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WHITE HOUSE
OFFICE OF RECORDS MANAGEMENT
WORKSHEET

[Red stamp]

- X-MEDIA
- H-INTERNAL

Name of Document: BRIEFING PAPERS
FOR PRESIDENT'S
SCHEDULED
APPOINTMENTS FOR

JUL2183

Subject Codes:

P	R	0	0	7	-	0	1
H	E	0	0	1	-	0	5
W	E	0	0	4	-		
P	R	0	0	6	-		
M	A	0	1	6	-		
M	A	0	3	5	-		
R	M	0	3	3	-	8	2
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B	C				-		
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P	R	0	1	1	-		
FG	2	6	6		-		
FG	2	9	8		-		
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1) Subject: Meeting with Multiple Sclerosis Father and Mother of the Year, DeWayne PIEHL, and JACKIE MIDDLETON.

2) Meeting with Reverend Theodore Judson (T.J.) Jemison, President of the National Baptist Convention.

3) Meeting with the Nuclear Power Assembly and the Nuclear Energy Women.

4) Meeting with Leo Jaffe and others who have volunteered to acquire audio visual materials to be distributed through the United States Information Agency

continued

ROUTE TO:		ACTION		DISPOSITION		
Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
RMHENL		RSZ			C	

Referral Note:

THE SCHEDULE OF
PRESIDENT RONALD REAGAN



The President has seen _____

Thursday, July 21, 1983

9:00 am (30 min)	<u>Staff Time</u> (Baker, Meese)	Oval Office
9:30 am (15 min)	<u>National Security Briefing</u> (Clark)	Oval Office
9:45 am (15 min)	<u>Senior Staff Time</u>	Oval Office
10:00 am (2 hrs)	<u>Personal Staff Time</u>	Oval Office
12:00 m (60 min)	<u>Lunch with the Vice President</u>	Oval Office
1:00 pm (30 min)	<u>Administrative Time (Photos)</u> 1) Multiple Sclerosis Mother & Father of the Year (Whittlesey) 2) Reverend F. C. Robinson (Whittlesey) 3) Nuclear Power Assembly (Whittlesey) 4) Leo Jaffe, et al (Small)	Oval Office (TAB A) Cabinet Room Roosevelt Room
1:30 pm (30 min)	<u>Meeting with Ambassador Nitze</u> (Clark)	Oval Office (distributed separately)
2:00 pm (30 min)	<u>Clark Briefing</u> (Clark)	Situation Room (distributed separately)
2:30 pm (60 min)	<u>Meeting with Cabinet Councils on Natural Resources & Environment and Food & Agriculture</u> (Fuller)	Cabinet Room (TAB B)
3:30 pm (60 min)	<u>Personal Staff Time</u>	Oval Office
4:30 pm (30 min)	<u>Personnel Time</u> (Herrington)	Oval Office
5:00 pm (60 min)	<u>Dental Appointment</u> (Ruge)	Residence

UNP 7/20/83
4:00 pm

THE SCHEDULE OF
PRESIDENT RONALD REAGAN

Thursday, July 21, 1983



9:00 am (30 min)	<u>Staff Time</u> (Baker, Meese)	Oval Office
9:30 am (15 min)	<u>National Security Briefing</u> (Clark)	Oval Office
9:45 am (15 min)	<u>Senior Staff Time</u>	Oval Office
10:00 am (2 hrs) <i>10:30</i>	<u>Personal Staff Time</u>	Oval Office
12:00 m (60 min)	<u>Lunch with the Vice President</u>	Oval Office
1:00 pm (30 min)	<u>Administrative Time</u> (Photos) 1) Multiple Sclerosis Mother & Father of the Year (Whittlesey) 2) Reverend T.J. Jemison (Whittlesey) 3) Nuclear Power Assembly (Whittlesey) 4) Leo Jaffe, et al (Small)	Oval Office (TAB A) Cabinet Room Roosevelt Room
1:30 pm (30 min)	<u>Meeting with Ambassador Nitze</u> (Clark)	Oval Office (distributed separately)
2:00 pm (30 min)	<u>Clark Briefing</u> (Clark)	Situation Room (distributed separately)
2:30 pm (60 min)	<u>Meeting with Cabinet Councils on Natural Resources & Environment and Food & Agriculture</u> (Fuller)	Cabinet Room (TAB B)
3:30 pm (60 min)	<u>Personal Staff Time</u>	Oval Office
4:15 pm 4:30 pm (30 min)	<i>wpc</i> <u>Personnel Time</u> (Herrington)	Oval Office
5:00 pm (60 min)	<u>Dental Appointment</u> (Ruge)	Residence

