law should be allowed to function as intended, free of external political pressure.

Yet this has rarely been the case. As a result of past limitations, most notably in 1975 and 1976, Federal pay has fallen hopelessly behind the private sector, in terms of purchasing power and ability to cope with inflation.

The evidence of this is everywhere. From October 1972 to February 1978, inflation, as measured by the Consumer Price Index, rose 48.8 percent. For that same period, the Bureau of Labor Statistics survey figures showed that private sector pay for those employees performing work similar to those in the Federal sector increased by 39.8 percent. The actual increase received by Federal white-collar workers over the same period was only 30.3 percent, a full 18.5 percent behind inflation as measured by the Consumer Price Index.

At the same time, manipulated limitations on Federal white-collar pay, compounded by rapid inflation, have resulted in enormous losses in real earnings for these employees. For example, the constant dollar earnings of a worker in GS-5, the most heavily populated grade in the General Schedule, declined from \$6886 in October 1972 to \$5938 in October 1977, and further fell to only \$5815 in February 1978. This represents a loss in buying power of over

\$1000 suffered by these employees. (Similar losses were suffered at all GS levels. See Attachments for grades 5, 10, and 15.) To add to this burden, recent figures released by the Commerce Department show that government employees had the lowest rise in personal income over the past year of all American workers.

Viewed in this light, the Administration's suggestion that Federal employees sacrifice allegedly "only 1 to 1.5 percent" of their anticipated increase is especially misleading and reprehensible. In fact, a proper comparability increase this year could not be less than 8.5 percent. Should the pay cap be imposed, Federal workers will fall at least another 3 to 3.5 percent behind comparability.

Federal white-collar salaries lag behind rates paid in the private sector, due to the comparability process by 6 to 18 months. Any private sector movement is automatically reflected in federal rates and lags that movement for at least a year. Therefore, the simultaneous imposition of salary restraints on both federal and private employees at the same point in time would be both unfair and inequitable. To do so would result in lower salaries for federal workers for a year longer than their private sector counterparts, a loss they would never be able to recoup.

If the voluntary restraint program is successful, no action is required to restrain federal increases, as through the normal operations of the system, federal rates would automatically follow private sector movement and reflect the

effects of any restraint for the same length of time.

Considering that Federal employees have already suffered massive losses in the past, we say to you that Federal workers should not forego even one penny of their upcoming increase for the sake of a policy which even the Administration admits is a risk. Events have taken place already which discredit the Administration's shaky plan. For example, coal miners have recently negotiated a 12 percent increase in wages, and the nation's steel producers have announced their second price increase of this year. These developments, coming in industries that have a ripple effect across the entire economy, underscore the futility of hoping that a Federal pay cap will be anything more than a meaningless symbol in the fight against inflation.

In addition, the imposition of another pay cap is particularly inequitable considering that, unlike their private sector counterparts, Federal employees cannot bargain on wages and fringe benefits, cannot withhold their labor in the event of a dispute, and do not have the adequate means to defend themselves against the arbitrary and capricious actions of the Administration. While any wage limitation on the private sector will be the result of full collective bargaining, a cap on Federal pay would be unilaterally dictated.

As the Administration is aware, the Advisory Committee on Federal Pay has also repeatedly decried any effort on the part of the President to set aside the Federal Pay Comparability Act

provisions by resort to an alternate plan. The Advisory Committee noted that under these alternate plans, "the legislative intent has been frustrated, and, indeed, the comparability system is in danger of collapse."

In summary, the Federal Employees Pay Council stands firmly against the imposition of any artificial limit on the October 1978 adjustment. The Administration's plan to offer Federal pay merely as a symbolic sacrificial victim on the altar of inflation is reprehensible and naive, and we call on the President to live up to both the letter and spirit of the law by allowing the comparability process to function freely in 1978.

(B)

DRAFT LETTER TO INDEPENDENT REGULATORY AGENCIES

Dear

Inflation is one of our most pressing national problems. This Administration is committed to a program that we hope will lead to a gradual deceleration of the rate of inflation over the next few years. The program calls on the private sector to exercise restraint in their wage and price decisions. In order to make this request credible, the Federal Government must lead the way in those areas where it has a direct or an indirect impact on inflationary pressures.

We must recognize that actions of the Federal government frequently contribute to inflation. In some major instances, by restricting entry into a market or by preventing the forces of competition from reducing prices, government regulation of economic activity is clearly inflationary.

The Executive Order that I issued last month on Federal regulation will help assure that regulatory initiatives do not exacerbate our inflationary problem. Though this Order is directed at Executive Branch agencies, I hope that your agency will make every effort to comply with its intent.

The Order directs regulatory agencies to analyze and take careful account of the economic consequences of major regulatory initiatives. The costs and benefits of alternative means of achieving regulatory goals should be fully analyzed, so that such goals are achieved in the least costly manner and that the costs to society do not exceed the benefits provided.

Many independent regulatory agencies play a direct role in the setting of rates in the industries which they regulate. As you know, we are requesting that business and labor take steps to ensure that prices and wages increase by less than their average rate of increase over the last two years. I hope you will be guided by this deceleration principle in making decisions on rate requests during the coming year.

I believe that regulatory agencies can contribute to the effort by fostering competitive markets and prices, which often provide the most powerful restraint on inflationary pressures. In addition, we should attempt to use market forces more constructively than has been the case in the past to achieve our social goals.

Clearly your agency faces vital needs and diverse objectives that must be met. But in everything you do, I urge you to consider the impact on inflation. The actions of government must reflect a continuing awareness that our resources are limited and that our goals must be met in the least burdensome fashion. Your cooperation is essential if the goal of reducing inflation over the next several years is to be achieved.

Sincerely,

Jimmy Carter

10

DRAFT LETTER TO STATE AND LOCAL GOVERNMENT LEADERS

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Although, ultimately, we can succeed in reducing the rate of inflation only if all Americans join in the effort, I believe that government must take the lead and set an example for others to follow. Since state and local governments employ about one of every seven workers and purchase a considerable amount of goods and services, your assistance in this effort is critical.

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the government is willing to do its part to make this deceleration effort work. I hope that you will agree that similar restraint on the part of state and local governments is fair and appropriate.

I also have directed agencies within the Executive Branch that have regulatory responsibilities to make a concerted effort to assure that their regulatory initiatives do not exacerbate our inflation problem. State and local governments also have important regulatory responsibilities, and I ask that you, too, emphasize to the maximum feasible extent reliance on the least burdensome means of achieving your regulatory goals. Along this same line, I would like to know which federal regulatory policies you feel are most inflationary or which cause inflationary action on your part. I suggest you respond to this through your public interest organization, the ACIR or directly to Dr. Barry Bosworth, Director of the Council on Wage and Price Stability.

Finally, although many jurisdictions are under considerable financial pressures, a significant number of state and local governments are in a strong financial condition and contemplate tax reductions during 1978. If your government plans to reduce taxes, I ask that you first consider lowering sales taxes since they impact directly on prices paid by consumers.

None of these actions that I have asked you to consider will be easy, but I know that you perceive, as I do, the urgent need for progress against inflation. I need and would appreciate your full cooperation and help in this vitally important undertaking.

THE WHITE HOUSE
WASHINGTON

April 7, 1978

The Vice President
Stu Eizenstat
Hamilton Jordan
Frank Moore
Jody Powell
Jack Watson
Charlie Schultze

The attached is forwarded to
you for your information.

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

April 10, 1978

Frank Moore

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

Rick Hutcheson

RE: CALL TO WYDLER

THE WHITE HOUSE
WASHINGTON

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

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

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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

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

THE WHITE HOUSE
WASHINGTON

not done
J

CONGRESSIONAL TELEPHONE CALL

TO: Rep. Jack Wydler (R-N.Y. 5), ranking minority member of the House Science and Technology Committee.

DATE: Monday, April 10, 1978. (After 12:30 p.m.)

RECOMMENDED
BY:

Jim Free J.F.

PURPOSE: To solicit Rep. Wydler's support of the Clinch River Breeder Reactor compromise offered by Rep. Walter Flowers.

BACKGROUND:

Rep. Jack Wydler has asked to meet with you to discuss the proposed compromise regarding funding for the Clinch River Breeder Reactor. He is doing this in part at Chairman Teague's urging.

At Chairman Teague's request, Rep. Wydler has participated in the majority of meetings that Secretary Schlesinger has had with Reps. Teague and Flowers regarding the proposed compromise. While he personally believes that your decision to defer construction of a breeder reactor demonstration plant is wrong, he has indicated past willingness to support the Flowers amendment as an alternative to a continuing struggle with the Administration over the Clinch River Breeder Reactor. His support may now be wavering.

Our proposed compromise involves a study of advanced breeder technology but does not commit the Administration to build a breeder reactor once the study is completed. Because of the absence of a commitment in this regard, he believes the compromise is deficient. He is willing to support the Flowers amendment largely because of our proposed statement on light water technology, nuclear waste disposal, and the need for the licensing bill. You have approved this statement, and we have indicated that you will make it in the event the Flowers amendment is adopted.

Following his return from a trip to the Soviet Union during the Easter recess, Rep. Wydler wrote a letter to you regarding the breeder program and his concern that deferral of a breeder demonstration plant would place the United States in a technologically inferior position vis-a-vis the Soviets.

TOPICS OF
DISCUSSION:

1. I understand that you have asked for an appointment with me to discuss the proposed Clinch River Breeder Reactor compromise in advance of the markup scheduled for Tuesday morning. While it has not been possible to schedule a meeting due to the shortness of time, I did want to call to express my appreciation for your efforts in attempting to work out a compromise.
2. I have read your April 4th letter and appreciate your views and sincerity.
3. I want you to know that I am committed to a strong base breeder program, to vigorously pursuing the study of a larger facility, and to more proliferation-resistant fuel cycles. However, I continue to believe that it is premature to proceed with the construction of a demonstration plant at this time, particularly in view of the fact that the design work for a larger facility has not yet been undertaken.
4. I believe that the Flowers amendment is a legitimate compromise of strongly held views on both sides. I hope you will be able to support the compromise and vote for the amendment in the markup.

