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**APPROVED**

**SEP 30 1974**

ACTION

**THE WHITE HOUSE  
WASHINGTON**

Last Day - September 30

September 27, 1974

*Statement issued 10/1/74*

*To Archives 10/11/74*

MEMORANDUM FOR: THE PRESIDENT  
FROM: KEN COLE  
SUBJECT: Enrolled Bill S. 3270

Attached is the Senate bill, S. 3270, Defense Production Act Amendments of 1974, along with a proposed Presidential Signing Statement. S. 3270 amends the Defense Production Act (DPA) to extend the Act until June 30, 1975, to close out the borrowing authority under Title III of the Act (loans and purchases to expand defense production), to place Title III activities on a normal appropriation basis, to charge interest on future disbursements under Title III as well as on current inventories of materials, and, in a rider, to establish a National Commission on Supplies and Shortages.

The Counsel's office, Bill Timmons, the NSC, and OMB concur.

RECOMMENDATION

That you approve the proposed signing statement (Tab A) and sign the enrolled bill (Tab B).

Approve signing statement      *HK7* Disapprove signing statement     



**APPROVED**  
SEP 30 1974

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

SEP 25 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 3270 - Defense Production Act  
Amendments of 1974  
Sponsors - Sen. Sparkman (D) Alabama, Sen. Johnston  
(D) Louisiana and Sen. Tower (R) Texas

Last Day for Action

September 30, 1974 - Monday

Purpose

Amends the Defense Production Act (DPA) to extend the Act until June 30, 1975, to close out the borrowing authority under Title III of the Act (loans and purchases to expand defense production), to place Title III activities on a normal appropriation basis, to charge interest on future disbursements under Title III as well as on current inventories of materials, and, in a rider, to establish a National Commission on Supplies and Shortages.

Agency Recommendations

Office of Management and Budget	Approval
Department of Commerce	Approval
Federal Energy Administration	Approval
Council of Economic Advisers	Approval
National Security Council	Approval (Informally)
General Services Administration	No objection
Department of the Treasury	No objection
Department of the Interior	No objection
Council on Environmental Quality	No objection
Council on International Economic Policy	No objection (Signing statement attached)
Department of Defense	No objection
Council on Wage and Price Stabilization	No comment
Department of Agriculture	Has strong reservations re Commission



## Discussion

The Defense Production Act (DPA) was originally enacted in 1950 at the beginning of the Korean War to provide authority for the Federal Government to take the necessary steps to assure production capacity essential to the war effort. It has been extended from time to time, the last extension terminating June 30, 1974. While Congress has been finishing work on this bill, the Act has been temporarily extended to September 30, 1974.

In 1973, the Administration proposed that the Act be extended for two years until June 30, 1976. It also proposed that the financing arrangements under Title III of the Act be rewritten to do away with the existing borrowing authority device and to put future loan and purchase authorities under that Title on a normal appropriation basis.

The existing financing arrangement under Title III of the Act enabled Federal agencies to borrow from the Treasury to finance materials purchases and other activities authorized by the Act. (Agriculture, GSA, and Interior are still authorized to borrow for such purposes.) Purchase contracts were entered into both to assure adequate stockpiles during the war and to stimulate development of production capacity. Because materials contracted for during the war were contracted for at war time prices, they were often resold after the war at reduced prices and at a corresponding loss to the Government.

The method of financing left agencies with large debts and interest obligations to the Treasury. Furthermore, contrary to original plans, transfers of materials to the national stockpile with reimbursement to the transferring agencies were halted at the behest of the House Appropriations Committee. The revolving fund established to finance DPA activities has not been replenished as expected and is nearly depleted. Proposals by the Executive branch over the years to correct this situation by remedial legislation were never approved by Congress.

The enrolled bill would extend the DPA through June 30, 1975 and would resolve the Title III borrowing authority problem generally along the lines recommended by the Administration. In the language of the Senate Banking Committees' reports on S. 3270 the bill would:

" . . . circumvent the impending bankruptcy of the fund, now threatened by compounding interest



charges that cannot be met by any reasonable projection. It would do so by (1) cancelling outstanding obligations; (2) terminating the further exercise of the borrowing authority; and (3) substituting a normal appropriation procedure for the continuing expenses of maintaining and disposing of the existing agency inventories."

In addition, the bill would require the executive agencies administering Title III to pay interest to the Treasury on (1) future disbursements for loans and purchases under Title III, less receipts and net losses and (2) the current market value of the inventory of materials held under Title III as determined on July 1 of each year. The bill authorizes annual appropriations for this purpose.

In connection with these interest provisions, the Senate Banking Committee report on S. 1980, a related bill, comments as follows:

"In addition, the committee adopted by voice vote an amendment suggested by Senator Proxmire that would require appropriations to be sought to cover the cost of financing the existing Defense Production Act inventories. Under the original bill recommended by the administration, GSA would be required to pay the Treasury interest on the value of any new materials acquired under the Defense Production Act. For example, if GSA purchased \$100 million in new materials pursuant to the act, GSA would be required to pay Treasury interest on the \$100 million. An appropriation would be required to cover both the cost of the new purchase itself and the cost of annual interest payments thereon. Although there would be no net impact on the overall Federal budget as a result of these interest payments, the budget would reflect an increased GSA appropriation to cover the interest payments and increased Treasury receipts as a result of receiving the interest payments.

"The amendment adopted by the committee applies the same principle of accounting to existing agency inventories. It costs the Federal Government money to finance the existing inventories,

and these costs should be fully reflected in the appropriate agency budget. By reflecting the full costs of maintaining the inventory -- not only maintenance and disposal but also financial costs -- the bill will emphasize the need for the prompt disposal of materials in the agency inventories accumulated under the Defense Production Act. These inventories are valued at \$300 million. All are in excess of our defense needs as determined by the Office of Emergency Preparedness."

We note that there is a possibility of overlap between interest paid on disbursements and on current market values of inventories on July 1. We will discuss this matter further with GSA and suggest remedial legislation if it appears appropriate. As a practical matter, the issue may be more theoretical than real, since no transactions under Title III are anticipated at this time.

\* \* \* \* \*

S. 3270 also contains a rider which would provide for a National Commission on Supplies and Shortages. As stated in the bill, the Commission would:

" . . . facilitate more effective and informed responses to resource and commodity shortages and . . . report to the President and the Congress on needed institutional adjustments for examining and predicting shortages and on the existence or possibility of shortages with respect to essential resources and commodities."

The bill makes the Commission an independent instrumentality of the Federal Government comprised of 13 members who shall be compensated at a rate equal to the per diem equivalent of Level III and appointed as follows:

- five from private life by the President in consultation with the majority and minority leaders of the House and Senate
- four from the Executive branch by the President



- two Senators by the President of the Senate after consultation with majority and minority leaders of the Senate and
- two representatives by the Speaker of the House after consultation with majority and minority leaders of the House.

The bill further provides for designation of a Chairman and a Vice Chairman of the Commission by the President in consultation with the majority and minority leaders of the Senate and the House.

It would require the Commission to report to the President and the Congress with respect to:

- the existence or possibility of long or short term shortages, employment, price or business practices, or market adversities affecting supplies
- the adverse impact of such shortages on consumers
- the need for alternative actions to increase the availability of supplies
- government practices and policies affecting supplies
- legislative and administrative actions to develop comprehensive strategic and economic stockpiling policies to facilitate availability of supplies
- means of coordinating and accumulating data.

It would require the Commission to report its specific recommendations by March 1, 1975 respecting institutional adjustments needed and would authorize it to provide other reports and recommendations until June 30, 1975.

The bill requires the Commission to establish an advisory committee to make recommendations respecting a policy making structure within the legislative and executive branches to integrate the study of supplies and shortages into the total problem of national growth.



The enrolled bill would provide for appointment by the Commission, through its Chairman, of an Executive Director at the rate provided for Level III and such additional staff as is necessary all without regard to Civil Service procedures. Further, the Commission would be authorized to procure temporary and intermittent services. The Commission would be authorized to hold hearings and executive agencies and the Congress are authorized and directed to provide, consistent with the Constitution, such data as the Commission deems necessary.

S. 3270 authorizes appropriations for fiscal year 1975 up to \$75,000 for the advisory commission and up to \$500,000 for the Commission.

We believe that the establishment of a "temporary" National Commission on Supplies and Shortages is generally consistent with a joint statement issued by Senator Mansfield and Secretary Simon which was developed by a group initiated by an exchange of letters between the President and the joint leaders of the Senate on March 25, 1974 and consisting of Messrs. Herbert Stein, Roy Ash, John Dunlop, and Peter Flanigan, Representatives Carl Albert, Thomas O'Neill, John Rhodes, and Leslie Arends, and Senators Mike Mansfield, Hugh Scott, Robert Byrd, and Robert Griffin. The joint statement read in part:

"The group unanimously approved the establishment of a temporary commission . . . The commission will . . . report . . . its recommendations with respect to institutional adjustments including the advisability of establishing an independent agency to provide for a continuing and comprehensive examination and analysis of supplies and shortages . . ."

In its views letter on the enrolled bill, CIEP comments on the temporary nature of the Commission thus:

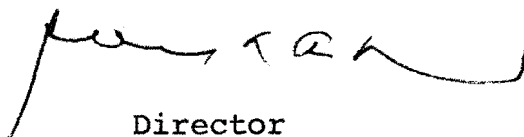
"One major change was made, however, in that the word 'Temporary' was deleted from the title of the National Commission. S. 3270 sets June 1975 as the final date for forwarding material to the President and Congress, but does not indicate the temporary nature of the Commission. It is important, therefore, that the temporary nature of the Commission be stressed in any Presidential message on this legislation to make it clear that it is not intended that a permanent entity be established."





While the bill does not specifically designate the Commission as a temporary one, we note that it does authorize appropriations only for fiscal year 1975 and sets reporting dates for the Commission within that fiscal year.

CIEP has submitted a draft of a proposed Signing Statement with its views letter on the enrolled bill. We understand that NSC has some concerns with the proposed statement and we are working with CIEP and NSC to see whether a Signing Statement can be developed which will meet NSC's concerns.

A handwritten signature in black ink, appearing to read "K. T. R.", is written above the word "Director".

Director

Enclosures



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET

DATE: 9-27-74

TO: Bob Linder

FROM: Wilf Rommel

Attached is the CIEP views letter on S. 3270. Please substitute this letter for the one that is presently included in the enrolled bill file. Thanks.

COUNCIL ON INTERNATIONAL ECONOMIC POLICY

WASHINGTON, D.C. 20500

September 23, 1974

Mr. W. H. Rommel  
Assistant Director for Legislative  
Reference  
Office of Management and Budget  
Washington, D. C. 20500

Dear Mr. Rommel:

This is in reply to your Enrolled Bill Request of September 19th regarding S. 3270, the Defense Production Act Amendments of 1974.

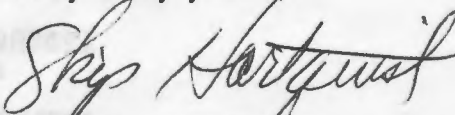
We concur with that part of the legislation which establishes the National Commission on Supplies and Shortages (Section 5). This Commission was jointly sponsored by the Administration and the Senate leadership, and S. 3270 contains essentially the same provisions as the original bill.

One major change was made, however, in that the word "Temporary" was deleted from the title of the National Commission. S. 3270 sets June 1975 as the final date for forwarding material to the President and Congress, but does not indicate the temporary nature of the Commission. It is important, therefore, that the temporary nature of the Commission be stressed in any Presidential message on this legislation to make it clear that it is not intended that a permanent entity be established.

We have no objections to any other provisions of the bill.

As you may be aware, an inter-agency group under the auspices of CIEP and the National Security Council prepared a Critical Imported Raw Materials Study. This study has been cleared for public dissemination by all concerned agencies except NSC. We suggest that it would be highly desirable for the President to release this study on the occasion of the signing of the Defense Production Act Amendments and we are therefore hopeful that the NSC will provide its clearance soon.

Very truly yours,



David A. Hartquist  
General Counsel



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

SEP 25 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 3270 - Defense Production Act  
Amendments of 1974  
Sponsors - Sen. Sparkman (D) Alabama, Sen. Johnston  
(D) Louisiana and Sen. Tower (R) Texas

Last Day for Action

September 30, 1974 - Monday

Purpose

Amends the Defense Production Act (DPA) to extend the Act until June 30, 1975, to close out the borrowing authority under Title III of the Act (loans and purchases to expand defense production), to place Title III activities on a normal appropriation basis, to charge interest on future disbursements under Title III as well as on current inventories of materials, and, in a rider, to establish a National Commission on Supplies and Shortages.

Agency Recommendations

Office of Management and Budget

Approval

Department of Commerce

Approval

Federal Energy Administration

Approval

Council of Economic Advisers

Approval

National Security Council

Approval (Informally)

General Services Administration

No objection

Department of the Treasury

No objection

Department of the Interior

No objection

Council on Environmental Quality

No objection

Council on International Economic Policy

No objection (Signing statement attached)

Department of Defense

No objection

Council on Wage and Price Stabilization

No comment

Department of Agriculture

Has strong reservations re Commission



September 27, 1974

MEMORANDUM FOR: THE PRESIDENT  
FROM: KEN COLE  
SUBJECT: Enrolled Bill S. 3270

Attached is the Senate bill, S. 3270, Defense Production Act Amendments of 1974, along with a proposed Presidential Signing Statement. S. 3270 amends the Defense Production Act (DPA) to extend the Act until June 30, 1975, to close out the borrowing authority under Title III of the Act (loans and purchases to expand defense production), to place Title III activities on a normal appropriation basis, to charge interest on future disbursements under Title III as well as on current inventories of materials, and, in a rider, to establish a National Commission on Supplies and Shortages.

The Counsel's office, Bill Timmons, the NSC, and OMB concur.

RECOMMENDATION

That you approve the proposed signing statement (Tab A) and sign the enrolled bill (Tab B).