UNP 7/20/83
4:00 pm

JRF

THE SCHEDULE OF
PRESIDENT RONALD REAGAN

Thursday, July 21, 1983



9:00 am (30 min)	<u>Staff Time</u> 9:10 (Baker, Meese)	Oval Office
9:30 am (15 min)	<u>National Security Briefing</u> 9:20 - 9:45 (Clark) 9:28 BUSH - 9:45 Clark	Oval Office
9:45 am (15 min)	<u>Senior Staff Time</u> 9:45 EM, JB, Clark, DUBERSTEIN, GELMAN, SARANTIN, SPENCER, FIELDING	Oval Office
10:00 am (2 hrs)	10:30-10:45 PRESS ROOM <u>Personal Staff Time</u> 10:47 - 11:00 EM, WC 10:47 - PERSONAL	Oval Office
12:00 m (60 min)	<u>Lunch with the Vice President</u>	Oval Office
1:00 pm (30 min)	<u>Administrative Time</u> (Photos) 1:10 - 1:35 1) Multiple Sclerosis Mother - WIRES & Father of the Year (Whittlesey) 2) Nuclear Power Assembly (Whittlesey) 3) Leo Jaffe, et al (Small)	Oval Office Cabinet Room Roosevelt Room
1:30 pm (30 min)	<u>Meeting with Ambassador Nitze</u> 1:38 - 2:06 (Clark)	Oval Office
2:00 pm (30 min)	<u>Clark Briefing</u> 2:10 - 2:44 (Clark)	Situation Room
2:30 pm (60 min)	<u>Meeting with Cabinet Councils on</u> 2:47 - <u>Natural Resources & Environment</u> <u>and Food & Agriculture</u> (Fuller)	Cabinet Room
3:30 pm (60 min)	<u>Personal Staff Time</u>	Oval Office
4:30 pm (30 min)	<u>Personnel Time</u> 4:30 - 5:00 (Herrington) Herrington, Meese	Oval Office
5:00 pm (60 min)	<u>Dental Appointment</u> (Ruge)	Residence

UNP 7/20/83
REVISED 6:30 pm

cc: Dave Fischer
Kathy Osborne
Nell Yates
West Basement Guard

BRIEFING ON SOVIET SPACE PROGRAMS

Thursday, July 21, 1983 -- 2:00 p.m. -- Situation Room

The President
Secretary Weinberger
Administrator James Beggs, NASA
William P. Clark
Charles Briggs, Executive Director, CIA

Larry Gershwin, CIA
Julian Nall, CIA
Wayne Andrews, CIA

THE WHITE HOUSE

WASHINGTON

PHOTO WITH THE MULTIPLE SCLEROSIS FATHER AND MOTHER OF THE YEAR

DATE: July 21, 1983
LOCATION: Oval Office
TIME: 1:00-1:05 p.m.

FROM: FAITH RYAN WHITTLESEY *FRW*

I. PURPOSE

To laud the Multiple Sclerosis Society's annual Mother and Father of the Year recipients, and to recognize the persistent efforts of the Society in their assistance to the many crippled by this disease.

II. BACKGROUND

Founded in 1946, the National Multiple Sclerosis Society is dedicated to the research for the cause and cure of this disabling disease of the central nervous system, which strikes an average of 200 persons weekly in the United States alone.

The Father of the Year, Dr. DeWayne Piehl of Seattle, Washington, is 51 years old, married and the father of four children. He is a retired University of Washington professor of business administration and is paralyzed from the neck down.

The Mother of the Year, Mrs. Jackie Middleton of Anchorage, Alaska, is 32 years old, and the mother of a four year-old son, Jason. She became paralyzed, and lost her sight, balance and speech after her son's birth. Today, she uses a cane only as Jackie is in almost total remission.

This award is selected by the Society's National staff committee, after names are submitted by each local chapter. President Kennedy was the first President to present this award and President Reagan has continued the tradition the last two years.

III. PARTICIPANTS

See attached list.

IV. PRESS PLAN

Photo opportunity. Have requested API and UPI wire photographers and a video camera.

V. SEQUENCE OF EVENTS

1:00 - 1:02 Participants enter and are introduced to President.
1:02 - 1:04 Presentation of plaques and photos. Also, Mrs. Middleton presents President Reagan with gold mining pan.
1:04 - 1:05 Participants depart.

Talking points attached.

THE WHITE HOUSE

WASHINGTON

SUGGESTED TALKING POINTS FOR MEETING WITH
MULTIPLE SCLEROSIS SOCIETY MOTHER AND FATHER OF THE YEAR

- Welcome to White House.
- Congratulations on award for their courage and leadership and being such fine examples to other Americans afflicted with multiple sclerosis.
- Express hope for the scientific community to "strike the gold" and discover a cure.
- Thank you for coming.
- Best wishes for continued courage and strength.

THE WHITE HOUSE

WASHINGTON

PARTICIPANTS

Dr. DeWayne Piehl, Ph.D.	(Recipient)
Jane Piehl	(wife)
Eric Piehl	
Caroline Piehl	
Anne Piehl	(children)
Janet Piehl	
Jackie Middleton	(Recipient)
Jason Middleton	(son)
Vice Admiral Thor Hanson (Ret.)	President and Chief Executive Officer of the MSS
Sylvia Lawry	Founder-Director of MSS
Norman Cohn	Chairman, MSS
Juanita Bryant	President, General Federation of Women's Clubs (the Federation has adopted MSS as its annual "cause")
Frederick C. Wieting	Public Relations, MSS

THE WHITE HOUSE

WASHINGTON

July 19, 1983

PHOTOGRAPH WITH REVEREND THEODORE JUDSON JEMISON

DATE: July 21, 1983
LOCATION: Oval Office
TIME: 1:00 - 1:05 p.m.
FROM: FAITH RYAN WHITTLESEY *FRW*

I. PURPOSE

To meet Dr. Jemison a.k.a. " T.J." pastor of the Mount Zion First Baptist Church in Baton Rouge, Louisiana, and President of The National Baptist Convention, U.S.A. with a membership of 6.8 million.

