VETOED
3/4/75

Veto message delivered to clerk of House of Representatives 6:55pm - 3/4/75

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

FEB 28 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 1767 - Suspension of Oil Import Tariff Authority
Sponsor - Rep. Green (D) Pennsylvania, and 19 others

Last Day for Action

March 4, 1975 - Tuesday

Purpose

Suspends for 90 days Presidential authority to adjust imports of crude oil or products; negates any such action taken after January 15, 1975; and rebates fee increases imposed after that date.

Agency Recommendations

Office of Management and Budget	Disapproval
Federal Energy Administration	Disapproval
Department of the Treasury	Disapproval
Department of State	Disapproval(Informally)
Council of Economic Advisers	Disapproval
Department of the Interior	Disapproval
National Security Council	Disapproval(Informally)
Department of Commerce	Disapproval
Council on International Economic Policy	Disapproval
Department of Justice	Defers to FEA
Council on Wage and Price Stability	Defers to FEA
Department of Defense	
Office of Special Representative for Trade Negotiations	

Discussion

The first stage of the increase in fees on imported petroleum was put into effect on February 1, pursuant to your proclamation of January 23, 1975. That proclamation took two actions: it eliminated the scheduled phasing-in of certain fees, thereby increasing them by several cents per barrel for most categories of petroleum imports and by as much as 58 cents per barrel for gasoline and other types of products imported from Canada, and it added a temporary supplemental fee of $1 per barrel effective February 1, $2 per barrel effective March 1, and $3 per barrel effective April 1. You have stated the Administration's intention to replace these with a permanent $2 per barrel excise tax when enacted by the Congress.

Basic Features of Bill

The enrolled bill would respond to these actions by:

1. suspending for 90 days Presidential authority to increase fees or take any other action to adjust oil imports;
2. negating any import adjustment action taken between January 15, 1975, and the date of enactment; and,
3. rebating any duties or import fees collected pursuant to a negated action.

The bill further provides that the 90-day suspension will cease if a national emergency occurs or if certain situations involving the use of Armed Forces arise.

Administration Rationale

The Administration's statements have focused on three major reasons for raising fees on imported oil:

- -- the resulting higher prices will lead users to conserve, thus reducing dependence on oil imports, thereby lessening the outflow of dollars to producer nations and reducing U. S. vulnerability to embargo;

- -- an action of this sort would demonstrate to producer and consumer nations the strength of our commitment to work toward energy self-sufficiency; and,
- -- use of Presidential authority would prompt the Congress into long-overdue action on a comprehensive energy program.

Arguments of Bill's Supporters

Proponents of the bill argue that while effective action to reduce dependence on imports may be essential, the entire package of energy taxes and fees, beginning with the oil import fees, is likely to contribute substantially to inflationary and recessionary pressures and that the degree of import restraint likely to be gained by such actions is small and not worth the costs. House and Senate committee reports on H.R. 1767, for example, make reference to studies which conclude that the impact on the rate of inflation may be double that estimated by the Administration.

Those who disagree with your action also contend that:

- -- if the approach of raising prices is to be employed, any taxes or fees should be placed primarily on gasoline, since it would be more difficult for consumers to adjust to higher prices for heating oil and other products; this would be especially true for those States which are more dependent on foreign petroleum products as a result of long-established supply networks; and,
- -- allowing the Proclamation to stand would not allow the Congress the additional time needed to effectively examine alternatives and develop its own approach.

Administration Rebuttal

In their letters recommending disapproval of the enrolled bill, FEA, Treasury, and other agencies offer the following points:

- -- alternative proposals considered by the Congress and rejected by the Administration, such as rationing, would have economic impacts significantly more adverse than the Administration's approach;

- any inflationary or recessionary pressures generated by the raising of fees would tend to be offset by the tax reductions proposed by the Administration;

- action must be taken now to reduce imports, not only to slow the outflow of capital and jobs but also to show producer and consumer nations that the United States will not continue to accept the political and economic vulnerability of excessive dependence; enactment of this bill would result in delays that the country cannot afford and can be viewed as signaling a lack of commitment to energy self-sufficiency;

- you have directed the FEA to adjust product prices so that the higher import fees will fall more heavily on gasoline than on other products, and additional administrative and legislative actions can be taken if necessary to counteract impacts on certain segments of the economy.

Statement of Intention to Veto

Your February 20 statement of intention to veto H.R. 1767 summarized your position: "The issue before the Senate was very simple -- to vote for delay or to vote for doing something about our growing energy vulnerability... I deeply believe a prompt solution to our energy problems is essential to the United States. I cannot be a party to further delay."

* * * * *

Given the margins of passage in the House (309-114) and in the Senate (66-28), there is some question as to whether the veto could be sustained. Even if it were not, however, the effect of the proclamation has been to galvanize the Congress into action on a comprehensive energy program, providing a possible basis for future compromise solutions.

FEA and OMB staff are jointly preparing a veto message for your consideration, which will be submitted to you with appropriate revisions made by White House speechwriters.

Director

Enclosure

THE WHITE HOUSE
WASHINGTON

TO: Jim Cavanaugh.

FROM: MIKE DUVAL

For your information ____________

Comments:

① Need to check Marsh, + Seidman after 10^{15} mtg w/ P.

② P. knows this bill cold. No need for Bkgnd - pro/con, etc

Mike

THE WHITE HOUSE

WASHINGTON

ACTION

Last day - Tuesday, March 4

February 28, 1975

MEMORANDUM FOR: THE PRESIDENT

VIA: JIM CANNON

FROM: MIKE DUVAL D

SUBJECT: Enrolled Bill: Suspension of Oil Import Tariff Authority, H.R. 1767

Attached is the enrolled bill designed to negate your proclamation of January 23 which increases oil import fees over a three month period. You have repeatedly announced your intentions to veto this bill. (See enrolled bill memo at Tab C.)

STAFF AND AGENCY POSITIONS

All your advisors recommend disapproval. They include Roger Morton, Bill Simon, Frank Zarb, Jack Marsh, Bill Seidman, Alan Greenspan, Jim Cannon, State Department and Justice.

