EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

November 20, 1974

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM TO THE PRESIDENT

FROM: FRANK G. ZARB

THROUGH: ROGERS C. B. MORTON

SUBJECT: COAL STRIKE STATUS REPORT

The Labor Situation

- The UMW Bargaining Committee has not been able to approve the tentative agreement for ratification. Tonight Miller was ordered back to the bargaining table to reopen negotiations for what the union is calling "minor adjustments". The issues seem to be based as much on internal political problems as they are with substance. Miller has lost some control of his union but the situation is not out of control.

- Usery will resume working with both sides tomorrow morning (Thursday) in an effort to put an agreement back together.

Economic Impact

- At the end of the first week, unemployment directly due to the strike is estimated at 126,000 including union (110,000) and non-union (2,000) miners, railroad (4,000) and steel workers (10,000). By the end of next week the total could reach 160,000.

- Current stock levels of major coal users (utilities, coke and steel plants, other industrial and commercial) generally exceed 30 day supply. Spot shortages will begin appearing next week.

Next Steps

- Usery will try a series of moves to get both parties together and resolve the new problems.

- Usery, Justice, Treasury and Labor agree that Monday, December 2 is the trigger date for implementation of Taft-Hartley if satisfactory progress is not made toward full agreement.

- A draft Presidential statement and appropriate questions and answers are being prepared and will be transmitted tomorrow (Thursday).

- A State-Federal program for meeting emergency situations has already been implemented and will be augmented as required.

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

Governor George C. Wallace
State Capitol
Montgomery, Alabama 36104

Dear Governor Wallace:

As the contract between the United Mine Workers and the Bituminous Coal Operators nears expiration on November 12, 1974, it is appropriate that government agencies at the Federal, state and local levels prepare plans to cope with possible serious shortages of coal that could arise in the event of a strike.

If there is a coal strike on November 12, 67% or more of all U.S. coal production is expected to stop. The proper government response appears to be one of restraint, attempting to minimize the harm done to individuals not engaged in the dispute, while avoiding actions that would interfere with the rights of the bargaining parties. A strike of this kind is protected by law, to permit employers and employees to negotiate freely and to agree voluntarily on wages and conditions of work. At the same time, governments are expected to protect non-striking parties. The many homes and institutions, such as hospitals and schools, which use only 1 1/2 percent of U.S. coal consumed annually, should be insured a continuing supply of coal.

The Federal Energy Administration has been assigned the lead responsibility for preparing contingency plans at the Federal level to deal with this situation. Because the coal shortages will not affect all states equally and because state governments are closer to the problem than the Federal Government, a major portion of the planning will necessarily depend on cooperation with state governments. The Federal Government will make available to all states the assistance of FEA and other Federal agencies; but it will be the responsibility of the individual states to utilize this help as deemed necessary.

FEA's approach has two basic objectives. First, it will offer assistance to the state energy offices in securing coal for small end-users facing emergencies. Second, it will maximize the available supplies of coal by promoting strong conservation measures and possibly suspending major non-essential electrical uses.

The many differences which exsist in the coal use and distribution systems among the states indicate that the best suited and most logical focal point for handling hardship cases and emergency shortages is the state energy office. This conclusion was reached after extensive discussions with many state energy officials and staff members of the National Governors' Conference. The severity of the potential shortage and the nature of the coal distribution system preclude a general allocation approach such as that adopted last winter during the oil embargo; however, FEA will offer as much assistance as possible. The FEA Regional Offices are prepared to provide experienced personnel as technical assistants to the State Energy Offices. They will assist emergency procedures that are considered appropriate by the state Director.

The Bureau of Mines will provide, at your request, the service of their State Liaison Officers who can assist in locating supplies of coal within your state and help in locating and transporting coal when necessary between the states. The Bureau of Mines will also provide your State Energy Office a weekly summary of the status of coal supplies within each state.

To assist the states further in their efforts, the FEA National Office will augment its telephone inquiry section. For the duration of the strike this office, to be called the Regional Coordination Center located in Washington, D.C., will be staffed by experts from the Interstate Commerce Commission, the Federal Power Commission, the Federal Railroad Administration and the Departments of Commerce and Interior, as well as the Federal Energy Administration. In this manner, the resources of the Federal Government will be combined to assist in the resolution of problems and issues that cannot be resolved at the state and regional offices. Routine public calls received by this office will be referred to the appropriate state energy offices. Specific procedures for this line of communication are being prepared and will soon be forwarded to you. Basically, this office will serve as FEA's information and coordination center.

In anticipation that your state energy offices will receive numerous calls requesting financial assistance, FEA has already reviewed existing Federal funding programs for possible sources of available funds to the states. The Office of Economic Opportunity specifically addresses this problem in the attached letter (Attachment 1). In addition, FEA has contacted the National Headquarters of the United Way of America. They will encourage their state offices to identify possible contingency funds for home heating.

In addition to providing direct support to the state energy offices, FEA has developed other contingency actions which are provided for your information in Attachment 2. Of these programs, two specifically request the cooperation of state and local governments.

First, the Federal Government will encourage the curtailment of electricity usage through a major public information campaign. News releases, radio and T.V. spot announcements and pamphlets are being prepared for media distribution. Some of these materials are in Tabs B and C of Attachment 2. The need to conserve electricity, and hence extend available coal stockpiles, will require the cooperation of all states regardless of their direct usage of coal. Thus, all states are encouraged to implement their own campaigns to reduce the use of electricity. All materials developed by FEA will be made available to you for your use.

The second Federal conservation program is designed to discourage use of non-essential lighting. The Federal Government is implementing this program on all Federal property. It is recommended that all state and local governments also implement this program. Industry, businesses and other sectors of the community are encouraged to join in this effort. Tab C describes this program.

