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THE WHITE HOUSE  
WASHINGTON

Honorable Strom Thurmond  
President Pro Tempore  
United States Senate  
Washington, D.C. 20510

Honorable Thomas P. O'Neill, Jr.  
Speaker of the House  
House of Representatives  
Washington, D.C. 20515

Dear Sirs:

Pursuant to the Amendment XXV, Section 3 of the United States Constitution, I hereby inform you of my present inability to discharge the powers and duties of the President and to inform you that those powers and duties shall be discharged by the Vice President as Acting President until further written declaration to the contrary from me.

Sincerely,



SUCCESSION PAPERS

*Copies of Letters to  
the Congress that  
were to be used  
in case of the  
President's  
Incapacitation  
as a result of the  
assassination attempt  
MM81*

PRESERVATION COPY

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Sincerely,

Vice President of the United States	Secretary of Commerce
Secretary of State	Secretary of Labor
Secretary of the Treasury	Secretary of Health & Human Services
Secretary of Defense	Secretary of Housing & Urban Development
The Attorney General	Secretary of Transportation
Secretary of the Interior	Secretary of Energy
Secretary of Agriculture	Secretary of Education

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6/29/81

Bill: Phy. file -- these were  
to be used in March '81 in  
case of P's incapacitation

S.E.

The President has seen \_\_\_\_\_

Prepared: June 29, 1984

For Discussion on: July 2, 1984

**C. F.**

PY

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# PRESIDENT'S WEEKLY UPDATE



**The President**

THE WHITE HOUSE

WASHINGTON

BRIEFING MEMORANDUM FOR THE PRESIDENT

"WEEKLY UPDATE"

Monday, July 2, 1984  
12:00 p.m. (60 minutes)  
The Cabinet Room

FROM: RICHARD G. DARMAN *RD*  
CRAIG L. FULLER

I. PURPOSE

This is the regular weekly meeting to review the status of pending issues, coming events, and related matters of interest.

II. PARTICIPANTS

The President  
Edwin Meese III  
James A. Baker III  
Michael K. Deaver

Richard G. Darman  
Craig L. Fuller  
M.B. Oglesby  
Larry M. Speakes  
John A. Svahn  
John M. Poindexter

III. AGENDA

Legislative Update  
(10 min.)

Oglesby

Press Update  
(10 min.)

Speakes

NSC Update  
(5 min.)

Poindexter

Cabinet Affairs  
(5 min.)

Fuller

Selected Policy Development  
Issues (10 min.)

Svahn

Other  
(20 min.)

Various



THE WHITE HOUSE

WASHINGTON

JUNE 29, 1984

THE PRESIDENT'S SUMMARY SCHEDULE

The Week of July 2, 1984

Monday, July 2

9:00 am (5 min)	Photo with Army Herald Trumpeters	Hickey
11:45 am (5 min)	Photo with Stars of the "Old Timers" Baseball Game	Ryan
12:00 m (60 min)	Issues Briefing Lunch	Darman/ Fuller
1:00 pm (5 min)	Private Meeting	Sittmann
1:15 pm (15 min)	Briefing for Interview	McManus
1:30 pm (30 min)	Interview with Local TV Stations from Orlando, Florida and San Antonio, Texas	McManus

Tuesday, July 3

12:00 m (60 min)	Working Luncheon with Environmental and Conservation Leaders	Fuller
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Wednesday, July 4

Approx. 9:30 am	Depart for Daytona Beach, Florida to Attend the "Firecracker Auto Race"	Henkel
Afternoon	T To Decatur, Alabama for July 4 Celebrations	Tutwiler/ Henkel
	T ON Decatur, Alabama	

Thursday, July 5

Time TBD	T To Detroit, Michigan	
AM	T Visit GM Assembly Plant	Fuller/ Henkel
Time TBD	To San Antonio, Texas	
	ON San Antonio	

Friday, July 6

10:00 am      Address Texas Bar Association

Fielding/  
Henkel

TBD            Return to Washington, D.C.