DECISION - H.R. 1767

Sign (Tab A) ________________ Veto ________________

(Sign veto message at Tab B approved by Paul Theis)

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON WAGE AND PRICE STABILITY
726 JACKSON PLACE, N.W.
WASHINGTON, D.C. 20506

February 21, 1975

Mr. J.F.C. Hyde, Jr.
Acting Assistant Director
for Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Hyde:

This is in reply to your request for our views on H.R. 1767, an enrolled bill to suspend for 90 days the President's authority to impose tariffs on petroleum and petroleum products.

It would be in the interests of the Council on Wage and Price Stability narrowly construed for the President to sign the bill, since this would forestall an increase in the prices of petroleum products and other products related to them. Nevertheless, we recognize that there are broader considerations involved, including the need for conservation of energy and the President's legislative strategy for achieving congressional action on a comprehensive energy program. We, therefore, defer to the views of the Federal Energy Administration.

Sincerely,

Albert Rees

Albert Rees
Director

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

FEB 21 1975

Dear Mr. Lynn:

This responds to your request for the views of this Department concerning enrolled bill H.R. 1767, "To suspend for a ninety-day period the authority of the President under section 232 of the Trade Expansion Act of 1962 or any other provision of law to increase tariffs, or to take any other import adjustment action, with respect to petroleum or products derived therefrom; to negate any such action which may be taken by the President after January 15, 1975, and before the beginning of such ninety-day period; and for other purposes."

We recommend that the President veto the bill.

The bill would suspend for ninety days the President's recently exercised authority under section 232 of the Trade Expansion Act of 1962 increasing import fees on petroleum.

The President issued Proclamation Number 4341 on January 23, 1975, to increase import license fees as a means of discouraging further importation into the United States of petroleum, petroleum products and related products in the interest of natural security, and thereby to create conditions favorable to the development of domestic petroleum resources needed for projected national security requirements. This action was taken after thorough consideration, including consultation of the Energy Resources Council, and is essential to the Administration's comprehensive energy program. Nullification of this action should not be permitted and enrolled bill H.R. 1767 should be disapproved.

Sincerely yours,

Rogers Morton
Secretary of the Interior

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C. 20503

GENERAL COUNSEL OF THE
DEPARTMENT OF COMMERCE
Washington, D.C. 20230

FEB 24 1975

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Lynn:

This is in reply to your request for the views of this Department concerning H.R. 1767, an enrolled enactment

> "To suspend for a ninety-day period the authority of the President under section 232 of the Trade Expansion Act of 1962 or any other provision of law to increase tariffs, or to take any other import adjustment action, with respect to petroleum or products derived therefrom; to negate any such action which may be taken by the President after January 15, 1975, and before the beginning of such ninety-day period; and for other purposes."

The purpose of H.R. 1767 is to suspend for a period of ninety days the authority of the President to impose new fees or to make other adjustments in the imports of petroleum or petroleum products. It would, in effect, negate the provisions of Proclamation 4341 of January 23, 1975, under which the President imposed a schedule of higher fees on petroleum and petroleum products.

We regard the import fee provisions of Proclamation 4341 as a key element in the President's economic and energy programs. Accordingly, we recommend against Presidential approval of H.R. 1767.

Enactment of this legislation is not expected to involve any increase in the budgetary requirements of this Department.

Sincerely,

Karl E. Bakke

General Counsel

COUNCIL ON INTERNATIONAL ECONOMIC POLICY
WASHINGTON, D.C. 20500

February 24, 1975

MEMORANDUM FOR:

Mr. J. F. C. Hyde, Jr.
Acting Assistant Director for Legislative Reference - OMB

This is in reference to your Enrolled Bill Request of February 21st regarding H.R. 1767.

CIEP recommends that the President veto this legislation for the following reasons:

(1) The legislation is directly contrary to the President's energy/ economic proposals.

(2) The 90-day delay reduces the effectiveness of the oil import tariffs. It is unclear how soon alternative legislation can be passed, but it will probably take several months.

(3) The oil import tariff when coupled with decontrol of old domestic crude oil and a windfall profits tax is preferable to alternatives presently being considered in Congress (e.g., rationing, allocation, or import ceilings). Other mandatory, non-market allocation schemes provide no incentive to expand domestic production.

(4) The oil import tariff is preferable to alternative proposals in that the tariff uses the marketplace mechanism to strike a balance between supply and demand, which is far more desirable than a system requiring arbitrary judgments necessary in the alternative programs being considered.

(5) There is at least an even chance that the veto can be sustained.

Skip Hartquist
David A. Hartquist
General Counsel

ASSISTANT ATTORNEY GENERAL
LEGISLATIVE AFFAIRS

Department of Justice
Washington, D.C. 20530

FEB 24 1975

Honorable James T. Lynn
Director, Office of Management
  and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

In compliance with your request, I have examined a facsimile of the enrolled bill H.R. 1767, "To suspend for a ninety-day period the authority of the President under section 232 of the Trade Expansion Act of 1962 or any other provision of law to increase tariffs, or to take any other import adjustment action, with respect to petroleum or products derived therefrom; to negate any such action which may be taken by the President after January 15, 1975, and before the beginning of such ninety-day period; and for other purposes."

This bill, as the title indicates, would suspend for ninety days any authority of the President under the Trade Expansion Act of 1962 or any other act to adjust imports of petroleum or petroleum products. Section 2 of the bill would negate any such action taken by the President after January 15, 1975 and before the date of enactment of the bill.

The Department of Justice defers to the Federal Energy Administration as to whether this bill should receive Executive approval.

Sincerely,

Mitchell McConnell Jr.

A. Mitchell McConnell, Jr.
Acting Assistant Attorney General

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

February 24, 1975

Dear Mr. Rommel:

This is in response to your request to the Council of Economic Advisers for comments on H.R. 1767.

The CEA urges veto of H.R. 1767 which suspends for 90 days the authority of the President to further adjust imports of petroleum and which negates the import fee imposed on February 1.