Besides these voluntary conservation programs, FEA is working to extend the available coal stockpiles as follows:

- FEA, with the AEC, is identifying nuclear power plants whose safety certification might permit an increased rate of generation.

- FEA and AEC are examining the possible suspension of AEC gaseous diffusion operations in the Kentucky, Ohio, Tennessee area.

- FEA is investigating the possibility of increasing oil-fired electricity generation.

- FEA and EPA will implement, if necessary, procedures for granting temporary exemptions from stationary source fuel and emission limitations on a case by case basis. This will allow utilities and others to burn most available coal and oil during the strike. This program will include steps to inform each state governor and appropriate state agencies of specific procdures which should be followed under Section 110 and 119 of the Clean Air Act. These procedures will be as expeditious as is allowed under existing legislation.

Because of the many uncertainties involved in contingency planning of this nature, the FEA regional offices have been instructed to stay in close contact with the state energy offices. We look forward to working with you and your staff to prevent serious hardships to individuals as the parties involved in the legal negotiations progress towards agreement.

Sincerely,

Attachment 1

OFFICE OF ECONOMIC
OPPORTUNITY

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

Honorable John D. Vanderhoof
Governor of Colorado
Denver, Colorado 80203

Dear Governor Vanderhoof:

The energy related problems of the poor constitute a major focus for OEO during the coming year. OEO's Community Action Agencies (CAAs) and State Economic Opportunity Offices (SEOOs) will continue to play effective local roles in lessening the impact of energy shortages and inflated energy costs on the poor, near-poor and the elderly. The OEO network, with its outreach services, has proven its ability to work for the poor, to reflect their needs and to help them help themselves.

Last year, in the first winter of the crisis, OEO responded quickly with effective assistance to those in need and helped in the nationwide effort to conserve energy. Some 600 local projects were established. One outstanding program was "Project F.U.E.L." in Maine, a winterization program that has become a prototype for other states. Similar statewide winterizing programs were undertaken in New Hampshire, Vermont and Rhode Island. This activity has continued this year and has spread to many other states, as well as to local CAAs which do not have a statewide program. CAAs and SEOOs also worked closely with State Energy Offices. In many cases they helped develop state plans to cope with the crisis and make certain that the poor would not be forgotten.

Local CAAs functioned in response to emergency calls, many having established toll-free "hot lines", serving as sources of help and information to the poor. In excess of $20 million was diverted for energy related work by the CAAs from their regular budgets and countless days of staff time were devoted to handling and solving local energy problems. A wide variety of programs and techniques were used and tested, including: revolving loan funds, emergency housing, nutrition and food services, local stockpiling and distribution of such fuels as kerosene and wood for emergencies, establishing and manning "hot lines" around the clock, carpool arrangements and emergency transportation, intercession with fuel allocation authorities on behalf of the poor---in addition to winterization of homes.

Last winter, OEO contracted for, published and distributed to its constituents, "The Great Energy Crisis of 1973-74", a report of the OEO/Community Action response to the energy problems; "Coping with the Energy Crisis", a handy guide to fuel allocation regulations and other agency resources for CAAs and community groups; "Let Them Freeze in the Dark", pin-pointing particular energy problems of the poor; and "Winter USA - Staying Warm and Saving Money", a how-to booklet on home winterization prepared by the staff of "Project F.U.E.L." in Maine.

OEO has centered its 1974-75 plans in its newly formed Institute on Energy Conservation and the Poor. The Institute has just completed its "Study and Recommendations Concerning the Impact of the Impending Coal Strike on the Poor" for use by SEOOs, CAAs and Regional Energy Coordinators. This issuance was preceded by an "alert" to the same people, warning them to start their own state and local planning and preparations to take care of this possible added problem.

In addition, the Institute has authorized some new 1974-75 programs for local action with funding out of the Regional Offices for:

The extension of the winterization program to more states.

The provision, before the deep freeze sets in, of additional fuel deliveries to thirty isolated Alaskan villages lacking supplies to get through this winter. These villages couldn't finance all they need as deliveries are now on a C.O.D. basis. The funds are to be repaid by the villages and the money used to provide bulk storage facilities in the villages for the future.

A demonstration, revolving fund project is being funded -- the Life-Saver Shut-Off Prevention Program -- in which a CAA will put up its own OEO grant funds and also will make concerted efforts to obtain local private sector financial support for use in preventing the shut-off of energy supplies, by utilities and fuel dealers, to the homes of the poor. The utility company is being asked to cooperate by notifying the CAA of impending shut-offs in time for the CAA to act. All aspects and problems of this project are to be studied, including family financial problems, repayment schedules and other important considerations. From this experiment, models for other CAAs will be developed, identifying and eliminating some problems and planning developed to cope with still others, including the setting-aside of CAA grant funds for such revolving fund pools.

A study will be made and a plan developed to deal with the breakdown of the fuel distribution system to small end users, particularly in the case of kerosene, generally involving credit purchases and frequent deliveries. This retail business no longer is economically feasible, yet it is a needed service to the poor. An alternative distribution plan, in areas without private sector facilities for sales to small, poor customers, particularly the elderly poor, is required. Consortia of CAAs will make bulk purchases, utilizing such facilities as the local CAAs and firehouses as storage and sales centers. The price to the poor will be at cost, or possibly at a reduced subsidized price. Centers will be open on a daily basis and a "hot line" service for the elderly poor will be established on a 24 hour basis for emergencies. The CAAs will handle the deliveries. Active work on this project is underway in one OEO Region.

In addition, the Institute itself is being financed to generate new programs and ideas and to measure results. An end-of-the winter round-up of the efforts by all CAAs and SEOOs will be made and tabulated by the Institute for use and guidance in subsequent years. While the Institute is an OEO in-house organization it draws heavily on the counsel of those working in the field and on non-OEO experts in related areas. It serves as the focal point for all OEO activities concerning energy and the poor.