(Gergen - edit)

REVISED SIGNING STATEMENT: S. 3270, DEFENSE PRODUCTION  
AMENDMENTS

I am signing today S. 3270, the "Defense Production Act Amendments of 1974."

The Defense Production Act was first passed in 1950 at the beginning of the Korean War, as a means of expanding the Nation's industrial capacity and enabling the Federal Government to produce and allocate critical materials in times of national emergency and for national security and other purposes. Since 1950, the act has provided ongoing authorization for the Government to assure that we have the productive capacity that would be needed for wartime mobilization.

The legislation I am signing today extends the Defense Production Act until June 30, 1975. It also makes two significant changes in that act.

First, S. 3270 completely revises the financing mechanisms for loan and purchase activities under the act. All such activities will no longer be funded through Treasury borrowing but through regular, more straightforward appropriations process.



Secondly, S. 3270 creates a National Commission on Supplies and Shortages. This Commission will study our supply picture and make recommendations on those institutional adjustments which may be needed to ensure that we can respond quickly and effectively to potential resources and commodity shortages.

For the last six months, a special Administration task force has been at work identifying and assessing potential threats to our imports of critical, non-fuel raw materials. The findings of this task force are completed and they will be discussed with the new Commission on Supplies and Shortages and should be of significant help to the Commission in carrying out its mandate.

# # #





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

SEP 24 1974

Honorable Roy L. Ash  
Director, Office of Management  
and Budget  
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Ash:

This is in reply to your request for the views of this Department concerning S. 3270, an enrolled enactment

"To amend the Defense Production Act of 1950 and to establish a National Commission on Supplies and Shortages Act of 1974."

S. 3270 amends the Defense Production Act of 1950 in the following respects:

1. Extends the Act for one additional year, through June 30, 1975.
2. Provides that programs under sections 302 and 303 of the Act to expand production capacity are to be financed by Congressional appropriations rather than with loans from the Treasury as is presently the case.
3. Adds a new section 720 to the Act establishing a National Commission on Supplies and Shortages "to facilitate more effective and informed responses to resource and commodity shortages and to report to the President and the Congress on needed institutional adjustments for examining and predicting shortages and on the existence or possibility of shortages with respect to essential resources and commodities."

This Department's interpretation of new subsection 720(k) is based on the interpretation given it by the Senate in Senate Report No. 93-904 on S. 3523 which reads in relevant part at page 8:

"The only limitation on access by the Commission to information in the hands of the government is existing law and the Constitution." (emphasis added)





Therefore, we would release such information, data and reports as requested by the Commission Chairman in a form and manner as permitted by existing law.

This Department recommends approval by the President of S. 3270. We note, however, that much of the Government Accounting Office and Congressional criticism which was directed at the Executive Branch regarding the extent, significance and handling of short supply problems is included in the "findings" section of the legislation. We believe, therefore, that it may be useful for the President to issue a signing statement which would contain a disclaimer directed at these findings. If such a statement is issued, it should emphasize that there are sincerely held differences of opinion regarding the extent of shortages and ways of dealing with them. This partly derives from the difficulty of defining the problem in operational terms and from different views as to how the government should deal with the problem, given our free enterprise economic system.

Enactment of this legislation would involve no expenditure of funds by this Department beyond amounts already requested for fiscal year 1975.

Sincerely,

*Karl E. Bakke*

General Counsel



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

September 23, 1974

MEMORANDUM FOR: Wilfred H. Rommel  
Assistant Director for  
Legislative Reference  
Office of Management and Budget

ATTN: William Skidmore *WJS*

FROM: Robert E. Montgomery, Jr.  
General Counsel

SUBJECT: Enrolled Bill Report on S. 3270 -  
Amendments to the Defense Production Act

S. 3270 would amend sections 304 and 711 of the Defense Production Act of 1950, and would establish a National Commission on Supplies and Shortages to monitor and report on resource and material shortages. FEA recommends that the President sign the bill into law.

In order to assure that the energy assessment functions of FEA and the resource and material assessment functions of the Commission on Supplies and Shortages are properly integrated, we believe a senior FEA official should be appointed by the President to serve as one of the four representatives of the Executive Branch on the Commission.



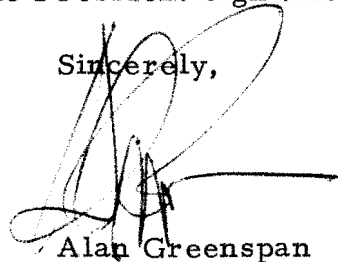
THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

September 20, 1974

Dear Mr. Rommel:

The provisions of S. 3270 which establish a National Commission on Supplies and Shortages are in accord with previous discussions between representatives of the Congress and the Administration. The Council of Economic Advisers recommends that the President sign this bill.

Sincerely,

A handwritten signature in black ink, appearing to be 'Alan Greenspan', written over the word 'Sincerely,'.

Alan Greenspan

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



UNITED STATES OF AMERICA  
GENERAL SERVICES ADMINISTRATION  
WASHINGTON, DC 20405



SEP 23 1974

Honorable Roy L. Ash  
Director, Office of  
Management and Budget  
Washington, DC 20503

Dear Mr. Ash:

By referral dated September 19, 1974, from the Assistant Director for Legislative Reference, your office requested the views of the General Services Administration on enrolled bill S. 3270, "To amend the Defense Production Act of 1950 and to establish a National Commission on Supplies and Shortages Act of 1974."

The bill would change the method of financing operations under the Defense Production Act; extend the Act for one year; and establish a National Commission on Supplies and Shortages to report to the President and the Congress by March 1, 1975, with recommendations concerning institutional adjustments, including the advisability of establishing an independent agency to provide for a comprehensive data collection and storage system to aid in examination and analysis of the supplies and shortages in the economy of the United States and in relation to the rest of the world.

Although we had urged the change in method of financing and a two-year extension of the Act, GSA has no objection to Presidential approval of the enrolled bill.

Sincerely,

A handwritten signature in cursive script that reads "Allan G. Kaupinen".

Allan G. Kaupinen  
Assistant Administrator





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

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

SEP 24 1974

Attention: Assistant Director for Legislative  
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of S. 3270, the "Defense Production Act Amendments of 1974."

Sections 2 and 3 were proposed by the General Services Administration. These sections would repeal the authority for Federal agencies to borrow from the Treasury to carry out sections 302 and 303 of the Defense Production Act of 1950, cancel the outstanding balance of unpaid notes together with accrued and unpaid interest on such notes, and authorize appropriations for any future activity under sections 302 and 303. Section 3 incorporates an amendment proposed by Treasury which provides for payment of interest to Treasury on "cumulative" disbursements less "cumulative" receipts and realized losses under the program. Thus, the bill would eliminate the basis for Congressional backdoor financing criticisms yet in effect continue the interest payment requirement on the existing inventory, which is consistent with the principle that the accounting for business-type activities of the Government should take into account all costs, including interest on the Federal capital utilized by the activity whether obtained from borrowings from Treasury or from appropriations, in order to assure a firm basis for program management decisions.

The Department does note a technical deficiency in section 3 of the enrolled enactment. The Senate amended section 3 to add a requirement for the accrual of interest on the current market value of the inventory as of the first day of each fiscal year. Yet the bill as proposed by the General Services Administration provides for the accrual of interest on the existing inventory as well as on any future activity under the program; i.e., the "cumulations" referred to in the bill begin as of the date of enactment of the 1950 Act, not the date of enactment of S. 3270. Thus, the Senate amendment will result in the accrual of interest on both the acquisition cost of the existing inventory and on the current market value of the inventory.



Section 5 of the enrolled enactment would add section 720 to the Defense Production Act of 1950 which would establish a National Commission on Supplies and Shortages. The Commission would be composed of thirteen members. It would make reports to the President and the Congress on (1) the existence or possibility of shortages; (2) the impact of shortages on consumers; (3) alternative actions to mitigate such shortages; (4) Government policies which affect the supply of natural resources and other commodities; (5) actions to develop a stockpile of resources; and (6) the most effective means for gathering and coordinating information in this area. The Commission would have until March 1, 1975 to submit a report and recommendations and could submit additional reports and recommendations until June 30, 1975.

Section 5 of the enrolled enactment is essentially similar to S. 3523 which was introduced by Senator Mansfield and was the result of the agreement of a joint Executive-Congressional leadership group. When he introduced S. 3523, Senator Mansfield had inserted in the Congressional Record a joint statement by himself and Secretary Simon approving the establishment of such a temporary commission.

In view of the foregoing, the Department would have no objection to a recommendation that the enrolled enactment be approved by the President.

Sincerely yours,



General Counsel





# United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

SEP 20 1974

Dear Mr. Ash:

This responds to your request for our views on the enrolled bill S. 3270, "To amend the Defense Production Act of 1950, as amended."

We would have no objection to approval of the bill by the President.

S. 3270 extends the Defense Production Act of 1950 for one year-- from the present expiration date of June 30, 1974 to June 30, 1975. At the same time, the bill amends the Act by adding a new section, cited as the "National Commission on Supplies and Shortages Act of 1974". The new section provides for the establishment of a 13-member commission to facilitate more effective and informed responses to resource and commodity shortages and to report to the President and the Congress on needed adjustments for examining and predicting shortages. The Commission is directed to report to the President and to the Congress no later than March 1, 1975, on specific recommendations with respect to institutional adjustments, including the advisability of establishing an independent agency to provide for a comprehensive data collection and storage system to aid in examination and analysis of supplies and shortages in the nation's economy and in relation to the rest of the world.

We plan to work closely with the proposed National Commission on Supplies and Shortages.

Sincerely yours,

Secretary of the Interior

Honorable Roy L. Ash  
Director  
Office of Management and Budget  
Washington, D. C. 20503



*Save Energy and You Serve America!*



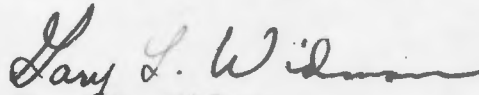
**EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006**

September 23, 1974

MEMORANDUM FOR WILFRED H. ROMMEL, ASSISTANT DIRECTOR  
FOR LEGISLATIVE REFERENCE  
OFFICE OF MANAGEMENT AND BUDGET

RE: S. 3270 - Enrolled (To amend the Defense Production  
Act of 1950 and to establish a National Commission  
on Supplies and Shortages Act of 1974)

The Council on Environmental Quality has no objection  
to Presidential signature of the above enrolled bill.

  
Gary L. Widman  
General Counsel

MYWYDEHEMLY WOODOL  
OFFICE OF

204 54 11 49 111314

RECEIVED



COUNCIL ON INTERNATIONAL ECONOMIC POLICY

WASHINGTON, D.C. 20500

September 23, 1974

Mr. W. H. Rommel  
Assistant Director for Legislative  
Reference  
Office of Management and Budget  
Washington, D. C. 20500

Dear Mr. Rommel:

This is in reply to your Enrolled Bill Request of September 19th regarding  
S. 3270, the Defense Production Act Amendments of 1974.

We concur with that part of the legislation which establishes the National  
Commission on Supplies and Shortages (Section 5). This Commission  
was jointly sponsored by the Administration and the Senate leadership,  
and S. 3270 contains essentially the same provisions as the original bill.

One major change was made, however, in that the word "Temporary" was  
deleted from the title of the National Commission. S. 3270 sets June 1975  
as the final date for forwarding material to the President and Congress,  
but does not indicate the temporary nature of the Commission. It is  
important, therefore, that the temporary nature of the Commission be  
stressed in any Presidential message on this legislation to make it clear  
that it is not intended that a permanent entity be established.

We have no objections to any other provisions of the bill.

As you may be aware, an inter-agency group under the auspices of CIEP  
and the National Security Council prepared a Critical Imported Raw  
Materials Study. This study has been cleared for public dissemination  
by all concerned agencies except NSC. We suggest that it would be highly  
desirable for the President to release this study on the occasion of the  
signing of the Defense Production Act Amendments and we are therefore  
hopeful that the NSC will provide its clearance soon.

Very truly yours,

*David A. Hartquist*

David A. Hartquist  
General Counsel



DRAFT

Zabludoff:Hawley:9/17/74

To the Congress of the United States

The Defense Production Act which I sign today includes a section establishing the Temporary National Commission on Shortages and Supplies.

This Commission, which was jointly sponsored by the Congressional

bipartisan leadership and the Administration, is to examine the problems

of predicting shortages and the type of actions which might be taken to

alleviate them. Their findings are to be transmitted to me by March 1975.

To facilitate their efforts, I am providing the Commission with the basic findings of a special Administration Task Force which has been at work identifying and assessing potential threats to our imports of critical raw materials at reasonable prices.

During the past two years we have become aware, as never before, of the ways in which events abroad affect our own economic well-being.

We live in such a closely knit world that no nation is immune from the ravages of the current inflation. We have seen how adverse natural conditions in some important producing areas have created higher food prices for all; how the moves of the major oil exporting countries have

produced sharp price hikes in the vast number of petroleum-based products we consume; and how a world productive capacity strained by rising demand has boosted prices of most goods.

Worldwide shortages and inflation have raised fears that the earth's crust and ocean will no longer yield sufficient raw materials to meet our needs. There is also a chance of growing frictions among nations, as they try to secure adequate foreign sources of raw materials. And finally, there are worries that producing nations may join together to force up the prices of their product, in imitation of the actions of the oil producers last year.

In addressing these problems, the Task Force concludes that we face neither the imminent exhaustion of the world's resources nor long term or widespread resort to embargoes nor cartel-like action with regard to the materials we must import. It does recognize that a major producer of any commodity can individually or collectively raise prices exorbitantly over the short run. For most commodities, however, the likely demand and supply responses appear to be strong enough to convince producing nations that efforts to make a maximum use of short term leverage would be detrimental to their broader and longer-term interests. Any temporary

gains would soon result in net losses because of increased competition from other producers or from substitute materials, or because of other predictable reactions.

The Task Force study also indicates that we are not dealing solely with frictions between the advanced economies and the less developed world. For example, over two-thirds of the US non-fuel industrial raw materials imports come from developed countries, and the US is a major provider of many of these commodities to both rich and poor nations.