The import fee is the keystone of the Administration energy program. For the short-run, it was designed to induce a build-up in inventories to counter the threat of an embargo even before the remainder of the program is in place. For the long-run, it was designed to reduce energy consumption and hence to reduce reliance on imported petroleum.

If veto of the import fee is not sustained, it will be very difficult to obtain further progress in putting the other portions of the energy program into place and it is important that the Administration be seen capable of action during the important negotiations which lie ahead.

Sincerely,

Alan Greenspan

Mr. Wilfred H. Rommel
Assistant Director for
  Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

February 25, 1975

MEMORANDUM FOR: James F. C. Hyde
Acting Assistant for Legislative Reference,
Office of Management and Budget

FROM: Robert E. Montgomery, Jr. by
General Counsel

SUBJECT: Enrolled Bill HR 1767, An act to suspend for a ninety-day period the authority of the President under Section 232 of the Trade Expansion Act of 1962 ... and for other purposes

This is in response to your memorandum of February 21, 1975, in which you requested the views of the Federal Energy Administration on the subject enrolled Bill. The effect of this legislation would be to rescind the increased fees on imported petroleum imposed by the President on January 23, 1975, pursuant to Proclamation Number 4341. The Bill would also supersede for a ninety-day period the President's authority to make any further adjustments in the tariffs or fees on petroleum or petroleum products pursuant to the Trade Expansion Act of 1962 or other law.

The Federal Energy Administration recommends that this Bill be disapproved. The increased import fees are the only existing portion of the President's program which will reduce our consumption of imported petroleum. The existence of these fee schedules will spur prompt legislative action in other areas of the President's program. Some of the dislocations associated with the import fee program can be dealt with without rescinding the entirety of the new fee schedule, and these areas of adjustment are addressed in the attached draft memorandum of disapproval to the House of Representatives.

Attachment

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

FEB 25 1975

Director, Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

Attention: Assistant Director for Legislative Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 1767, which provides for a temporary suspension of the President's authority under section 232 of the Trade Expansion Act of 1962, as amended, to adjust imports of petroleum and petroleum products. This suspension would begin on the date of enactment and run for a ninety-day period thereafter.

The Department of the Treasury is very strongly opposed to enactment of the enrolled bill.

The President's proclamation is an integral part of the Administration's comprehensive energy program. It was issued for the express purpose of reducing domestic consumption and, thus, the unacceptably high current import levels. With the rest of the program, it will promote energy conservation, encourage development of alternative sources of supply, and reduce our reliance on foreign oil. This proclamation also signifies the United States' determination to assume leadership among oil consuming nations in a cooperative effort to encourage world-wide energy conservation and thereby bring downward pressures on oil prices.

The oil import question has been extensively studied and debated by Congress, the Administration and others. The situation demanded decisive action and President Ford took it by imposing the increased oil import license fees using the authority given him in section 232 of the Trade Expansion Act of 1962. In enacting section 232, Congress clearly contemplated this type of action by the President. It would be unreasonable and unwise to rescind the President's action without providing an alternative plan to deal with the problem.

Furthermore, the drastic action contemplated by this bill is unnecessary at this time because the actual economic impact of the license fees will not begin to be felt by the consumer or the economy during the next several weeks. Specific measures to alleviate any impacts which do occur are already available to the Administration under existing law and administrative regulations. This includes the authority to restrict the pass through of increased costs attributable to the fees to certain products, including gasoline. The President has promised to use this authority to prevent undue hardships and inequitable results.

Finally, the bill fails to provide the President with sufficient authority to waive its prohibitions in periods of national emergency. While the bill does preserve the right of the President to act during periods of war or under circumstances involving United States armed forces engaged in hostilities, it seriously limits the President's authority to adjust petroleum imports in circumstances short of armed warfare.

In view of all of the foregoing, the Department recommends that the enrolled enactment be vetoed by the President.

Sincerely yours,

Richard R Albrecht

General Counsel
Richard R. Albrecht

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

DATE: 2-28-75

TO: Bob Linder

FROM: Jim Hyde

Attached are 3 views letters on H.R. 1767 and 1 views letter on H.R. 2634 for inclusion in the enrolled bill files.

Sent to Records Office, 3/3/75.

OMB FORM 38
REV AUG 73

DEPARTMENT OF STATE
Washington, D.C. 20520

FEB 26 1975

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.

Dear Mr. Lynn:

The shock of the Arab embargo nearly a year and half ago demonstrated graphically our vulnerability to excessive dependence on imported oil.

The U.S. simply cannot continue to accept the political and economic vulnerability which is an inevitable consequence of our excessive dependence. The economic costs are obvious: huge balance of payments deficits, the intensification of inflationary pressures, and a serious adverse impact on economic growth and employment. The international political costs are equally high: constraints on our ability to exercise world leadership and serious strains on the Western alliance.

The prompt establishment of an effective U.S. conservation program is particularly essential in the international area. For the first time, we face an effective producers' cartel capable of controlling the flow of a factor vital to the economies of the industrialized world. Our international response to this situation has concentrated on the creation of a framework for close consumer country cooperation. We have already made solid progress through:

-- The creation of the new International Energy Agency which provides an institutional framework for cooperation;

-- the basic decision to establish a financial solidarity fund among the major industrialized countries; and

-- the development in the International Energy Agency of continuing cooperation in energy conservation and the accelerated development of new energy supplies.

These efforts will succeed only if the U.S. can provide dynamic and constructive leadership. This leadership can be expressed through diplomatic initiatives, but it must rest on concrete progress by the U.S. in conservation and the development of alternative energy supplies. We cannot realistically expect other consuming countries to respond to our urging to conserve oil and develop new energy supplies if we fail to demonstrate that we ourselves are prepared to take similar actions.

The U.S. consumes roughly one half the total oil consumed by the seventeen countries of the International Energy Agency, and we possess far more than half of the group's present alternative energy resources. Clearly our efforts will have an overwhelming impact on the IEA's total posture. If we fail to take the initiative and make the hard decision to dramatically curb our dependence on imported energy, effective consumer nation cooperation will be almost impossible to achieve. Conversely, if we take these decisions and act now to reverse the trend toward greater dependence on imports, we can expect the other consumers to follow our lead. The major advantage of immediate imposition of oil import license fees is that it will produce rapid and substantial results, especially in the area of conservation. We will be seen by other consuming countries and oil exporting countries to be firmly committed to a policy of reduced import dependence and greater economic and political self reliance.