Date of submission: April 7, 1978

OLIN E. TEAGUS, TEX., CHAIRMAN

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U.S. HOUSE OF REPRESENTATIVES
SUITE 2321 RAYBURN HOUSE OFFICE BUILDING
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REGINA A. DAVIS.

MINORITY STAFF DIRECTOR
PAUL A. VANDERMYDE

April 4, 1978

The President
The White House

Dear Mr. President:

Today I am writing you from the perspective of a series of international energy discussions which I have just had with the Soviets. It is no exaggeration to say that we are on the verge of an "Atomic Sputnik" in terms of our nuclear policy vis-a-vis the Soviets. They are rapidly moving to build breeder reactor plants and deploy light water nuclear power plants so as to put us clearly in second place in the nuclear league. In particular, I discussed the status of breeder reactor development with Mr. Igor Morozov, Deputy Chairman of the Soviet State Committee for Atomic Energy. As you know, the critical question of which direction the U.S. Breeder program will take is before our Science and Technology Committee this week. I hope this letter will provide you additional insight on why our Committee is still concerned about the absence of a strong commitment in the U.S. program.

I am pleased that you have initiated an effort to come to some accommodation with the Congress on the breeder program and the Clinch River Reactor Project in particular. I share your view, as Secretary Schlesinger has related it, that continued confrontation on this issue is not in the best interest of the country. Chairman Teague has told me that you do feel that our nation needs a strong breeder program.

The fact is, however, that our program cannot really be strong without a demonstration of fast breeder technology in an operating plant. This plant does not have to be the one currently planned for Clinch River, but could incorporate more advanced breeder technology. However, until we make a larger commitment, we must keep the Clinch River Plant option open!

I have come to this conclusion about the breeder after my discussion last week with the Soviets in Moscow. I have also had extensive discussions with the International Atomic Energy Agency in Vienna and the French Atomic Energy Commission, all within the past year. In all cases the evidence is irrefutable. Other major developed nations are far ahead of us in breeder development. Our continuing technology program is simply not sufficient to keep this energy option open to the United States in a timely manner!

The Russians have no intention of slowing their already ambitious breeder program. They have been operating a 350 Megawatt plant on the

Caspian Sea; this "Clinch River" plant has been on line for over 3 years. They plan to complete and begin operation of a 600 Megawatt plant in 1980. Thus within the next several years they will have accumulated operating experience of 6-8 years on two different breeder plant designs. Mr. Morozov told me that design of a 1600 Megawatt plant is about to begin and construction will start in the next few years. The Soviets expect that it will take only 7 years to build this commercial-sized plant!

Mr. President, I think you will agree that the Soviets are much farther down the road toward the breeder option than ourselves particularly when one considers the stringent U.S. requirements on breeder licensing. I'm afraid our fall-back position of an R&D Program is simply not enough. As we found in our space program, it is not enough to merely design successively more powerful rockets--one must build and fly them as well. We must tell the world we are a strong player in breeder development, and the only convincing way to do that is to build a plant and make a visible national commitment. The Russians' timetable calls for operation of a commercial size breeder reactor by as early as 1987. We cannot guarantee operation of the Clinch River Plant, which is far from commercial, by that date even if we "pulled out all the stops" on that project.

It is necessary, but not sufficient, to merely say that the United States will pursue a strong breeder program. That is a commitment to nothing. We cannot expect the Russians, French, British, Germans or Japanese to take it seriously. Mr. President, we either play the breeder ball game or become a spectator. What we have now, even if we keep the Clinch River team together, is only "half a program."

I think it is also important to tell you something about the Soviet commitment to light water reactor technology. The Soviets have decided to build and rely completely on nuclear-electric plants west of the Urals in the European sector of the USSR. This decision is based on the fact the Soviets are running out of oil, gas and good coal. Dr. Stanovnik of the Economic Commission of Europe said the Soviets have informed Eastern Bloc nations that they cannot count on any oil, and only on limited amounts of gas from the USSR. If one looks at Siberia as having potentially more resources than Alaska, I think it is inescapable to conclude that we face even a bleaker future than the Soviets for fossil fuel supplies. Yet we are limping indecisively on the nuclear option.

The Supreme Soviet of the Ukraine told me in Kiev that they will complete six large nuclear power plants in the next five years or so. The first unit is already on-line and facilities will be completed to reprocess nuclear fuel on-site to recover the precious energy stored in the uranium and plutonium.

I understand that you plan to make a strong public statement on the need to speed the deployment of light water reactors. I urge you to do so in the very near future so as to improve the climate for public acceptance of nuclear power. Your licensing bill was an important first step in this direction and I applaud you for it. I hope that you can accelerate a nuclear waste management program in the light of the recent DOE report on this issue. The technology for safe disposal of waste exists; the country is waiting for a program which matches the technology.

It seems to me, Mr. President, that you have brought about solidly constructive evaluation of the real concerns about nuclear weapon proliferation since last April. However, I believe that two basic facts remain unchanged. First, our cutback of the breeder program and lack of commitment to build a fast reactor plant is a clear signal to other nations that we are not serious about preserving this long-term option. Second, this country's indication that nuclear power is "a last resort" has undermined our credibility abroad and made us an unreliable nuclear partner. I think it has become clear that it should not require the arresting of our technology development to address your proliferation concerns.

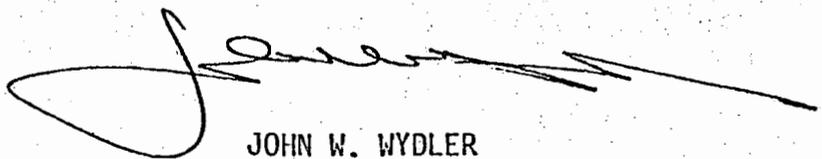
The Soviets contend that they are just as serious as the United States about preventing the proliferation of nuclear weapons but "collective decisions" must be made on safeguards.

The CIVEX process appears an attractive route to blunting the terrorist threat for atomic weapons by a diversion-resistant fuel cycle for breeders. Reprocessing of light water reactor fuel could proceed in the near future under strict U.S. safeguards. Such activity could serve as a demonstration of U.S. concerns to the International Atomic Energy Agency (IAEA) and a basis for international safeguards agreements.

The Soviets clearly recognize the urgency of pursuing the breeder option based on world uranium reserves, common sense economics and the need for some degree of energy independence from fossil fuels. However, their goals for nuclear power go beyond the generation of electricity. The Soviets intend to satisfy one-third of all their energy requirements for heat and electricity thru nuclear power by the end of the century. They feel so confident about this that they are promising Eastern European nations all the electricity that these countries will require for future decades. The ambitious building program for atomic plants in the Ukraine is dramatic evidence of this commitment. I think you will agree that our own program pales beside the Soviets despite our clear need and technological edge. It is frightening to speculate on the degree of control of the world market they might achieve by implementing this program.

Mr. President, I think it is time we moved ahead on the nuclear option. We have spent the last year rethinking our nuclear future. We must now commit strongly to breeder technology including a demonstration plant to get valuable operating experience. We must also get many more nuclear power plants in place so that coal can be converted to critically needed liquids and gas. I hope you will move ahead boldly on both these fronts.

Sincerely yours,



JOHN W. WYDLER
Ranking Minority Member
Committee on Science and Technology

THE WHITE HOUSE
WASHINGTON
April 10, 1978

The Vice President
Hamilton Jordan
Stu Eizenstat
Jody Powell

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

Rick Hutcheson

EXERCISE OF VETO POWER

cc: Jim McIntyre

To Fitz
cc Ham
Jody
Stu
J



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

RL

APR 5 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre *Jim*
SUBJECT: Exercise of the Veto Power

OMB recently recommended that you veto the Redwood Parks bill because we believed that the employment impact provisions added over the Administration's expressed concern were highly objectionable precedents for future action. We made this recommendation despite the fact that we understood the Administration's commitment to Redwood Park legislation. I'd like to recount for you a bit of our discussion in making that recommendation.

Fundamentally, my staff and I believe that the Administration's presumptions and implicit rules regarding vetoes are too constraining for our own good. Last year, we vetoed two pieces of legislation: the ERDA authorization, containing the Clinch River project; and the rabbit meat inspection bill, an extremely narrow piece of special interest legislation. In contrast, FDR vetoed 635 bills, more than 50 a year on the average. Truman had 250 vetoes, or about 30 a year; and Eisenhower vetoed 181 bills or about 23 a year.

I averaged
70/yr as
governor

I believe that over the last year we have developed two implicit "theories" about vetoes, both of which should be modified. First, we seem now to consider vetoes as major exercises of Presidential power: Presidential actions which signify extraordinarily significant differences between the Congress and the Administration and which, therefore, are almost inappropriate actions by a Democratic President with a Democratic Congress. Second, we have, as almost an ironclad rule, that we will not veto unless we have specifically warned of veto at every step of congressional action. I feel this general approach affects adversely our negotiating position on the Hill and your ability to manage the agencies. The Hill perceives our extreme reluctance to use the veto, and predictably, is less willing to negotiate over a wide range of issues. The agencies perceive that as a result of that reluctance to veto, it is possible in effect to commit you not to veto.

both
true

[Handwritten mark]

I think that we should modify our approach to the veto. It should not be considered a fundamental breakdown in relationships; and while notice is clearly appropriate, we should not excessively constrain our own freedom of action. I believe that if we were more ready to indicate disagreement by veto -- in cases when such action is sensible -- we would create a greater respect and concern for our positions on the Hill, and provide a stimulus for greater agency support of your positions.