While total winter 1974-75 budget expenditures have not been fully determined, it is estimated that more than $20 million, in addition to the projects described, will be diverted from other programs by SEOOs and CAAs for energy related programs.

Possibly more money can be made available when OEO obtains additional continuing funding or new funds from Congress late this calendar year.

Certainly, there will be no slackening of OEO interest in this problem. The poor, already staggering under the effects of inflation, cannot afford the added energy costs and shortages. They already face the choice of how they will spend their limited funds, having to choose among the necessities for life: shelter, food, heat and transportation.

Sincerely,

Bert A. Gallegos
Director-Designate

DC

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

MEMORANDUM TO BILL SEIDMAN

FROM: FRANK ZARB

SUBJECT: Sequence of Events Regarding a Possible Coal Strike

The next several days will be critical in determining the likelihood of a coal strike when the current contract expires on N ovember 12. The purpose of this memo is to suggest a sequence of events for both this period and the week to ten days following the beginning of a strike if one does occur.

PHASE I - (November 5-8)

If an agreement for ratification purposes is not reached by Tuesday evening, November 5, the likelihood of at least a short work stoppage will be very strong. Pressures for Governmental action will intensify. During this period, I recommend:

(1) A statement by the President (see attachment A) indicating a need for labor and management to increase their efforts to seek a settlement and expressing confidence that such an outcome can be achieved.

(2) Hold any discussions of Taft-Hartley in abeyance. A draft answer for the President regarding a Taft-Hartley question is provided in attachment B.

(3) Meeting with selected Governors to explain the position and capabilities of the Federal Government regarding efforts to alleviate adverse impacts of coal shortages. I have scheduled this meeting for Thursday, November 7. The message I intend to deliver is provided in attachment C.

PHASE II - (November 10-17)

(1) If an agreement is not reached by November 9, the Government should begin to address Taft-Hartley. Procedures for seeking a Taft-Hartley injunction are provided in attachment D.

As you know, Taft-Hartley is a controversial device and should only be used in cases of involving severe threats to the Nation's well-being. This is particularly true in the case of the UMW and its history of not obeying Taft-Hartley injunctions.

Consequently, use of Taft-Hartley -- either as a threat or as an actuality -- should be considered by the President in close consultation with the Economic Policy Board and Bill Usery.

DOL (Schubert) has begun preliminary work on an injunction as a contingency measure.

(2) Government should urge conservation, particularly of electricity, and begin to work with states to insure adequate responses to emergency situations at the local level.

OTHER ISSUES

(1) A prolonged strike will have serious implications for the Nation's railroads, particularly the Penn Central, and pressures to assist the industry will be felt immediately. An assessment of this problem and possible solutions by Secretary Brinegar is provided in attachment E.

(2) The strike is primarily an economic issue and should be handled by the Economic Policy Board, Bill Usery, and other agencies as appropriate (e.g. Department of Transportation impacts). Secretary Morton and I will be responsible for the limited energy supply aspects of the problem. You and I should coordinate the two sides on a daily basis.

A

ATTACHMENT A

DRAFT PRESIDENTIAL STATEMENT
(To be Given if Strike is Imminent)

The President today urged the United Mine Workers and the Bituminous Coal Operators to continue their efforts around the clock to reach agreement on a new coal contract before the current contract expires on November 12. Recognizing the importance of an early settlement within the context of the nation's economic situation, The President expressed confidence that the progress that has been made in the negotiations over the past several weeks will continue and that an extra effort in the closing days of the negotiations by both sides will avoid a prolonged shut down of the nation's mines.

The President underscored his commitment to the collective bargaining process and the need for the government to exercise restraint in regard to that process to insure the right of employers and employees to bargain freely on wages and working conditions. Plans have been made to work with States in the event of a strike to respond to any local emergencies or individual hardship cases that arise from coal shortages and to urge citizens to conserve on the use of electricity. Additional measures such as allocation of coal or an embargo on exports are not contemplated, either because they are impractical or inappropriate.

B

ATTACHMENT B

QUESTION: Mr. President, the nation is facing the real possibility of a coal strike next week. Are you planning to seek a Taft-Hartley injunction if a strike occurs?

ANSWER: I am not currently planning to seek a Taft-Hartley injunction in regard to the coal negotiations. It should be remembered that the possibility of a strike is an important part of the process by which the right of employees and employers to bargain freely over wages and working conditions is protected. Interference in this process by government should only occur when the health and safety of the nation is severely threatened.

On the basis of discussions with my economic advisors, I am confident that the progress we have seen in the coal negotiations over the past several weeks will continue and that an early settlement can be reached.

C

ATTACHMENT C

TALKING POINTS FOR ZARB MEETING
WITH GOVENORS REGARDING POSSIBLE COAL STRIKE

1. The possibility of a coal strike next week is better than even. Progress in recent weeks at the negotiation table however would indicate that a strike will be short, if it occurs at all.

2. Primary reliance is being placed at the Federal level on the collective bargaining process to avoid a strike or to confine it to a very short duration. This is a labor dispute, and any attempt to view it as something else -- e.g. as an energy embargo such as last winter -- could lead to actions which might hasten or prolong a strike.

3. With this overall operating philosophy as a background, let me indicate that there will be individiual hardship cases and emergencies in some areas if a strike occurs and lasts for more then a week. In recognition of this fact, the Federal Government has examined a number of options for alleviating such emergencies and I would like to discuss our conclusions with you.

4. First let me indicate what we are not planning to do:

   - A massive allocation program for coal a la the oil program of last winter is out of the question. If a strike occurs there will not be enough coal to allocate and the physical constraints on such allocation are prohibitive.