It is clear that most nations are major consumers as well as producers of goods traded internationally. We must therefore all work together in seeking a common solution; those acting narrowly in their own self-interest will not only contribute to costly economic disorder, but will risk provoking political disorder as well.

Domestic and international policies must move toward decisions that keep the trading system open -- both as to access to supply and to markets. We will need to create understandings as well as policies to achieve this, and to decide what actions to take in those instances when the open system we seek is unduly violated.

I believe that this Task Force's report contributes to a clearer understanding of the forces at work, thereby making possible a more informed discussion of the issues. This is a necessary step, if we are to build a consensus for policies which best serve the nation and the world as a whole.



GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE

WASHINGTON, D. C. 20301

23 September 1974

Honorable Roy L. Ash  
Director, Office of Management  
and Budget  
Washington, D. C. 20503

This is in response to your request for the views of the Department of Defense on the enrolled enactment of S. 3270, 93d Congress, "To amend the Defense Production Act of 1950 and to establish a National Commission on Supplies and Shortages Act of 1974."

The legislation would amend several sections of the existing Defense Production Act of 1950, as amended, and add another section, as follows:

- Section 2 would terminate the authority vested in the Office of Preparedness, General Services Administration to assist the development of defense production capacity by borrowing from the Treasury. Outstanding balances to the Treasury and interest accrued and unpaid under this authority on such notes would be cancelled. Any cash balances remaining under this authority on June 30, 1974 under Sections 302 and 303 of the Act would be covered into Miscellaneous Receipts of the Treasury.

- Section 3 specifically indicates that the previously existing authority under section 711 of the Act to use appropriated funds for actions authorized by sections 302 and 303 would be employed in lieu of the prior borrowing authority of section 304(b) of the Act.

- Section 4 would extend the authority of the Act for one year, to June 30, 1975.

- Section 5 would add section 720 to the Act under the short title: the "National Commission on Supplies and Shortages Act of 1974." The Commission of thirteen members with representation from the private sector, the Executive Branch, the Senate and the House of Representatives would look into resource and commodity shortages, and report to the President and the Congress concerning measures that are necessary to examine and predict such shortages, and on the existence or possibility of such shortages.

The Department of Defense has reviewed this enrolled bill and has no objection to its enactment.

Sincerely,

A handwritten signature in black ink, appearing to read "Martin R. Hoffmann", with a long horizontal flourish extending to the right.

Martin R. Hoffmann





DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250

September 24, 1974

Honorable Roy L. Ash  
Director, Office of  
Management and Budget

Dear Mr. Ash:

This is in reply to a request from your office for a report on the enrolled bill S. 3270, "To amend the Defense Production Act of 1950 and to establish a National Commission on Supplies and Shortages Act of 1974."

The bill amends Sections 304 and 711 of the Defense Production Act. It also extends the Act through June 30, 1975 (Section 717). The amendment directs the Secretary of the Treasury to cancel the outstanding balance of all unpaid notes together with interest accrued and unpaid on such notes. It provides for any cash balance remaining on June 30, 1974, in the authorized borrowing authority to be covered into the Treasury as miscellaneous receipts.

The bill adds a new Section 720 to the Act, which establishes a new National Commission on Supplies and Shortages.

This Department favors the cancellation of the indebtedness and the extension of the Defense Production Act (see Enclosure No. 1). However, the Department of Agriculture has strong reservations regarding the establishment of a National Commission on Supplies and Shortages as stated in Enclosure No. 2.

Sincerely,

A handwritten signature in cursive script that reads "J. Phil Campbell".

J. Phil Campbell  
Under Secretary

Enclosures



This Department is interested in this bill since the Defense Production Act, as amended, provides the basis for implementing the Department's defense readiness plans for food resources and facilities and for farm equipment and fertilizers. It is the basis for the National Defense Executive Reserve program, a unit of which is in the Department of Agriculture. It is also the basis for expansion of productive capacity, materials, and facilities if this should become necessary in food and agriculture in a defense emergency.

Under the authority of the Defense Production Act, the Secretary of Agriculture borrowed funds from the Treasury to fully reimburse the Commodity Credit Corporation for certain commodity programs carried out under Section 303 of the Act. The principal amount of such borrowings during the period 1954-1961 was \$59,448,779. These programs were completed in 1961. Since the programs were non-income producing, no basis exists for liquidation of the Department of Agriculture's liability under the notes as they mature. Accordingly, it is the practice to refinance, by borrowing from the Treasurer of the United States, both the principal and accrued interest when the notes become due. As of June 30, 1974, the total indebtedness, because of the accumulated interest, amounted to \$126,215,072.32.

The effect of this part of the legislation would be to cancel the above indebtedness which this Department has no means of liquidating and eliminate the authority to borrow from the Treasury.

This amendment to Section 304 will eliminate the borrowing authority for carrying out functions authorized under Sections 302 and 303. Section 711 would be amended to authorize appropriations for carrying out those operations and to provide for accrual of interest on certain disbursements and on the market value of inventory of materials acquired under Section 303. Inasmuch as we have had no operations under the Defense Production Act since 1961 and have no inventory of materials, this would appear to have no effect on this Department.

The National Commission on Supplies and Shortages Act of 1974 would establish a National Commission comprised of thirteen members (five appointed by the President from private life and four from the executive branch, and two each from the House and Senate). The Commission would monitor supply shortages, market adversities, and supplies of essential resources and products on a continuing basis and report to the President and the Congress on

- current and future commodity shortages
- commercial, industrial, and business practices affecting these shortages
- effects of government programs and policies on commodity supplies and shortages
- alternative actions (public and private) needed to correct and avoid shortages
- organizational, procedural and other institutional changes needed to better coordinate information and policy on commodity supplies and shortages, and particular attention to establishment of a new permanent agency to succeed the Commission

The first report covering current and future commodity shortages including a report on a new permanent agency would be due on March 1, 1975. The Commission may, until June 30, 1975, prepare, publish and transmit to the President and the Congress other reports and recommendations as it deems appropriate. An appropriation of \$500 thousand is authorized for Commission expenses and \$75 thousand for the expenses of a public advisory committee to assist the Commission in FY 1975. The Commission would be authorized to draw on the assistance of USDA and other Federal agencies for any data, reports and analyses it needs -- without reimbursement.

The commodities and supplies covered by the Commission would include agricultural raw materials, forest products, water, minerals, metals and any other natural resources.

The scope of the Commission functions would duplicate activities now carried out within USDA and other Federal agencies in continually monitoring significant commodities, projecting supply and demand conditions; identifying potential shortages, and appropriate government and private action.

The deadlines for the very comprehensive reports required are not realistic. Any attempt by the Commission to provide a comprehensive report by next March on short and long-run supply, demand, and "shortage" conditions (for the U.S. and the rest of the world!) covering all of the natural resources and commodities specified would result in a massive requirement for diversion of USDA and other agency analytical and information resources. During the critical months ahead, this could seriously disrupt and impair the on-going processes of the government to service the policy decision-system at the highest levels.

Furthermore, some of the studies required of the Commission are underway, with much different time schedules. For instance, the Congressional Office of Technology Assessment has recently initiated a two-year study on the adequacy of information and information systems for policy-making on food and agriculture. We believe that two years is a minimum requirement for such a study.

We believe that the existing arrangements within the Executive Branch for dealing with commodity shortages are appropriate and functioning effectively. This includes both the distribution of responsibilities among the departments and agencies for monitoring current and future supply and demand conditions, and the arrangements for identifying and coordinating appropriate policies and actions within the departments and between the departments and the Executive Office of the President. These arrangements are under continuous review, and appropriate adjustments can be (and are) made in a timely way under existing legislative authorities. We do not believe the establishment of another permanent agency to duplicate the present system would be wise.

A.

GERALD R. FORD LIBRARY

(Gergen - edit)

REVISED SIGNING STATEMENT: S. 3270, DEFENSE PRODUCTION  
AMENDMENTS

I am signing today S. 3270, the "Defense Production Act Amendments of 1974."

The Defense Production Act was first passed in 1950 at the beginning of the Korean War, as a means of expanding the Nation's industrial capacity and enabling the Federal Government to produce and allocate critical materials in times of national emergency and for national security and other purposes. Since 1950, the act has provided ongoing authorization for the Government to assure that we have the productive capacity that would be needed for wartime mobilization.

The legislation I am signing today extends the Defense Production Act until June 30, 1975. It also makes two significant changes in that act.

First, S. 3270 completely revises the financing mechanisms for loan and purchase activities under the act. All such activities will no longer be funded through Treasury borrowing but through regular, more straightforward appropriations process.



Secondly, S. 3270 creates a National Commission on Supplies and Shortages. This Commission will study our supply picture and make recommendations on those institutional adjustments which may be needed to ensure that we can respond quickly and effectively to potential resources and commodity shortages.

For the last six months, a special Administration task force has been at work identifying and assessing potential threats to our imports of critical, non-fuel raw materials. The findings of this task force are completed and they will be discussed with the new Commission on Supplies and Shortages and should be of significant help to the Commission in carrying out its mandate.

# # #

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 600

Date: September 25, 1974

Time: 5:00 p. m.

FOR ACTION: ✓ Geoff Shepard  
✓ Michael Duval  
✓ NSC/S  
✓ Phil Buchen  
✓ Bill Timmons  
FROM THE STAFF SECRETARY

cc (for information): Warren K. Hendriks  
Jerry Jones  
Paul Theis

DUE: Date:] Friday, September 27, 1974

Time: 2:00 p. m.

SUBJECT: Enrolled Bill S. 3270 - Defense Production Act Amendments of 1974

ACTION REQUESTED:

\_\_\_ For Necessary Action

XX For Your Recommendations

\_\_\_ Prepare Agenda and Brief

\_\_\_ Draft Reply

\_\_\_ For Your Comments

\_\_\_ Draft Remarks

REMARKS:

Please return to Kathy Tindle - 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  
WASHINGTON  
September 26, 1974

MEMORANDUM FOR: MR. WARREN HENDRIKS  
FROM: WILLIAM E. TIMMONS *WET*  
SUBJECT: Action Memorandum - Log No. 600  
Enrolled Bill S. 3270 - Defense Production  
Act Amendments of 1974

The Office of Legislative Affairs concurs in the attached proposal and has no additional recommendations.

Attachment



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 600

Date: September 25, 1974

Time: 5:00 p. m.

FOR ACTION: Geoff Shepard  
Michael Duval  
NSC/S  
Phil Buchen  
✓ Bill Timmons

cc (for information): Warren K. Hendriks  
Jerry Jones  
Paul Theis

FROM THE STAFF SECRETARY

DUE: Date:] Friday, September 27, 1974 Time: 2:00 p. m.

SUBJECT: Enrolled Bill S. 3270 - Defense Production Act Amendments of 1974

ACTION REQUESTED:

- |   |  |
|---|--|
| <input type="checkbox"/> For Necessary Action     | <input checked="" type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply                         |
| <input type="checkbox"/> For Your Comments        | <input type="checkbox"/> Draft Remarks                       |

REMARKS:

Please return to Kathy Tindle - 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.

Warren K. Hendriks  
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 600

Date: September 25, 1974

Time: 5:00 p. m.

FOR ACTION: Geoff Shepard  
Michael Duval  
NSC/S  
Phil Buchen  
Bill Timmons  
FROM THE STAFF SECRETARY

cc (for information): Warren K. Hendriks  
Jerry Jones  
Paul Theis

DUE: Date:] Friday, September 27, 1974

Time: 2:00 p. m.

SUBJECT: Enrolled Bill S. 3270 - Defense Production Act Amendments  
of 1974

ACTION REQUESTED:

\_\_\_\_\_ For Necessary Action

XX For Your Recommendations

\_\_\_\_\_ Prepare Agenda and Brief

\_\_\_\_\_ Draft Reply

\_\_\_\_\_ For Your Comments

\_\_\_\_\_ Draft Remarks

REMARKS:

*OK* *Mike Duval*

Please return to Kathy Tindle - 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.

Warren K. Hendriks  
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 600

Date: September 25, 1974

Time: 5:00 p.m.

FOR ACTION: ✓ Geoff Shepard  
Michael Duval  
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Phil Buchen  
Bill Timmons

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Jerry Jones  
Paul Theis

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DUE: Date:] Friday, September 27, 1974 Time: 2:00 p.m.

SUBJECT: Enrolled Bill S. 3270 - Defense Production Act Amendments  
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ACTION REQUESTED:

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XX For Your Recommendations

\_\_\_\_\_ Prepare Agenda and Brief

\_\_\_\_\_ Draft Reply

\_\_\_\_\_ For Your Comments

\_\_\_\_\_ Draft Remarks

REMARKS:

Please return to Kathy Tindle - West Wing

*No objection  
JCS*

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.

Warren K. Hendriks  
For the President

COUNCIL ON INTERNATIONAL ECONOMIC POLICY

September 26, 1974

FOR JOHN RATCHFORD

FROM BILL HAWLEY 

Attached is the Signing Statement we discussed,  
for final West Wing clearances.

It has already been cleared by:

NSC, OMB and CIEP.

STATEMENT BY THE PRESIDENT

I have today signed S. 3270 the "Defense Production Act Amendments of 1974."

This bill extends the Defense Production Act until June 30, 1975. That Act provides ongoing authorities to enable the Federal Government to assure an adequate production capacity for a strong mobilization base. The Act was passed at the beginning of the Korean War in 1950 and has been used since as the basis for strengthening the nation's mobilization capacity and facilitating defense production.

S. 3270 completely revises the financing mechanisms for loan and purchase activities under the Act. Thereafter all such activities will be funded through the regular appropriations process, rather than through borrowing from the Treasury. This will facilitate a more straightforward and useful presentation of those activities.

The bill also contains a section which creates a National Commission on Supplies and Shortages. This Commission will study our materials situation to facilitate more effective and informed responses to potential resource and commodity shortages and make recommendations on those institutional adjustments needed to facilitate a timely response to future shortages.