II. BACKGROUND:

On September 9, 1982, at age 62, Dr. T.J. Jemison was elected President of The National Baptist Convention, U.S.A. The organization boasts of a membership of over 5,000 churches with close to seven million parishioners. Dr. Jemison has vowed to give his organization a new direction and to speak to black concerns with a strong voice. The platform on which Reverend Jemison won the presidency of the organization included a pledge to:

- (1) address the major issues negatively affecting black Americans including unemployment, inadequate political participation, and declining support for public education;
- (2) increase church resources to rescue historically black Baptist colleges;
- (3) lend greater support of groups which seek to advance civil rights;
- (4) expand the role for the church as a national welfare organization;
- and (5) achieve greater economic self-reliance.

III. PARTICIPANTS

Reverend T.J. Jemison

IV. MEDIA COVERAGE

White House Photographer

V. SEQUENCE OF EVENTS

1:00 p.m. Reverend Jemison enters Oval Office and is introduced to President Reagan.
1:01 p.m. Brief chat per talking points/ photos.
1:05 p.m. Reverend Jemison departs Oval Office.

VI. PROJECT OFFICER: John Tiller
Talking Points Attached.

Talking Points

- Welcome to the White House
- Congratulations on becoming President of the National Baptist Convention, U.S.A.
- I understand your father was President of the Convention from 1941-1953, and he was your inspiration and role model.
- I am sure he is very proud.
- Governor Treen says you have been an inspiration to him and all who know you.
- I am glad to have met you (option) and hope to spend some time with you at some future date.
- And, thank you for coming.

THE WHITE HOUSE

WASHINGTON

July 20, 1983

MEETING WITH NUCLEAR POWER ASSEMBLY

DATE: July 21, 1983
TIME: 1:15 p.m.
LOCATION: Cabinet Room
FROM: FAITH RYAN WHITTLESEY

FRW

I. PURPOSE

To acknowledge the support of the Nuclear Power Assembly and Nuclear Energy Women, and to accept NPA's report, Nuclear Power: Agenda for the 1980's, which supports President Reagan's position and initiatives on nuclear power.

- II. The Nuclear Power Assembly is a coalition of several powerful pro-nuclear interests, chaired by a top CEO representing hundreds, often thousands, of workers. Membership consists of the following organizations: American Nuclear Energy Council, American Nuclear Society, Atomic Industrial Forum, Edison Electric Institute, National Rural Electric Cooperative Association, U.S. Committee for Energy Awareness, American Nuclear Energy Council, American Public Power Association.

Nuclear Energy Women, a group supported by the Atomic Industrial Forum, is a national network of women from industry and citizen advocacy groups who promote knowledge and understanding of energy with emphasis on nuclear power.

III. PARTICIPANTS

See attached list.

IV. PRESS PLAN

White House Photographer

V. SEQUENCE OF EVENTS

- 1:15 p.m. Representatives of NPA and NEW will meet Secretary Hodel in Cabinet Room.
1:25 p.m. The President will arrive in the Cabinet Room, make brief remarks, receive NPA report.
1:45 p.m. Ed Meese will join the meeting.

The meeting will continue with Secretary Hodel and Ed Meese after the President departs.

MEETING WITH NUCLEAR POWER ASSEMBLY

DATE: July 21, 1983
 TIME: 1:15 p.m.
 LOCATION: Cabinet Room
 FROM: FAITH RYAN WHITTLESEY

PARTICIPANTS:

Edwin Meese, III, Counselor to the President
Donald P. Hodel, Secretary of Energy
Fred Khedouri, Office of Management and Budget
Faith Ryan Whittlesey, Assistant to the President
 for Public Liaison
John H. Rousselot, Special Assistant to the President
 for Public Liaison
Sherwood Smith, Chairman and President, Carolina Power & Light Co.
James O'Conner, Chairman, Consolidated Edison, Chicago
Lee Sillin, Chairman, Institute of Nuclear Power Operation
John Conway, Chairman, American Nuclear Energy Council
Charles Dougherty, Chairman, Union Electric Company
Tom Kuhn, President, American Nuclear Energy Council
William McCollam, President, Edison Electric Institute
Harry Finger, President, U.S. Committee for Energy Awareness
Robert Partridge, Executive Vice President, National Rural
 Electric Cooperative Association
Manning Muntzing, Chairman, American Nuclear Society
Robert W. Scherer, Chairman, U.S. Committee for Energy Awareness
Robert Georgine, President, Building and Construction Trades,
 AFL-CIO
Carl Walske, President, Atomic Industrial Forum
Alex Radin, Executive Director, American Public Power Association.