   - Exports of coal will not be curtailed. We export primarily only metallurgical coal and a strike will dry up those exports very quickly. Curtailing exports would only give us 3 - 4 days additional supply; the costs of turning around the coal already in the pipeline and re-routing it to domestic users would be prohibitive.

5. What we are prepared to do.

   As discussed with your state energy officers several weeks ago in Orlando, we view steps to alleviate individual hardship cases as a State and local responsibility. In assisting you to carry out this responsibility, we are prepared to:

   - provide each State with weekly data indicating the situation for each of your major coal users;

   - work with State officials in identifying sources of coal suitable for meeting individual emergency needs;

- provide each state with staff or other assistance to undertake additional steps such as temporary relaxation of emission standards, conservation campaigns, and so forth;

- operate an emergency center here in Washington to handle large inter-state or severe intra-state problems that cannot be resolved by State officials.

6. We are also planning to:

- urge conservation for all users;

- wheel power when necessary;

- to take whatever steps we can to increase base-loading of non-coal fired electrical generating plants.

D

OFFICE OF THE DEPUTY ATTORNEY GENERAL
WASHINGTON, D.C. 20530

10-31

October 30, 1974

MEMORANDUM

FOR: The Honorable Frank Zarb
Associate Director
Natural Resources, Energy and Science
Executive Office of the President
Office of Management and Budget

FROM: Laurence H. Silberman
Deputy Attorney General

LHS

Richard Schubert
Under Secretary of Labor

RS

SUBJECT: Operation of the Taft-Hartley National Emergency Provisions

The Taft-Hartley National Emergency Provisions (29 U.S.C. 176 et seq.) operate as follows:

(1) If the President determines that an actual or threatened strike imperils the national health or safety he may appoint a board of inquiry to investigate the issues involved in the dispute and submit to him a written report without recommendations which he must make available to the public. The Board consists of a chairman and as many other members as the President wishes to appoint, usually 2. The Board is often appointed prior to the commencement of a threatened strike to permit, if necessary, obtaining an injunction to prevent any work stoppage from occurring. The Board usually holds hearings and issues its report 1 to 10 days after its creation. Implementation of this phase of the Taft-Hartley procedures may be expedited if the Department of Labor and the Federal Mediation and Conciliation Service now identify prospective members of the Board and information to be presented to the Board.

(2) After receiving the Board's report, the President may direct the Attorney General to seek an 80-day injunction against the strike. If the court finds that the actual or threatened strike effects all or a substantial part of an industry in interstate commerce and will imperil national health or safety, it must grant the injunction. A temporary restraining order, which is converted to a preliminary injunction after a formal hearing, is typically obtained 1 to 4 days after the Board reports to the President; the process of obtaining a temporary restraining order and injunction may be expedited if the Departments of Justice and Labor are permitted to begin preparing a Complaint and developing supporting affidavits as soon before the contemplated filing date as possible. A Government request for an injunction has been denied only once and injunctions have been issued in each of the 2 cases in which the Government has sought to enjoin a coal strike. Injunctions are ordinarily obeyed, but are punishable by civil and/or criminal contempt if they are not obeyed. Two of the 4 cases in which contempt citations have been sought involved the United Mine Workers.

(3) During the period of the injunction the parties are to make every effort to settle the dispute with the assistance of the Federal Mediation and Conciliation Service.

(4) If the dispute remains unsettled 60 days after the issuance of the injunction, the Board must present a status report, including the employer's last offer, to the President who must make it available to the public. The National Labor Relations Board, within the next 15 days, must conduct a secret ballot of the employees on whether they want to accept the employer's final offer; this offer has been rejected in each case in which a vote has occurred. The NLRB must certify the results of the vote to the Attorney General within 5 days.

(5) Upon certification of the results of the secret ballot, the Attorney General must have the injunction dissolved.

(6) When the injunction is dissolved and the strike instituted or reinstituted, the statute requires that the President present a report to Congress which may include his recommendations for legislation to deal with the strike; however, it appears that the President has not issued the contemplated report in those cases in which injunctions have expired before a settlement was reached.

E

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

November 4, 1974

MEMORANDUM FOR HONORABLE WILLIAM E. SIMON
CHAIRMAN, ECONOMIC POLICY BOARD

SUBJECT: Impact of a Coal Strike on the Transportation Industry

1. Impact

A prolonged coal mine work stoppage would have serious implications for several modes of transportation, with the railroads suffering the most immediate and severe damages. Most of the major rail coal haulers such as the Norfolk & Western and the Chessie System are in reasonably good financial shape, but the financial impact on the Penn Central would be very serious. The total revenue loss to the rail industry of a 30-day strike is estimated at $60-80 million from decreased coal shipments alone, and obviously could become greater as the steel and automobile and other shipping industries are affected.

The barge industry would suffer an estimated loss of about $2.5 million in a strike of six weeks duration. The overall health of this industry is good, however, and it is believed they can absorb this dollar loss.

The impact on transit systems is tied to local utilities' ability to supply required power. Most of these local utilities are hooked into regional networks enabling them to purchase power interchangeably. As a result, it is difficult at this point to determine the actual impact a strike would have on the transit industry.

The attached statement provides more detail on all three industries.

2. Penn Central

The most serious immediate transportation impact of a coal strike will be on the Penn Central. It would lose $18 million a month in coal revenues alone.

Even without a coal strike, Penn Central is in a very marginal cash situation. The railroad ended October with a cash balance of $11.8 million, and is presently facing a potential deficit of $2.4 million at the end of November. The outlook for the end of December is a cash balance of only $15.0 million. There is always the further danger that, if Penn Central's cash situation becomes too precarious, other rail carriers may as a defensive measure place Penn Central on prepay status, thus compounding its cash problems.