For the last six months a special Administration task force has been at work identifying and assessing potential threats to our imports of critical non-fuel raw materials at reasonable prices. When the findings of this task force are completed they will be discussed with the Commission, and should be of significant help to it in carrying out its mandate.

THE WHITE HOUSE

September , 1974

THE WHITE HOUSE  
WASHINGTON

Date: 9/26/74

TO: MIKE DUVAL

FROM: Kathy Tindle

For your information: ✓ XX

Comments:

Attached is the proposed signing statement for S. 3270, Defense Production Act Amendments of 1974. It has been cleared by NSC, OMB and CIEP.

Date: September 25, 1974

Time: 5:00 p. m.

FOR ACTION: Geoff Shepard  
Michael Duval  
NSC/S  
Phil Buchen  
Bill Timmons

cc (for information): Warren K. Hendriks  
Jerry Jones  
✓ Paul Theis

FROM THE STAFF SECRETARY

DUE: Date:] Friday, September 27, 1974 Time: 2:00 p. m.

SUBJECT: Enrolled Bill S. 3270 - Defense Production Act Amendments of 1974

ACTION REQUESTED:

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

REMARKS:

Please return to Kathy Tindle - West Wing

*Christina Wagner RESEARCH*

1974 SEP 25 PM 6 50

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.

Warren K. Hendriks  
For the President



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 600

Date: September 25, 1974

Time: 5:00 p. m.

FOR ACTION: Geoff Shepard  
Michael Duval  
NSC/S  
✓ Phil Buchen  
Bill Timmons

cc (for information): Warren K. Hendriks  
Jerry Jones  
Paul Theis

FROM THE STAFF SECRETARY

DUE: Date:] Friday, September 27, 1974

Time: 2:00 p. m.

SUBJECT: Enrolled Bill S. 3270 - Defense Production Act Amendments of 1974

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Kathy Tindle - West Wing

*No objection  
D.C.*

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.

Warren K. Hendriks  
For the President

September 25, 1974

Time: 5:00 p.m.

FOR ACTION: Geoff Shepard  
Michael Duval  
✓ NSC/S  
Phil Buchen  
Bill Timmons  
FROM THE STAFF SECRETARY

cc (for information): Warren K. Hendriks  
Jerry Jones  
Paul Theis

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\_\_\_ Prepare Agenda and Brief

\_\_\_ Draft Reply

\_\_\_ For Your Comments

\_\_\_ Draft Remarks

REMARKS:

Please return to Kathy Tindle - West Wing

*NSC  
Approved  
KAT 9/27/74*

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.

Warren K. Hendriks  
For the President

September 27, 1974

MEMORANDUM FOR: THE PRESIDENT  
FROM: KEN COLE  
SUBJECT: Enrolled Bill S. 3270

Attached is the Senate bill, S. 3270, Defense Production Act Amendments of 1974, along with a proposed Presidential Signing Statement. S. 3270 amends the Defense Production Act (DPA) to extend the Act until June 30, 1975, to close out the borrowing authority under Title III of the Act (loans and purchases to expand defense production), to place Title III activities on a normal appropriation basis, to charge interest on future disbursements under Title III as well as on current inventories of materials, and, in a rider, to establish a National Commission on Supplies and Shortages.

The Counsel's office, Bill Timmons, the NSC, and OMB concur.

RECOMMENDATION

That you approve the proposed signing statement (Tab A) and sign the enrolled bill (Tab B).



**September 27, 1974**

**MEMORANDUM FOR: THE PRESIDENT**  
**FROM: KEN COLE**  
**SUBJECT: Enrolled Bill S. 3270**

Attached is the Senate bill, S. 3270, Defense Production Act Amendments of 1974, along with a proposed Presidential Signing Statement. S. 3270 amends the Defense Production Act (DPA) to extend the Act until June 30, 1975, to close out the borrowing authority under Title III of the Act (loans and purchases to expand defense production), to place Title III activities on a normal appropriation basis, to charge interest on future disbursements under Title III as well as on current inventories of materials, and, in a rider, to establish a National Commission on Supplies and Shortages.

The Counsel's office, Bill Timmons, the NEC, and OMB concur.

**RECOMMENDATION**

That you approve the proposed signing statement (Tab A) and sign the enrolled bill (Tab B).

NATIONAL COMMISSION ON SUPPLIES AND  
SHORTAGES ACT OF 1974

---

REPORT

OF THE

SENATE COMMITTEE ON COMMERCE

ON

S. 3523

TO ESTABLISH A TEMPORARY NATIONAL COMMISSION  
ON SUPPLIES AND SHORTAGES

TOGETHER WITH

ADDITIONAL AND SUPPLEMENTAL VIEWS



JUNE 5, 1974.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1974

NATIONAL COMMISSION ON SUPPLIES AND SHORTAGES  
ACT OF 1974

---

JUNE 5, 1974.—Ordered to be printed

---

Mr. MAGNUSON, from the Committee on Commerce,  
submitted the following

## REPORT

together with

## ADDITIONAL AND SUPPLEMENTAL VIEWS

[To accompany S. 3523]

The Committee on Commerce, to which was referred the bill (S. 3523) to establish a Temporary National Commission on Supplies and Shortages, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

## PURPOSE

The purpose of the proposed legislation is to establish a National Commission to facilitate more effective and informed responses to resource and commodity shortages. The National Commission on Supplies and Shortages will report to the President and the Congress on the existence or possibility of shortages of essential resources and commodities and will report on institutional adjustments for examining and predicting these shortages.

## BACKGROUND AND NEED

The energy crisis dramatized the lack of information and lack of planning with respect to the supply of an essential resource. Resource experts have warned repeatedly about a possible crisis of energy, and they continue to warn about the coming crises of other vital resources. The United States is increasingly dependent on foreign sources for a variety of basic materials, as well as energy. Industrial consumer nations are scrambling for basic natural resources from producing

nations. This dependence, coupled with the energy crisis, inflation, and numerous other shortages of materials and commodities have generated concern and recognition by members of Congress that decisionmakers must be better prepared for a future materials crisis.

The lack of preparation to meet the energy crisis was not so much due to a lack of statistics, as it was to a failure of the institutional structure of government to provide a mechanism for coordinating the statistics and presenting the issue forcefully to key decision makers in the executive branch and Congress. A similar lack of coordination and official awareness exists regarding information on other essential resources and products. Although a wealth of information is currently available on resources and industrial supplies, it is scattered among more than fifty agencies of the Federal Government. The existing structure of these agencies does not adequately identify future trouble spots or shortages in the economy. Information is not systematically coordinated, analyzed, or disseminated in a manner which considers all relevant factors contributing to a resource or product shortage. No one agency is responsible and accountable for current and future appraisals of the status of resources.

World population growth complicates and broadens the problem to include one of world scarcity, as well as one of national scarcity. In addition, the governments of producing countries are playing a more active role and are trying to increase their profits by considering the creation of international organizations modeled after the Oil Petroleum Exporting Countries (OPEC). Copper, bauxite, coffee and bananas are examples of products where this is being attempted. In the case of bauxite, unilateral restrictions by Jamaica are being contemplated.

The need for wiser policy choices regarding world resources and the need for forecasting the supply and demand of essential resources and foodstuffs has been recognized numerous times. Twenty-two years ago the President's Materials Policy Commission (Paley Commission) recognized these needs and recommended that a mechanism be established for interrelating supply policies and information on resources. The following recommendations made in 1952 by the Paley Commission have yet to be implemented:

There must be, somewhere, a mechanism for looking at the problem as a whole, for keeping track of changing situations and the interrelation of policies and programs. This task must be performed by a Federal agency near the top of the administrative structure. . . . Such an agency should review all areas of the materials field and determine how they can best be related to each other. It should maintain, on a continuing basis, the kind of forward audit which has been this Commission's one time function, but more detailed than has been possible here; collect and collate the facts and analyses of various agencies; and recommend appropriate action for the guidance of the President, the Congress, and the Executive agencies.

No single organization is today discharging these overall functions. In this Commission's opinion, this lack must be made good. . . . The forward audit of the proposed organization should be directed at least 10 years ahead of current activity and look as far ahead as 25 years. . . .

The organization proposed would be concerned with such subjects as the total pattern of activities in the materials and energy field, the relationships of individual programs to each other; the scope and dimensions of foreign production materials programs and their relationship to domestic programs; the probable effects of current production programs on the long-term materials position; the selection and development of current programs in the light of long-term requirements; programs for both scientific and technological research on materials, and their interrelations; and the relationship of materials policies to manpower, and to fiscal and foreign policies which may in various measure bear on materials. . . .

Such an organization should issue periodic reports so that Government, business, and the general public could be kept informed of leading developments in all the related materials field. It would hold a watching brief for the entire field of materials policy.

Similar conclusions were reached in 1973 by the National Commission on Materials Policy. It recommended that a Cabinet-level agency be established for materials, energy and the environment. More recently, the General Accounting Office issued a report (in April 1974) delineating and criticizing the current ad hoc process for reviewing and responding to essential resource and product shortages.

S. 3523 was developed by the Congressional majority and minority leaders in consultation with representatives of the Administration. It was referred jointly to the Committees on Commerce and Government Operations for a two-week period. Prior to its introduction, three days of joint hearings were held with the Government Operations Committee to consider related legislation (S. 2966, Amendments Nos. 1069 and 1195 thereto, and S. 3209). At those hearings, several witnesses criticized the processes which now exist for handling shortages. All the witnesses at the hearings suggested new or improved processes for predicting and dealing with shortages. The sentiment expressed by members of both Committees was to the effect that a new institutional mandate or agency was needed to monitor resources and product shortages.

#### DESCRIPTION

The proposed bill establishes an independent National Commission to report to the President and the Congress on the existence or possibility of shortages of any natural resources, raw agriculture commodities, materials or manufactured products and to report on institutional adjustments for examining and predicting shortages.

The Commission would be comprised of thirteen members, each serving for a three year term or shorter period of time if the Commission terminates. Five members would be chosen from private life, four from Congress and four senior officials from the executive branch of government. The Commission would be required to report on December 31, 1974, and at least every six months thereafter on (1) the existence or possibility of shortages or market adversities, (2) ways to increase materials in short supply or to correct the adversities, (3) ex-

existing government policies affecting the supply of resources, (4) the means for coordinating information on shortages, and (5) institutional adjustments for handling shortages.

The Commission members chosen from private life would be entitled to compensation on a per diem basis, while the other members, representing the Government, would serve without additional compensation.

The President in consultation with the Congressional majority and minority leaders would be required to designate a Chairman and Vice Chairman of the Commission and the Commission, through its Chairman would appoint an Executive Director of the Commission.

#### SECTION-BY SECTION ANALYSIS

##### *Section 1. Short Title*

The short title of the proposed legislation is the "National Commission on Supplies and Shortages Act of 1974."

##### *Section 2. Establishment of Commission*

Subsection (a) determines the composition of the proposed National Commission on Supplies and Shortages. Thirteen members, selected through a variety of procedures as discussed in the paragraphs under this subsection, form the Commission. Each is to serve for a three year term, or for a shorter period of time in the event the Commission is terminated earlier. However, a member will serve on the proposed Commission only for the remainder of the three year term if he has been appointed to fill a vacancy.

The language implies that the Commission may be terminated prior to the three years funding authorization contained in the bill. The Committee's discussion of this issue relates to the reports on institutional adjustments required under Section 3(b) and 3(c) of the bill. It was suggested by some Committee members that the interim Commission established by this bill might recommend the creation of a new permanent agency to report on shortages as required by this legislation, and if and when that recommendation was enacted into law, the need for the Commission would cease.

Paragraph (1) of subsection (a) provides for the appointment of five members to the Commission from private life. "Private life" refers to persons who are not employed by Federal, State or local governments. The President is to consult with the majority and minority leaders of the Senate and the House of Representatives in choosing persons from private life. The Committee discussed the desirability of the President appointing persons representing major interests groups such as labor, industry, and consumers.

Paragraph (2) requires the President to appoint four senior officials of the executive branch to serve without additional compensation on the proposed Commission. The Committee intends that Cabinet level, or equivalent, officials should serve in this capacity. In addition, the Committee suggests that the President should consider appointing these four senior officials from among the Secretaries of Agriculture, Commerce, Interior, State, and Treasury, the Chairman of the Council of Economic Advisers, the Administrator of the Federal Energy Administration, and the Executive Director of the Council

on International Economic Policy. It is expected that members appointed under this paragraph could designate an employee serving under such member to attend staff meetings and perform other duties.

Paragraph (3) provides for the appointment of four members to the proposed Commission from Congress, who are to serve without additional compensation. The President of the Senate, after consulting with the Senate majority and minority leaders, is to appoint two members of the Senate and the Speaker of the House, in consultation with the majority and minority leaders of the House of Representatives, is to appoint two Congressmen to serve as members of the Commission.

Subsection (b) requires the President, in consultation with the majority and minority leaders of the Senate and House of Representatives to designate a Chairman and Vice Chairman of the proposed Commission.

Subsection (c) entitles each member of the Commission who is appointed from private life, pursuant to subsection (a) (1), to be compensated on a per diem basis equivalent to the rate paid to an individual occupying a position under level III of the Executive Schedule under section 5314 of title 5, United States Code. All members of the Commission, including those appointed from the executive branch and the Congress, will be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred in performing duties under this legislation.

##### *Section 3. Functions*

Section 3 of the proposed bill outlines the functions of the Commission. The Commission will be responsible for monitoring shortages, market adversities and the supply of essential resources and products on a continuing basis. It must report on December 31, 1974, and at least bi-annually thereafter to the President and the Congress on current and future shortages, practices affecting these shortages, and institutional adjustments for a better understanding of the factors affecting these shortages and the supply of resources and materials.

Subsection (a) list four areas which are to be covered in reports by the Commission:

(1) the existence or possibility of any long- or short-term shortages or market adversities affecting the supply of any natural resources, raw agriculture commodities, materials, manufactured products (including any possible impairment of productive capacity which may result from shortages in materials, resources, commodities, manufactured products, plant or equipment, or capital investment) and the reason for such shortages or adversities;

(2) the need for, and the assessment of, alternative actions necessary to increase the availability of the items referred to in paragraph (1) of this subsection, or to correct the adversity affecting the availability of any such items;

(3) existing policies and practices of government which may tend to affect the supply of natural resources and other commodities;

(4) the means by which to coordinate information with respect to paragraphs (1), (2), and (3) of this subsection.