TALKING POINTS

- I have supported nuclear power and breeder reactor programs for many years.
- My statement of October 8, 1981, statement directed that Clinch River be built.
- Nuclear energy is an important part of U.S. energy mix for meeting long-term energy requirements of this country.
- I am pleased to see that you who represent utilities, the nuclear industry, women's labor, engineering and scientific groups are unified in supporting this concept and its approach.
- I will work with you to obtain Congressional support for this Alternative Financing concept for the Clinch River Breeder Reactor Program.

THE WHITE HOUSE

WASHINGTON

July 20, 1983

PHOTO OPPORTUNITY WITH LEO JAFFE, ET AL

DATE: Thursday, July 21, 1983
LOCATION: Roosevelt Room
TIME: 1:15 (5 minutes)

FROM: Karna Small 

I. PURPOSE:

To greet and be photographed with a group of civic leaders and motion picture executives who have volunteered their efforts to work on a private sector project in connection with USIA.

II. BACKGROUND:

Leo Jaffe, Chairman Emeritus of Columbia Pictures, has offered to lead a Committee of high-level volunteers to acquire films and TV programs at little or no cost to the U.S. Government. These films would then be made available, through USIA, to markets overseas, and they would add immeasurably to the image and story of American life as portrayed abroad. Each member of this group has been active in the film industry and/or philanthropic and cultural organizations. This will be an opportunity for you to thank them for volunteering their services for this worthwhile project. They will be working closely with USIA Director, Charles Wick.

III. PARTICIPANTS:

The President

Leo Jaffe
Chairman Emeritus, Columbia Pictures, Inc.

John Mitchell
President, Academy of Television Arts and Sciences

Herbert Schlosser
Executive Vice President, RCA

Willie Mays
Member, Baseball Hall of Fame

Leonard Gruenberg
Chairman of the Board, Filmways, Inc.

III. PARTICIPANTS CONTINUED:

Milton Rackmil
President Emeritus, Universal Pictures

Saul Jeffee
President and CEO, MovieLab, Inc.

Charles Z. Wick
Director, USIA

Alvin Snyder
Director, Television Branch, USIA

Karna Small

IV. PRESS PLAN:

White House Photographer only

V. SEQUENCE OF EVENTS:

You will enter the Roosevelt Room, make a few brief
welcoming remarks and then have individual photos taken.

VI. REMARKS:

Brief talking points attached.

SUGGESTED TALKING POINTS FOR PHOTO OPPORTUNITY WITH LEO JAFFE, ET AL

- o I want to thank you all for volunteering your valuable time to this new project of acquiring films and tapes about this great land of ours - to be shown overseas. I think this is a splendid idea and I like nothing more than encouraging that the true story of America be told!
- o I especially want to thank Leo Jaffe for offering to head up this effort -- as Chairman Emeritus of Columbia Pictures, he is a real legend in the film industry, and we're quite fortunate to have him on board.
- o I know you'll be working closely with my friend Charles Wick and I'll be anxious to hear more about the project as it gets underway.
- o Now let me take a moment to meet each one of you and let's take a few pictures.

THE WHITE HOUSE

WASHINGTON

July 20, 1983

CABINET COUNCIL ON NATURAL RESOURCES AND ENVIRONMENT (2:30 pm)

CABINET COUNCIL ON FOOD AND AGRICULTURE (3:00 pm)

DATE: July 21, 1983
LOCATION: Cabinet Room
TIME: 2:30 pm (30 minutes each)
FROM: Craig L. Fuller 

I. PURPOSE

To discuss whether the Federal government should provide relief for holders of high priced Federal timber sale contracts and to decide whether the PIK Program should be continued in 1984.

II. BACKGROUND

Timber Contract Relief:

The CCRNE has discussed this issue and there has been no agreement on a solution. Secretary Watt will present the paper developed by the Cabinet Council on Natural Resources and Environment. This paper proposes five options ranging from no relief to providing five-year extensions without interest on all timber contracts.

Options are as follows:

1. Do nothing.
2. Allow 5-year contract extensions, with interest paid on the value of the balance of uncut timber.
3. A general policy of extensions with interest, but allowing no interest extensions for 5 years on the first 10 million board feet held by each purchaser.
4. Same as 3, except the relief amount would be 25 million board feet, or some larger amount.
5. Allow up to 5-year extensions without interest on all timber contracts.

Continuation of PIK:

Secretary Block will present three options regarding the continuation of the PIK Program for 1984. This was discussed in a CCFA meeting with you last month and there was considerable concern that the PIK Program was expensive and did not achieve the desired result. You asked that OMB and USDA work out some reasonable options before a decision would be made on a 1984 PIK Program.

Options are as follows:

1. Offer no PIK program for wheat in 1984.
2. Offer a PIK program in 1984 with eligibility open to any farmer participating in the USDA price support program in 1983.
3. Offer a PIK program open only to farmers holding inventories likely to default to CCC under the farmer-owned reserve program.

III. PARTICIPANTS

Members of the Cabinet Councils on Natural Resources and Environment and Food and Agriculture (A list will be attached to the agenda).

IV. PRESS PLAN

None

V. SEQUENCE OF EVENTS

Secretary Watt will lead the discussion on the first item.
Secretary Block will make the second presentation.

THE WHITE HOUSE

WASHINGTON

July 18, 1983

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES G. WATT

SUBJECT: Federal Timber Sale Contract Relief

ISSUE

Should the Administration propose relief for holders of high-priced federal timber sale contracts? If so, what relief is appropriate?