TBD          TN      Depart for Camp David

Saturday, July 7

TN      Camp David

12:06 pm      Radio Talk  
(5 min)

Sunday, July 8

TN      Camp David

Evening      TN      Return to the White House

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
<p>1</p> <p>N★ Camp David</p> <p>★ 2:45 Phone Call to 7th Lithuanian Free World Folk Dance Festival</p> <p>N Ret. to WH</p> <p>N 6:45 Diplomatic Corps BBQ</p> <p>ON WASHINGTON D.C.</p>	<p>2</p> <p>9:00 ARMY HERALD TRUMPETERS</p> <p>11:45 BASEBALL "OLD TIMERS"</p> <p>12:00 ISSUES LUNCH</p> <p>1:00 PRIV. MEETING</p> <p>1:15 INTV. BRIEFING</p> <p>1:30 TV STATIONS SAN ANTONIO &amp; ORLANDO</p> <p>ON WASHINGTON D.C.</p>	<p>3</p> <p>12:00 Lunch w/ Environmental &amp; Conservation Leaders</p> <p>1:15 H-Hold</p> <p>ON WASHINGTON D.C.</p>	<p>4 Independence Day</p> <p>Approx: 9:30</p> <p>★ To Daytona Beach, FL</p> <p>★ Attend "Firecracker 400" Auto Race and Reception for Drivers</p> <p>T★ To Decatur, Ala. for July 4th Celebrations</p> <p>T ON DECATUR</p>	<p>5</p> <p>T★ AM To Detroit, Mich.</p> <p>T★ Visit GM Assembly Plant</p> <p>★ To San Antonio</p> <p>ON SAN ANTONIO</p>	<p>6 First Lady's B-Day</p> <p>★ San Antonio</p> <p>★ 10:00 Address Texas Bar Assoc.</p> <p>Return to Washington</p> <p>TN★ To Camp David</p> <p>ON CAMP DAVID</p>	<p>7</p> <p>TN★ Camp David</p> <p>★ 12:06 Radio Talk</p> <p>ON CAMP DAVID</p>
<p>8</p> <p>TN★ Camp David</p> <p>TN Ret. to WH</p> <p>ON WASHINGTON D.C.</p>	<p>9</p> <p>11:00 Cabinet Time</p> <p>12:00 Regional Press Luncheon</p> <p>1:45 Citizens Medal to Dennis Keogh</p> <p>4:00 Private Mtg.</p> <p>4:15 Departing Ambs.</p> <p>4:30 Dropby Mtg. of Amer. Coalition for Traditional Values</p> <p>5:00 Taping Session</p> <p>ON WASHINGTON D.C.</p>	<p>10</p> <p>★ AM To Chesapeake Bay for Environmental Event</p> <p>Ret. to WH</p> <p>1:30 Food for Peace</p> <p>4:30 Reception for WH Press Corps</p> <p>ON WASHINGTON D.C.</p>	<p>11</p> <p>11:00 MTG. W/PFIAB</p> <p>11:30 DROP BY BRIF. CITIZENS FOR AMERICA</p> <p>12:00 LUNCH W/PEPAB</p> <p>1:30 MTG. WITH SECY. SHULTZ</p> <p>★ AFT. TO THEODORE ROOSEVELT ISLAND FOR PRESENTATION OF ENVIRONMENTAL QUALITY REPORT</p> <p>ON WASHINGTON D.C.</p>	<p>12</p> <p>★ AM To Bowling Green, KY</p> <p>Visit Mammoth Natl. Park and Address Natl. Campers &amp; Hikers Assoc. Convention</p> <p>Return to Washington</p> <p>ON WASHINGTON D.C.</p>	<p>13</p> <p>T 11:00 NSC</p> <p>11:45 REMARKS TO AMER. FARM BUREAU FEDERATION</p> <p>N 12:00 LUNCH WITH ELECTED GOP WOMEN OFFICIALS &amp; CANDIDATES</p> <p>1:30 MTG. WITH SECY. SHULTZ</p> <p>2:00 PERSONNEL TIME</p> <p>2:20 PHOTO NASD TO CAMP DAVID</p> <p>TN★ ON CAMP DAVID</p>	<p>14</p> <p>TN★ Camp David</p> <p>★ 12:06 Radio Talk</p> <p>ON CAMP DAVID</p>