Paragraph (1) of subsection (a) requires the Commission to report on current and future shortages and market adversities. The reference to natural resources is intended to include water, minerals, metals, and other raw materials. To further the reporting under this paragraph, there will be a need to monitor the supply and demand for resources and materials in domestic and international economies. To enable the Commission to establish an effective monitoring system, it will need to serve as a focal point for the coordination and analysis of information on natural resources, agricultural products, materials, and manufactured products until such time that a more permanent body is instituted. In addition to shortages of materials, the Commission is to report on market adversities affecting supply, including a rapid increase in prices, anti-competitive structure and behavior and black marketing.

Paragraph (1) of subsection (a) requires not only an enumeration of shortages and market adversities but also an explanation for such shortages or adversities. The various factors which may affect the domestic supply and demand of resources and materials and lead to a shortage include the availability of energy, the impact of environmental and other regulatory controls, the effects of imports and exports, the availability of modern technology to produce products, the availability of labor and capital, wages, prices, fiscal and monetary policies, the structure of industry, and practices of foreign governments. An examination of these factors and a discussion of those contributing to the shortages or adversities will prepare the Commission for an informed analysis of alternative actions, which is required under section 3(a)(2).

Paragraph (2) of subsection (a) requires the proposed Commission to list alternative government and private actions which will increase the availability of resources found to be in short supply or which will alleviate predicted shortages or adversities. In addition to listing the alternative actions, there must also be an assessment of these actions. Such an assessment would include the economic, social and environmental strengths and weaknesses of the alternatives.

Paragraph (3) requires an examination of existing policies and practices of government which affect the supply of resources and commodities. These practices may or may not cause shortages. They may tend to increase supply or to simultaneously encourage conflicting results. The areas of government policy review should include: foreign, military, anti-trust, environmental, health and safety, and import and export policies, as well as policies relating to the management of domestic agricultural and mineral resources, manpower and productivity policies, policies affecting the rate and nature of private investment, policies affecting industrial efficiency and competitiveness, and policies relating to science and technology. This legislation does not authorize an interdisciplinary task force of the Administration for the purpose of exercising existing executive authority under other laws. The proposed Commission is to function rather as a "think tank" for examining policies and practices of the government.

Paragraph (4) of subsection (a) requires the Commission to report on the means for coordinating all information analyzed for the preparation of reports on shortages and adversities affecting supply.

The Commission should examine how it or an alternative central, coordinating agency could more effectively analyze and coordinate existing information on resource and product supplies collected by government agencies and private sources.

Subsection (b) requires the Commission to include in its reports specific recommendations for institutional adjustments to aid in the examination and analysis of supplies and shortages. The Committee expects the Commission to devote a substantial effort to this function and to carefully analyze the alternative structures possible. The advisability of establishing a new permanent agency for the monitoring of shortages, in the place of this Commission, should be examined. Senator Mansfield, in his statement submitted to the Commerce Committee hearings on May 9, 1974, discussed the needed instrumentality for coordinating and forecasting supply information saying:

It should be a *continuing* instrumentality equipped, first, to draw on information from all sources on the status of resources, materials and commodities and other aspects of our economy. . . . Secondly, it must have the means to forecast the problems by drawing information out of the present massive but fragmented system. Thirdly, it must have the capacity to convert its projections into recommended policy options that might embrace such measures as conservation, research, stockpiling, allocation, modernization, manpower, export controls and whatever else may be necessary to keep vital, the nation's economy. Finally, it must be in a position to report its findings and an analysis of proposed remedies to the President and the Congress—the ultimate arbiters of policy and the sources of action for the federal government. In turn, the work product of such an instrumentality could be weighed and evaluated by this and other interested Committees and by the agencies concerned downtown to the end that our overall approach is the most comprehensive and rational that can be devised. (Emphasis added.)

The committee endorses these objectives and urges the proposed Commission to give them careful study in considering the merits of recommending such an instrumentality either as a new agency or as part of an existing institution.

The Commission is specifically directed to examine whether or not such an agency should be a storehouse for the collection of data on supplies and shortages. This may be advisable or the Commission may find that drawing upon existing repositories of information in a systematic way is sufficient.

Until the Commission recommends and Congress adopts new institutional solutions, the Commission will perform the information analysis and other functions of this bill on an interim basis but in the most thorough manner possible.

Subsection (c) requires the Commission to prepare a report at least once every six months, and the first one is to be completed not later than December 31, 1974. Additionally, the Commission should also prepare any other reports or recommendations it feels are necessary under the proposed legislation.

#### Section 4. Advisory Committees

The proposed Commission is authorized to establish any advisory committees it deems appropriate to carry out its analyses or investigations. Such a committee would be subject to the relevant provisions of the Federal Advisory Committee Act (Appendix I of title 5, United States Code).

#### Section 5. Powers

This section authorizes administrative powers for the proposed Commission. Subsection (a) provides that the Commission, through its Chairman, may propose rules and regulations for hiring employees. Paragraph (1) of subsection (a) requires the Commission, through its Chairman to appoint and fix the compensation of an Executive Director for the Commission who would be compensated at the rate provided for level III of the Executive Schedule of section 5314 of title 5, United States Code. Paragraph (1) also authorizes the Commission through its Chairman to appoint additional staff personnel, without regard to the provisions of title 5, United States Code, on appointments in the competitive service, and without regard to chapter 51, and subchapter III of chapter 53 of title 5, United States Code, relating to classification, and the General Schedule under section 5332 of title 5. The *only* purpose of this waiver of civil service provisions is to allow the Commission to hire staff and begin work immediately. Paragraph (2) of subsection (a) authorizes the Chairman to procure temporary services by employing experts and consultants under section 3109 of title 5, United States Code.

Subsection (b) authorizes the Commission or any subcommittee established pursuant to section 4 of the legislation to hold hearings or to sit and act at such times and places it deems advisable.

#### Section 6. Assistance of Government Agencies

This section requires every department, agency, and instrumentality of the Federal Government, including the Congress and independent agencies, to obtain and make available any data, report, and other information the Chairman of the proposed Commission requests, and which the Commission deems necessary to carry out the provisions of the bill. The only limitation on access by the Commission to information in the hands of the government is existing law and the Constitution. The purpose of this section is to assure maximum cooperation by existing agencies and to assist the Commission in obtaining current information for its analyses and reports on current and future shortages. Since it is anticipated that the Commission will play a major role in the coordination and analysis of such supply-related data, government agencies must be required to furnish all information available to them to the extent of the Commission's needs. The Commission is also encouraged to use information disseminated by universities and private organizations and local governments to the extent possible.

#### Section 7. Authorization of Appropriations

An authorization not to exceed \$1,000,000 is provided for each of the fiscal years ending June 30, 1975, June 30, 1976, and June 30, 1977.

#### ESTIMATED COSTS

Pursuant to the requirements of section 252 of the legislative Reorganization Act of 1970, the Committee estimates the cost of the proposed legislation for each of the three fiscal years will be as follows:

Fiscal year:	
1975	\$1,000,000
1976	1,000,000
1977	1,000,000

The Committee knows of no other cost estimate by any Federal agency, at variance with the above.

#### CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, there are no changes in existing law made by the bill as reported.

#### AGENCY COMMENTS

No agency comments were received on S. 3523 due to the time limitation placed upon committee consideration of the bill.

#### TEXT OF S. 3523, AS REPORTED

A BILL To establish a ~~Temporary~~ National Commission on Supplies and Shortages

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SHORT TITLE

~~SECTION 1. This~~ That this Act may be cited as the "Temporary" National Commission on Supplies and Shortages Act of 1974."

#### ESTABLISHMENT OF COMMISSION

SEC. 2. (a) There is established as an independent instrumentality of the Federal Government a ~~Temporary~~ National Commission on Supplies and Shortages (hereinafter referred to as the "Commission"). The Commission shall be comprised of ~~42~~ *thirteen* members selected *for a term of three years or for such shorter period of time as such Commission shall continue in existence (except that any individual appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term)* as follows:

(1) The President, in consultation with the majority and minority leaders of the Senate and the majority and minority leaders of the House of Representatives, shall appoint ~~4~~ *five* members of the Commission from among persons in private life.

(2) The President shall designate four senior officials of the executive branch to serve without additional compensation as members of the Commission.

(3) The President of the Senate, after consultation with the majority and minority leaders of the Senate, shall appoint two Senators to be members of the Commission and the Speaker of the House of Representatives, after consultation with the majority and minority leaders of the House of Representatives, shall appoint two Representatives to be members of the Commission. Members appointed under this paragraph shall serve as members of the Commission without additional compensation.

(b) The President, in consultation with the majority and minority leaders of the Senate and the House of Representatives shall designate a Chairman and a Vice Chairman of the Commission.

(c) Each member of the Commission appointed pursuant to subsection (a)(1) of this section shall be entitled to be compensated at a rate equal to the per diem equivalent of the rate for an individual occupying a position under level III of the Executive Schedule under section 5314 of title 5, United States Code, when engaged in the actual performance of duties as such a member, and all members of the Commission shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred in the performance of their duties.

#### FUNCTIONS

SEC. 3. (a) It shall be the function of the Commission ~~upon completion of its investigation to make a report to reports to~~ the President and to the Congress with respect to—

(1) the existence or possibility of any long- or short-term shortages or market adversities affecting the supply of any natural resources, raw agriculture commodities, materials, manufactured products (including any possible impairment of productive capacity which may result from shortages in materials, resources, commodities, manufactured products, plant or equipment, or capital investment) and the reason for such shortages or adversities;

(2) the need for, and the assessment of, alternative actions necessary to increase the availability of the items referred to in ~~clause paragraph~~ (1) of this subsection, or to correct the adversity affecting the availability of any such items;

(3) ~~existing policies and practices of government which may tend to affect the supply of natural resources and other commodities;~~

~~(3)~~ (4) the means by which to coordinate information with respect to ~~clauses paragraphs~~ (1) and (2), and (5) ~~above of this subsection.~~

(b) The Commission shall include in its reports specific recommendations with respect to institutional adjustments, including the advisability of establishing an independent agency to provide for a ~~continuing and~~ comprehensive data collection and storage system to aid in examination and analysis of the supplies and shortages in the economy of the United States and in relation to the rest of the world.

(c) The Commission may prepare and publish such periodic reports and recommendations as it deems appropriate ~~and but~~ shall transmit a ~~final~~ report with its recommendations, to the President and the Congress not later than December 31, 1974 1974, and at least once every 6 months thereafter.

#### ADVISORY COMMITTEES

SEC. 4. The Commission is authorized to establish such advisory committees as may be necessary or appropriate to carry out any specific analytical or investigative undertakings on behalf of the Commission. Any such committee shall be subject to the relevant provisions of the Federal Advisory Committee Act.

#### POWERS

SEC. 5. (a) Subject to such rules and regulations as it may adopt, the Commission, through its Chairman, shall ~~have the power to—~~

(1) appoint and fix the compensation of an Executive Director at ~~not to exceed, \$40,000 per annum, the rate provided for level III of the Executive Schedule under section 5314 of title 5, United States Code,~~ and such additional staff personnel as is deemed necessary, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to chapter 51, and subchapter III of chapter 53 of such title relating to classification and the General Schedule under section 5332 of such title; and

(2) be authorized to procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code.

(b) The Commission or any subcommittee thereof is authorized to hold such hearings, sit and act at such times and places, as it may deem advisable.

#### ASSISTANCE OF GOVERNMENT AGENCIES

SEC. 6. Each department, agency, and instrumentality of the Federal Government, including the Congress, consistent with the Constitution of the United States, and independent agencies, is authorized and directed to furnish to the Commission, upon request made by the Chairman, such, data, reports, and other information as the Commission deems necessary to carry out its functions under this Act.

#### AUTHORIZATION OF APPROPRIATIONS

SEC. 7. There is authorized to be appropriated ~~\$250,000 as may be necessary to carry out the provisions of this Act. not to exceed \$1,000,000 for each of the fiscal years ending June 30, 1975, June 30, 1976, and June 30, 1977.~~

## ADDITIONAL VIEWS OF MR. HARTKE

I fully support the bill to create a Temporary Commission on Supplies and Shortages. The manner of its inception is commendable as a result of action by the joint leadership and an assemblage of officials from the executive, the House and the Senate. Its concept, however, should be enlarged.

The bill is a response to the twenty-two year old report of the President's Material Policy Commission called the Paley Commission, the report made last year by the National Commission on Materials Policy, and a month-old report of the General Accounting Office. The reports in essence recommend that a mechanism be created for looking at problems as a whole, for keeping track of changing situations, and the interrelation of policies and programs in the materials field. What the reports fail to realize is the need for such an agency to coordinate policies for all fields in government, not merely for materials.

Such an agency was at one time a part of the Federal government during the Roosevelt years and was appropriately dubbed the National Resources Committee. A similar entity to guide the nation's growth has been proposed by Senate Humphrey and by me, in legislation introduced in the 93d Congress. This legislation gives us the opportunity to explore the future of the nation's growth and the human and economic resources we will need in decades to come.

The question of the use of the nation's resources is not an isolated one. It affects almost every serious domestic problem the country confronts. Shortages, the General Accounting Office confirms, are "causing serious economic, social and political problems for the United States."

The bill reported by the Committee addresses the limited problem of ensuring that we continue to consume natural resources in order to provide for economic growth for the nation's industries. But we must go beyond this concept to address the quality of our consumption—the quality of our lives—and what the impact of future developments and demands will have on that quality.

Our gross national product includes water and air pollution, missiles and guns, the destruction of our forests and the death of our lakes. Surely, we must find some way to limit unneeded growth so that we can increase the quality, not just the quantity, of life in this nation.