I thought you'd be interested in a quote my staff brought to my attention:

"The veto power's potency...depends, of course, upon its use, and Roosevelt was a constant user. 'If the decision is close,' he once remarked to his department heads, 'I want to veto.'" In 1939, he chose to veto sixteen bills despite approval by the Budget Bureau, remarking to an aide, 'The Budget is getting too soft; tell them to stiffen up.' Indeed, he was prone to call occasionally for 'something I can veto,' and a 'reminder' to department heads and congressmen alike. This was not frivolity; to FDR the veto power was among the President's greatest attributes, an independent and responsible act of participation in the legislation process, and a means of enforcing congressional and agency respect for presidential preferences or programs."*

* Richard E. Neustadt, "Presidency and Legislation: The Growth of Central Clearance," The American Political Science Review, September, 1954, p. 656.

ID 781828

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

WASHINGTON

DATE: 06 APR 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT
HAMILTON JORDAN
JODY POWELL

STU EIZENSTAT
FRANK MOORE (LES FRANCIS)

SUBJECT: MCINTYRE MEMO RE EXERCISE OF THE VETO POWER

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

ACTION REQUESTED: FOR INFORMATION

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

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

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

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

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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

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

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR

THE HONORABLE CYRUS VANCE ①
THE HONORABLE BROCK ADAMS ③
THE HONORABLE ALFRED KAHN ④
THE HONORABLE GRIFFIN BELL ②
THE HONORABLE JAMES McINTYRE ⑤
THE HONORABLE STUART EIZENSTAT ⑥
THE HONORABLE ZBIGNIEW BRZEZINSKI ⑦

Secretary Adams has raised some important questions about the organization of our international aviation negotiations.

In accordance with my decision last fall ^{to evaluate this} that this process ~~should be~~ carefully evaluated, I ~~request~~ ^{want you to come up with} that you work to develop a consensus or options ^{for} ~~to~~ me on how ~~our~~ international aviation activities ^{Phase} should be organized. Such recommendations should include ways to improve the existing interagency committee, or to substitute ~~it with~~ a new mechanism ^{for it.}

~~I request that you~~ report to me by May 15 on the outcome of your review.

best to organize

OK as amended -
JAD 4/12/28

THE WHITE HOUSE
WASHINGTON

- > Howard transit bill
- > Russian buses - maritime fund
- > Energy
- > Farm
- > Budget
- > Camp David
- > Urban policy - Cabinet sup.
- > Panama
- > E Mediterranean
- > Arms sales
- > Soc Sec - H. & statement
Aircraft noise
- > US/Nigerian Trade 4/24

THE WHITE HOUSE
WASHINGTON

- > OCS - Cost - Cong veto
- > Econ Summit 7/16-17
- > Anti-inflation speech
- Civil service reform
- EEOC reform

THE WHITE HOUSE
WASHINGTON

- Military pay report
- Harold trip → Europe
- mtg & private leaders
- Rhodesia - Dar mtg → Seltsberg?
- Cy → Moscow - broad discussion
- Greece - Turkey - Cyprus
- Cy - meet & entire house - Wed
- Oil E of Prudhoe Bay?
- Beaufort Sea & Pet 4
- oCS legis
- Hosp Cost Containment
- NHI →
- Elem & Sec Ed = Impact aid
- Tuition tax credit
- Unfunded retirement obligations
- > national debt
- 1Q growth slow, emp A auto A
- new orders A retail sales A
- Inflation producer A 9 1/2%
- future infl: \$ 2: hourly earnings

THE WHITE HOUSE
WASHINGTON

CEA

Consumer confidence ↓

Labor

— Negotiated wages lower, others ↑

AG

— Omnibus judge bill - merit
sel - Medical exam, = 150 new -

In 4 yrs TC appoint > 1/2 judges

— FBI break in invest - end

Ta.

— NYC legis hung up.

Bob

— Mark Twain - Death exaggerated

Farm bill veto

Beef ↓ 16 mil process
pastures good - holding sales

HUD

— se/Mich Demos happy

Urban policy well received

UDAC announcements " "

Published guide for researchers

— CRDR - Compromise ok

Proc licensing - prob in committee

Waste disposal in Mex

THE WHITE HOUSE
WASHINGTON

- Stennis hearings re ERW - delay?
- Strauss - Geneva - MFI
- Indust fastener override 22/10
against
override
- Defend budget
- Paperwork/Reg reform
- Inspector general Regis
- Juanita → Berlin
- Copenhagen mtg - EC vs US?

Military Pay report

THE WHITE HOUSE
WASHINGTON

4/10/78

CHMN Zwick + 8

LARGEST PAYROLL = 2.1 + 1

LEVEL & FORM - ok

20 YRS - 50% = MODIFY

< 20 - NO BENEFITS

> 20 - SOMETIMES NET LOSS

SEC DEF. LOSE BEST PEOPLE

MISDIRECTED INCENTIVES = #2

DoD REACTION

PROPOSALS → NEXT CONG

THANKS

THE PRESIDENT HAS SEEN.

done
J

4/10/78

Mr. President -

In the event you are interested in calling them, the parents of the boy who died in Monrovia have arranged church memorial services for their son to be held tomorrow morning at 9:00, with burial following in Farmingdale, New York.

This is not to pester you into calling them if you didn't want to; only to mention in the event you did.

Parents -- Mr. and Mrs. George P. Cavanaugh
Son who died -- Michael, 9 years old
You have sent letter of condolence.

Cavanaugh brother with whom they're staying....
whose name is also George -- (516) 227-4949

1874

THE WHITE HOUSE
WASHINGTON
April 10, 1978

Frank Moore

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

Rick Hutcheson

cc: ~~The Vice President~~
Stu Eizenstat
Jack Watson
Hamilton Jordan

WEEKLY LEGISLATIVE REPORT

ADMINISTRATIVELY CONFIDENTIAL

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON
April 8, 1978

1

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: THE PRESIDENT
FROM: FRANK MOORE
SUBJECT: Weekly Legislative Report

DOMESTIC POLICY ISSUES

1. ENERGY

There is still the possibility that the gas negotiations will collapse and all efforts to get a gas bill this year will end if the impasse is not broken within the next week or ten days, but prospects are looking better.

-- We plan to request further private sessions between you and key Conferees during this week.

2. FARM BILL

-- The Senate votes on the Conference Report on the farm bill at 11:00 AM Monday after two hours of debate. We do not expect to beat the bill in the Senate but we hope to make a good showing (35+ votes). In any event, your CL staff and USDA personnel have been contacting Senators since Thursday, urging them to vote against the bill. The Secretary will make his assigned calls this weekend. At this time, we do not plan to ask that you make any calls; however, if by Monday we appear to have a chance of prevailing, we may ask for your assistance.

-- Senator Muskie, as Chairman of the Budget Committee, will lead the fight. Sen. Talmadge will vote for the Conference Report but will not work in its favor. Some Senators plan to take the "easy out" by voting for the bill knowing you will veto it.

-- Tom Foley and the House Leadership (Wright taking the lead) have the following scenario in mind:

- get a rule allowing an up or down vote on the Conference Report on Wednesday, and work to defeat the Conference Report;
- if successful, send the Foley bill back to the Senate;
- urge Talmadge to work to have the Foley bill accepted by the full Senate and send it to the White House.

-- Jim Wright (and Tip) feel strongly that farm state Democrats need to have something to vote for and that the Leadership must give them a bill to vote for soon.

-- Bill Cable believes that we have passed the point where we will have the Dole bill to veto. More likely, the Congress will send a Foley substitute scaled-

ADMINISTRATIVELY CONFIDENTIAL

down, but still too big to sign. The Speaker and the Leadership will probably try to override a veto. This course of events will likely shore-up the Speaker's strength in the House. He is viewed by many Members as the President's Speaker rather than the House's Speaker and a test where he opposes directly the White House would improve his standing.

3. BUDGET COMMITTEES

House: The House Budget Committee adopted the following totals for the First Budget Resolution for 1979 (in billions):

	<u>Administration</u>		<u>House</u>
	<u>January</u>	<u>Current</u>	<u>Budget</u>
	<u>Budget</u>		<u>Committee</u>
Receipts	439.6	439.4	443.3
Outlays	<u>500.2</u>	<u>499.4</u>	<u>501.4</u>
Deficit (-)	-60.6	-60.0	-58.1
Budget Authority (BA)	568.2	568.6	568.2

-- The Committee made only two major changes to the Chairman's recommendations:

-- Urban initiative: Budget authority was increased to fully cover the urban initiative plus \$0.4 billion for fiscal relief. Actually the Committee put in more BA than was required because much of the urban initiative could have been accommodated within the increases the Chairman was already recommending and by subsequent re-estimates. The House Budget Committee staff indicated that the Committee decided to increase the urban totals in order to obtain the support of the Committee's liberals for the Resolution to assure a more favorable climate for approval by the House. The House funded the urban initiative entirely in function 450.

-- Local public works: The Committee provided for additional funding for "hard" public works -- \$2.0 billion in BA and \$0.3 billion in outlays. This amendment by Rep. Wright was initially defeated by one vote, but won by six (6) votes when it was introduced the following day.

The Committee also increased the Chairman's marks for training, law enforcement, trade assistance and decreased general government by roughly \$0.1 billion each. In addition, they adopted a technical adjustment increasing social security BA by \$2.5 billion.

Final action by the Committee does include some other major discretionary increases including \$1.7 billion for transportation (some of which reflect pending Administration proposals), \$0.8 billion for water projects and agricultural conservation, and \$0.7 billion for veterans.

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Many Committee Members are clearly concerned about the size of the totals and several Republicans and some Democrats, notably Representatives Fisher (Va) and Mattox (Tex) offered various types of cut amendments. Amendments by Rep. Fisher to reduce water projects to the budget level and to reduce the number of public service jobs by 138,000 below the budget were each defeated by one vote.

Senate: The Senate Budget Committee deliberations started slowly due to low attendance and the Committee's attempt to set both 1979 and five-year targets by about 50 categories of missions. (The House decided not to make any attempt to set five-year goals or estimates and rejected the Chairman's very tentative efforts in this direction as premature.) In order to help speed up the process, Sen. Muskie finally decided to provide Chairman's recommendations for 1979 and five-year totals for each mission.