BACKGROUND

Federal forests have over half America's softwood, but only about 25 percent of the timber harvest (Forest Service -- 23 percent, Bureau of Land Management (BLM) -- 2 percent). Annual receipts from sales of federal timber averaged \$927 million between 1976 through 1982. Federal timber sales provide raw material to the economy, and a significant amount of employment in local communities.

The Forest Service and the BLM sell the right to harvest designated timber over a 1-5 year period. Normally, payment is made as timber is cut. If the timber is not cut by the end of the contract, the contract is in default. The government then resells the timber, with the original purchaser liable for the difference between the original contract price and the price on resale, plus costs.

Most federal timber is sold in the far West. Sales in Oregon, Washington, and California comprise over 60 percent of total national sales of federal timber, which average about 12.5 billion board feet annually. Over 80 percent of federal timber purchasers, with one-half of the volume of federal timber sales, have 500 employees or less.

Timber prices fluctuated widely over the last three years, as a result of changing market conditions, interest rates, and expectations of housing growth. Average bid prices for Douglas Fir Timber on western Forest Service land were \$486 per thousand board feet in early 1980, dropped to \$93 in mid-1982, and recovered to \$182 in the first quarter of 1983.

Twenty-six billion board feet of Forest Service timber is currently under contract in Oregon, Washington, California, and northern Idaho. Assuming housing starts will be between 1.5 million and 2.0 million annually through 1987, the Forest Service estimates that about 60 percent of the Forest Service timber under contract in that region cannot be cut profitably before the contracts expire. Percentages of timber volume at or above various contract prices are as follows:

>\$100	>\$200	>\$300	>\$400	>\$500	>\$600	>\$700
78%	54%	33%	15%	5.4%	1.7%	.6%

Currently the BLM has 2.2 billion board feet of timber under contract; 1.9 billion board feet must be cut by June of next year or be defaulted. None of this timber is profitable to harvest at this time, according to the BLM.

The large volumes under contract which cannot be operated profitably mean significant contract volumes may default. The net assets of some federal timber purchasers are less than the damages they are likely to incur upon default. Some purchasers could go bankrupt if the federal government sought to collect damages or if they harvested highly uneconomic volumes of timber. In all cases, however, the timber in question would be harvested either under the original contract or by the new holder of a resold contract. Counties where Forest Service and BLM lands are located receive 25 percent of receipts from Forest Service timber and 50 percent from BLM timber. These counties would be adversely affected by reduced total federal timber receipts (harvest plus damage payments).

It is not clear what policy would lead to the greatest total receipts or discounted receipts. Lengthy extensions without interest could delay cutting but conceivably could lead to higher prices when the cutting is done. A policy leading to more defaults would cause the timber to be placed on the market and cut sooner, but probably at lower prices.

Both the Forest Service and BLM have already extended contract periods somewhat. The Forest Service made 2 year extensions available as contracts expire, with interest required in the second year. The BLM has just extended contracts through June of 1984. BLM may require interest on these extended contracts.

Senators Hatfield and McClure (with 19 co-sponsors) have introduced legislation (S. 916) to provide further relief to firms with unprofitable federal timber sale contracts. The bill's primary features include: (1) termination of up to 40 percent of a purchaser's volume on uncut or partially cut sales for contracts under certain conditions; and (2) adjustment of termination date of remaining contracts for up to 5 years from the date of enactment without penalty or payment. The Administration opposed similar legislation introduced in the last Congress.

STATEMENT OF THE OPTIONS

The major options discussed by the Cabinet Council are as follows (in increasing order of relief being granted):

1. Do nothing.
2. Allow 5-year contract extensions, with interest paid on the value of the balance of uncut timber.
3. A general policy of extensions with interest, but allowing no interest extensions for 5 years on the first 10 million board feet held by each purchaser.
4. Same as 3, except the relief amount would be 25 million board feet, or some larger amount.
5. Allow up to 5-year extensions without interest on all timber contracts.

DISCUSSION

Proponents of relief without interest for federal contracts argue the following main points:

- o The potential default situation is acute and threatens the economic health of a major segment of the forest products industry and associated communities. The forest products industry is coming off three bad years and is weakened financially.
- o Even with improvement in timber prices, widespread business failures will occur in the absence of relief.
- o Five-year extensions without interest should undercut political demands for more relief, though substantial volumes will still probably be defaulted.
- o Federal government policies contributed to speculative bidding. Artificial timber shortages were created by the government's failure to offer sufficient volumes and its withdrawals of timber lands for wilderness and other purposes. High rates of inflation during the 1970s also

inflated bidding. In the early 1980s, changes in government policy led to a sharp reduction in inflation, as well as a temporary slow down in housing starts, thus disappointing the expectations of successful bidders.

- o Widespread defaults would generate considerable administrative difficulties for the affected agencies of government. Legal maneuvers will frustrate the collection of damages.