There will be hard questions to be answered, but they must be answered. We must look at the distribution of our resources and the extent of our needs to determine if the policies of unplanned, unlimited growth shall be continued.

I believe that our economy functions best when it is given the opportunity and the incentive to grow; but I also am convinced that growth must be rational.

If we are to avoid going from crisis to crisis, putting out one fire after another until we find one day that we are too late to extinguish the holocaust, then we must have a broad-based mechanism to at least discuss the difficult issues brought on by future needs.

The net effect of S. 3523 would be improved if the Commission were not limited to supplies and shortages but rather national growth and resources. The Commission should be given a special mandate to study how the shortages and supplies of natural resources will affect the nation's growth and how we can plan for and anticipate the nation's growth.

If Congress is at last to become far-sighted in its approach to problems, we should not continue to suffer from tunnel vision. The need to maximize supplies must be considered in the light of the total environment in which we live and the overwhelming unmet need of this country to arrive at a balanced growth policy for the future.

The newspapers of our nation are filled with articles of cities and counties which are imposing moratoria on growth while they attempt to establish a program for balanced growth in the future. Let us not be forced to establish a no-growth policy while we try to sort out the pieces of the puzzle. S. 3523 gives us the opportunity to establish a permanent mechanism to look towards and plan for the future.

VANCE HARTKE.

#### SUPPLEMENTAL VIEWS OF MR. GRIFFIN

I voted to report the bill, as amended, but I have reservations about the wisdom of extending the life of the Commission from 6 months to 3 years. As originally introduced, S. 3523 proposed the creation of a Temporary Commission to examine the problem of shortages of essential materials and report back to the President and Congress by December 31, 1974.

The Temporary Commission was *not* proposed as merely another study commission. To the contrary, its principal function under section 3(a) of the original bill was to investigate actual and potential shortages and recommend corrective action.

However, because of the recognition that a permanent monitoring agency may be needed, the Temporary Commission was also directed in section 3(b) of the bill to make recommendations about the advisability of creating an "independent agency to provide for a continuing and comprehensive examination and analysis of the supplies and shortages in the economy of the United States. . . ."

The Committee amendments, while not making any substantive changes in these provisions, (1) needlessly inject bureaucratic delay and (2) actually provide less opportunity for Congressional review. Unless the proposed Commission is required to act promptly and decisively, the sense of urgency underlying this legislation may be lost.

For these reasons, I believe that the original proposal calling for a Temporary Commission to report back to the President and Congress by the end of this year would be more responsive to the public interest.

ROBERT P. GRIFFIN.

(15)

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AMENDING AND EXTENDING THE DEFENSE  
PRODUCTION ACT OF 1950

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JUNE 19, 1974.—Committed to the Committee of the Whole House on the State  
of the Union and ordered to be printed

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Mr. PATMAN, from the Committee on Banking and Currency,  
submitted the following

REPORT

[To accompany H.R. 13044]

The Committee on Banking and Currency, to whom was referred the bill (H.R. 13044) to amend the Defense Production Act of 1950, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

On the first page, line 4, strike out "1973" and insert in lieu thereof "1974".

On the first page, line 10, strike out "(c)" and insert in lieu thereof "(b)".

On page 2, line 3, strike out "(d)" and insert in lieu thereof "(c)".

On page 3, line 19, strike out "1976" and insert in lieu thereof "1975".

On page 3, immediately after line 19, insert the following new section:

SEC. 5. The Defense Production Act of 1950 is amended by adding at the end thereof the following new section:

SEC. 720. (a) In consideration of—

(1) increased dependence of the United States on the importation of certain natural resources vital to the national defense, the orderly operation of domestic and foreign economies, and the need for reasonable pricing of such resources; and

(2) the ability of other countries that export essential natural resources to, singly or in groups, arbitrarily raise the prices of these commodities to unreasonable levels; the Congress authorizes and directs the Director of the Office of Management and Budget, in consultation with Council of Economic Advisors, the Council on International Economic Policy, the Secretary of the Treasury, the Secretary of De-

fense, the Secretary of Commerce, the Administrator of the General Services Administration, and any other appropriate agencies of the United States, to undertake a study.

(b) The purpose of the study is to recommend legislative and administrative actions to develop a comprehensive strategic stockpiling and inventories policy which (1) facilitates the availability of essential natural resources, (2) prevents disruptions in the domestic and foreign economies, and (3) prevents unreasonable increases and erratic fluctuations in the prices of imported essential natural resources.

(c) In carrying out the study the Director shall consider the following:

(1) The feasibility of purchase and sale of essential natural resources by the United States in order to achieve reasonable and orderly market prices of these resources.

(2) A method to determine what constitutes "essential natural resources".

(3) A proposal for a unified administrative structure to formulate and implement a continuing and comprehensive management program for the efficient marketing of United States inventories and stockpiles of essential natural resources.

(4) At current and projected levels of military and civilian materials consumption, the quantities of materials necessary to satisfy demand for a period of not less than one year.

(5) Any current or projected adjustment necessary to reflect dependency on imports.

(6) the current and potential ability of the United States to develop substitutes for imported essential natural resources.

(7) The feasibility of expanding acquisitions of essential natural resources through barter agreements.

(8) The impact of the pricing of essential natural resources on the international monetary system.

(d) The Director of the Office of Management and Budget shall transmit to each House of Congress the study not later than March 1, 1975. It shall contain a detailed statement of the findings and conclusions of the Director, together with his recommendations for legislative and administrative actions.

#### PURPOSE OF THE BILL

This bill would renew the authorities under the Defense Production Act from June 30, 1974, until June 30, 1975 (Section 4). The bill would also amend the Act to change the method by which Defense Production Act stockpile materials is financed. Under the Act as it is presently written, such stockpiles are maintained through the purchase of materials with loans from the Treasury. H.R. 13044 would charge the financing by providing for authorization of funds for stockpile financing through Congressional appropriations (Sections 2 and 3).

In addition, the legislation would require the Office of Management and Budget to produce a study and report for the Congress by March 1, 1975, recommending legislative and administrative actions for a comprehensive strategic stockpiling and inventories policy (1) to facilitate the availability of essential natural resources and (2) to prevent economic disruptions, unreasonable increases and erratic fluctuations in the price of such resources (Section 5).

#### GENERAL STATEMENT

The bill would extend for one additional year, through June 30, 1975, the remaining powers of the President under the Defense Production Act of 1950. These include power to establish priorities for defense contracts; power to allocate materials for defense purposes; authority to guarantee loans made in connection with defense contracts; authority to make loans and purchases to build up our defense capacity and assure supplies of defense materials, and to carry out existing contracts; authority to employ without compensation and when actually employed employees, including advisers and consultants; and provision for the establishment of a reserve of trained executives to fill Government positions in time of mobilization. The act also establishes the Joint Committee on Defense Production. These powers are scheduled to expire on June 30, 1974.

#### PROPOSED CHANGES IN THE DEFENSE PRODUCTION ACT

In addition to the extension of the existing authorities under the Defense Production Act, the bill would make the following changes in existing law.

#### FINANCING OF THE DEFENSE PRODUCTION ACT INVENTORIES

This section is designed to correct a technical financing problem which has impeded operations under the Defense Production Act for a number of years and is now critical. The bill deals only with internal Government mechanics and will have no effect on private obligations to the Government.

The effect of the bill is to terminate the borrowing authority mechanism by which all program operations under the Defense Production Act have been financed since the initiation of the original act in 1950, and to substitute conventional appropriation methods for any future operations. The bill provides a brief transitional period through June 30, 1974, to accomplish this change. At the conclusion of the transitional period all future expenditures will be justified in advance through the normal appropriation process. At the present time no expenditures for new programs are contemplated but only a modest level of expenditure necessary to maintain the residual inventory of commodities previously procured under the act, and to provide for expenses related to their disposal. In total these expenditures will amount to about \$2.5 million per year.

The Defense Production Act was originally enacted at the onset of the Korean war in order to provide a wide range of emergency authorities, including, among others, Federal financing for expansion of de-

defense production facilities and Federal purchasing of materials produced in connection with such expansion. Under section 304(b) of the act, designated Federal agencies may, with the approval of the President, borrow from the Secretary of the Treasury to finance programs to expand productive capacity as authorized by sections 302 and 303 of the act. Amounts borrowed may not exceed \$2.1 billion outstanding at any one time. Presently, three agencies, the General Services Administration, and the Departments of Agriculture and Interior, are authorized to borrow funds from the Treasury for such purposes. As of May 31, 1973, total outstanding borrowings were \$2,014 million and total deferred interest on such borrowings amounted to \$467 million.

When the Defense Production Act was enacted, it was expected that materials purchased under the authority of section 304 would be resold, either in the commercial market or for Government use (to the national stockpile, for example), and that the proceeds of resale would be sufficient to restore the revolving fund used to finance the original purchase. New legislation is needed at this time chiefly because the revolving fund used to repay the administering agencies' borrowings from Treasury has not proved to be sufficiently liquid to service that debt. The condition of nonliquidity is the result of three interrelated developments.

First, as anticipated by Congress, premium prices and subsidies were paid for many defense-related commodities. However, after the conclusion of the Korean war in 1953, soft markets developed for many of the materials resulting in greater deliveries to the Government than anticipated under previously made expansion contracts—many of which were "put" contracts. Sales of such materials as could be marketed frequently resulted in substantial losses, either because their cost included premium prices or because the quality of the materials from marginal sources brought into production was below commercially acceptable standards.

Second, contrary to initial expectations, transfers to the national stockpile of materials within the control of Defense Production Act administering agencies were halted at the behest of the House Appropriations Committee. No further funds have been appropriated to reimburse the agencies for transfers to the stockpile.

Third, despite the absence of anticipated cash inflows, interest obligations to the Treasury have continued to mount. Borrowings by authorized agencies from the Treasury, as authorized by section 304 (b) of the act, are subject to an interest rate to be established by Treasury for comparable types of marketable securities. As the borrowing agencies could not meet interest payments and outstanding obligations were refinanced, the higher prevailing interest rates of recent years have been applicable.

Under these circumstances, financial problems of the fund accumulated and eventually became chronic. At present GSA, the major borrowing agency with \$1,877,500,000 in obligations to the Treasury, faces projected interest payments on outstanding notes to the Treasury of \$653.9 million from fiscal year 1975 through 1979.

With a total inventory costing approximately \$471 million and valued currently at about \$270 million, and probably which will require an indefinite number of years to sell, the fund will be totally exhausted in the immediate future. In the meantime and until final disposal, the inventories must be stored, protected and preserved.

This bill would circumvent the impending bankruptcy of the fund, now threatened by compounding interest charges that cannot be met by any reasonable projection. It would do so by (1) cancelling outstanding obligations; (2) terminating the further exercise of the borrowing authority; and (3) substituting a normal appropriation procedure for the continuing expenses of maintaining and disposing of the existing agency inventories.

In addition, the bill would require appropriations to be sought to cover the cost of financing the existing Defense Production Act inventories. Under the proposal recommended by the administration, GSA would be required to pay the Treasury interest on the value of any new materials acquired under the Defense Production Act. For example, if GSA purchased \$100 million in new materials pursuant to the act, GSA would be required to pay Treasury interest on the \$100 million. An appropriation would be required to cover both the cost of the new purchase itself and the cost of annual interest payments thereon. Although there would be no net impact on the overall Federal budget as a result of these interest payments, the budget would reflect an increased GSA appropriation to cover the interest payments and increased Treasury receipts as a result of receiving the interest payments.

The proposed legislation would apply the same principle of accounting to existing agency inventories. It costs the Federal Government money to finance the existing inventories, and these costs should be fully reflected in the appropriate agency budget. By reflecting the full costs of maintaining the inventory—not only maintenance and disposal but also financial costs—the bill would emphasize the need for the prompt disposal of materials in the agency inventories accumulated under the Defense Production Act when an excess is determined. These inventories are valued at approximately \$300 million. All are in excess of our current defense needs as determined by the Administration.

#### STUDY OF OVERALL GOVERNMENT POLICY TOWARD STOCKPILE AND INVENTORIES OF ESSENTIAL NATURE RESOURCES

For all its wide diversities the materials problem is indivisible. There must be, somewhere, a mechanism for looking at the problem as a whole, for keeping track of changing situations and the interrelation of policies and programs. This task must be performed by an agency near the top of the administrative structure.

Such an agency—should review all areas of the materials field and determine how they can best be related to each other. It should maintain on a continuing basis, a forward audit; collect and collate the facts and analyses of various agencies; and recommend appropriate action for the guidance of the President, the Congress and the Executive agencies.—*President's Materials Policy Commission (Paley Commission)*, 1952.

This conclusion was made on June 2, 1952, 22 years ago. Since then, the need for such a coordination mechanism has drastically increased.



The U.S. now imports more natural resources than ever before. According to a recent report, the U.S. produced about \$35 billion worth of raw materials and imported another \$19 billion worth of raw and processed materials. Exports of raw and processed materials amounted to \$11 billion, leaving a net deficit of \$8 billion. This is one measure of our dependence upon foreign countries for essential natural resources.

In addition, over the last few decades the U.S. has encountered more intense competition for natural resources. For example, in 1950 the U.S. produced 46% of the world's steel; in 1973 it produced 19%. In 1950, the U.S. produced 44% of the world's aluminum; today it is less than 34%. As more countries become heavily industrialized, the demand for imported natural resources will continue to grow with a consequent increase in prices—thereby shifting the market more in favor of the seller.

The success of OPEC (Organization of Petroleum Exporting Nations) has spurred the efforts of other countries which dominate various resource markets to organize cartels or other market control mechanisms. Recently, representatives of seven nations that produce bauxite met and formed the International Bauxite Association. Shortly thereafter, the leading producer, Jamaica, called for a renegotiation of existing financial agreements with the multinational aluminum firms operating in that country. An increase in taxes and royalties paid to Jamaica and other producers is almost certain.