The Senate numbers also contain numerous estimating and technical differences from our estimates and in some cases, from the House. Moreover, the Senate marks up from current law totals, not the President's budget. The Senate is above both the budget and the House for most functions covered so far. However, the Senate often does a last minute "ratchet" to reduce the totals.

For Defense, the Senate Committee added \$1.4 billion above the budget in BA. This appears to include about \$3.0 billion in increases, partly offset by anticipated delays in the Trident, a pay cap of 5% and more pay absorption. The Committee assumed no wage board reforms or stockpile sale.

-- The components of our urban policy did not fare well in the first round of voting in the Senate Committee. A second round begins on Monday. OMB, DPS, affected agencies, and White House CL staff will work on a strategy to get acceptable action on our urban initiatives in the Senate Budget Committee.

-- Our initial problems were largely due to the following: (1) the budget requested no funding; (2) the urban policy was only recently announced and no legislation has been introduced; (3) most of the authorizing committees have reported that they will not pass their respective component bills this year; and (4) there was a split in Administration opinion as to whether we should push for inclusion of the necessary budget authority in the First Budget Resolution or wait until the Second Resolution in September.

4. TAX PROPOSALS

-- The Ways and Means Committee will not begin mark-up on the tax plan until April 17.

-- The Committee instead will devote next week to consideration of a number of miscellaneous measures, including tuition tax credits scheduled for consideration on April 10 and 11.

-- The Committee will take up a compromise proposal offered by Charles Vanik (D-OH) which would provide for smaller and less comprehensive credits than the tuition tax credit bill reported by the Finance Committee, and would represent a revenue

ADMINISTRATIVELY CONFIDENTIAL

loss of \$1.4 billion when fully phased-in as compared with the \$5 billion plus figure in the Finance Committee bill. The Vanik bill allows a tax credit of \$100 in tuition expenses for each child in a private elementary or high school and a \$250 credit for each child enrolled in college.

5. REORGANIZATION

Civil Service: Both the House Post Office & Civil Service Committee and the Senate Governmental Affairs Committee will continue with hearings next week. Mark-up in each committee will occur through May. We are still working toward a date in mid-April to transmit the actual reorganization plan to the Hill.

Civil Rights: This reorganization plan continues to move forward in the House and Senate with mark-ups progressing in both House and Senate committees last week. The Senate full committee voted not to disapprove the plan on Thursday and present indications are that the plan will be accepted by Congress and go into effect May 5. The Senate committee has requested that differences with the Administration regarding federal EEO adjudication be considered again during action on the Civil Service legislation.

Education: The Administration's testimony before the Senate Governmental Affairs Committee is scheduled for April 14.

6. AIRLINE REFORM

-- Chairman Johnson called an informal meeting of the subcommittee to see if they could work out differences and pass out a compromise bill with enough support to assure passage in the full committee. Congressman Levitas, who has enough votes to hurt us, has finally accepted a compromise that will allow a one-year study by the CAB of automatic entry which in conference committee should allow Senator Cannon to have a version of actual automatic entry in the reported bill.

7. CLINCH RIVER BREEDER REACTOR

-- The Flowers' proposals seem to be in good shape to pass in full committee if the liberals (Harkin, et al.) stay with us. You will have more details in the briefing paper for your Monday meeting with the liberal Members of the Science & Technology Committee.

8. OUTER CONTINENTAL SHELF

-- The first meeting of the Outer Continental Shelf conferees is tentatively scheduled for Wednesday. Meetings with all conferees to explain the Administration's legislative positions on major sections of the legislation have been arranged. Commerce, Interior, and OMB are all involved and participating. We are hoping to keep close to the Senate authorization figure of \$75 million as opposed to the higher House authorization amount of \$200 million for the Coastal Energy Impact Program. We are also working to eliminate the language which earmarks the funds (contained in the House bill).

9. LABOR LAW REFORM

-- The counts of the Labor Department, AFL-CIO, and Sen. Cranston all show 63 votes for cloture. Your CL staff would doubt these counts but for their unanimity. Several Senators, who are counted as favoring the bill and cloture, want the issue to be put aside in light of the political flak many of them have taken on Panama.

10. ETHICS IN GOVERNMENT

-- The House is scheduled to act on this legislation (supported by the Administration) on Wednesday, subject to a rule being granted on Tuesday. With minor modifications, the bill incorporates the provisions of the proposed Ethics in Government Act which you sent to Congress in your message of May 2, 1977. These provisions strengthen safeguards against conflicts of interest in the Executive Branch by:

- requiring public financial disclosure by officials at the GS-16 level and above;
- establishing an Office of Government Ethics in the Civil Service Commission to monitor and supervise agency ethics programs; and
- strengthening current post-employment restrictions that guard against use of undue influence by former high agency officials.

-- The bill also applies public financial disclosure and post-employment restrictions to officials of the Judiciary, and the Legislative Branch financial disclosure bill (reported by the Select Ethics Committee) will be offered as an amendment to the blank Title I of this Judiciary Committee bill.

-- George Danielson (Judiciary Subcommittee Chairman) and Richardson Preyer (Select Ethics Committee Chairman) will floor manage the bill.

-- In addition, competing versions of the bill have been reported by the Post Office Committee and the Armed Services Committee. These bills will be offered as amendments both in the Rules Committee and on the floor. Domestic Policy staff advises that these Committee proposals are less satisfactory than the main bill. The Post Office Committee's proposed Office of Government Ethics would control staffing and operate agency ethics programs, thereby undermining the accountability of agency heads for ethics enforcement; its disclosure provisions impose excessive privacy and paperwork burdens. The Armed Services proposal would exempt the military from public financial disclosure obligations and would weaken existing safeguards against use of undue influence by former officials.

-- The Senate passed equivalent legislation last June as part of the Public Officials Integrity Act. Senator Ribicoff, the primary Senate proponent, has indicated that he will not go to conference on the bill, if passed by the House, until the House also acts on legislation which would authorize court appointment of temporary special prosecutors to handle cases against certain high officials (this type of legislation was endorsed in your Ethics message).

FOREIGN POLICY AND DEFENSE ISSUES

1. PANAMA

-- A combination of heavy-handed lobbying by the Panamanian Embassy and Panama's relatively innocuous communication to the U.S. has focused attention once again on the DeConcini reservation. The result is that there is little hope of putting a less interventionist cast on the DeConcini reservation during the remaining Senate debate.

-- The best we can do is encourage both DeConcini and the Panamanians to leave the issue alone -- probably a faint hope. DeConcini will try to extract statements from the Panamanian Government in support of his reservation as his price for voting favorably on the second treaty. He is also preparing an amendment to the second treaty giving the U.S. complete military freedom to keep the Canal open until the year 2000 -- an amendment the Panamanians will not accept.

-- At this point our 68 votes appear shaky. Hatfield's office called to express similar concerns about Panamanian actions this week, and hinted he might join DeConcini in demanding a Panamanian statement of support for the changes the Senate made in the Neutrality Treaty. Baker is very upset with Panama; you may need to call him. Some work remains to be done with Brooke; Long has offered an acceptable reservation eliminating the sea-level canal provisions; and Cannon remains undecided but has not buckled to right-wing pressure.

2. MIDDLE EAST

Arms Package: The SFRC staff is beginning a campaign to urge further delay in submitting formal notification of the Middle East arms package. The rationale is that the Committee has all its authorizations to complete before May 15, and that this work has not been possible during the Panama Canal debate. The staff wants to receive the Middle East arms package on May 16, and not before. A letter from Sparkman and Case apparently has been prepared, but not yet signed. State is working to stop it. In the meantime, Senator Proxmire has issued a statement that he plans to introduce a resolution disapproving all four sales.

Israel and South Lebanon: Advance notification of Secretary Vance's letter informing the Congress that a violation may have occurred through Israel's operations in southern Lebanon using American supplied equipment beat the press play by only a few hours. The initial reaction seemed to be relief that a harsher formulation had been avoided. Several of Israel's friends have nevertheless found it necessary to criticize the Administration's statement. There is a smaller number of Members who seek a determination of a violation if the Israeli forces are not withdrawn soon from southern Lebanon.

3. THE EASTERN MEDITERRANEAN

-- With last week's successful HIRC hearing behind us on our Eastern Mediterranean package, the Administration's program will begin moving through the House and Senate. Further open hearings in the HIRC are scheduled for April 14 and the SFRC has scheduled its own hearing on this issue for May 2. Voting in both

committees will come before May 15. State, DOD, and the NSC will be working over the next few weeks to arrange briefings and get written material into the hands of legislators explaining our package and the importance of the Greek-Turkish issue. State's best estimate now is that we already have a majority in the HIRC but will have to work very hard, given O'Neill's and Brademas' position and influence, to win the vote on the House floor. Winning a majority in the SFRC will be difficult, but building a majority within the Senate as a whole can be done with hard work. This issue will probably require active participation by you. ok

4. BUDGET COMMITTEE ACTION

House: The House Budget Committee Thursday approved Chairman Giaimo's mark which provides \$6.788 BILLION in budget authority and \$4.141 BILLION in outlays for foreign economic and financial assistance. The mark is \$751 million less than the Administration's request for budget authority and \$197 million less than the Administration's request for outlays.

-- The Committee's budget authority for IFIs is \$2.950 BILLION versus the Administration's request of \$3.505 BILLION. Giaimo's mark rephases a portion of the U.S. contribution due in FY 1979 and results in the reduction in FY 1979 estimates of \$555 million in budget authority and \$129 million in outlays.

-- The Committee rejected two amendments by voice vote: 1) an amendment by Don Fraser to increase the amount provided for bilateral aid, and 2) an amendment by Marjorie Holt (R-Md) to reduce bilateral assistance by \$390 million. Dave Obey led the opposition to both amendments.

Senate: On Thursday, the Senate Committee defeated 6 to 9 an amendment offered by Senator Johnston to delete \$1.2 BILLION in multilateral and bilateral aid. Johnston's aim was to keep the IFIs at current policy level, eliminating the entire request for arrearages.