Opponents of no-interest relief argue the following main points:

- o A bailout for those federal timber purchasers engaged in speculative bidding would undermine the credibility of all government contracts. Relieving timber purchasers of their contractual obligations is not fair to unsuccessful bidders on those sales.
- o The free enterprise system cannot assure a success and profit for all firms and individuals regardless of their actions. Many industries and individuals have suffered losses during the last couple of years. It would be impossible, undesirable, and destructive to preserve the economic well-being of all timber purchasers.
- o The forest products industry situation is overstated. The Forest Service estimates that only 18-61 firms (of over 600) with contracts are likely to go bankrupt if there is no relief.
- o The cost to the federal government of allowing extensions without interest could be significant, depending upon the amount of such extensions allowed.
- o Default is one way of disposing of unprofitable contracts. Damages may be less than operating losses making default a very prudent option for purchasers. The forest products industry itself is split over what type of additional relief, if any, the federal government should provide.

"Targeted" Relief

Treasury, OMB, Commerce, and CEA felt that if any "no-interest" extensions are granted, they should be targeted so that more assistance was provided (absolutely or relatively) either to smaller companies or to those companies most in danger of bankruptcy. The Working Group developed data indicating that a threshold level of relief, where companies were allowed extensions without interest on a fixed amount of timber, would allow complete relief to a large number of firms, without having that relief apply to the majority of the timber involved. See Table 1. Such targeting could avert many of the projected bankruptcies if housing starts are at least at the level predicted in the Administration's January forecast. Such relief

would be less useful in the case of pessimistic assumptions, because timber prices would then not be projected to rise to profitable levels throughout the entire extension period (see Table 2).

Some members of the Council noted that targeted relief of this sort did not really concentrate on firms most in danger of bankruptcy (firms with large volumes of high-priced timber would receive little effective relief, while hundreds of firms in no projected danger would be helped). However, the group was unable to ascertain any ostensibly neutral criteria which could distinguish closely between the financial condition of firms with similar numbers of employees size or similar volumes under contract.

The Council on Environmental Quality has pointed out that there may be an inequity in allowing extensions without interest on high-cost timber, without requiring any offsetting relinquishing of favorable, low-cost contracts that may be held by the same purchaser. Requiring this concept of "averaging" could be a part of any of the "extension without interest" options (numbers 3, 4 and 5), but its practical application has not been easy to define. Because of market fluctuations, it is not always clear whether a given contract is above or below the market price at a given time.

The members of the Working Group and of the Cabinet Council have been unable to agree on the costs of different options. Forest Service estimates of receipts to the government and profits to private industry under different options are set forth in Table 3. In general, they show that the more "relief" is offered, government receipts diminish only slowly, while industry profits grow rapidly. This analysis is challenged by other agencies who believe that it overstates the difficulty in collecting damage payments should contractors default, and undervalues defaulted timber.

An alternative, albeit crude, approach to estimating costs has been provided by CEA. Table 3.b. presents CEA's estimates of the value of the interest-free loans provided by alternative relief options. For example, if all contracts are permitted to be extended without interest, the total foregone interest would be about \$1.6 billion. Since timber that is defaulted and then resold may be held without interest until cut (an average of 2-3 years), this analysis over-estimates the amount of interest foregone.

OPTIONS1. Do nothing.

ARGUMENTS FOR:

- o Prevents any intimation of special help for one industry.
- o Has strongest effect in preserving the credibility of government contracts and providing incentives against future speculation on the possibility of federal relief.

ARGUMENTS AGAINST:

- o Could cause chaos as contract holders must either cut or default nearly en masse.
- o Does not provide incentives for timber harvest at the economically optimum time, as would extensions with interest.
- o Is not likely to secure the greatest value for government resources.

2. Contract Extension With Interest Payment.

Federal timber purchasers could extend the time for performance of their contracts by up to 5 years. They would pay interest during the extension on the value of unharvested timber at appropriate current rates.

ARGUMENTS FOR:

- o Would maintain economic integrity of federal timber sale contracts.
- o Would minimize criticism that the Administration was bailing out industry, because market interest was charged.
- o Would provide a benefit to industry without reducing federal government's financial interest.
- o Would allow purchaser to schedule harvesting better, in relation to market conditions, than if no extensions were granted.

ARGUMENTS AGAINST:

- o If future lumber markets do not perform as currently anticipated, could put purchasers in a worse financial position than if absolutely nothing is done because they will have incurred substantial financial penalties on timber that remains economically inoperable.

- o Requirement of interest payment would be relatively advantageous to companies with large resources.
- o Interest costs on higher priced timber could add more to the cost of timber than improved markets will add to the value of manufactured wood products.
- o Will not be perceived by industry as providing any help.

Treasury, CEA and Commerce support this Option.

3. Targeted Relief by Permitting Extensions Without Interest on 10 Million Board Feet of Timber.

ARGUMENTS FOR:

- o Would mostly favor small businesses because firms with large contracted volumes would not be able to obtain relief on the same proportion of outstanding contract volumes.
- o Would help preserve the existing structure of the forest products industry dependent upon federal timber.
- o Would be seen as providing some relief to all firms, and complete relief to most.
- o Would not be as expensive as broader or complete relief.