The only realistic solution at our disposal is the use of funds authorized under Section 213 of the Regional Rail Reorganization Act of 1973 to keep the bankrupt railroads in cash pending the restructuring of the Northeast rail system. That section authorizes $85 million in grants to railroads in reorganization, including the Penn Central. We currently have an appropriation of $74.8 million of this amount, of which about $36.0 million has not been committed. These funds could be made available promptly to the Penn Central to provide necessary cash to continue essential rail services.

There are, however, serious disadvantages to using these funds in this manner. Section 213 was intended to meet emergency cash requirements for all of the bankrupt railroads throughout the restructuring period, which still has a year to run. Although we do not have any present forecasts from other railroads indicating immediate needs for Section 213 funds, a severe winter or a reduction in carloadings due to general economic conditions could quickly jeopardize continued operation of the Ann Arbor, CNJ, Lehigh Valley and the Reading, all of which would be eligible for such funds in the event of cash deficits from operations.

Claude S. Brinegar

Attachment

Operation of Taft-Hartley
National Emergency Provisions

OFFICE OF THE DEPUTY ATTORNEY GENERAL
WASHINGTON, D.C. 20530

October 30, 1974

MEMORANDUM

FOR: The Honorable Frank Zarb
Associate Director
Natural Resources, Energy and Science
Executive Office of the President
Office of Management and Budget

FROM: Laurence H. Silberman
Deputy Attorney General

Richard Schubert
Under Secretary of Labor

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(2) After receiving the Board's report, the President may direct the Attorney General to seek an 80-day injunction against the strike. If the court finds that the actual or threatened strike effects all or a substantial part of an industry in interstate commerce and will imperil national health or safety, it must grant the injunction. A temporary restraining order, which is converted to a preliminary injunction after a formal hearing, is typically obtained 1 to 4 days after the Board reports to the President; the process of obtaining a temporary restraining order and injunction may be expedited if the Departments of Justice and Labor are permitted to begin preparing a Complaint and developing supporting affidavits as soon before the contemplated filing date as possible. A Government request for an injunction has been denied only once and injunctions have been issued in each of the 2 cases in which the Government has sought to enjoin a coal strike. Injunctions are ordinarily obeyed, but are punishable by civil and/or criminal contempt if they are not obeyed. Two of the 4 cases in which contempt citations have been sought involved the United Mine Workers.

(3) During the period of the injunction the parties are to make every effort to settle the dispute with the assistance of the Federal Mediation and Conciliation Service.

(4) If the dispute remains unsettled 60 days after the issuance of the injunction, the Board must present a status report, including the employer's last offer, to the President who must make it available to the public. The National Labor Relations Board, within the next 15 days, must conduct a secret ballot of the employees on whether they want to accept the employer's final offer; this offer has been rejected in each case in which a vote has occurred. The NLRB must certify the results of the vote to the Attorney General within 5 days.

(5) Upon certification of the results of the secret ballot, the Attorney General must have the injunction dissolved.

(6) When the injunction is dissolved and the strike instituted or reinstituted, the statute requires that the President present a report to Congress which may include his recommendations for legislation to deal with the strike; however, it appears that the President has not issued the contemplated report in those cases in which injunctions have expired before a settlement was reached.

Impact of Coal Strike on
the Transportation System

THE DEPUTY SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

October 31, 1974

MEMORANDUM FOR: Mr. Frank G. Zarb
Associate Director for Natural Resources
Energy and Science
Office of Management and Budget

SUBJECT: Impact of Coal Strike on the Transportation System

As requested at the October 25 meeting of the Coal Task Force, the Department prepared the attached analysis of the impact of a coal strike on the transportation system.

If you need DOT assistance in preparing the report to the Council, please let me know.

John W. Barnum

cc: Honorable Michael Raoul-Duval
Associate Director, Domestic Council
The White House
Washington, D. C. 20500

FACTS CONCERNING IMPACT ON TRANSPORTATION OF A COAL STRIKE

1. Which sectors of the transportation industry are likely to be affected?

   Railroads, barge operators, and in a long strike, electrified mass transit operators.

2. How is transportation affected by a coal strike?

   Transportation of coal is reduced causing revenue losses to the operators. A strike in excess of one week will cause layoffs in the rail industry and barge industry. A long strike (in excess of one month) will result in coal shortages at utilities. Utility power cutbacks may result in power reductions to electrified mass transit and railroad power consumers.

3. What are the effects of reduced coal movements?

   Rail

   Railroads which are substantial carriers of coal will suffer a revenue loss. As FRA has noted, for the Penn Central, this can quickly become very serious. FRA estimates Penn Central will lose in excess of $18,000,000 per month. Other coal haulers, in better financial condition, can probably stand a strike of reasonable length. The Penn Central cannot.

   As a result of reduced car loadings, coal hauling railroads can be expected to lay off workers. FRA estimates 3,000 layoffs the first week growing to 6,000 the second week. The long run layoff could reach 15,000.

   Secondary Issues (Rail)

   If during the strike it is found necessary to move coal from one location to another, special movements will be required. Ample cars should be available for such service during a strike.

   It may be necessary to divert coal in transit to other destinations early in the strike period. The railroad operators are fully capable of such rerouting.

   Just prior to the end of a strike it will be necessary to spot cars at the mines to insure that early production is quickly moved to demand locations. The railroads can handle the car allocations.

The possibility of moving western (non-union) coal to eastern utilities exists. FRA notes that eastern RR's may be reluctant to release their cars since the cars could then be tied up in the west as the strike ended causing an eastern shortage. The east-west-east cycle would probably tie up cars for a two-week period unless special unit train operations were instituted.

It is also possible that the movement of non-UMW coal east would cause picketing of the rail shipments or other retalitory acts. Government protection of such shipments could be required.