-- The Committee then adopted a Bellmon/Muskie proposal which in summary reduces \$600 million from the Administration's request for foreign assistance (multilateral and bilateral). The Committee staff is developing the details on the application of the actual cut; however, the Senate action is even better than the Giaimo mark.

-- The Senate Committee will review its overall work, probably on Monday. Treasury and AID will continue their work as the markup progresses.

5. FOREIGN AID AUTHORIZATION

-- The HIRC markup of the FY 1979 economic assistance authorization bill will begin on Tuesday. The Committee print (used as a basis for mark-up action), incorporates the Executive Branch request, subcommittee recommendations, and recommendations of the Ad Hoc Group on the Humphrey bill.

-- The SFRC Subcommittee on Foreign Assistance markup is scheduled for May 4 and 5 with full Committee markup on May 10 and 11. The Subcommittee will probably move to a two-track system, marking up the Administration request, and continuing study of the Humphrey bill.

6. ICBM SURVIVABILITY

-- DOD reports that on Friday, Under Secretary Perry, accompanied by DIA representatives, briefed the Jackson Subcommittee in closed session on the problem of ICBM survivability. This follows DOD briefings to the Subcommittee on the Backfire and cruise missile programs last fall. Dr. Perry will give the same briefing to Senator McIntyre's R&D Subcommittee on April 10. There was very thoughtful questioning by all concerning the impact of ICBM vulnerability on U.S. deterrence, and some possible solutions, as well as the degree of confidence the U.S. has in predicting Soviet missile accuracy estimates.

III. MISCELLANEOUS

-- Several Members ~~have~~ suggest that you ask the Congress to join in your anti-inflation goals by recommending that the October pay increases for all other officials (including Members and Judges) also be denied. They suggest that we not just limit proposals to the 5.5% figures for lower-level Federal employees because the House will probably deny the increases anyhow (particularly in an election year) and it would soften the impact on federal workers if it appears that you are also being tough on other higher paid officials.

-- State advises that there is no clear understanding among Members of how the neutron bomb decision fits into our overall objectives with regard to SALT, NATO, and U.S.-Soviet relations and that if these questions remain unanswered, we have to expect damage to our credibility on foreign policy matters generally.

-- HEW advises that during last week's markup on the 5-year extension of the Elementary and Secondary Education Act, the House Education and Labor Committee adopted increases in the current Impact Aid program which would add about \$200 million to the program annually. Otherwise, the Administration's proposals and recommended amendments fared very well.

-- Senators Humphrey and Bayh are expected to make an especially strong push this year for increases to cancer research and treatment.

-- The House Interstate and Foreign Commerce Committee has scheduled a markup on hospital cost containment, but potential scheduling conflicts due to meetings of energy conferees may result in postponement of the markup session.

FLOOR ACTIVITIES, WEEK OF APRIL 10

House

Monday -- 6 suspensions:

- 1) Marine Mammal Protection Act Authorization. The reported bill is not yet available for analysis.
- 2) Fishermen's Protective Act Amendments. According to OMB, the Administration supports a section in the bill which extends the cooperative insurance program for fishermen until October, 1981, but has not had sufficient time to establish positions on other sections of the bill which were added in during the Merchant Marine Committee's mark-up.
- 3) Sikes Act Extension. The Administration does not object to the bill which extends the authorization for fish and wildlife conservation on military reservations through 1981.
- 4) Fishery Conservation and Management Act Authorization. The Administration supports extension of appropriation authority for this Act, but would prefer the lower levels in the President's 1979 budget (a difference of \$20 million for FY 1979).
- 5) CEQ Authorization for FY 1979, 1980, and 1981. This bill authorizes \$3 million in each of fiscal years 1979-1981 for the CEQ (the same amount as in current law for 1977 and 1978). The Administration has recommended the authorization of \$2,126,000 for FY 1979 and such sums as are necessary for FY 1980.
- 6) Small Business Act and Small Business Investment Act Amendments. The reported bill is not yet available; however, OMB reports that the Administration is strongly opposed to certain provisions in the introduced version of the legislation.

Tuesday -- 5 suspensions:

- 1) Water Rights for Ak-Chin Indians. Rescheduled from last week.
- 2) Land Claims, Riverside, California. The bill would waive sovereign immunity as a defense for certain land claims against the Federal Government along the lower Colorado River. According to OMB, as a matter of principle, the Administration objects to special waivers of sovereign immunity in such cases.
- 3) Reinstatement of Four Oklahoma Tribes as Federally Supervised and Recognized Indian Tribes. The Administration supports the bill.

- 4) Annual Authorization for the Expenses of the Navajo-Hopi Relocation Commission. The Administration supports the bill.
- 5) Education Day, U.S.A. The Administration defers to Congress (the customary position on resolutions of this type). The resolution authorizes you to proclaim April 18, 1978, as Education Day, U.S.A., in honor of the 76th birthday of Rabbi Menachem Mendel Schneerson, head of the worldwide Lubovitch Movement. Rep. Eilberg and nine others are the original sponsors.

-- To Establish a Lowell, Mass., National Historic Park. This bill is strongly supported by the Speaker. OMB has problems with it.

Wednesday -- Conference Report on the Emergency Farm Bill.

-- Ethics Bill (subject to a rule being granted).

Thursday -- White House Authorization (subject to a rule being granted). Bill Cable will send a letter to Members on this bill.

-- EPA R&D Authorization. The bill authorizes \$107 million in excess of of your FY 1979 budget request for these R&D activities. The Administration recommends enactment of an authorization level of \$324,128,000.

Friday -- Basic Workweek of Federal Firefighters. According to OMB, the Administration is strongly opposed to this bill which would mandate a reduction in the current regularly-scheduled workweek of Federal firefighters from 72 to an average of 56 hours with no reduction in the current annual premium of 25% of base pay that is specifically designed for the longer workweek. Reduction to 56 hours would require reduction in the annual premium to 15%. Rep. Spellman is the primary sponsor.

-- Trust Lands and Land Claims of the Zuni Indian Tribe of New Mexico. The bill directs the Interior Secretary to purchase and hold certain lands in trust for the Zuni Indian Tribe, and confers jurisdiction on the Court of Claims for Zuni land claims against the U.S. According to OMB, the Administration does not object to the purchase of lands to be held in trust; but strongly recommends that the Zuni tribe provide the funds for the purchase of the land. The Administration also recommends that action on the land claims provision be deferred until a review of all unresolved Indian land claims can be completed.

Senate

-- The Senate will take up the Emergency Farm bill on Monday. Action on the Panama Canal Treaties will continue.



THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

8 April 1978

MEMORANDUM FOR THE PRESIDENT

Attached are suggested remarks for your meeting with your Commission on Military Compensation Monday, April 10, immediately before the Cabinet meeting. I believe that your use of these words will to some degree commit us to significant change in the present retirement system; I also believe that such a commitment is appropriate.

The Commission report will be presented to you by the Chairman, Mr. Charles Zwick. I will be present along with Charles Duncan.

I appreciate your taking the time. Your interest and comments will have a great impact.

Harold Brown

Attachment

SUGGESTED COMMENTS FOR THE PRESIDENT

ON RECEIPT OF THE REPORT OF THE

PRESIDENT'S COMMISSION ON MILITARY COMPENSATION

Today nine eminent citizens culminate a significant public service. For the past ten months, they have, at my request, reviewed the system by which this government maintains the largest payroll in the Western World -- the system by which we repay 2.1 million men and women on active duty, plus one million military retirees, for their military service to this country.

The Commissioners found some things that are right with the present system. After careful reflection they decided that the level of current military pay is approximately correct, and that the form of pay and allowances by which military compensation is awarded is basically sound.

At the same time, the Commissioners concluded that in important respects the present system of military compensation must be modified. Their report points out that the present system focuses retirement after 20 years' service at 50 percent of pay. They conclude that by doing so the present system optimizes neither the interests of Service members, nor of the planners and managers of our Defense, nor of the public that must pay the bill.

The men and women of the armed forces suffer because those who leave the military with many -- but less than twenty -- years of service receive no retirement benefits. On the other hand, those who continue on active duty for more than twenty years often experience a net loss of

potential income because their continued service to their country fore- stalls receipt of retirement benefits.

The Secretary of Defense, who must manage our forces, is handicapped by the present system because too few people are encouraged to stay past their first enlistments, and too many who reach their twentieth year are deterred from staying longer. The public suffers because misdirected incentives in the present system inflate costs by hundreds of millions of dollars per year.

The Commission has considered these problems with imagination and care. I now need the reaction -- and where necessary the suggested modifications -- of the Department of Defense in response to these proposals. I need to be satisfied that any new system safeguards the nation's security, saves the taxpayers' money, and still protects the reasonable expectations of those presently retired and in the career service.

The time for action is nearly upon us. I do not intend these proposals to be filed and forgotten. By the beginning of the 96th Congress, I will advance detailed proposals for such reform as is warranted.

In the interim, I thank Chairman Zwick and the members of the Commission for the work accomplished. We will carry on what you of the Commission have begun.

THE WHITE HOUSE
WASHINGTON

April 10, 1978

Secretary Adams

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

Rick Hutcheson

cc: The Vice President
Stu Eizenstat
Frank Moore
Jack Watson
Jim McIntyre

RE: HIGHWAY-TRANSIT LEGISLATION

THE WHITE HOUSE
WASHINGTON

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

cc Secretary Adams

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

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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

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

THE WHITE HOUSE
WASHINGTON

4/7/78

Mr. President:

Congressional Liaison has no comment.

DPS: "Since Secretary Adams has not asked for direct White House staff involvement in this matter, I would recommend that you indicate to him your disapproval of the Howard bill and allow the Secretary to convey that message to the Hill.

If you want to lend greater weight to our opposition to the Howard bill, you might include it in the anti-inflation speech as an example (along with the farm and tuition tax credit bills) of budget-busting legislation you would veto in their present form."