ARGUMENTS AGAINST:

- o Would be costly to government. Estimates range from \$42 to \$187 million.
- o Would deny significant relief to firms with large volumes under contract, some of which are publicly owned and which have numbers of small investors as shareholders.
- o Would discriminate against communities dependent on operations of a few large companies which might go bankrupt.
- o Could lead to excessive bidding for future contracts by small business firms on the assumption that, if the economy turns sour, relief can be expected by smaller firms.
- o Would avoid only a few projected bankruptcies, at a cost of up to \$94 million per firm saved.

4. Targeted Relief by Permitting Extensions Without Interest on 25 Million Board Feet of Timber or Some Larger Amount.

ARGUMENTS FOR AND AGAINST ARE PRIMARILY THE SAME AS FOR OPTION 3, EXCEPT THAT:

- o Would provide more relief to purchasers, including a projected saving of 13 of the 18 firms most in danger of bankruptcy.
- o However, estimated cost to government ranges from \$51 to \$367 million, a cost of up to \$28 million per firm saved.

5. Contract Extension Without Interest Payment.

Federal timber purchasers could extend the time for performance of their contracts for up to 5 years without interest. The purchaser would have to agree to harvest the timber on a specific schedule.

ARGUMENTS FOR:

- o Would avoid most situations where purchasers would be confronted with default on their contracts.
- o Would be seen as federal responsiveness to the needs of contract holders.
- o Would provide protection for contract holders if the housing market does not perform as well as predicted.

ARGUMENTS AGAINST:

- o Would invite criticism that the Administration is bailing out industry, and setting precedent for future bailouts.
- o Most expensive option to the government. Estimates of cost to government range from \$92 to \$1,647 million, or up to \$110 million for each firm saved from projected bankruptcy.
- o Might only defer problem we are facing now, especially if housing starts are lower than expected.
- o Would result in timber harvests on an artificial schedule rather than as the market place dictates.

Agriculture and Interior support this Option.

EFFECT OF TIMBER RELIEF

Total Timber [number of companies holding contracts]	Amount of timber extended without interest [number of companies relieved of all interest payments]	
	<u>10 Million Limit</u>	<u>25 Million Limit</u>
26.5 [627]	3.0 [406]	5.8 [466]
Very Uneconomic Timber [number of companies holding any]	Amount of very uneconomic timber relieved [number of companies <u>not</u> relieved on <u>all</u> very uneconomic timber]	
	<u>10 Million Limit</u>	<u>25 Million Limit</u>
8.5 [241]	1.5 [115]	3.0 [77]

NOTE: All volumes in billions of board feet. Numbers of companies in brackets [].

Summary of projected bankruptcies for Forest Service timber purchasers in Washington, Oregon, California, and Northern Idaho, assuming 5-year extensions (no interest) for each firm of 10, 25, and 100 million board feet and extensions of 5 years at market rates of interest for all other timber (base and low economic assumptions)

Firm Size (No. of Employees)	No Relief	10 Million Board Feet	25 Million Board Feet	100 Million Board Feet
(number of firms)				
<u>Base Assumptions</u> ¹				
1 to 99	14	12	3	2
100 to 500	4	4	2	1
500 plus	—	—	—	—
TOTAL	18	16	5	3
<u>Low Assumptions</u>				
1 to 99	40	34	33	33
100 to 500	18	17	13	1
500 plus	3	3	3	1
TOTAL	61	54	49	35

^{1/} January 1983 Administration forecast of housing starts. The forecast has since been raised.

Summary of estimated costs of relief options for Forest Service timber sales in Washington, Oregon, California, and Northern Idaho, assuming no matching of profitable against unprofitable contracts. (Base Assumptions)

(USDA Estimates)

Item	Option 1 No Relief	Option 2 5-Year Ext. w/Interest	Option 3 No Interest Ext. on 10 Million Board Feet	Option 4 No Interest Ext. on 25 Million Board Feet	Option 5 5-Year Ext. w/o Interest
<u>Harvest of Timber Under Contract</u> (Billion Board Feet)					
Original Sales	9.9	12.9	13.1	13.7	18.7
Timber Defaulted & Resold	<u>16.6</u>	<u>13.6</u>	<u>13.4</u>	<u>12.8</u>	<u>7.8</u>
TOTAL	26.5	26.5	26.5	26.5	26.5
<u>Gov't. Revenues or (Losses)</u> (\$ Millions)	4,395	4,253	4,211	4,202	4,161
<u>Industry Profits or (Losses)</u> (\$ Millions)	<u>(222)</u>	<u>484</u>	<u>540</u>	<u>596</u>	<u>1,010</u>
Gov't Revenues & Industry Profits	4,173	4,737	4,751	4,798	5,171

Estimated Value of Interest-Free Loans Provided
by Alternative Timber Relief Options¹
(CEA Estimates)

Per firm volume subject to interest exemption (mmbf)	Value of timber eli- gible for interest ² exemption ² (\$ millions)	Value of interest ³ exemption ³ (\$ millions)	Reduction in number of bank- ruptcies relative to ⁴ no relief	Cost per bankruptcy avoided (\$ millions)
10	624	187	2	94
25	1,222	367	13	28
No Limit	5,490	1,647	15	110

1/ Table is for Forest Service timber in Washington, Oregon, California, and Northern Idaho. BLM timber is excluded, as is Forest Service timber from other regions.