Meaningful national action by the U.S. is also central to our objective of creating a mutually beneficial equilibrium of interests between consumers and producers. However, in order to prepare for a constructive dialogue with producers, the consumers must act through conservation and firm commitments to develop new supplies and create the objective conditions in the world energy market which will demonstrate our determination to reduce dependence on imports. These are essential pro-conditions for an effective consumer-producer dialogue.

Therefore, it is our considered opinion that the proposed bill, H.R.1767, which would delay the imposition of oil import license fees, will by the nature of that delay, make more difficult efforts of the United States Government to create an effective consumer group able to enter into a meaningful and productive dialogue with the producers. We conclude that under the present circumstances such a delay would not be in the best interests of the country nor of international economic stability, and therefore recommend that the President veto H.R.1767.

Sincerely,

Robert J. McCloskey

Robert J. McCloskey
Assistant Secretary
for Congressional Relations

OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

MEMORANDUM February 26, 1975

TO: J.F.C. Hyde
Acting Assistant Director
for Legislative Reference (OMB)

FROM: John D. Greenwald JDG

SUBJECT: H.R. 1767, An Act to suspend the authority of the President to take certain actions under section 232 of the Trade Expansion Act of 1962.

This office has reviewed the above-mentioned legislation, and recommends that it be vetoed by the President.

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
WASHINGTON, D. C. 20301

28 February 1975

Honorable James T. Lynn
Director, Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to your request for a report from the Department of Defense on H. R. 1767, 94th Congress, enrolled enactment.

H. R. 1767 would, for a period of ninety days after its enactment, suspend the authority granted to the President under Section 232(b), Trade Expansion Act of 1962 to adjust imports of petroleum or its derivatives. The Act would also terminate the application of any duty, tax or fee on petroleum imports, imposed by the President after January 15, 1975 under authority of Section 232(b), Trade Expansion Act, and provides for rebates of any duty, tax or fee paid pursuant to such Presidential action.

The Department of Defense continues to adhere to the views expressed in memorandum of 9 January from the Assistant Secretary of Defense (Installations and Logistics) to the Assistant Secretary of the Treasury (Enforcement, Operations, and Tariff Affairs). That memorandum stressed the need for control of oil imports to minimize the adverse effect on national security of growing dependence on insecure oil sources. In addition it was recognized that the United States, as the world's largest oil importer, should take the lead in reducing growth of total world oil demand if there is to be a reasonable prospect of world oil price stability and adequate energy supplies for NATO allies.

The controversy over the method to be employed in controlling the nation's oil imports, which led to passage of H. R. 1767, appears to be essentially economic in nature. All parties to the controversy appear to share the conviction of the Department of Defense that unrestrained growth in oil imports is inimical to the national security. In the meantime, the depressed state of the economy has temporarily reduced petroleum demand below forecast levels and slowed the growth in imports.

In light of these circumstances, the Department of Defense defers to other concerned Executive Departments and Agencies on the course of action which the President should take concerning approval or veto of H. R. 1767.

Sincerely,

Martin R Hoffmann

Martin R. Hoffmann

7/3/75

Ron -

Rec'd from Judy Johnston today — to be added to the files. Thanks.

Katie

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 7248 [illegible]

Date: February 27, 1975 Time: 12:30 p.m.

FOR ACTION:
Mike Duval veto
Max Friedersdorf veto
Phil Areeda
NSC/S

cc (for information):
Warren Hendriks
Jack Marsh
Jerry Jones
Robert Hartmann

FROM THE STAFF SECRETARY

DUE: Date: Thursday, February 27 Time: 3:30 p.m.

SUBJECT:

Enrolled Bill H.R. 1767 - Suspension of Oil Import Tariff Authority

ACTION REQUESTED:

___ For Necessary Action	x___ For Your Recommendations
___ Prepare Agenda and Brief	___ Draft Reply
x___ For Your Comments	___ Draft Remarks

REMARKS:

Also attached is the draft veto message for your comments and recommendations. I understand that you may have already received a copy of the message.

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: February 27, 1975 Time: 12:30 p.m.

FOR ACTION:
Mike Duval
Max Friedersdorf
Phil Areeda
NSC/S

cc (for information):
Warren Hendriks
Jack Marsh
Jerry Jones
Robert Hartmann

FROM THE STAFF SECRETARY

DUE: Date: Thursday, February 27 Time: 3:30 p.m.

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ACTION REQUESTED:

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x____ For Your Recommendations
____ Prepare Agenda and Brief
____ Draft Reply
x____ For Your Comments
____ Draft Remarks

REMARKS:

Also attached is the draft veto message for your comments and recommendations. I understand that you may have already received a copy of the message.

See marked changes plus suggested revised paragraph for top of page 3 P. Areeda

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

VETO MESSAGE -- H.R. 1767

To the House of Representatives:

I am returning without my approval H.R. 1767, an act which would rescind the increased fees on imported petroleum that I imposed pursuant to Proclamation No. 4341 of January 23, 1975.

I am deeply disappointed that the first action by the Congress on my comprehensive energy and economic program does nothing to meet America's serious problems. Nor does it deal with the hard questions that must be resolved if we are to carry out our responsibilities to the American people.

During the month that my energy proposals have been before the American people, we have heard many alternatives to the Administration's program. All of these were considered thoroughly before my economic and energy proposals were submitted to the Congress. The alternatives, such as rationing and allocation, would have had significantly more adverse economic impact than the critics ascribe to my program, would severely limit traditional freedoms, or simply would not work.

Though some alternatives may seem less painful, they simply will not get the job done. And the dangerous precedent that would be set by this bill is the clear signal to the American people that their government, when faced with hard decisions, chooses to do nothing.