Rick



THE PRESIDENT HAS SEEN,

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

cc:
Brook -
gill veto
J

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. McINTYRE, JR. *Jim*
SUBJECT: House Committee Action on Highway-Transit
Legislation

The Transportation Subcommittee of the House Public Works and Transportation Committee is preparing to mark up the Administration's highway-transit bill. In preparation for the markup session, Subcommittee Chairman Jim Howard has reintroduced a new "Howard Highway-Transit Bill" (H.R. 11733). Unfortunately, H.R. 11733 bears little resemblance to the Administration proposal. Among its more objectionable features are the following:

Budget Impact. Whereas the Administration proposed four years of authorizations totaling \$45 billion, Howard's bill provides \$64 billion, thereby increasing the Administration's request by about \$4.7 billion annually:

(dollars in billions)

Program	1979		1980		1981		1982		Total	
	Adm.	How.	Adm.	How.	Adm.	How.	Adm.	How.	Adm.	How.
Highways...	7.8	11.7	7.8	11.5	8.2	11.5	8.2	11.5	32.0	46.2
Transit....	3.1	4.4	3.2	4.5	3.4	4.5	3.5	4.5	13.2	17.9
Total.....	10.9	16.1	11.0	16.0	11.6	16.0	11.7	16.0	45.2	64.1
Increase...	(5.2)		(5.0)		(4.4)		(4.3)		(18.9)	

With respect to highways, over 90% of authorizations are in the form of trust fund contract authority. Upon enactment, these authorizations can be obligated without prior appropriations committee action. Therefore, the authorizations provided by the House and Senate Public Works Committees are the primary determinants of the highway program level. The largest single highway funding increase in H.R. 11733, in comparison with the Administration's request, is +\$1.5 billion annually for bridge replacement. Other substantial increases include +\$0.9 billion for general fund highway programs, +\$0.6 billion for Interstate highways and +\$0.6 billion for primary highways.

By law, highway trust fund authorizations may not exceed anticipated receipts. Yet, the authorizations in H.R. 11733 would exceed receipts. To postpone the necessity of raising receipts with a gas tax increase in an election year, Mr. Howard has adopted an alternative strategy of extending trust fund receipts by six years while proposing authorizations for only four years. The additional two years of revenues would, of course, be more than sufficient to cover the increases authorizations.

Transit authorizations are derived from the general fund and thereby require appropriations prior to obligation. Funding details relating to both highways and transit are shown in the attachment.

Program Consolidations. A principal goal of the Administration proposal is to reduce the number of narrow categorical programs that limit State and local flexibility in the use of transportation funds. However, H.R. 11733 not only fails to consolidate any categories, it also adds a series of new categories. This is most evident in the transit program, where H.R. 11733 would expand and subdivide the capital grant program into five sub-programs: bus purchases, rail modernization, rail car purchases, new rail starts, and rural grants. In the highway program, H.R. 11733 contains 36 funding categories compared with 9 in the Administration proposal.

Current Status

Secretary Adams has tried working with Mr. Howard but has evidently failed. He met with Mr. Howard on March 21 to object to the fact that the Subcommittee was ignoring the Administration's proposals. At that time he indicated that he would recommend a veto if H.R. 11733 were enacted in its present form. Mr. Howard apparently told Secretary Adams that he did not mind if a veto were threatened--that he intended to proceed ahead with his bill. The next day Mr. Howard formally introduced the bill and held a press conference to explain its provisions. Administration relations with Mr. Howard and his committee have been severely strained.

Secretary Adams now intends to work especially closely with the Senate. The Senate Public Works Committee will handle the highway portion and is favorably inclined to the Administration bill. However, we can expect budget increases and policy disagreements with the Senate Banking Committee which will handle the transit portion of the bill.

The Administration's version of the bill has generally been well received by the highway and transit interests. However, because of H.R. 11733's substantial funding increases, Mr. Howard will probably find firmer transportation industry adherents for his bill.

Recommendations

Chances of modifying H.R. 11733 in House Committee are dim. However, we concur with Secretary Adams' position of trying to work with selected House Committee members who appear to be sympathetic to the Administration's position. A more vigorous effort can be made on the House floor and in the Senate. We also concur that a clear veto threat should be transmitted with respect to H.R. 11733. To support Secretary Adams on this point, such a threat should come from the White House (Frank Moore and his staff). You also may wish to speak to the House leadership about the Administration's concerns with the bill.

Decision

Agree

Disagree

See me

Attachment

- Let Brock take lead, Frank to help

J

Comparison of Highway-Transit Authorizations of H.R. 11733
with Administration Bill, H.R. 10556 (dollars in millions)

	H.R. 11733			Adm. Bill
	1979 Contract Auth.	1979 General Fund	1979 Total	1979 Contract Auth.
<u>Highway Program</u>				
<u>Federal-Aid Highways:</u>	(10,510)	(115)	(10,625)	(7,800)
Interstate	4,300	--	4,300	3,675
Primary	2,100	--	2,100	1,500
Small Urban/Rural ..	650	--	650	786
Urban	800	--	800	700
Bridge Replacement .	2,000	--	2,000	450
Safety	510	--	510	500
Miscellaneous	150	115	265	189
<u>Existing Categorical Programs:</u>	(200)	(794)	(994)	(--)
Off-System Roads ...	--	300	300	--
Interior/Agric. Highways	--	308	308	--
Nine small cate- gories	200	186	386	--
<u>Five New Categorical Programs:</u>	(100)	(--)	(100)	(--)
<u>Total Highways</u>	10,810	909	11,719	7,800
Proposed Federal-Aid Highways Obliga- tions Ceiling	(10,300)	xxx	xxx	(7,800)
<u>Transit Program</u>				
<u>Discretionary Capital Grants:</u>	--	(1,950)	(1,950)	(640)
Bus Purchases	--	200	200	--
Rail Modernization .	--	650	650	--
Rail Car Purchase ..	--	350	350	--
New Rail Starts	--	600	600	--
Rural & Small Urban	--	150	150	--
<u>Formula Grants:</u>	--	(1,660)	(1,660)	(1,735)
Operating subsidies	--	1,100	1,100	--
Bus Purchases	--	400	400	--
Commuter Rail				
Subsidies	--	100	100	--
Technical studies ..	--	60	60	--
<u>Interstate Transfers:</u>	--	(600)	(600)	(675)
<u>Miscellaneous:</u>		(200)	(200)	(90)
<u>Total Transit</u>	--	4,410	4,410	3,140
<u>Total Highways and Transit</u>	10,810	5,319	16,129	10,940

ID 780734

THE WHITE HOUSE
WASHINGTON

Being rewritten



DATE: 04 APR 78

FOR ACTION: FRANK MOORE (LES FRANCIS) *nc*

INFO ONLY: THE VICE PRESIDENT
JACK WATSON

STU EIZENSTAT *- attached*
CHARLIE SCHULTZE

SUBJECT: MCINTYRE MEMO RE HOUSE COMMITTEE ACTION ON HIGHWAY-
TRANSIT LEGISLATION

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

ACTION REQUESTED: IMMEDIATE TURNAROUND IS REQUESTED
STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.
PLEASE NOTE OTHER COMMENTS BELOW:



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

APR 4 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. MCINTYRE, JR.

Jim McIntyre

SUBJECT: House Committee Action on Highway-Transit
 Legislation

The Transportation Subcommittee of the House Public Works and Transportation Committee is preparing to mark up the Administration's highway-transit bill shortly after the congressional Easter recess-- perhaps as early as the week of April 3. In preparation for the markup session, Subcommittee Chairman Jim Howard has reintroduced a new "Howard Highway-Transit Bill" (H.R. 11733). Unfortunately, H.R. 11733 bears little resemblance to the Administration proposal. Among its more objectionable features are the following:

Budget Impact. Whereas the Administration proposed four years of authorizations totaling \$45 billion, Howard's bill provides \$64 billion, thereby increasing the Administration's request by about \$4.7 billion annually:

(dollars in billions)

Program	1979		1980		1981		1982		Total	
	Adm.	How.	Adm.	How.	Adm.	How.	Adm.	How.	Adm.	How.
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Increase...	(5.2)		(5.0)		(4.4)		(4.3)		(18.9)	

With respect to highways, over 90% of authorizations are in the form of trust fund contract authority. Upon enactment, these authorizations can be obligated without prior appropriations committee action. Therefore, the authorizations provided by the House and Senate Public

Works Committees are the primary determinants of the highway program level. The largest single highway funding increase in H.R. 11733, in comparison with the Administration's request, is +\$1.5 billion annually for bridge replacement. Other substantial increases include +\$0.9 billion for general fund highway programs, +\$0.6 billion for Interstate highways and +\$0.6 billion for primary highways.

By law, highway trust fund authorizations may not exceed anticipated receipts. Yet, the authorizations in H.R. 11733 would exceed receipts. To postpone the necessity of raising receipts with a gas tax increase in an election year, Mr. Howard has adopted an alternative strategy of extending trust fund receipts by six years while proposing authorizations for only four years. The additional two years of revenues would, of course, be more than sufficient to cover the increased authorizations.

Transit authorizations are derived from the general fund and thereby require appropriations prior to obligation. Funding details relating to both highways and transit are shown in the attachment.

Program Consolidations. A principal goal of the Administration proposal is to reduce the number of narrow categorical programs that limit State and local flexibility in the use of transportation funds. However, H.R. 11733 not only fails to consolidate any categories, it also adds a series of new categories. This is most evident in the transit program, where H.R. 11733 would expand and subdivide the capital grant program into five sub-programs: bus purchases, rail modernization, rail car purchases, new rail starts, and rural grants. In the highway program, H.R. 11733 contains 36 funding categories compared with 9 in the Administration proposal.