Barge

Over 32% of barge movements (tonnage) are coal. Thus a coal strike will cause significant revenue loss to the barge operators. For example, one large operator informally estimated revenue losses of $2,500,000 in a six week strike. A coal strike will result in crew layoffs in the barge industry as well. Although the coal revenue loss from a strike is significant for the industry, the industry is aware of strike effects and is prepared to deal with them. Since the barge industry is healthy, the industry appears to be taking the view that a coal strike would be simply a normal business cycle to be taken in stride.

As with railroad car movements, barges would have to be located at supply points at the end of a strike to provide for the poststrike transportation demand. The industry will accomplish this as normal procedure.

4. Will electrified transportation facilities be affected?

Most U.S. utilities burning coal have approximately 60 days coal stockpiles at this time. As the stockpiles approach exhaustion in a strike situation, electric power reductions will be necessary. Since all electrified transportation is connected to regional power grids, transportation will not suffer a disproportinate share of power cutbacks. The only transportation owned power generating facility in the U.S. using coal to our knowledge is the Penn Centrals' Cos Cob generating station powering the New Haven to New York City segment of the Penn Central. All other transportation facilities using electrical power purchase it from local utilities except the Boston MBTA, which burns oil.

In the event of a very long strike (beyond two months) some power reductions to transportation could occur unless transportation is treated as an essential public service requiring electric power priorities. If cutbacks of power to transportation were required, priority rail freight could still be moved over electrified sections using diesel locomotives. Passenger mass transit traffic could probably be handled by auto and bus with increased carpooling incentives and perhaps revised, staggered work hours. New York City would have a particularly difficult time under such a scenario. Long haul passenger travel could be diverted from rail to air with some reduction in total trip making.

Possible Major Effects
of a Coal Strike

POSSIBLE MAJOR EFFECTS OF A COAL STRIKE

4,750 U.S. coal mines,
150,000 U.S. coal miners, (70% United Mine Workers - UMW)
620 million tons per year,
supply:

18% U.S. total energy,
but
44% of U.S. electricity;
100% of coke for steel;
$2 billion from exports.

Coke for Steel

1.1 million tons of coke stocks (enough for 7 days) are very low. Coal stocks at coke plants of 7.2 million tons (enough for 29 days) are also very low. At the same time pig iron production (for steel) of 8 million tons per month is high. Consequently a coal strike will have an almost immediate impact on steel production. Coke ovens will be banked to maintain heat and preserve the ovens' refractory linings, instead of producing coke. Pig iron production is expected to drop off as follows:

1st week	30%
2nd week	36%
3rd week	41%
4th week	44%
....	
8th week	72%

Electricity

Coal stocks at electric powerplants of 91 million tons (enough for 84 days) are relatively high. Consequently, the impact on electric generation is not expected to be very severe, although some scattered plants now have small stocks and there will be some local problems requiring attention. Electricity generation is expected to drop off as follows:

1st week	0%
2nd week	0%
3rd week	1%
4th week	2%
....	
8th week	13%

Retail Dealers

Stocks of 0.5 million tons (enough for 13 days) are small. There have been substantial spot price increases for retail sales (in some cases what sold for $20-$25 per ton last year is being quoted at $65-$85 per ton now). There will be localized hardships.

Exports

Because most export coal is from UMW mines, exports are expected to cease in about one week after the strike starts.

Employment

The direct reduction in employment is expected to be:

1st week	215,000
2nd week	250,000
3rd week	280,000
4th week	370,000
....	
8th week	670,000

and indirect and induced reductions would add somewhat thereto.

GNP

The total direct, indirect, and induced effects on the nation's output (GNP) is roughly estimated to be

1st week	$3	billion	annual	rate
2nd week	4	"	"	"
3rd week	4	"	"	"
4th week	9	"	"	"
....				
8th week	22	"	"	"

States

The states which use coal and which produce coal, and which consequently will be most affected, are located largely in Appalachia (see table attached).

COAL

Percent of total U. S. Production:

	USED	MINED
(Exports	9%)	
PENNA.	11%	14%
OHIO	11	8
ILL.	7	10
IND.	7	4
MICH.	6	-
W. VA.	5	19
ALA.	5	3
KY.	4	21
MO.	3	1
GA.	3	-
N.CAR.	3	-
TENN.	3	2
WISC.	2	-
N. YORK	2	-
MD. & D.C.	2	-
VA.	1	6
S. CAR.	1	-
N.DAK.	1	1
MINN.	1	-
N. MEX.	1	2

Serious Impacts on States:

Coal Mining unemployment: (in order — first week and after)

Ky	21% US coal
West Va	19% US coal
Penna	14% US coal
Ill	10% US Coal
Va	6% US Coal

Pig Iron and Steel, as a result of coke ovens closing down:

Penna	1st week & after
Indiana	"
West Va	"
Utah	"
Ohio	3rd week

Electric Utilities:

Fla	1st week
Illinois	1st week
Penna	2nd week
Ala	3rd week
Tenn	3rd week

BUMINES
4 NOV

Coal Export Policy

United States Department of the Interior

11-1

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

OCT 31 1974

Memorandum

To: Coal Task Group Executive Committee

From: Assistant Secretary -- Energy and Minerals

Subject: Coal Export Policy

Attached is an option paper on coal export policy which was prepared by the Office of Energy Programs, U.S. Department of Commerce.

As indicated in the option paper, only a trickle of exports would continue under strike conditions. Coal for exports comes almost exclusively from mines represented by United Mine Workers. An embargo of the trickle could adversely affect our position with our trading partners. Also, an embargo before the strike would be viewed as a provocative act in a delicate situation.

The Export Administration Act was not felt to be necessary and was not invoked during the 44-day strike in 1971.

Accordingly, I recommend acceptance of Option "A." Monitoring should be put into effect promptly once the strike is called. The additional data can be used to determine the need for additional action, should that prove necessary.