That course is unacceptable. Recent history has demonstrated the threat to America's security caused by our significant and growing reliance on imported petroleum. ~~And increasing our imports merely exports more jobs, at a time when unemployment already is at unacceptable levels.~~

Though nothing is gained by delaying the start of my energy program, some legitimate concerns have been raised since my program was announced in January. I am now convinced that it is possible to achieve my import goals while reducing the problems of adjustment to higher energy prices. Accordingly:

-- I have directed the Administrator of the Federal Energy Administration to use existing legal authorities to adjust the price increases for petroleum products so that the added costs of the fees will increase gasoline prices more than other petroleum products, such as heating and residual fuel oils. These ~~increases on~~ adjustment for gasoline will not be permanent, and will be phased out.

-- I am proposing a further tax measure that will rebate all of the increased fuel costs from the new import fees for off-road farm use. Th~~e~~is particular rebate program will also be phased out over three years. This proposal, which would be retroactive ~~through~~ to the date of the new import fee schedule, will substantially lessen the adverse economic impact on agricultural production, and will reduce price increases in agricultural products.

These actions are designed to lessen the impact of the new import fees in critical industrial sectors of the nation while still achieving the necessary savings in petroleum imports.

"Some have critized the cost of my program, but this overlooks several offsetting factors. One is that to the extent that the program achieves its purpose of deterring consumption of foreign petroleum, either through conservation or substitution of domestic alternatives, both industry and consumers will avoid the increased costs. Second, the increase in costs from the oil tariff would be minor compared to the cost of continuing to erode the purchasing power of the dollar abroad, which affects the entire economy, not just the cost of energy. Third, the entire cost of added import fees would be returned to the economy if Congress acted on the $46 billion in tax cuts and rebates I proposed as part of my comprehensive program. These dollars would go to support jobs at home, and help to finance the shift to domestic sources of energy. In real terms, this will reduce costs, in contrast to the inflationary increase in real costs through dependence on imported oil, with which we are already too familiar."

Some have criticized the impact of my program and called for delay. But the costs of the added import fees would be more than offset if Congress acted on the $46 billion in tax cuts and rebates I proposed as part of my comprehensive program.

The costs of failure to act can be profound. The 90-day delay alone will result in almost $200 million more spent on petroleum imports during that period alone. Delaying enactment of my comprehensive program will result in spending nearly $2.5 billion more on petroleum imports this year alone.

Some insist that spending more on imports is the easy way to meet our nation's critical energy needs. But the easy way is as dangerous a course as the homeowner who economizes by neglecting to buy fire insurance. If we do nothing, in two or three years we may have doubled our vulnerability to a future embargo. The effects of a future embargo would be infinitely more drastic than ~~that~~ those we experienced last winter. ~~And rising imports will continue to export jobs that are sorely needed at home.~~

The nation deserves better than this. I will do all within my power to work with the Congress so the people may have a solution and not merely a delay.

# # #

THE WHITE HOUSE

WASHINGTON

February 27, 1975

MEMORANDUM FOR: WARREN HENDRIKS

FROM: MAX L. FRIEDERSDORF M.F.

SUBJECT: Action Memorandum - Log No.

Enrolled Bill H.R. 1767 - Suspension of Oil Import Tariff Authority.

The Office of Legislative Affairs concurs with the Agencies that the enrolled bill H.R. 1767 should be vetoed.

Attachments

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON **LOG NO.:**

Date: February 27, 1975 **Time:** 12:30 p.m.

FOR ACTION:
Mike Duval
Max Friedersdorf
Phil Areeda
NSC/S

cc (for information):
Warren Hendriks
Jack Marsh
Jerry Jones
Robert Hartmann

FROM THE STAFF SECRETARY

DUE: Date: Thursday, February 27 **Time:** 3:30 p.m.

SUBJECT:

Enrolled Bill H.R. 1767 - Suspension of Oil Import Tariff Authority

ACTION REQUESTED:

____ For Necessary Action

x____ For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

x____ For Your Comments

____ Draft Remarks

REMARKS:

Also attached is the draft veto message for your comments and recommendations. I understand that you may have already received a copy of the message.

– OK w/ veto recommendation

– Statement is not acceptable

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: February 27, 1975 Time: 12:30 p.m.

FOR ACTION: Mike Duval
Max Friedersdorf
Phil Areeda
NSC/S

cc (for information): Warren Hendriks
Jack Marsh
Jerry Jones
Robert Hartmann

FROM THE STAFF SECRETARY

DUE: Date: Thursday, February 27 Time: 3:30 p.m.

SUBJECT: 5

Enrolled Bill H.R. 1767 - Suspension of Oil Import Tariff Authority

ACTION REQUESTED:

____ For Necessary Action

____ Prepare Agenda and Brief

x____ For Your Comments

x____ For Your Recommendations

____ Draft Reply

____ Draft Remarks

REMARKS:

Also attached is the draft veto message for your comments and recommendations. I understand that you may have already received a copy of the message.

- OK w/ veto recommendation

- Statement is not acceptable

Please return to Judy Johnston, Ground Floor West Wing.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please

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

FEB 26 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 1767 - Suspension of Oil Import Tariff Authority
Sponsor - Rep. Green (D) Pennsylvania, and 19 others

Last Day for Action

March 4, 1975 - Tuesday

Purpose

Suspends for 90 days Presidential authority to adjust imports of crude oil or products; negates any such action taken after January 15, 1975; and rebates fee increases imposed after that date.

Agency Recommendations

Office of Management and Budget	Disapproval
Federal Energy Administration	Disapproval
Department of the Treasury	Disapproval
Department of State	Disapproval (Informally)
Council of Economic Advisers	Disapproval
Department of the Interior	Disapproval
National Security Council	Disapproval (Informally)
Department of Commerce	Disapproval
Council on International Economic Policy	Disapproval
Department of Justice	Defers to FEA
Council on Wage and Price Stability	Defers to FEA
Department of Defense	
Office of Special Representative for Trade Negotiations	

Discussion

The first stage of the increase in fees on imported petroleum was put into effect on February 1, pursuant to your proclamation of January 23, 1975. That proclamation took two actions: it eliminated the scheduled phasing-in of certain fees, thereby increasing them by several cents per barrel for most categories of petroleum imports and by as much as 58 cents per barrel for gasoline and other types of products imported from Canada, and it added a temporary supplemental fee of $1 per barrel effective February 1, $2 per barrel effective March 1, and $3 per barrel effective April 1. You have stated the Administration's intention to replace these with a permanent $2 per barrel excise tax when enacted by the Congress.