Other Policy Differences. H.R. 11733 contains a wide range of other troublesome provisions, including the following:

- . failure to focus Interstate funds on essential unbuilt segments;
- . failure to bring all DOT highway programs under the trust fund (\$0.9 billion annually of general fund highway authorizations);
- . failure to permit States to spend Federal-aid highway funds on roads not officially classified as Interstate, primary, secondary or urban;

- . weakening of highway beautification statutes.
- . raising the 1979 Federal-aid highway obligation ceiling from the proposed \$7.8 billion to \$10.3 billion;
- . disallowing Federal assistance to vanpool projects if the vanpools have "adverse effect on any mass transportation system";
- . failure to permit states to use bridge funds for rehabilitation work in addition to the currently allowable bridge replacement;
- . adding frivolous highway funding categories, such as a demonstration program to test the practicability of selling State lottery tickets on Interstates and another to place vending machines in Interstate rest areas.
- . "balkanizing" the transit program into a series of rigid categories, including specific operating subsidy programs.
- . providing, for the first time, earmarked funds for intercity bus operating subsidies ("Ambus");
- . requiring that transit rail cars and steel products used in highway and transit projects be domestically produced; and
- . requiring DOT to submit all rules and regulations for congressional review (a congressional veto provision).

Current Status

Secretary Adams has tried working with Mr. Howard but has evidently failed. He met with Mr. Howard on March 21 to object to the fact that the Subcommittee was ignoring the Administration's proposals. At that time he indicated that he would recommend a veto if H.R. 11733 were enacted in its present form. Mr. Howard apparently told Secretary Adams that he did not mind if a veto were threatened--that he intended to proceed ahead with his bill. The next day Mr. Howard formally introduced the bill and held a press conference to explain its provisions. Administration relations with Mr. Howard and his committee have been severely strained.

Secretary Adams now intends to work especially closely with the Senate. The Senate Public Works Committee will handle the highway portion and is favorably inclined to the Administration bill. However, we can expect budget increases and policy disagreements with the Senate Banking Committee which will handle the transit portion of the bill.

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Recommendations

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Decision

Agree.

Disagree.

See me.

Attachment

Comparison of Highway-Transit Authorizations of H.R. 11733
with Administration Bill, H.R. 10656 (dollars in millions)

	H.R. 11733			Adm. Bill
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Off-System Roads ...	--	300	300	--
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New Rail Starts	--	600	600	--
Rural & Small Urban	--	150	150	--
<u>Formula Grants:</u>	--	(1,660)	(1,660)	(1,735)
Operating subsidies	--	1,100	1,100	--
Bus Purchases	--	400	400	--
Commuter Rail Subsidies	--	100	100	--
Technical studies ..	--	60	60	--
<u>Interstate Transfers:</u>	--	(600)	(600)	(675)
<u>Miscellaneous:</u>	--	(200)	(200)	(90)
Total Transit	--	4,410	4,410	3,140
Total Highways and Transit	10,810	5,319	16,129	10,940

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *By D.R.*
KURT SCHMOKE

SUBJECT: McIntyre Memo Re: House
Committee Action on Highway
Transit Legislation

Jim McIntyre's memorandum points out the fact that the Transportation Subcommittee of the House Public Works and Transportation Committee has virtually ignored the Administration's highway transit bill and will probably report out a bill introduced by Rep. Jim Howard, a bill that would increase the Administration's request by about \$4.7 billion annually.

McIntyre recommends that White House staff inform the House of your intention to veto the Howard bill. Secretary Adams has already informed Howard and other members that he would recommend a veto of the Howard bill; however, this threat of a potential veto has not as yet deterred the subcommittee. Since Secretary Adams has not asked for direct White House staff involvement in this matter, I would recommend that you indicate to him your disapproval of the Howard bill and allow the Secretary to convey that message to the Hill.

If you want to lend greater weight to our opposition to the Howard bill, you might include it in the anti-inflation speech as an example (along with the farm and tuition tax credit bills) of budget-busting legislation you would veto in their present form.

1865

THE WHITE HOUSE
WASHINGTON

April 10, 1978

Jack Watson

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

Rick Hutcheson

RE: SOUTH BRONX

cc: Stu Eizenstat

THE WHITE HOUSE
WASHINGTON

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

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

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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

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

Electrostatic Copy Made
for Preservation Purposes

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

*Jack ok -
hang tough
J*

PRIORITY

MEMORANDUM TO: THE PRESIDENT

FROM: Jack Watson

April 8, 1978

RE: South Bronx

There are some developments regarding the South Bronx which cause me concern and which have prompted me to write the attached letter to Ed Koch. Specifically, contrary to our urging, Koch's people have prepared a new draft "five-year plan" for the South Bronx, which we believe to be impractical, unrealistic and absolutely inconsistent with everything we have discussed with Koch and his people for the last several months. Although Koch is characterizing the latest plan as "merely a working document" to be discussed with community planning boards and others in the South Bronx, he plans to release the plan at a press conference on Tuesday afternoon. I have urged him not to do that because of the unnecessarily high visibility it gives to the document and because when asked to react to it, I will have no choice but to express my negative opinion of it. Although I have made these points clear to the Mayor in a personal meeting with him, Herman Badillo and others at a private dinner at my house on Monday, March 27, and again in telephone conversations with both of them since that time, the Mayor persists.

The letter is self-explanatory. I am certain that this difference of opinion will find its way into the press next week--I have tried everything I could think of to avoid the problem, but now, in order to have the federal position clear and on the record, believe that the letter should be sent. I need to send it to the Mayor on Monday, April 10, at the latest--do you agree?

Attachment

THE WHITE HOUSE

WASHINGTON

April 8, 1978

Dear Ed:

I write you this letter because I am extremely concerned about the direction of the City's efforts on the South Bronx project. Because I value so much the spirit of candor that has characterized our relationship from the very beginning, I want to try to clear up now (before we proceed any further on what appear to be two quite different tracks) any misunderstanding that may exist as to our objectives on this vitally important matter.

From the inception of our focus on the South Bronx we have made it clear that there are limits to the amount of federal money that are available for the South Bronx, as there are for any one city in the country. The President is working very hard to take a responsible approach to overall government spending and has directed in all areas that federal dollars be well-managed, well-focused, and leveraged to the greatest possible extent with other resources, both public and private. This spirit is particularly evident in the President's urban policy announced last week in which he urged State and local Governments, the private sector and neighborhood groups to join with the Federal Government in a partnership to revitalize declining urban centers and tackle difficult urban problems.

In the South Bronx, we have been seeking precisely such a partnership approach. As you know, our objectives have been: (1) to coordinate as much as possible the substantial amounts of Federal, State and City dollars that are already being spent in New York City and the South Bronx; (2) to leverage some new federal resources that are still available in the fiscal year 1978 budget with other public and private efforts; and (3) to pursue over the long term a thoughtful, step-by-step planning and implementation policy based on aggressive neighborhood and private sector participation. Unfortunately, the City's latest draft proposal for the South Bronx is, in many respects, inconsistent with these fundamental goals.

During the President's visit to neighborhood groups in the South Bronx and in our numerous subsequent discussions with community representatives, this realistic, incremental and long-term approach has been welcomed. In my opinion, most of the people in the South Bronx are not looking for massive new federal projects. On the contrary, they want jobs as a number one priority, and they want to work together to rehabilitate and manage the apartment buildings and other dwellings that are still standing, as well as build new low-density dwellings in strong neighborhoods. We have found an extraordinarily independent and enterprising spirit among many of the people who have remained in the South Bronx. We want these people to participate in a step-by-step redevelopment effort and to reap the benefits in new jobs, in a feeling of personal accomplishment, and in an enhanced spirit of cooperation.

With this strategy in mind, at the President's direction, I established a federal interagency working committee shortly after his visit to the South Bronx. In addition, we appointed a federal coordinator located in the City to ensure a direct line of communication with community groups and among the three layers of government involved in this project. These are unique steps that demonstrate the seriousness of our commitment to interagency and intergovernmental cooperation on the South Bronx project.

The interagency committee first worked to identify creative ways in which federal programs could be used to reinforce one another and to respond flexibly to community needs. It also prepared initial estimates of Federal funds flowing to the South Bronx in the different program areas. These estimates showed that our ongoing commitments, particularly in the human services area, have been enormous over the past years. The committee then reviewed a five-year outline which the City submitted to us in December of last year. This document was basically an inventory of potential projects, a proposed timetable, and some suggestions for meaningful State and private sector commitments. Understandably, since the document was assembled within very tight time constraints, it did not involve much consultation with community leaders. In effect, it gave us a valuable overview of the City's thinking as of that date, but it was by no means a specific blueprint for action.

We then began to work with the City to refine our estimates of the existing flow of resources and to identify a number

of immediate projects (above and beyond the very substantial existing efforts) that could be implemented in order to signal our mutual commitment to the South Bronx and to begin making visible and much-needed improvements. These immediate projects are only intended as a beginning. Our particular concern was that the focus of this first phase clearly rest on jobs resulting from economic development and housing programs. We urged City agencies to work together in arriving at creative and coordinated approaches to deliver these new projects. We also stressed the need to set up strong linkages between these new activities and a job placement system for South Bronx residents.

At the conclusion of these February discussions, it was our understanding that the City would direct its efforts to utilizing these immediate new resources on effective projects. Planning and implementation details were to be worked out as quickly as possible with technical assistance from our agency people. We still do not have concrete proposals from the City as to how best to use the substantial amounts of new money we have offered to make available.

To eliminate any confusion that may exist about the size and nature of that beginning package, let me review some of the items that have been discussed with City officials.

In the area of economic development, we have offered technical assistance and staffing from the Small Business Administration to set up a one-stop service center that would consolidate intergovernmental services to South Bronx businesses at one location. This center would function as a main linkage between expanding businesses and job placement for residents. We also indicated our plans to provide technical assistance and new funding to local economic development groups. In fact, at one point we offered to provide federal funds for staffing a new South Bronx unit within the City's Office of Economic Development because we were told that the office could not manage South Bronx projects without additional help.

The Economic Development Administrator offered to make available a potential \$15-40 million in flexible EDA grants, loans and guarantees over the next 18 months if the City could use this effectively in the South Bronx. This substantial new money could be used to retain existing businesses, aid expanding businesses, and possibly attract new businesses. Suggested projects include commercial strip improvements, improvements in industrial buildings and sites, a revolving loan fund for businesses, and individual business loans.