Jack

Jack W. Carlson

Frank Zarb, OMB
Michael Duval, Domestic Council
William Hobgood, Fed. Mediation
and Conciliation Service
Richard F. Schubert, Labor Dept.
Eric Zausner, FEA

CONSERVE AMERICA'S ENERGY

Save Energy and You Serve America!

October 30, 1974

FOR OFFICIAL USE ONLY

Prepared by Office of Energy
Programs
U.S. Department of Commerce

OPTIONS PAPER

ACTION ON COAL EXPORTS

The Problem

Unless a new contract has been negotiated on or before November 12, 1974, between the coal operators and the United Mine Workers, a strike will almost certainly occur and will eliminate at least 70% of U.S. bituminous coal production. The seriousness of the situation that would develop may be roughly indicated in these terms. At the current rate of soft coal production (620 million short tons on an annual basis) coal accounts for about 18% of U.S. energy supply--approximately 6.5 million barrels a day of oil equivalent. During the embargo of 1973-1974 U.S. supplies of oil were reduced by 2.5 to 3.0 million barrels per day. Thus, if no more than 70% of coal supplies are lost by strike, the impact on the general economy would be roughly double that which resulted from the oil embargo at its maximum effectiveness, and there would be a relatively quick curtailment of coke production and of pig iron production for steel-making.

The U.S. has for decades been the world's leading exporter of coal. 1973 shipments to foreign markets aggregated 53 million tons. These external sales have earned for the U.S. approximately $1 billion in 1973 and for this year are estimated to bring in between $1.7 billion and $2.0 billion. Markets in order of importance are Japan followed by Canada, Western Europe, Latin America and a large number of LDC's. Export volume in 1974 (through 9 months) totaled 43.2 million tons, up about 17% over last year. Exports are currently running about 9.5% of total production, a rate that has changed very little in the past several years.

Any decision on coal export policy necessarily involves considerations regarding output and employment by U.S. coal consuming industries, economic and political relations with our trading partners, the U.S. balance of payments, the volume and form of oil imports, and many lesser factors.

In addressing the measures which might be taken vis-a-vis exports there are several points of substantive importance. First, approximately 85% of U.S. export shipments of coal are of the metallurgical type, i.e., are used in coke-making. The impact of a coal strike is highly uneven in its effects upon U.S. industry. Steel-making and foundry operations are heavily dependent upon coke from coal and these industries have stocks of coal equal to less than 4 weeks consumption. Almost one-half of the total electrical power supply to the U.S. economy is derived from coal-fired plants. Exports of utility (steam coal) represent a very small percentage of domestic coal consumption for power use and only 15% of export tonnage.

Second, it appears certain that any new initiative on coal exports by the Federal Government will not take place prior to the occurrence of a strike due to the potential adverse impact on the coal negotiations. It is important to keep in mind that the source of the overwhelming bulk of coal which now flows to export would dry up immediately after a strike because about 90% of this tonnage is produced in mines covered by UMW contracts.

Lastly, the size of coal accumulation at ports of lading is also significant in considering restraint measures. At the present time the total volume of coal awaiting export shipment is estimated at between 1.2 and 1.4 million tons. Metallurgical coal at ports could conceivably be turned around and sent to U.S. steel mills, but at very substantial difficulty and cost. The "added supply" to the steel industry would cover only about 4 days consumption.

Policy Options Respecting Coal Exports

A. Monitoring

Action of this type could take a variety of forms. Perhaps the most useful would be (a) weekly reports from the exporters covering their actual and planned coal shipments, and (b) a validated licensing program, a system requiring prior authorization administered by the Office of Export Administration, Department of Commerce. There could be some advantage to a provision limiting validated licenses to companies shipping against firm contracts.

Pro:

1. Would establish a superior data system on coal exports.
2. Could be implemented quickly and easily.
3. Would represent positive action.
4. Would draw minimal criticism from countries to which the U.S. exports coal.

Con:

1. Would be considered a weak response to an emergency situation.
2. Would generally allow the continued exit of coal from the U.S.

B. Selective Restraint

Apparently the most reasonable differentiation would be on the basis of type of coal. Coking coal shipments might be reduced or embargoed while steam coal shipments would be permitted.

Pro:

1. Would represent strong action by stopping most exports of coal.
2. Would reflect the realities of domestic shortage. (The metallurgical trades would be hit first and hardest by a strike. Shipments to Ontario Hydro, which is tied into the U.S. power grid, could be continued).

Con:

1. Would be administratively difficult.
2. Would almost certainly have undesirable consequences for the U.S. balance of payments and U.S. trade policy.
3. Would probably be subject to criticism at home because it would allow exit of some coal.

C. Embargo

Pro:

1. The strongest possible action to ensure that no coal, no matter how small a quantity would leave U.S. in time of national need.
2. Would treat all coal exporters alike.
3. Would be administratively simple.

Con:

1. May be inordinately severe in terms of the small degree of relief it would afford domestic consumers of coal since during a strike little coal would be available for export in any case.

2. Would be objectionable on the grounds of balance of payments, trade policy, and would draw criticism from trading partners.

D. Continued Exports under General Licensing

This means taking no specific administrative action on coal exports.

Pro:

1. Would avoid balance of payment, trade policy, and adverse foreign reaction problems.
2. Is realistic in view of the fact that coal exports would drop by 80-90% as a result of the strike.

Con:

1. Would draw heavy fire from domestic consumers.
2. Would allow some coal to exit the U.S. market.

Note on Post-Strike Action

It is possible that after a coal strike lasting a month or more, the steel industry and others which have been hard hit by the loss of coal supplies would be able to regain full-scale production sooner if they had access to all of the domestic coal production which they could use. Under these circumstances a slowdown of coal exports, export restraints or an embargo on coal for a limited period of time could be in the national interest. With the termination of the strike there should be no complaint from the miners' union. Exporters might object to the disruption of their planned business, but would find ready sale for coal in the domestic market. The objections noted above in terms of balance of payments, trade policy, and foreign reaction would, of course, remain but would be mitigated by the stipulation that the interruption in U.S. exports of coal would be short-lived.