However, despite the continuing reliance of the U.S. on importation for many of its essential natural resources, the administration has embarked on the most wide-spread stockpile and inventory disposal program in the history of the stockpiles. As of March 31, 1974, according to a recent General Services Administration document, the market value of the stockpiles and inventories was \$8.14 billion. The administration plans to reduce this figure to a value of slightly more than \$1 billion. Of the remaining \$7 billion excess, it has been reported that at least \$1½ billion worth of resources is now for sale, with much of the remainder included in proposed legislation now before Congress. For example, despite a 90% import dependency for bauxite, the stockpile objective for aluminum is zero. Similarly zinc—upon which we are 54% import dependent—has a stockpile objective of zero.

Given our dependence on imported essential resources, the possibility of arbitrary price increases, and the effect of those price increases on domestic and foreign economies, the purpose of the study called for in this legislation is to develop a unified decision-making apparatus to formulate and implement policies regarding the marketing of U.S. inventories and stockpiles of resources. To accomplish this end, the study should compile and analyze relevant data on our present resource needs and then project those needs into the future, examining alternative policy options. The ultimate goal would be a comprehensive natural resource policy which would match resource needs with appropriate policy actions to deal with those needs.

An example was cited during consideration of this bill that under the current system of stockpile and inventory administration, there is a lack of coordination between the resource uses and needs of the military and those of other government agencies. The problem is not one of inadequate information, but rather one of achieving coordinated

compilation and analysis. In the executive branch, for example, data on imports and exports is provided by the Commerce, Treasury, and Agriculture Departments, the Council on International Economic Policy, the Federal Energy Office, and the special trade representatives, among others. The study called for in this bill should examine the most effective information-gathering and information-sharing systems to deal with the current information problem.

To achieve a true interagency, coordinated viewpoint for this study, the Office of Management and Budget has been authorized to direct it. Since the study must examine all phases of the economic impact of natural resource use, the OMB, which coordinates all executive branch policy, was considered to be the most appropriate agency.

Another problem noted during consideration of this bill was the fact that some of the resources currently in the inventories and stockpiles are today, even with the recent dramatic natural resource price increases, worth substantially less than the original cost of acquisition to the Government. This fact becomes even more alarming when it is considered that many of these purchases were made 15 to 20 years ago. The study should examine why this significant loss to the Government has occurred, and how similar losses can be avoided in the future.

Given the great urgency for development of a comprehensive natural resource management policy to deal with our ever-increasing needs, and the broad discretion allowed under the Defense Production Act for establishing resource disposal policy, your committee feels that an extension for only one year was warranted despite the administration's request for a two-year extension. Management policies should be immediately developed to insure that the inventories under the Defense Production Act and other resource stockpiles will be used in the wisest and most efficient manner.

#### PREVIOUS LEGISLATION

The Defense Production Act of 1950 (Public Law 774, 81st Congress, 64 Stat. 799, 50 app., U.S.C. 207) was approved September 8, 1950. The original act contained seven titles:

Title I. Priorities and allocations.

Title II. Authority to requisition.

Title III. Expansion of productive capacity and supply.

Title IV. Price and wage stabilization.

Title V. Settlement of labor disputes.

Title VI. Control of consumer and real estate credit.

Title VII. General provisions.

The various titles of the act were amended, extended, or terminated by the following public laws:

Public Law 69, 82 Congress, approved June 30, 1951 (65 Stat. 110).

Public Law 96, 82d Congress, approved July 31, 1951 (65 Stat. 131).

Public Law 429, 82d Congress, approved June 30, 1952 (66 Stat. 296).

Public Law 94, 83d Congress, approved June 30, 1953 (67 Stat. 121).

Public Law 95, 83d Congress, approved June 30, 1953 (67 Stat. 129).

Public Law 94, 84th Congress, approved June 28, 1955 (69 Stat. 186).

Public Law 119, 84th Congress, approved June 30, 1955 (69 Stat. 225).

Public Law 295, 84th Congress, approved August 9, 1955 (69 Stat. 580).

Public Law 632, 84th Congress, approved June 29, 1956 (70 Stat. 408).

Public Law 85-471, approved June 28, 1958 (72 Stat. 241).

Public Law 86-560, approved June 30, 1960 (74 Stat. 282).

Public Law 87-305, approved September 26, 1961 (75 Stat. 667).

Public Law 87-505, approved June 28, 1962 (76 Stat. 112).

Public Law 88-343, approved June 30, 1964 (78 Stat. 235).

Public Law 89-348, approved November 8, 1965 (79 Stat. 1310).

Public Law 89-482, approved June 30, 1966 (80 Stat. 235).

Public Law 90-370, approved July 1, 1968 (82 Stat. 270).

Public Law 91-151, approved December 23, 1969 (82 Stat. 856).

Public Law 91-300, approved June 30, 1970 (84 Stat. 367).

Public Law 91-371, approved August 1, 1970 (84 Stat. 694).

Public Law 91-379, approved August 15, 1970 (84 Stat. 796).

Public Law 92-45, approved May 18, 1971 (85 Stat. 38).

Public Law 92-325, approved June 30, 1972 (86 Stat. 390).

#### COST OF CARRYING OUT THE BILL AND THE COMMITTEE VOTE

In compliance with Clause 7 of Rule XIII of the Rules of the House of Representatives, the following statement is made relative to the cost incurred in carrying out this bill.

The sections of the bill dealing with the change in financing of the Defense Production Act inventories would not change the expenditure levels from those currently in existence under provisions of the law now in effect, but would only modify how the funds are accounted for.

The Committee anticipates that the cost of the study on overall Government policy toward stockpile and inventories of essential natural resources to be carried out by the Office of Management and Budget would be absorbed in the normal cost of operations and, therefore, would entail no additional expenditure of funds.

In compliance with Clause 27 of Rule XI of the Rules of the House of Representatives, the following statement is made relative to the record vote of the motion to report this bill. A total of 28 votes were cast for reporting H.R. 13044, and no votes were cast against reporting the bill.

#### CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman) :

#### DEFENSE PRODUCTION ACT OF 1950

\* \* \* \* \*

Sec. 304. (a) For the purposes of sections 302 and 303, the President is hereby authorized to utilize such existing departments, agencies, officials, or corporations of the Government as he may deem appropriate, or to create new agencies (other than corporations).

[(b) Any agency created under this section, and any department, agency, official, or corporation utilized pursuant to this section is authorized, subject to the approval of the President, to borrow from the Treasury of the United States, such sums of money as may be necessary to carry out its functions under sections 302 and 303: *Provided*, That the amount borrowed under the provisions of this section by all such borrowers shall not exceed an aggregate of \$2,100,000,000 outstanding at any one time: *Provided further*, That when any contract, agreement, loan, or other transaction heretofore or hereafter entered into pursuant to section 302 or 303 imposes contingent liability upon the United States, such liability shall be considered for the purposes of sections 3679 and 3732 of the Revised Statutes, as amended, as an obligation only to the extent of the probable ultimate net cost to the United States under such transaction; and the President shall submit a report to the Congress not less often than one each year setting forth the gross amount of each such transaction entered into by any agency of the U.S. Government under this authority and the basis for determining the probable ultimate net cost to the United States hereunder. For the purpose of borrowing as authorized by this subsection, the borrower may issue to the Secretary of the Treasury its notes, debentures, bonds, or other obligations to be redeemable at its option before maturity in such manner as may be stipulated in such obligations. Such obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the obligations: *Provided*, That no new purchases or commitments to purchase under section 303 shall be made or entered into after June 30, 1964 (except purchases made pursuant to commitments entered into on or before such date), unless the President makes a finding that such new purchases or commitments are essential to the national security: *Provided further*, That the total of such new purchases and commitments, including contingent liabilities, made or incurred under section 303 after June 30, 1964, shall not exceed \$100,000,000. The Secretary of the Treasury is authorized and directed to purchase such obligations and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under the Second Liberty Bond Act, as amended, are extended to include any purchases of obligations hereunder.]

(b) *The Secretary of the Treasury is authorized and directed to cancel the outstanding balance of all unpaid notes issued to the Secretary of the Treasury pursuant to this section, together with interest accrued and unpaid on such notes.*

(c) *Any cash balance remaining on June 30, 1974, in the borrowing authority previously authorized by this section, and any funds thereafter received on transactions heretofore or hereafter entered into*

*pursuant to sections 302 and 303 shall be covered into the Treasury as miscellaneous receipts.*

\* \* \* \* \*

SEC. 711. (a) There are hereby authorized to be appropriated such sums as may be necessary and appropriate for the carrying out of the provisions and purposes of this Act (including sections 302 and 303 and for payment of interest under subsection (b) of this section) by the President and such agencies as he may designate or create. Funds made available for the purposes of this Act may be allocated or transferred for any of the purposes of this Act, with the approval of the Bureau of the Budget, to any agency designated to assist in carrying out this Act. Funds so allocated or transferred shall remain available for such period as may be specified in the Acts making such funds available.

(b) *Interest shall accrue on (1) the cumulative amount of disbursements to carry out the purposes of sections 302 and 303 (except for storage, maintenance, and other operating and administrative expenses), plus any unpaid accrued interest, less the cumulative amount of any funds received on transactions entered into pursuant to sections 302 and 303 and any net losses incurred by an agency in carrying out its functions under sections 302 and 303 when the head of the agency determines that such net losses have occurred; and (2) the current market value of the inventory of materials procured under section 303 as of the first day of each fiscal year commencing with the fiscal year, beginning July 1, 1975. At the close of each fiscal year there shall be deposited into the Treasury as miscellaneous receipts, from any amounts appropriated under this section, an amount which the Secretary of the Treasury determines necessary to provide for the payment of any interest accrued and unpaid under this subsection. The rate of such interest shall be determined by the Secretary of the Treasury, taking into consideration the average market yield during the month preceding each fiscal year on outstanding marketable obligations of the United States with one year remaining to maturity.*

\* \* \* \* \*

SEC. 717. (a) Title I (except section 104), title III, and title VII (except Sections 708, 714, and 719 of this Act, and all authority conferred thereunder shall terminate at the close of June 30, [1974] 1975. Section 714 of this Act, and all authority conferred thereunder, shall terminate at the close of July 31, 1953. Section 104, title II, and title VI of this Act, and all authority conferred thereunder shall terminate at the close of June 30, 1953. Title IV and V of this Act, and all authority conferred thereunder, shall terminate at the close of April 30, 1953.

(b) Notwithstanding the foregoing—

(1) The Congress by concurrent resolution or the President by proclamation may terminate this Act prior to the termination otherwise provided therefor.

(2) The Congress may also provide by concurrent resolution that any section of this Act and all authority conferred thereunder shall terminate prior to the termination otherwise provided therefor.

(3) Any agency created under this Act may be continued in existence for purposes of liquidation for not to exceed six months after the termination of the provision authorizing the creation of such agency.

(c) The termination of any section of this Act, or of any agency or corporation utilized under this Act, shall not affect the disbursement of funds under, or the carrying out of, any contract, guarantee, commitment or other obligation entered into pursuant to this Act prior to the date of such termination, or the taking of any action necessary to preserve or protect the interests of the United States in any amounts advanced or paid out in carrying on operations under this Act, or the taking of any action (including the making of new guarantees) deemed by a guaranteeing agency to be necessary to accomplish the orderly liquidation, adjustment, or settlement of any loans guaranteed under this Act, including actions deemed necessary to avoid undue hardship to borrowers in reconverting to normal civilian production; and all of the authority granted to the President, guaranteeing agencies, and fiscal agents, under section 301 of this Act shall be applicable to actions taken pursuant to the authority contained in this subsection.

Notwithstanding any other provision of this Act, the termination of title VI or any section thereof shall not be construed as affecting any obligation, condition, liability, or restriction arising out of any agreement heretofore entered into pursuant to, or under the authority of, section 602 or section 605 of this Act, or any issuance thereunder, by any person or corporation and the Federal Government or any agency thereof relating to the provision of housing for defense workers or military personnel in an area designated as a critical defense housing area pursuant to law.

(d) No action for the recovery of any cooperative payment made to a cooperative association by a Market Administrator under an invalid provision of a milk marketing order issued by the Secretary of Agriculture pursuant to the Agricultural Marketing Agreement Act of 1937 shall be maintained unless such action is brought by producers specifically named as party plaintiffs to recover their respective share of such payments within ninety days after the date of enactment of the Defense Production Act Amendments of 1952 with respect to any cause of action heretofore accrued and not otherwise barred, or within ninety days after accrual with respect to future payments, and unless each claimant shall allege and prove (1) that he objected at the hearing to the provisions of the order under which such payments were made and (2) that he either refused to accept payments computed with such deduction or accepted them under protest to either the Secretary or the Administrator. The district courts of the United States shall have exclusive original jurisdiction of all such actions regardless of the amount involved. This subsection shall not apply to funds held in escrow pursuant to court order. Notwithstanding any other provision of this Act, no termination date shall be applicable to this subsection.