2/ Estimated using the price of \$210 per thousand board feet, which is the average price of the 26.5 billion board feet under contract in Washington, Oregon, California, and Northern Idaho.

3/ Estimated assuming timber contracts are extended 5 years and that one-fifth of the interest-free timber is cut each year. This is equivalent to assuming the interest-free timber is divided into five plots of equal value, and one plot is cut at the end of each year. A 10 percent interest rate is assumed.

4/ Forest Service estimates under January 1983 Administration forecast for housing starts.

THE WHITE HOUSE

WASHINGTON

July 19, 1983

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN R. BLOCK

SUBJECT: Continuation of PIK Program in 1984

BACKGROUND AND SUMMARY:

During 1981 and 1982, ideal weather, high farm price supports, and weak demand due to worldwide recession and a strong dollar, combined to generate large surpluses of U.S. agricultural commodities. Stocks of wheat, corn, cotton, and rice were approaching levels that exceeded generally accepted carryover needs by 50 to 150 percent. These increased stocks resulted in sharply lower commodity prices, depressed farm incomes, and exploding Federal expenditures for farm price and income support programs (\$4.0 billion in FY 1981; \$11.6 billion in FY 1982; projected \$21 billion in FY 1983).

In order to avoid amassing further surplus stocks, in January the President approved creation of a new program designed to reduce production without new budget outlays. The concept of the program was simple -- the Federal Government would use existing surpluses under its control to pay farmers to idle additional land, thus permitting stocks to be reduced significantly.

The PIK program was extremely popular with wheat farmers because of the large financial incentives for participation offered by USDA. As a result, the amount of acreage idled and the amount of USDA-controlled stocks used in the program far exceeded projections.

Notwithstanding the idling of millions of acres in this year's PIK program, stocks -- though lower than would have been the case in the absence of PIK -- continue to exceed normal levels. Production this year will again be very strong because of favorable growing weather and continued high price support levels mandated by Congress in the 1981 Farm Bill.

The Department of Agriculture must announce the terms of the 1984 wheat program by August 15. USDA is recommending that the PIK program be continued in a reduced form in 1984. The Office of Management and Budget does not disagree with the USDA recommendation, but recommends that the PIK program be confined to identified government surplus stocks and not be offered on the same basis as in 1983.

Option 1: Offer no PIK program for wheat in 1984.

Advantages:

- PIK was intended to be a temporary response; by offering it again we will create a permanent program that farmers will anticipate even when stocks get lower.
- By reducing plantings again through a PIK, we will signal the world market that U.S. growers are leaving a vacuum that others can fill, thus not realizing the basic objective of lowering world stocks.
- This year's PIK program was not as successful as claimed because farmers compensated for the acreage by intensified cultivation of planted acres.
- PIK is incompatible with a free-market philosophy because it is direct government intervention to manage supply and demand for a major commodity in the economy.

Disadvantages:

- Stocks remain very high; failure to offer any PIK program in 1984 may lead to higher budget outlays for price support programs and to weak farm prices.
- Congress may react to the failure to offer PIK again by a legislative mandate for an unnecessarily large PIK program.

Option 2: Offer a PIK program in 1984 with eligibility open to any farmer participating in the USDA price support program in 1983.

Advantages:

- Will achieve largest participation and concomitant reduction in stocks.
- Will be perceived as fairer by making benefits of PIK open to virtually all farmers.
- May lower budget outlays for price support programs if the additional acreage taken out of production causes market prices to rise.

Disadvantages:

- Creates risk of falling short of PIK commodities and repeating problems incurred this year that necessitated "harvest PIK."

- May be unnecessary to get adequate participation in PIK and creates risk of new budget outlays to acquire commodities.
- Removes natural constraint on PIK that exists when program is limited to current stocks; may lead to expectation that PIK will be offered permanently.

Option 3: Offer a PIK program open only to farmers holding inventories likely to default to CCC under the farmer-owned reserve program.

Advantages:

- Avoids any risk of running short and repeating problems of this year.
- Avoids risk of increased budget outlays due to necessity for harvest PIK.
- Reinforces original conception of PIK as a limited program used only to work off existing government-controlled inventories.

Disadvantages:

- Possibility of lower participation than desirable.
- May be perceived as unfair because a significant number of farmers will not be eligible for PIK this year even though they participated last year.
- Penalizes those who cooperated with program last year and used up stocks.

BUDGET IMPLICATIONS OF ALTERNATIVES:

USDA contends that Option 2 (open PIK) will reduce budget outlays over FY 1984-86 by \$131 million compared to Option 3 (limited PIK) and by approximately \$300 million compared to Option 1 (no PIK).

OMB contends that Option 2 has no cost-savings advantage over Option 3, but agrees that some form of PIK program (either Option 2 or Option 3) may have some slight savings over Option 1 (no PIK). OMB does not believe that the savings from either PIK option will be sufficiently large to make it an important element of the decision.

The savings estimates are extremely sensitive to small variations in the assumptions employed; in this case a key variable is the behavior of farmers and their response to the USDA program. OMB does not believe that the precision with which the farmers' response can be predicted is adequate to sustain the USDA savings estimates.