Table 1

U.S. Exports (and Production) of Bituminous Coal 1970-74
(Figures in thousands of short tons and thousands of dollars)

	1970	1971	1972	1973	1973 (Jan.-Aug.)	1974 (Jan.-Aug.)
Exports						
Tons	70,944	56,633	55,997	52,870	33,493	38,358
Dollars	950,790	891,484	973,189	1,002,457	623,336	1,271,027
Production	602,932	552,192	595,386	591,000	392,075	412,200
Exports as % of production	11.8%	10.3%	9.4%	8.9%	8.5%	9.3%

Note: 1970 Coal Exports of 70,944,000 ST was the highest since 1957 when exports were 76,446,000 ST.

Source: Exports--Bureau of the Census; Production--Bureau of Mines

TABLE 2

Bituminous Coal Exports by Month, 1974 and 1973
(Figures in thousands of short tons and thousands of dollars)

1974	January	February	March	April	May	June	July	August
Tons	2,813	4,627	3,179	4,944	6,032	6,369	5,307	5,088
Dollars	64,057	113,562	84,197	138,977	188,671	221,620	211,397	245,546
1973								
Tons	2,954	2,669	3,377	5,063	5,141	4,969	4,164	5,124
Dollars	58,509	53,777	66,821	92,063	89,667	87,465	77,644	97,400

Source: Bureau of the Census

TABLE 3

U.S. Exports of Bituminous Coal
(Figures in thousands of short tons)

	1973	% of Total	1974 (Jan.-Aug.)	% of Total
Japan	19,190	36.2	17,427	45.4
Canada	16,231	30.7	8,731	22.8
Italy	3,294	6.2	2,408	6.3
Spain	2,234	4.2	1,143	3.0
France	1,866	3.5	1,548	4.0
Netherlands	1,780	3.4	1,872	4.9
Brazil	1,645	3.1	707	1.8
West Germany	1,632	3.1	1,071	2.8
Belgium	1,205	2.3	773	2.0
U. Kingdom	941	1.8	894	2.3
Total of ten countries	50,018	94.6	36,547	95.3
Total, all destinations	52,870	100.0	38,358	100.0

Source: Bureau of the Census

TABLE 4

Exports by Port of Exit-Bituminous Coal
(Quantities is thousand tons)

	1974 (Jan.-July)		1973 (Jan.-July)		1973	
	Tons	%	Tons	%	Tons	%
Hampton Roads	19,182	57.7	16,699	58.9	30,189	57.1
Baltimore	3,406	10.2	2.309	8.2	4,336	8.2
Philadelphia	486	1.5	22	0.1	22	0.1
Mobile	994	3.0	645	2.3	1,123	2.1
New Orleans	611	1.8	181	0.6	653	1.2
Los Angeles	72	0.2	-	-	-	-
Other*	8,521	25.6	8,480	29.9	16,547	31.3
Total	33,272	100.0	28,336	100.0	52,870	100.0

* Principally from Great Lakes' ports to Canada

Source: Department of the Interior

TABLE 5

Coal Consumption 1973

	Million Tons	Percent
Electricity Generation	387.0	69.3
Industrial (including 93 million tons for coke)	160.4	28.7
Household & Commercial	11.0	2.0
Transportation	0.2	0.0
Total	558.6	100.0

Source: Department of the Interior

TAB

Legislation and Authority

The Export Administration Act of 1969, with proposed 1974 amendments*, provides authority to the Secretary of Commerce, subject to interagency consultations, to impose monitoring requirements or short supply controls on scarce materials (including coal) in anticipation of shortages and inflationary impact caused by foreign demand in order to protect the domestic economy. It is the intent of the Congress that this authority be used in anticipation of adverse situations.

The legislation directs the Secretary of Commerce to implement this policy of monitoring exports and contracts for exports when the volume of such exports in relation to domestic supply contributes, or may contribute, to increases in domestic prices and domestic shortages which would have a serious adverse impact on the economy or any of its sectors.

A monitoring system includes information about each commodity's actual and anticipated exports, destination by country, domestic

* As of 10/28/74, the President had not signed this bill passed by both Houses.

and world-wide price, and supply/demand data. All departments and agencies are required to cooperate fully in rendering advice and information as may be necessary.

A system of short supply controls may include an embargo, a limited embargo, or allocation. However, when such measures are required, they should be imposed in a timely manner, with consideration given to their impact upon the domestic economy and traditional foreign purchasers. Embargoes should be avoided except in extraordinary circumstances. Quantitative limitations should be imposed sufficiently early to cushion adverse effects on the domestic economy and established at a level which would minimize disruptive effects on historical relationships.

U. S. Daily Imports of Oil and Gas from Canada

	1973	January-September 1974
Crude (BBLS)	1,156,310	912,082
Petroleum Products (BBLS)	229,396	179,944
Natural Gas (MCF)	2,713,739	2,403,474

Source: Bureau of the Census

Note on Coal Inventories at U. S. Ports, Destined for Export

Norfolk-Hampton Roads	
Norfolk and Western Railroad	580,000 ST
Chesapeake and Ohio Railroad	374,000
Baltimore	
B & O - C & O (chiefly)	100,000 to 150,000 (estimated)

Coal Stocks

Japan	Industrial Stocks	
	June 1973	3,908,000 metric tons
	June 1974	1,701,000 metric tons
Canada	Industrial Stocks	
	December 1972	9,098,942 short tons
	December 1973	9,520,204 short tons
Italy	Stocks at Mines	
	December 1973	5,000 metric tons
	May 1974	6,000 metric tons