<p>15</p> <p>TN★ Camp David</p> <p>TN Ret. to WH</p> <p>ON WASHINGTON D.C.</p>	<p>16 FYI: DEMOCRATIC</p> <p>11:30 Captive Nations Week Ceremony</p> <p>12:00 Issues Lunch</p> <p>4:30 H-Hold</p> <p>ON WASHINGTON D.C.</p>	<p>17...CONVENTION.....</p> <p>★ AM To Massena, NY for 25th Anniv. of St. Lawrence Seaway</p> <p>Ret. to Wash.</p> <p>ON WASHINGTON D.C.</p>	<p>18...thru JULY 20.....</p> <p>1:15 Drop by Brf. for China Trade Mission</p> <p>1:30 Mtg. with Secy. Shultz</p> <p>4:30 Reception for PPSSCC</p> <p>ON WASHINGTON D.C.</p>	<p>19.....</p> <p>12:00 Lunch w/VP</p> <p>T 2:00 Cabinet Time</p> <p>4:00 Personnel Time</p> <p>4:30 Admin. Time</p> <p>ON WASHINGTON D.C.</p>	<p>20.....</p> <p>11:00 POW/MIA Recognition Ceremony</p> <p>1:15 Speak to Girls Nation</p> <p>1:30 Mtg. with Secy. Shultz</p> <p>TN★ To Camp David</p> <p>ON CAMP DAVID</p>	<p>21</p> <p>TN★ Camp David</p> <p>★ 12:06 Radio Talk</p> <p>ON CAMP DAVID</p>
<p>22</p> <p>TN★ Camp David</p> <p>TN Ret. to WH</p> <p>ON WASHINGTON D.C.</p>	<p>23 Congress Reconvenes</p> <p>12:00 Issues Lunch</p> <p>ON WASHINGTON D.C.</p>	<p>24</p> <p>T 11:00 NSC</p> <p>1:30 Future Farmers of America</p> <p>T 2:00 Cabinet Time</p> <p>5:00 Taping Session</p> <p>ON WASHINGTON D.C.</p>	<p>25</p> <p>12:00 Polish American Luncheon</p> <p>1:30 Mtg. with Secy. Shultz</p> <p>HOLD AFTERNOON</p> <p>ON WASHINGTON D.C.</p>	<p>26</p> <p>11:45 Speak to Boys Nation</p> <p>12:00 Lunch w/VP</p> <p>1:15 Personnel Time</p> <p>1:30 Admin. Time</p> <p>HOLD AFTERNOON AND EVENING</p> <p>ON WASHINGTON D.C.</p>	<p>27</p> <p>T 11:00 NSC</p> <p>1:30 Mtg. with Secy. Shultz</p> <p>4:00 H-Hold</p> <p>ON WASHINGTON D.C.</p>	<p>28 Opening XXIIIrd Olympiad</p> <p>12:06 Radio Talk</p> <p>★ To Los Angeles</p> <p>★ Opening Ceremony Summer Olympics</p> <p>N★ To Ranch</p> <p>ON RANCH</p>
<p>29</p> <p>N★ Ranch</p> <p>ON RANCH</p>	<p>30</p> <p>N★ Ranch</p> <p>ON RANCH</p>	<p>31</p> <p>N★ Ranch</p> <p>ON RANCH</p>				<p>Proposed &amp; Tentative For Administrative Use Only</p> <p>N — First Lady</p> <p>★ — Away from White House</p> <p>T — Tentative</p>