Basic Features of Bill

The enrolled bill would respond to these actions by:

1. suspending for 90 days Presidential authority to increase fees or take any other action to adjust oil imports;
2. negating any import adjustment action taken between January 15, 1975, and the date of enactment; and,
3. rebating any duties or import fees collected pursuant to a negated action.

The bill further provides that the 90-day suspension will cease if a national emergency occurs or if certain situations involving the use of Armed Forces arise.

Administration Rationale

The Administration's statements have focused on three major reasons for raising fees on imported oil:

-- the resulting higher prices will lead users to conserve, thus reducing dependence on oil imports, thereby lessening the outflow of dollars to producer nations and reducing U. S. vulnerability to embargo;

-- an action of this sort would demonstrate to producer and consumer nations the strength of our commitment to work toward energy self-sufficiency; and,

-- use of Presidential authority would prompt the Congress into long-overdue action on a comprehensive energy program.

Arguments of Bill's Supporters

Proponents of the bill argue that while effective action to reduce dependence on imports may be essential, the entire package of energy taxes and fees, beginning with the oil import fees, is likely to contribute substantially to inflationary and recessionary pressures and that the degree of import restraint likely to be gained by such actions is small and not worth the costs. House and Senate committee reports on H.R. 1767, for example, make reference to studies which conclude that the impact on the rate of inflation may be double that estimated by the Administration.

Those who disagree with your action also contend that:

-- if the approach of raising prices is to be employed, any taxes or fees should be placed primarily on gasoline, since it would be more difficult for consumers to adjust to higher prices for heating oil and other products; this would be especially true for those States which are more dependent on foreign petroleum products as a result of long-established supply networks; and,

-- allowing the Proclamation to stand would not allow the Congress the additional time needed to effectively examine alternatives and develop its own approach.

Administration Rebuttal

In their letters recommending disapproval of the enrolled bill, FEA, Treasury, and other agencies offer the following points:

-- alternative proposals considered by the Congress and rejected by the Administration, such as rationing, would have economic impacts significantly more adverse than the Administration's approach;

-- any inflationary or recessionary pressures generated by the raising of fees would tend to be offset by the tax reductions proposed by the Administration;

-- action must be taken now to reduce imports, not only to slow the outflow of capital and jobs but also to show producer and consumer nations that the United States will not continue to accept the political and economic vulnerability of excessive dependence; enactment of this bill would result in delays that the country cannot afford and can be viewed as signaling a lack of commitment to energy self-sufficiency;

-- you have directed the FEA to adjust product prices so that the higher import fees will fall more heavily on gasoline than on other products, and additional administrative and legislative actions can be taken if necessary to counteract impacts on certain segments of the economy.

Statement of Intention to Veto

Your February 20 statement of intention to veto H.R. 1767 summarized your position: "The issue before the Senate was very simple -- to vote for delay or to vote for doing something about our growing energy vulnerability... I deeply believe a prompt solution to our energy problems is essential to the United States. I cannot be a party to further delay."

* * * * *

Given the margins of passage in the House (309-114) and in the Senate (66-28), there is some question as to whether the veto could be sustained. Even if it were not, however, the effect of the proclamation has been to galvanize the Congress into action on a comprehensive energy program, providing a possible basis for future compromise solutions.

FEA and OMB staff are jointly preparing a veto message for your consideration, which will be submitted to you with appropriate revisions made by White House speechwriters.

Director

Enclosure

(Friedman - edit) February 26, 1975

VETO MESSAGE -- H.R. 1767

To the House of Representatives:

I am returning without my approval H.R. 1767, an act which would rescind the increased fees on imported petroleum that I imposed pursuant to Proclamation No. 4341 of January 23, 1975.

I am deeply disappointed that the first action by the Congress on my comprehensive energy and economic program does nothing to meet America's serious problems. Nor does it deal with the hard questions that must be resolved if we are to carry out our responsibilities to the American people.

During the month that my energy proposals have been before the American people, we have heard many alternatives to the Administration's program. All of these were considered thoroughly before my economic and energy proposals were submitted to the Congress. The alternatives, such as rationing and allocation, would have had significantly more adverse economic impact than the critics ascribe to my program, would severely limit traditional freedoms, or simply would not work.

Though some alternatives may seem less painful, they simply will not get the job done. And the dangerous precedent that would be set by this bill is the clear signal to the American people that their government, when faced with hard decisions, chooses to do nothing.

That course is unacceptable. Recent history has demonstrated the threat to America's security caused by our significant and growing reliance on imported petroleum. And increasing our imports merely exports more jobs, at a time when unemployment already is at unacceptable levels.

Though nothing is gained by delaying the start of my energy program, some legitimate concerns have been raised since my program was announced in January. I am now convinced that it is possible to achieve my import goals while reducing the problems of adjustment to higher energy prices. Accordingly:

-- I have directed the Administrator of the Federal Energy Administration to use existing legal authorities to adjust the price increases for petroleum products so that the added costs of the fees will increase gasoline prices more than other petroleum products, such as heating and residual fuel oils. These increases on gasoline will not be permanent, and will be phased out.

-- I am proposing a further tax measure that will rebate all of the increased fuel costs from the new import fees for off-road farm use. The program will also be phased out over three years. This proposal, which would be retroactive through the date of the new import fee schedule, will substantially lessen the adverse economic impact on agricultural production, and will reduce price increases in agricultural products.

These actions are designed to lessen the impact of the new import fees in critical industrial sectors of the nation while still achieving the necessary savings in petroleum imports.

Some have criticized the impact of my program and called for delay. But the costs of the added import fees would be more than offset if Congress acted on the $46 billion in tax cuts and rebates I proposed as part of my comprehensive program.