\* \* \* \* \*

SEC. 720. (a) *In consideration of—*

(1) *increased dependence of the United States on the importation of certain natural resources vital to the national defense, the orderly operation of domestic and foreign economies, and the need for reasonable pricing of such resources; and*

(2) *the ability of other countries that export essential natural resources to, singly or in groups, arbitrarily raise the prices of these commodities to unreasonable levels;*

*the Congress authorizes and directs the Director of the Office of Management and Budget, in consultation with Council of Economic Advisors, the Council on International Economic Policy, the Secretary of the Treasury, the Secretary of Defense, the Secretary of Commerce, the Administrator of the General Services Administration, and any other appropriate agencies of the United States, to undertake a study.*

*(b) The purpose of the study is to recommend legislative and administrative actions to develop a comprehensive strategic stockpiling and inventories policy which (1) facilitates the availability of essential natural resources, (2) prevents disruptions in the domestic and foreign economies, and (3) prevents unreasonable increases and erratic fluctuations in the prices of imported essential natural resources.*

*(c) In carrying out the study the Director shall consider the following:*

*(1) The feasibility of purchase and sale of essential natural resources by the United States in order to achieve reasonable and orderly market prices of these resources.*

*(2) A method to determine what constitutes "essential natural resources".*

*(3) A proposal for a unified administrative structure to formulate and implement a continuing and comprehensive management program for the efficient marketing of United States inventories and stockpiles of essential natural resources.*

*(4) At current and projected levels of military and civilian materials consumption, the quantities of materials necessary to satisfy demand for a period of not less than one year.*

*(5) Any current or projects adjustment necessary to reflect dependency on imports.*

*(6) The current and potential ability of the United States to develop substitutes for imported essential natural resources.*

*(7) The feasibility of expanding acquisitions of essential natural resources through barter agreements.*

*(8) The impact of the pricing of essential natural resources on the international monetary system.*

*(d) The Director of the Office of Management and Budget shall transmit to each House of Congress the study not later than March 1, 1975. It shall contain a detailed statement of the findings and conclusions of the Director, together with his recommendations for legislative and administrative actions.*



## EXTENSION OF DEFENSE PRODUCTION ACT

JUNE 12, 1974.—Ordered to be printed

Mr. JOHNSON, from the Committee on Banking, Housing and Urban Affairs, submitted the following

### REPORT

[To accompany S. 3270]

The Committee on Banking, Housing and Urban Affairs, to which was referred the bill (S. 3270) to amend the Defense Production Act of 1950, as amended, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

#### PURPOSE OF THE BILL

The bill would extend the Defense Production Act of 1950 for 2 years—from the present expiration date of June 30, 1974, to June 30, 1976.

#### GENERAL STATEMENT

The bill would extend for 2 additional years, through June 30, 1976, the remaining temporary powers of the President under the Defense Production Act of 1950. These include power to establish priorities for defense contracts; power to allocate materials for defense purposes; authority to make loans and purchases to build up our defense capacity and assure supplies of defense materials and to carry out existing contracts; authority to employ without compensation and when actually employed employees, including advisers and consultants; and provision for the establishment of a reserve of trained executives to fill Government positions in time of mobilization. The act also establishes the Joint Committee on Defense Production.

These powers are scheduled to expire on June 30, 1974. They must be extended. Some of the powers are needed now to maintain production schedules on missiles and all other defense contracts; others are needed for longer range preparedness programs; and other powers must be maintained in readiness for immediate use in possible future emergencies.

In hearings before the Subcommittee on Production and Stabilization, representatives of a major domestic copper producer complained that the Department of Commerce had indiscriminately invoked the priorities and allocations system authorized by section 101 of the act. The Department responded that its practice was to invoke the far-reaching powers granted by the act only when essential for purposes of national defense. The committee is not in a position to resolve the specific controversy surrounding the application of the Defense Production Act to the copper industry. The committee believes, however, that section 101 of the act should be implemented sparingly. Customary marketplace relationships should not be disturbed except when the defense effort truly requires, as for example to prevent any anticipated difficulty in obtaining the timely delivery of component materials.

The committee agreed by a voice vote, without dissent, to report the bill. The committee hopes that the Senate will give favorable consideration to this measure.

#### CHANGES IN EXISTING LAW

In compliance with subsection (4) of the rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill as reported are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in *roman*):

#### DEFENSE PRODUCTION ACT OF 1950

[50 U.S.C. App. 2166(a)]

#### TERMINATION OF ACT

SEC. 2166(a). Title I (except section 104), title III, and title VII (except sections 714 and 719) of this Act [section 2071 to 2073, 2091 to 2094, 2151 to 2163, and 2164 to 2168 of this Appendix], and all authority conferred thereunder, shall terminate at the close of **[June 30, 1974]** *June 30, 1976.* \* \* \*

\* \* \* \* \*



# Ninety-third Congress of the United States of America

## AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the twenty-first day of January,  
one thousand nine hundred and seventy-four*

### An Act

To amend the Defense Production Act of 1950 and to establish a National Commission on Supplies and Shortages Act of 1974.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Defense Production Act Amendments of 1974".*

SEC. 2. (a) Subsection (b) of section 304 of the Defense Production Act of 1950, as amended (50 U.S.C. App. 2094), is repealed.

(b) Such section 304 is amended by adding at the end thereof the following new subsections:

"(b) The Secretary of the Treasury is authorized and directed to cancel the outstanding balance of all unpaid notes issued to the Secretary of the Treasury pursuant to this section, together with interest accrued and unpaid on such notes.

"(c) Any cash balance remaining on June 30, 1974, in the borrowing authority previously authorized by this section, and any funds thereafter received on transactions heretofore or hereafter entered into pursuant to sections 302 and 303 shall be covered into the Treasury as miscellaneous receipts."

SEC. 3. Section 711 of the Defense Production Act of 1950 (50 U.S.C. App. 2161) is amended—

(1) by inserting "(a)" after "SEC. 711.";

(2) by inserting "(including sections 302 and 303 and for payment of interest under subsection (b) of this section)" after "Act" the first place the term appears; and

(3) by adding at the end thereof the following new subsection:

"(b) Interest shall accrue on (1) the cumulative amount of disbursements to carry out the purposes of sections 302 and 303 (except for storage, maintenance, and other operating and administrative expenses), plus any unpaid accrued interest, less the cumulative amount of any funds received on transactions entered into pursuant to sections 302 and 303 and any net losses incurred by an agency in carrying out its functions under sections 302 and 303 when the head of the agency determines that such net losses have occurred; and (2) the current market value of the inventory of materials procured under section 303 as of the first day of each fiscal year commencing with the fiscal year beginning July 1, 1975. At the close of each fiscal year there shall be deposited into the Treasury as miscellaneous receipts, from any amounts appropriated under this section, an amount which the Secretary of the Treasury determines necessary to provide for the payment of any interest accrued and unpaid under this subsection. The rate of such interest shall be determined by the Secretary of the Treasury, taking into consideration the average market yield during the month preceding each fiscal year on outstanding marketable obligations of the United States with one year remaining to maturity."

SEC. 4. The first sentence of section 717(a) of the Defense Production Act of 1950 (50 U.S.C. App. 2166(a)) is amended by striking out "June 30, 1974" and inserting in lieu thereof "June 30, 1975".

SEC. 5. The Defense Production Act of 1950 is amended by adding at the end thereof the following new section:

#### "NATIONAL COMMISSION ON SUPPLIES AND SHORTAGES

"SEC. 720. (a) SHORT TITLE.—This section may be cited as the 'National Commission on Supplies and Shortages Act of 1974'.

“(b) FINDINGS.—(1) The United States is increasingly dependent on the importation from foreign nations of certain natural resources vital to commerce and the national defense.

“(2) Nations that export such resources can alone or in association with other nations arbitrarily raise the prices of such resources to levels which are unreasonable and disruptive of domestic and foreign economies.

“(3) Shortages of resources and commodities are becoming increasingly frequent in the United States, and such shortages cause undue inconvenience and expense to consumers and a burden on interstate commerce and the Nation's economy.

“(4) Existing institutions do not adequately identify and anticipate such shortages and do not adequately monitor, study, and analyze other market adversities involving specific industries and specific sectors of the economy.

“(5) Data with respect to such shortages and adversities is collected in various agencies of the Government for various purposes, but is not systematically coordinated and disseminated to the appropriate agencies and to the Congress.

“(c) PURPOSES.—It is the purpose of this Act to establish a national commission to facilitate more effective and informed responses to resource and commodity shortages and to report to the President and the Congress on needed institutional adjustments for examining and predicting shortages and on the existence or possibility of shortages with respect to essential resources and commodities.

“(d) ESTABLISHMENT OF COMMISSION.—There is established as an independent instrumentality of the Federal Government a National Commission on Supplies and Shortages (hereinafter referred to as the ‘Commission’). The Commission shall be comprised of thirteen members selected for such period of time as such Commission shall continue in existence (except that any individual appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term) as follows:

“(1) The President, in consultation with the majority and minority leaders of the Senate and the majority and minority leaders of the House of Representatives, shall appoint five members of the Commission from among persons in private life;

“(2) The President shall designate four senior officials of the executive branch to serve without additional compensation;

“(3) The President of the Senate, after consultation with the majority and minority leaders of the Senate, shall appoint two Senators to be members of the Commission and the Speaker of the House of Representatives, after consultation with the majority and minority leaders of the House of Representatives, shall appoint two Representatives to be members of the Commission to serve without additional compensation.

“(e) CHAIRMAN AND VICE CHAIRMAN.—The President, in consultation with the majority and minority leaders of the Senate and the House of Representatives shall designate a Chairman and Vice Chairman of the Commission.

“(f) COMPENSATION.—Each member of the Commission appointed pursuant to subsection (d)(1) of this section shall be entitled to be compensated at a rate equal to the per diem equivalent of the rate for an individual occupying a position under level III of the Executive Schedule under section 5314 of title 5, United States Code, when engaged in the actual performance of duties as such a member, and all members of the Commission shall be entitled to reimbursement for



travel, subsistence, and other necessary expenses incurred in the performance of their duties.

“(g) FUNCTIONS OF THE COMMISSION.—It shall be the function of the Commission to make reports to the President and to the Congress with respect to—

“(1) the existence or possibility of any long- or short-term shortages; employment, price or business practices; or market adversities affecting the supply of any natural resources, raw agriculture commodities, materials, manufactured products (including any possible impairment of productive capacity which may result from shortages in materials, resources, commodities, manufactured products, plant or equipment, or capital investment, and the causes of such shortages, practices, or adversities);

“(2) the adverse impact or possible adverse impact of such shortages, practices, or adversities upon consumers, in terms of price and lack of availability of desired goods;

“(3) the need for, and the assessment of, alternative actions necessary to increase the availability of the items referred to in paragraph (1) of this subsection, to correct the adversity or practice affecting the availability of any such items, or otherwise to mitigate the adverse impact or possible adverse impact of shortages, practices, or adversities upon consumers referred to in paragraph (2) of this subsection;

“(4) existing policies and practices of Government which may tend to affect the supply of natural resources and other commodities;

“(5) necessary legislative and administrative actions to develop a comprehensive strategic and economic stockpiling and inventories policies which facilitates the availability of essential resources;

“(6) the means by which information with respect to paragraphs (1), (2), (3), (4) of this subsection can be most effectively and economically gathered and coordinated.

“(h) REPORTS OF THE COMMISSION.—The Commission shall report not later than March 1, 1975, to the President and the Congress on specific recommendations with respect to institutional adjustments, including the advisability of establishing an independent agency to provide for a comprehensive data collection and storage system, to aid in examination and analysis of the supplies and shortages in the economy of the United States and in relation to the rest of the world. The Commission may, until June 30, 1975, prepare, publish and transmit to the President and the Congress such other reports and recommendations as it deems appropriate.

“(i) ADVISORY COMMITTEE.—(1) The Commission is authorized to establish such advisory committees as may be necessary or appropriate to carry out any specific analytical or investigative undertakings on behalf of the Commission. Any such committee shall be subject to the relevant provisions of the Federal Advisory Committee Act.

“(2) The Commission shall establish an advisory committee to develop recommendations as to the establishment of a policy making process and structure within the executive and legislative branches of the Federal Government as a means to integrate the study of supplies and shortages of resources and commodities into the total problem of balanced national growth and development, and a system for coordinating these efforts with appropriate multi-State, regional and State governmental jurisdictions. For the purpose of carrying out the provision of this paragraph there is authorized to be appropriated not to exceed \$75,000 for the fiscal year ending June 30, 1975.

“(j) STAFF AND POWERS OF THE COMMISSION.—(1) Subject to such rules and regulations as it may adopt, the Commission, through its Chairman, shall—

“(A) appoint and fix the compensation of an Executive Director at the rate provided for level III of the Executive Schedule under section 5314 of title 5, United States Code, and such additional staff personnel as is deemed necessary, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to chapter 51, and subchapter III of chapter 53 of such title relating to classification and the General Schedule under section 5332 of such title; and

“(B) be authorized to procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code.

“(2) The Commission or any subcommittee thereof is authorized to hold hearings and to sit and act at such times and places, as it may deem advisable.

“(k) ASSISTANCE OF GOVERNMENT AGENCIES.—Each department, agency, and instrumentality of the Federal Government, including the Congress, consistent with the Constitution of the United States, and independent agencies, is authorized and directed to furnish to the Commission, upon request made by the Chairman, such data, reports, and other information as the Commission deems necessary to carry out its functions under this Act.

“(l) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Commission not to exceed \$500,000 for the fiscal year ending June 30, 1975, to carry out the provisions of this Act.”

*Speaker of the House of Representatives.*

*Vice President of the United States and  
President of the Senate.*

OCTOBER 1, 1974

Office of the White House Press Secretary

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THE WHITE HOUSE

## STATEMENT BY THE PRESIDENT

I have signed S. 3270, the "Defense Production Act Amendments of 1974."

The Defense Production Act was first passed in 1950 at the beginning of the Korean War, as a means of expanding the Nation's industrial capacity and enabling the Federal Government to produce and allocate critical materials in times of national emergency and for national security and other purposes. Since 1950, the act has provided ongoing authorization for the Government to assure that we have the productive capacity that would be needed for wartime mobilization.

The legislation I have signed extends the Defense Production Act until June 30, 1975. It also makes two significant changes in that act.

First, S. 3270 completely revises the financing mechanisms for loan and purchase activities under the act. All such activities will no longer be funded through Treasury borrowing but through regular, more straightforward appropriations process.

Secondly, S. 3270 creates a National Commission on Supplies and Shortages. This Commission will study our supply picture and make recommendations on those institutional adjustments which may be needed to ensure that we can respond quickly and effectively to potential resources and commodity shortages.

For the last six months, a special Administration task force has been at work identifying and assessing potential threats to our imports of critical, non-fuel raw materials. The findings of this task force are completed and they will be discussed with the new Commission on Supplies and Shortages and should be of significant help to the Commission in carrying out its mandate.

# # # #

September 18, 1974

Dear Mr. Director:

The following bills were received at the White House on September 18th:

S. 3270 ✓  
H.R. 10626 ✓

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder  
Chief Executive Clerk

The Honorable Roy L. Ash  
Director  
Office of Management and Budget  
Washington, D. C.