PRESS

TOP STORIES OF THE WEEK

House and Senate are in Recess Until July 23, 1984

Monday, July 2, 1984

- Photo with Army Herald Trumpeters.
- Photo with Stars of the "Old Timers" Baseball Game.
- Interview with Local TV Stations from Orlando, Florida and San Antonio, Texas.

Tuesday, July 3, 1984

- Working Luncheon with Environmental and Conservation Leaders.

Wednesday, July 4, 1984

- Travel to Daytona Beach, Florida to attend the "Firecracker 400" Auto Race.
- Travel to Decatur, Alabama to Attend July 4 Celebrations.
- Overnight Decatur, Alabama.

Thursday, July 5, 1984

- Travel to Detroit, Michigan to visit GM Assembly Plant and Address the Economic Club.
- Overnight San Antonio, Texas.

Friday, July 6, 1984

- Address to Texas Bar Association.
- Return to Washington, D.C.
- To Camp David.

Saturday, July 7, 1984

- Camp David.
- Radio Address.

Sunday, July 8, 1984

- Return to White House.

THE WEEK AHEAD

Monday, July 2, 1984  
Through  
Sunday, July 8, 1984

KEY WHITE HOUSE STORIES

FOREIGN

o Cuba - Central America

The press continues interest in the President's views on the Jesse Jackson trip, and whether the President will meet either with Jackson or the anti-Castro Cuban political prisoners.

Congressional briefing and announcement of planned military exercises in Central America may renew attention to that subject. The President's speaking events in Florida and Texas and interviews with local television stations will provide additional opportunities for statements or questions on these issues.

o US/Soviet Relations

New Soviet offers to talk on anti-satellite weapons and continued talks on the hotline agreement may be of White House press interest.

o Population Study

Interest continues in the Administration's policy statement for the August conference in Mexico City.

o US-Chinese Nuclear Agreement

Although press interest in this subject has abated somewhat, it may be revived as a result of ACDA Director Adelman's visit to China, which is unrelated to the nuclear agreement.

DOMESTIC

o Economy

Employment statistics will be released on July 6. The results will be studied in wake of signs last week that the growth in the economy is leveling off. If unemployment remains stable or rises slightly, there may be an attempt to tie the news to the drop in housing starts and the rise in interest rates. )

- o Legislation

With both the House and Senate out of session, attention may turn to unfinished legislation and bills which await the President's signature. The supplemental appropriation bill which includes funding for El Salvador and the summer jobs program is due for signature by July 9. There is also interest in a signing ceremony for the 21-year-old drinking age legislation.

- o Civil Rights

With the 20th anniversary of the signing of the Civil Rights Act, attention may turn to the President's record on civil rights and charges that the Administration is not a strong advocate of civil rights programs. There may be questions about whether the President will observe the anniversary in some manner.

## POLITICS

- o NOW

The National Organization for Women held its national convention this weekend in Miami, and their speeches may prompt questions about the President's record on women and civil rights.

- o Backlash

The activities of Jesse Jackson and Louis Farrakhan have generated some questions about the political impact of a white or Jewish backlash.



## THE WHITE HOUSE

WASHINGTON

July 2, 1984

### LEGISLATIVE WEEKLY REPORT

#### Congressional Meetings

There are no Congressional meetings scheduled this week.

#### Floor Action

The House and Senate adjourned Friday for the Independence Day District Work Period and the Democratic National Convention to reconvene on Monday, July 23.

#### Notable Committee Action

Due to the Congressional recess, there is no committee action to report.

#### Issues

##### Budget/Deficit Reduction/Rose Garden Agreement

The Ways and Means/Finance Committees portion of the deficit reduction package passed and will be sent to you later this week. On the spending side, we did better than we anticipated. The House had called for Grace Commission and entitlements savings of approximately \$4.2 billion, while the Senate bill asked for \$15.8. They have reached agreement on \$14.8 billion in savings, better than 90% of the Senate's cuts.

The Rose Garden savings target for entitlements and Grace Commission savings was \$29.4. With the Ways and Means/Finance conference report combined with already enacted savings, we have achieved \$23.5 billion of spending cuts, approximately 80% of the Rose Garden target.

The other conference activity on budget issues is bogged down over spending cuts and priorities. Fortunately, House and Senate Republican leaders and the Republicans on both appropriation committees have agreed to allocation levels which will implement the Rose Garden agreement -- even if the Democrats refuse to agree to our spending levels in conference. This commitment by Congressional Republicans assures the votes to sustain any veto on appropriation bills and provides additional protection for important Administration priorities in the areas of defense, security assistance, foreign operations, NASA, and law enforcement. The Congress has concluded action on three appropriation conference reports: Energy and Water, Legislative, and HUD and Independent Agencies. All three of these appropriation bills are under the levels allocated pursuant to the Rose Garden agreement.