The costs of failure to act can be profound. The 90-day delay alone will result in almost $200 million more spent on petroleum imports during that period alone. Delaying enactment of my comprehensive program will result in spending nearly $2.5 billion more on petroleum imports this year alone.

Some insist that spending more on imports is the easy way to meet our nation's critical energy needs. But the easy way is as dangerous a course as the homeowner who economizes by neglecting to buy fire insurance. If we do nothing, in two or three years we may have doubled our vulnerability to a future embargo. The effects of a future embargo would be infinitely more drastic than that we experienced last winter. And rising imports will continue to export jobs that are sorely needed at home.

The nation deserves better than this. I will do all within my power to work with the Congress so the people may have a solution and not merely a delay.

# # #

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

February 25, 1975

MEMORANDUM FOR: James F. C. Hyde
Acting Assistant for Legislative Reference,
Office of Management and Budget

FROM: Robert E. Montgomery, Jr. by
General Counsel

SUBJECT: Enrolled Bill HR 1767, An act to suspend for a ninety-day period the authority of the President under Section 232 of the Trade Expansion Act of 1962 ... and for other purposes

This is in response to your memorandum of February 21, 1975, in which you requested the views of the Federal Energy Administration on the subject enrolled Bill. The effect of this legislation would be to rescind the increased fees on imported petroleum imposed by the President on January 23, 1975, pursuant to Proclamation Number 4341. The Bill would also supersede for a ninety-day period the President's authority to make any further adjustments in the tariffs or fees on petroleum or petroleum products pursuant to the Trade Expansion Act of 1962 or other law.

The Federal Energy Administration recommends that this Bill be disapproved. The increased import fees are the only existing portion of the President's program which will reduce our consumption of imported petroleum. The existence of these fee schedules will spur prompt legislative action in other areas of the President's program. Some of the dislocations associated with the import fee program can be dealt with without rescinding the entirety of the new fee schedule, and these areas of adjustment are addressed in the attached draft memorandum of disapproval to the House of Representatives.

Attachment

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

FEB 25 1975

Director, Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

Attention: Assistant Director for Legislative Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 1767, which provides for a temporary suspension of the President's authority under section 232 of the Trade Expansion Act of 1962, as amended, to adjust imports of petroleum and petroleum products. This suspension would begin on the date of enactment and run for a ninety-day period thereafter.

The Department of the Treasury is very strongly opposed to enactment of the enrolled bill.

The President's proclamation is an integral part of the Administration's comprehensive energy program. It was issued for the express purpose of reducing domestic consumption and, thus, the unacceptably high current import levels. With the rest of the program, it will promote energy conservation, encourage development of alternative sources of supply, and reduce our reliance on foreign oil. This proclamation also signifies the United States' determination to assume leadership among oil consuming nations in a cooperative effort to encourage world-wide energy conservation and thereby bring downward pressures on oil prices.

The oil import question has been extensively studied and debated by Congress, the Administration and others. The situation demanded decisive action and President Ford took it by imposing the increased oil import license fees using the authority given him in section 232 of the Trade Expansion Act of 1962. In enacting section 232, Congress clearly contemplated this type of action by the President. It would be unreasonable and unwise to rescind the President's action without providing an alternative plan to deal with the problem.

Furthermore, the drastic action contemplated by this bill is unnecessary at this time because the actual economic impact of the license fees will not begin to be felt by the consumer or the economy during the next several weeks. Specific measures to alleviate any impacts which do occur are already available to the Administration under existing law and administrative regulations. This includes the authority to restrict the pass through of increased costs attributable to the fees to certain products, including gasoline. The President has promised to use this authority to prevent undue hardships and inequitable results.

Finally, the bill fails to provide the President with sufficient authority to waive its prohibitions in periods of national emergency. While the bill does preserve the right of the President to act during periods of war or under circumstances involving United States armed forces engaged in hostilities, it seriously limits the President's authority to adjust petroleum imports in circumstances short of armed warfare.

In view of all of the foregoing, the Department recommends that the enrolled enactment be vetoed by the President.

Sincerely yours,

Richard R Albrecht

General Counsel
Richard R. Albrecht

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

February 24, 1975

Dear Mr. Rommel:

This is in response to your request to the Council of Economic Advisers for comments on H.R. 1767.

The CEA urges veto of H.R. 1767 which suspends for 90 days the authority of the President to further adjust imports of petroleum and which negates the import fee imposed on February 1.

The import fee is the keystone of the Administration energy program. For the short-run, it was designed to induce a build-up in inventories to counter the threat of an embargo even before the remainder of the program is in place. For the long-run, it was designed to reduce energy consumption and hence to reduce reliance on imported petroleum.

If veto of the import fee is not sustained, it will be very difficult to obtain further progress in putting the other portions of the energy program into place and it is important that the Administration be seen capable of action during the important negotiations which lie ahead.

Sincerely,

Alan Greenspan

Mr. Wilfred H. Rommel
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

FEB 21 1975

Dear Mr. Lynn:

This responds to your request for the views of this Department concerning enrolled bill H.R. 1767, "To suspend for a ninety-day period the authority of the President under section 232 of the Trade Expansion Act of 1962 or any other provision of law to increase tariffs, or to take any other import adjustment action, with respect to petroleum or products derived therefrom; to negate any such action which may be taken by the President after January 15, 1975, and before the beginning of such ninety-day period; and for other purposes."

We recommend that the President veto the bill.

The bill would suspend for ninety days the President's recently exercised authority under section 232 of the Trade Expansion Act of 1962 increasing import fees on petroleum.

The President issued Proclamation Number 4341 on January 23, 1975, to increase import license fees as a means of discouraging further importation into the United States of petroleum, petroleum products and related products in the interest of natural security, and thereby to create conditions favorable to the development of domestic petroleum resources needed for projected national security requirements. This action was taken after thorough consideration, including consultation of the Energy Resources Council, and is essential to the Administration's comprehensive energy program. Nullification of this action should not be permitted and enrolled bill H.R. 1767 should be disapproved.