In the manpower area, we identified over \$6-million in new money that could be devoted to the following projects: a job corps center to train unemployed youth; on-the-job training to facilitate placement of South Bronx residents in private sector jobs; English language training programs for Spanish-speaking residents; a work experience program to employ out-of-school youth on community improvement projects; a program to test innovative projects in South Bronx schools for disadvantaged youth; and job information systems to improve outreach and placement activities conducted by the State Employment Service offices in the South Bronx.

In the area of housing, although we understand that the City's allocation of housing units to the South Bronx has not yet been settled for fiscal year 1978, we are prepared to supplement that allocation with up to 1,000 units for the South Bronx. We have also discussed with HUD and the Federal Home Loan Bank Board ways in which federal money could be leveraged through co-insurance with financial institutions in the "fringe" areas in and around the South Bronx. I know that you too are interested in preserving those threatened neighborhoods. We have also offered to train City staff in processing 312 rehabilitation loans and to relax certain housing regulations on a test basis.

To begin a parks and open space program, we have offered the City \$½-1-million for building recreational facilities in cleared areas, which can be combined with new and existing CETA money for clean-up and maintenance crews and with ongoing neighborhood "urban gardening" and other outdoor projects.

In the transportation area, there are several pending projects awaiting State or City actions that can move forward immediately in a cooperative effort.

Members of our federal interagency committee have discussed all elements of this "first phase" package with your agency heads, and, of course, I have discussed it personally with you. Regrettably, there has been very little progress in settling on immediate, tangible implementation details, and recently the City shifted its attention away from this crucial task to prepare another draft of a "five-year plan," and to present yet another inventory of potential long-range projects.

In the new draft, the housing plans are much more ambitious and the reliance on federal funding has expanded several-fold. However, no effort has been made to analyze the extent and nature of the sizeable flow of existing resources to the South Bronx, or to propose how those resources could be applied more effectively. Rather, the City states in its introduction to the latest draft:

"Only the Federal government, which selected the South Bronx as a national priority, can match the scope and enormity of the problems with the resources needed . . . A multi-billion dollar commitment to the South Bronx is required to make a lasting difference."

This philosophy flatly contradicts the basic premise upon which White House involvement has been predicated from the start: specifically, better coordination and application of existing resources; careful incremental planning; and a long-term partnership approach rather than massive new federal funding which the people in the community do not want and which our government cannot afford. The draft plan is not only inconsistent with our agreed-upon approach, it diverted valuable time and attention that could have been used more profitably in designing a package of immediate projects.

As I have said to you before, the planning of a longer-term redevelopment effort will take a year or longer and should be a gradual, step-by-step process. Coherent and integrated projects should be planned, packaged and financed very carefully. Initial efforts should focus on areas of strength in the community where private sector and neighborhood commitments can be arranged, and further developments should flow from these beginnings. What we should be developing now for the longer-term effort is a workable planning and delivery structure, rather than a long-term and, in my opinion, unrealistic shopping list of federally funded programs.

The issue of delivery capability is critical to resolve before the longer range effort can proceed. The Federal Government, the State of New York, the City, community groups and private sector companies need to work together through a strong organizational mechanism to assemble reasonable, carefully packaged and manageable projects. Orchestrating such a longer-term planning and implementation effort will be time-consuming, will require exceptional talent and expertise, and will necessitate a tightly-knit organizational structure with the powers needed to do the job.

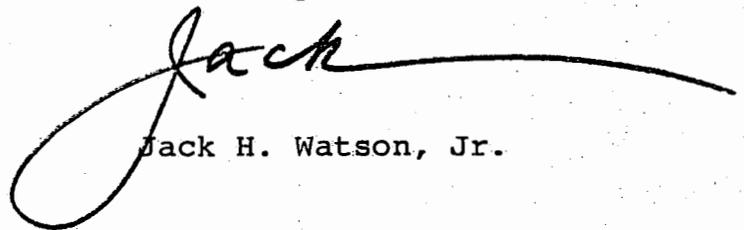
We believe that such a mechanism does not now exist and that a separate entity (either within City government or outside of it), funded in part by the Federal government and structured to include representatives from the private sector and the community, would be the best vehicle for this sort of uniquely demanding organizational task. The City would contribute key staff, private sector expertise could be tapped, and technical assistance from federal agencies could be used if an effective delivery structure is put in place. You have stated your objections to a quasi-public, UDC-type vehicle, and we stand ready to work together to design and plan a feasible alternative.

I urge you to have the City direct its efforts along more practical and realistic lines. My own staff, the federal interagency committee and our federal coordinator in New York are all prepared to work with Deputy Mayor Herman Badillo to resolve the two most pressing matters we now have before us:

- (1) the implementation of a phase-one package; and
- (2) the shape of the delivery system for a longer term planning effort.

As always, I send you my warm personal regards and best wishes.

Sincerely,

A handwritten signature in black ink that reads "Jack". The signature is written in a cursive style with a large, sweeping flourish that extends to the right and then loops back under the name.

Jack H. Watson, Jr.

The Honorable Ed Koch
Mayor of New York City
City Hall
New York, New York

1864

THE WHITE HOUSE
WASHINGTON

April 10, 1978

Hamilton Jordan

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

Rick Hutcheson

GISCARD

THE WHITE HOUSE
WASHINGTON

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

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

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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

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

THE WHITE HOUSE
WASHINGTON

4/10/78

rick--

original given to phil wise

--SSC

THE WHITE HOUSE
WASHINGTON

4-10-78

Tim -

Work out a time
to see Giscard -

J

186

THE WHITE HOUSE
WASHINGTON
April 10, 1978

Zbig Brzezinski
Hamilton Jordan

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

Rick Hutcheson

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 12356, SEC. 3.4(b)
WHITE HOUSE GUIDELINES, FEB. 24, 1983
BY [Signature] NARS, DATE 5/14/90

~~CONFIDENTIAL~~

THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

April 7, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Significant Actions, Secretary and Deputy Secretary of Defense
(April 1-7, 1978)

Meeting with Professional and Business Leaders: Tuesday evening I had the third in a series of monthly meetings with heads of major businesses and universities and professional leaders, to exchange ideas on national security policy. The comments at this meeting were stronger and more disturbing than those made by previous groups and went far beyond defense. The guests began by expressing deep concern about economic policy, the slide of the dollar, balance of payments, oil imports, inflation, and the lack of perceptible progress on energy; some saw these problems as reflecting lack of will of the American people. The comments on defense were all in the direction that we should be doing more to counter the Soviet threat, and producing and deploying more systems, that the U.S. and the Administration were acting too weakly and falling behind militarily. If, as I believe, some shift has in fact occurred in the views of opinion leaders, I think it argues that we need now to take forceful action which will counter the inflationary trend, and bring home to the American people the immediacy of the energy crisis, even though the actions which must be taken may be unpopular in the short run. I mention the comments simply because of the unusual urgency with which they were expressed.

Arms Embargo Hearing: Cy Vance and I testified yesterday before the House International Relations Committee in support of lifting the embargo on arms to Turkey. Although there will be opposition, I believe there is a reasonable chance for a satisfactory outcome, especially if the Turks come through on Cyprus as Ecevit has indicated.

Budget Resolution: The Senate Budget Committee has recommended an increase of \$1.4B in budget authority above our request, and a reduction of \$1.2B in outlays; the House Budget Committee recommended reducing our budget authority request by \$1B, and reducing outlays by \$2.1B. The budget authority is the operative constraint, but will become one only when the second resolution is passed.

Meeting with Dutch Defense Official: Charles Duncan hosted a luncheon for Netherlands Minister van Eekelen on Monday. Charles assured van Eekelen of our willingness to negotiate a Memorandum of Understanding on mutual procurement--similar to the one we have with the UK and are negotiating with Norway, Germany, Italy and France.

Sec Def

Classified by -----
SUBJECT TO GENERAL DECLASSIFICATION SCHEDULE OF
EXECUTIVE ORDER 11652. AUTOMATICALLY DECLASSIFIED
AT TWO YEAR INTERVALS. DECLASSIFIED ON 31 Dec 2000

Jay 5/14/90

~~CONFIDENTIAL~~

SEC DEF CONTR No. X-1019

THE WHITE HOUSE
WASHINGTON

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

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

		ARAGON
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		FIRST LADY
		HARDEN
		HUTCHESON
		JAGODA
		GAMMILL

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

Meeting with Minnesotans: On Wednesday Charles met with Senator Anderson and a group from Minnesota to discuss the future of an obsolete air defense operation at Duluth International Airport. Anderson fears an elimination of the activity and is looking for an alternative military activity to be located in the area.

Budget meetings: I met today with the OMB staff to plan your May meetings on the Defense budget. We agreed to try to limit the number of subjects discussed, but we want to be sure that those of particular interest to you are covered. On March 10 I sent you a ten-page summary of my draft consolidated guidance for Defense programs. It would be helpful if you could read through the summary (and the contents page) and check off the topics which you would like covered at the budget meetings. *sk*

AWACS Demonstration: The Air Force will tape the AWACS demonstration scheduled for tomorrow; it will be available for you to view at the White House whenever you want. Cy and Zbig may attend the viewing at the Pentagon.

Nimitz Visit to Haifa: The U.S.S. Nimitz is making the first port call of a nuclear carrier to an Israeli port--Haifa--and was visited by Prime Minister Begin. The opening of this port to nuclear ships is expected to boost the morale of the Sixth Fleet sailors.

Shipbuilding Hearings: I shall be testifying Monday and Tuesday before both Armed Services Committees on the shipbuilding program which we forwarded to the Congress on March 24.

Meetings in Europe: I leave Tuesday evening for a week of meetings with the Defense Ministers and heads of government of Norway, Germany, and Great Britain and to represent the United States at the NATO Nuclear Planning Group meeting in Denmark. I shall seek support for the NATO Long Term Defense Program to lay the groundwork for a favorable Summit decision on that program.

Harold Brown