The budget resolution conference is hung up on several items; the principal dispute concerns the level of defense spending. Senator Tower made an offer to the conferees that they include a range of \$299 billion-\$285.7 billion for the defense function in 1985. House Democrats rejected that offer and are insisting on a flat 5% for 3 years.

#### Defense Authorization Bill

Senator Tower and the Administration pushed hard for Senate passage of the Defense Authorization bill in order to hopefully reach a conference agreement prior to the recess. Unfortunately, we have made very little progress in the conference on the major defense issues. There is growing concern that this delay may jeopardize our chances to sustain favorable action on our defense priorities this year. The defense appropriations committees in the House and Senate are scheduled to mark up their bills when the Congress returns, but their action may be delayed by the lack of an authorization bill. The Defense Authorization conference report has also become entangled in the negotiations over the defense component of the budget resolution. Prospects for MX, other strategic programs, and the level of funding for defense are very much up in the air. This will be a major priority for us when the Congress returns.

#### Central America

The legislative battle to implement our Central America policy has a long way to go. The Congress did approve \$62 million for El Salvador. Remaining on the agenda is the

authorization of the Kissinger Commission recommendations (passed in the House, pending in the Senate), the supplemental funding for 1984, and the 1985 appropriations bill. Markup for the regular supplemental is scheduled in House Appropriations the week of July 23. House Democrats have basically zeroed out funds for Central America; Republicans will try to amend the bill in committee and on the floor -- but it is unlikely that we can get the spending levels we have requested. We have asked Senator Baker to bring up the 1985 foreign assistance authorization bill as soon as possible. This is a very difficult and time-consuming bill. When this bill is considered, Senator Mathias will offer an amendment to implement the Kissinger Commission report. Several conservative Republican Senators have expressed their opposition to consideration of the foreign aid bill this year. If Senator Baker is unable to bring the foreign aid bill to the floor, we will have to attach the Central America package to another vehicle.

#### Equal Access

The Senate passed by a vote of 88-11 the Denton/Hatfield equal access amendment to the math/science bill. This amendment provides for religious and other student groups to meet on secondary school premises to the same extent that clubs and other school organizations do. You had endorsed both the Denton and Hatfield bills. These Senators arrived at a compromise amendment which was subsequently modified again on the Senate floor. The Administration supported the final language adopted. In an extraordinary move, House Speaker O'Neill referred the math/science bill to the House Judiciary Committee rather than to the House Education and Labor Committee. This move creates additional problems for the equal access amendment. House Education and Labor Committee Chairman Perkins has assured equal access supporters of expedited passage in the House.

#### Bankruptcy

The Congress completed action on a conference report on the bankruptcy court system. This package includes both a permanent bankruptcy court system, a modified Bildisco/labor provision and the 85 Article III district and circuit court judgeships (40 judges may be appointed in 1984, 45 next year). This action came after the June 27 deadline for action causing the judicial conference to issue additional emergency rules for the continuation of the bankruptcy system.



### Title IX/Civil Rights Act of 1984

The House passed H.R. 5490, the bill (prompted by the Grove City decision) to expand civil rights coverage of Title IX of the Education Amendments of 1972, and other acts, by a vote of 375-32.

Administration officials continue to meet with Senate staff this past week concerning possible modifications to this legislation. Senate Labor and Human Resources Committee's scheduled markup on this issue was postponed due to lack of a quorum. Chairman Hatch and Senator Kennedy indicated an interest in continuing to negotiate language changes. The possibility remains that the House-passed bill or the Kennedy/Packwood bill might be offered as an amendment on the Senate floor sometime in July.

### Legal Services Corporation

During the debate on the State, Justice and Commerce appropriation, Senator Jesse Helms raised a point of order against the provisions restricting the Legal Services Corporation. Senator Helms' effort failed by a vote of 27-72. The Senate then approved the Appropriations Committee provisions concerning the Legal Services Corporation by a vote of 78-22. Your 11 nominees to the LSC board are pending on the Senate calendar. Efforts continue to have them confirmed by the Senate at the earliest opportunity.

### Superfund

On June 20, the House Energy and Commerce Committee reported out H.R. 5640 (Florio, D-New Jersey) by a vote of 38-3.