Sincerely yours,

Rogers Morton
Secretary of the Interior

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C. 20503

GENERAL COUNSEL OF THE
DEPARTMENT OF COMMERCE
Washington, D.C. 20230

FEB 24 1975

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Lynn:

This is in reply to your request for the views of this Department concerning H.R. 1767, an enrolled enactment

> "To suspend for a ninety-day period the authority of the President under section 232 of the Trade Expansion Act of 1962 or any other provision of law to increase tariffs, or to take any other import adjustment action, with respect to petroleum or products derived therefrom; to negate any such action which may be taken by the President after January 15, 1975, and before the beginning of such ninety-day period; and for other purposes."

The purpose of H.R. 1767 is to suspend for a period of ninety days the authority of the President to impose new fees or to make other adjustments in the imports of petroleum or petroleum products. It would, in effect, negate the provisions of Proclamation 4341 of January 23, 1975, under which the President imposed a schedule of higher fees on petroleum and petroleum products.

We regard the import fee provisions of Proclamation 4341 as a key element in the President's economic and energy programs. Accordingly, we recommend against Presidential approval of H.R. 1767.

Enactment of this legislation is not expected to involve any increase in the budgetary requirements of this Department.

Sincerely,

Karl E. Bakke

General Counsel

COUNCIL ON INTERNATIONAL ECONOMIC POLICY
WASHINGTON, D.C. 20500

February 24, 1975

MEMORANDUM FOR:

Mr. J. F. C. Hyde, Jr.
Acting Assistant Director for Legislative Reference - OMB

This is in reference to your Enrolled Bill Request of February 21st regarding H.R. 1767.

CIEP recommends that the President veto this legislation for the following reasons:

(1) The legislation is directly contrary to the President's energy/economic proposals.

(2) The 90-day delay reduces the effectiveness of the oil import tariffs. It is unclear how soon alternative legislation can be passed, but it will probably take several months.

(3) The oil import tariff when coupled with decontrol of old domestic crude oil and a windfall profits tax is preferable to alternatives presently being considered in Congress (e.g., rationing, allocation, or import ceilings). Other mandatory, non-market allocation schemes provide no incentive to expand domestic production.

(4) The oil import tariff is preferable to alternative proposals in that the tariff uses the marketplace mechanism to strike a balance between supply and demand, which is far more desirable than a system requiring arbitrary judgments necessary in the alternative programs being considered.

(5) There is at least an even chance that the veto can be sustained.

Skip Hartquist
David A. Hartquist
General Counsel

ASSISTANT ATTORNEY GENERAL
LEGISLATIVE AFFAIRS

Department of Justice
Washington, D.C. 20530

FEB 24 1975

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

In compliance with your request, I have examined a facsimile of the enrolled bill H.R. 1767, "To suspend for a ninety-day period the authority of the President under section 232 of the Trade Expansion Act of 1962 or any other provision of law to increase tariffs, or to take any other import adjustment action, with respect to petroleum or products derived therefrom; to negate any such action which may be taken by the President after January 15, 1975, and before the beginning of such ninety-day period; and for other purposes."

This bill, as the title indicates, would suspend for ninety days any authority of the President under the Trade Expansion Act of 1962 or any other act to adjust imports of petroleum or petroleum products. Section 2 of the bill would negate any such action taken by the President after January 15, 1975 and before the date of enactment of the bill.

The Department of Justice defers to the Federal Energy Administration as to whether this bill should receive Executive approval.

Sincerely,

A. Mitchell McConnell, Jr.
Acting Assistant Attorney General

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON WAGE AND PRICE STABILITY
726 JACKSON PLACE, N.W.
WASHINGTON, D.C. 20506

February 21, 1975

Mr. J.F.C. Hyde, Jr.
Acting Assistant Director
for Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Hyde:

This is in reply to your request for our views on H.R. 1767, an enrolled bill to suspend for 90 days the President's authority to impose tariffs on petroleum and petroleum products.

It would be in the interests of the Council on Wage and Price Stability narrowly construed for the President to sign the bill, since this would forestall an increase in the prices of petroleum products and other products related to them. Nevertheless, we recognize that there are broader considerations involved, including the need for conservation of energy and the President's legislative strategy for achieving congressional action on a comprehensive energy program. We, therefore, defer to the views of the Federal Energy Administration.

Sincerely,

Albert Rees

Albert Rees
Director

THE WHITE HOUSE

WASHINGTON

February 27, 1975

MEMORANDUM FOR MIKE DUVAL

FROM: WARREN HENDRIKS

SUBJECT: Veto on the Oil Import Tariff

As you are aware, Phil Areeda made some recommended changes to the draft veto message on H.R. 1767. I have forwarded those comments to Paul Theis' office and am attaching a copy for your personal review.

Would you please prepare the cover memorandum for Jim's signature which will be attached to Jim Lynn's enrolled bill report. I would draft this memo, however, I believe there might be information not contained in the enrolled bill report which you would want included on Jim's memorandum. Likewise, if the President has already made his decision on the veto there seems to be no need for all the options and background as is contained in Lynn's memorandum.

Thanks.

cc: Jim Cavanaugh

To - Warren Hendriks
2-27-75
11:15 a.m.

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

FEB 28 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 1767 - Suspension of Oil Import Tariff Authority
Sponsor - Rep. Green (D) Pennsylvania, and 19 others

Last Day for Action

March 4, 1975 - Tuesday

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Agency Recommendations

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Department of the Treasury	Disapproval
Department of State	Disapproval (Informally)
Council of Economic Advisers	Disapproval
Department of the Interior	Disapproval
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-- an action of this sort would demonstrate to producer and consumer nations the strength of our commitment to work toward energy self-sufficiency; and,

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Arguments of Bill's Supporters

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-- if the approach of raising prices is to be employed, any taxes or fees should be placed primarily on gasoline, since it would be more difficult for consumers to adjust to higher prices for heating oil and other products; this would be especially true for those States which are more dependent on foreign petroleum products as a result of long-established supply networks; and,

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* * * * *

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FEA and OMB staff are jointly preparing a veto message for your consideration, which will be submitted to you with appropriate revisions made by White House speechwriters.

(Signed) James T. Lynn

Director

Enclosure