Under sequential referral, the House Public Works and Ways and Means Committees are to consider the Superfund bill on an expedited basis. There is still the expectation that the Speaker wants Superfund on the floor during the first week of August.

### Youth Opportunity Wage

H.R. 5721 (Packard, R-California, et al), the Administration's bill for a Summer Youth Opportunity Wage, now has 48 co-sponsors. An effort to attach the Senate version of the

YEOW to the math-science bill was abandoned in the face of threatened filibusters and signals from House Education and Labor Committee Chairman Perkins that he would not go to conference if the math-science bill contained more than the equal access amendment.



## Copper Trade Petition

The International Trade Commission (ITC) recently voted 5-0 that the U.S. copper industry has been injured substantially by imports. However, the ITC was divided in its remedy recommendation among a quota, tariff, and no action. The ITC should submit its report by July 16, from which you will have 60 days to determine what type of remedy, if any, to provide to the industry.

The U.S. copper industry has suffered from low prices in recent years. The world price of copper, after adjusting for inflation, has declined to its lowest level in the last half century. Employment in U.S. copper production has fallen by about 50 percent in the last five years. Imports have increased their penetration and now constitute about 26 percent of U.S. copper consumption.

The condition of the U.S. copper industry remains weak despite the strong economic recovery. Copper demand in the U.S. is up about 10-15 percent over last year's levels. The main problem facing the industry is not on the demand side, but on the supply side.

The most significant development in world copper production during the last 15 years has been the rise of government owned and controlled firms. In the late 1960's and early 1970's, a wave of expropriations of copper firms occurred in Chile, Zambia, Zaire, and Peru. Today about 40 percent of the free world's copper capacity is in government-controlled entities. These firms behave very differently from private firms, particularly during times of weak demand when they have maintained and often increased production in order to sustain employment and generate foreign exchange.

The ITC split its vote on what remedy to recommend. Two commissioners voted for a five-year quota, two voted for a tariff increase of five-cents per pound, while one voted for no remedy at all. Some observers are interpreting the ITC vote as favoring a tariff increase since the commissioner voting for no remedy said that she would find tariffs more palatable if remedy had to be offered and one commissioner voting for a quota preferred an orderly marketing agreement.

In responding to the ITC report, we will have at least three options: (1) do nothing and hope that U.S. demand grows faster than imports; (2) grant quota or tariff relief, a course that would produce a two-tier world pricing system and pit U.S. copper producers against fabricators; or (3) attempt to negotiate a production control agreement among the world producers.

## Supreme Court Upholds EPA Bubble Policy

The Supreme Court issued a landmark opinion on June 25, 1984, upholding the EPA's "bubble" policy under the Clean Air Act. This decision approves of Administration efforts to administer the Clean Air Act in a flexible and sensible fashion to protect the environment while allowing economic growth.

The Clean Air Act Amendments of 1977 impose strict requirements on States which have not achieved compliance with the national air quality standards. Under the Act, "nonattainment" States are required to establish a permit program regulating "new or modified major stationary sources" of air pollution. As a general rule, a permit may not be issued to build a new source or modify an existing source unless stringent conditions are met, including compliance with the lowest achievable emission rate.

Congress, in writing the statute, did not clearly define what "source" meant. In 1980, the EPA defined "source" as each separate and distinct emitter of pollution. Under this definition, each stack or vent in a major industrial plant would constitute a "source".

The imposition of stringent requirements on sources that undergo even slight modification serves as a disincentive to the modernization of many facilities.

In 1981, the EPA amended the definition of "source" to allow States to adopt a plantwide definition of the term "stationary source." The effect of this change was to allow companies which make modifications to their facilities to avoid stringent permit requirements if the increase in pollution at any given point was offset by reductions in pollution from another point within the same facility. Instead of measuring emissions from each piece of equipment in order to determine whether extensive retrofit requirements were applicable, under the new regulations the entire plant was assumed to exist in a bubble within which total emissions would be measured.

These regulations were immediately challenged by numerous environmental organizations and several States. The Supreme Court, by a 6-0 vote, upheld EPA's regulations and in the process reversed the District of Columbia Court of Appeals which had found the regulations unlawful. In unusually harsh language, the Supreme Court said that the appeals court had "misconceived the nature of its role" in reviewing the implementation of the Clean Air Act by EPA and that "federal judges-who have no constituency-have a duty to respect legitimate policy choices made by those who do."

The Supreme Court's decision not only upholds this Administration's efforts to administer the Clean Air Act in a flexible fashion but it also clearly warns the lower courts that the judiciary should not substitute its judgment for that of the executive branch. The sweeping language contained in the opinion promises to make it a landmark decision not only in the context of the Clean Air Act, but in other areas of the law as well.

## Timber Bailout Legislation

Legislation has been introduced in the House and Senate which would allow individual timber companies to extricate themselves from uneconomical Federal timber sales contracts. This legislation comes on the heels of the Administration's decision last July to extend the time period for fulfilling the terms of the sales contracts without requiring interest payments.

During the late 1970s, Pacific Northwest timber companies, trusting predictions of strong demand and high inflation, signed long term contracts to buy Federal timber. The bidding for the timber was so intense that some of the contracts offered by the Federal government were auctioned off at prices that were significantly above what had ever been realized in the market place.

When the recession and high interest rates hit the housing industry in 1981, the timber companies found themselves legally bound to pay premium prices to the Federal government for timber for which there was virtually no demand.

Faced with this precarious situation, a number of Pacific Northwest timber companies attempted to persuade Congress to support legislation that would either release the companies from their contractual obligations altogether or require the Federal government to renegotiate the contracts. Southeastern state timber companies, fearing that a bailout of the Northwesterners would bring a flood of cheap timber into Southern markets, thwarted these efforts.

Eventually, you authorized USDA to provide some administrative relief in the form of contract extensions without interest payments. It was thought that extending the length of the contracts for another five years would give the economy and timber prices time to recover. This remedy is being implemented now.

Recently, however, a compromise was struck between the competing factions of the timber industry. The Southerners agreed to support legislation that would allow individual companies to buy their way out of a portion of their contracts. In return, the Southerners would secure a ceiling on the amount of Federal timber that could be sold in Washington and Oregon annually through 1991.

USDA has testified against the compromise legislation. Its opposition is based on the premise that the industry request for further relief is premature and that the cap on Federal timber sales in the Northwest would generate more problems than it would solve.

Should the delicate industry consensus on the timber bailout legislation hold, it may prove difficult to stop Congress from approving the compromise package. However, any upward adjustment of the cap on Northwest Federal timber sales likely would jeopardize Southern support for the bill.

## Growing Competition in the Health Sector

In early June the largest nurses' strike in U.S. history began, at 18 hospitals in the Minneapolis area. It was not over wages, but rather over nursing staff reductions.

What is happening in Minnesota is a consequence of the health care industry becoming much more competitive. A third of the metropolitan population are currently enrolled in health maintenance organizations (HMOs), which are prepaid medical plans with a heavy emphasis on preventive medicine. HMOs are designed to keep people out of hospitals. In the last five years, hospital admissions in Minneapolis have fallen steadily. Just before the strike, only 63 percent of the beds were occupied. Nationwide hospital occupancy is down almost 4 percent over the last two years.

An additional squeeze on hospitals has come from the new prospective payment system for Medicare. Under this program, the average length of a hospital stay is now 7.4 days, compared with 9.5 days last year. Surprisingly, total Medicare admissions have decreased slightly as well. As hospitals respond to the new incentives to cut costs they have reduced full time employees and expanded part time ones, in order to better fit their changing needs.

The nurses' unions have predictably criticized these changes. Whatever the outcome in Minneapolis, this phenomenon will likely be repeated across the country, as other hospitals change their staffing arrangements.

Some states have attempted to deal with rising health care costs by regulation. Yet this has sometimes simply resulted in freezing existing inefficiencies, as in New York State, where hospital labor unions and others have succeeded in maintaining the status quo.

The adjustments that are beginning in the health sector reflect the fundamental fact that competition is producing greater efficiency and productivity.

As the health care industry evolves, some hospitals will close, inevitably. Many more will be in financial difficulty. We will likely hear calls for government intervention to protect the current system. Recent developments suggest the need for even less government intervention in health, not more.

MEMORANDUM OF INFORMATION FOR THE FILE

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