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Union Calendar No. 3

94TH CONGRESS
1ST SESSION

H. R. 1767

[Report No. 94-1]

IN THE HOUSE OF REPRESENTATIVES

JANUARY 23, 1975

Mr. GREEN (for himself, Mr. ULLMAN, Mr. O'NEILL, Mr. BURKE of Massachusetts, Mr. ROSTENKOWSKI, Mr. VANIK, Mr. FULTON, Mr. CORMAN, Mr. GIBBONS, Mr. KARTH, Mr. PIKE, Mr. VANDER VEEN, Mr. HELSTOSKI, Mr. RANGEL, Mr. COTTER, Mr. STARK, Mr. JACOBS, Mr. MIKVA, Mrs. KEYS, and Mr. FISHER) introduced the following bill; which was referred to the Committee on Ways and Means

JANUARY 30, 1975

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Insert the part printed in italic]

A BILL

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

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 That, during the period beginning on the date of the enact-
 2 ment of this Act and ending at the close of the ninetieth day
 3 thereafter, nothing in section 232 (b) of the Trade Expansion
 4 Act of 1962 (19 U.S.C. 1862 (b)) or in any other provision
 5 of law shall be deemed to grant to the President any au-
 6 thority to adjust imports of petroleum or any product derived
 7 therefrom.

8 SEC. 2. (a) (1) Any action which is taken after January
 9 15, 1975, and before the date of the enactment of this Act
 10 by the President under section 232 (b) of the Trade Expan-
 11 sion Act of 1962 or any other provision of law which results
 12 in the imposition of a rate of duty on petroleum or any
 13 product derived therefrom shall cease to have effect on the
 14 date of the enactment of this Act, and the entry or with-
 15 drawal of petroleum and any product derived therefrom on
 16 or after such date of enactment shall be duty free.

17 (2) Upon appropriate request therefor filed with the
 18 customs officer concerned on or before the sixtieth day after
 19 the date of the enactment of this Act, the entry or with-
 20 drawal of petroleum or any product derived therefrom to
 21 which a rate of duty imposed by the President (pursuant to
 22 any action by him after January 15, 1975, and before the
 23 date of the enactment of this Act under such section 232 (b)
 24 or any other provision of law) applies shall, notwithstand-
 25 ing the provisions of section 514 of the Tariff Act of 1930

1 or any other provision of law, be liquidated or reliquidated
 2 as if no duty applied to such entry or withdrawal.

3 (b) (1) Any action which is taken after January 15,
 4 1975, and before the date of the enactment of this Act by
 5 the President under section 232 (b) of the Trade Expansion
 6 Act of 1962 or any other provision of law which results in
 7 the imposition of a tax or fee on the importation of petroleum
 8 or any product derived therefrom which is higher than the
 9 tax or fee imposed on the importation of petroleum or any
 10 such product on January 15, 1975, shall cease to have effect
 11 on the date of the enactment of this Act; and the tax or fee
 12 imposed on the importation of petroleum or any product
 13 derived therefrom after such date of enactment shall be the
 14 tax or fee in effect on January 15, 1975.

15 (2) Upon request therefor filed with the appropriate
 16 Federal agency on or before the sixtieth day after the date
 17 of the enactment of this Act, the amount of any tax or fee
 18 imposed by the President (pursuant to any action by him
 19 after January 15, 1975, and before the date of the enact-
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 21 provision of law) and paid by any person on the importation
 22 of petroleum or any product derived therefrom which exceeds
 23 the tax or fee that was imposed with respect to the importa-
 24 tion of petroleum or products derived therefrom on Jan-
 25 uary 15, 1975, shall be rebated to such person.

1 SEC. 3. If during the ninety-day period referred to in
2 the first section of this Act—

3 (1) the Congress declares war,

4 (2) United States Armed Forces are introduced
5 into hostilities pursuant to specific statutory authoriza-
6 tion,

7 (3) a national emergency is created by attack upon
8 the United States, its territories or possessions, or its
9 Armed Forces, or

10 (4) United States Armed Forces are introduced
11 into such hostilities, situations, or places, or are enlarged
12 in any foreign nation, under circumstances which re-
13 quire a report by the President to the Congress pur-
14 suant to section 4 (a) of the War Powers Resolution
15 (50 U.S.C. 1453 (a)),

16 the first section of this Act shall not thereafter apply.

17 *SEC. 4. Nothing in the first section and sections 2 and 3*
18 *of this Act shall be deemed to affect the validity of any proc-*
19 *lamation or Executive order issued before January 16, 1975,*
20 *by the President under section 232(b) of the Trade Expan-*
21 *sion Act of 1962.*

22 *SEC. 5. (a) During the period beginning on the date*
23 *of the enactment of this Act and ending on June 30, 1975,*
24 *the public debt limit set forth in the first sentence of section*

1 *21 of the Second Liberty Bond Act (31 U.S.C. 757b) shall*
2 *be temporarily increased by \$131,000,000,000.*

3 *(b) Effective on the date of the enactment of this Act,*
4 *the first section of the Act of June 30, 1974, providing for*
5 *a temporary increase in the public debt limit for a period*
6 *ending March 31, 1975 (Public Law 93-325), is hereby*
7 *repealed.*

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JANUARY 23, 1975

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to, MR. DOUG BENNETT

Department
of the Treasury

Assistant Secretary
(Enforcement,
Operations, and
Tariff Affairs)

HR 176 ↑
room, _____ date, 1/30/75

Doug:

The Minority staff of the House Ways and Means Committee advised me today that all nine Republican members of the Committee (Congressman Crane is out of the country) signed the attached Minority Views. I understand that this is the first time in years that such unanimity has been obtained.

Attachment



David R. Macdonald
room 3442
ext. 2033

CONFIDENTIAL

MINORITY VIEWS

We oppose this legislation, for a number of reasons which will be detailed in these views, and urge that it be defeated.

H.R. 1767, as amended, would do two things: First, it would prohibit, for a 90-day period, the President from boosting import fees on crude oil, scheduled to begin February 1, 1975. Second, it would increase the temporary debt ceiling by \$36 billion through June 30 of this year.

Merger of the Debt Limit Bill With the
Bill to Delay Petroleum Import Fees

The combining of these two totally unrelated measures in a single legislative package is an irresponsible and unprecedented move by the Committee and leads inescapably to the conclusion that the Democratic Majority on the Ways and Means Committee is playing politics with the economic and energy problems of our country. Responsible action to thwart this attempt is essential and we urge our colleagues to reject the ploy.



On January 15th the President announced to the country his comprehensive program for dealing with our economic and energy problems. This program included a series of actions he indicated he would take under authority granted him by existing law as well as requests for enactment by the Congress of several proposals to curb the use of fuel and combat recession.

Since the announcement of the President's economic and energy proposals, there has been much debate over his intention to raise import fees on crude oil and the wisdom of that course of action. The President has maintained that the import fee increase is an integral part of his program to insure needed energy conservation, and we are reluctant to take away his authority in this respect, in the absence of any viable alternative. The Democratic Majority in the Congress has not come forward with another reasonable course of action and at this point we wonder just what their plans really are.

On January 23rd, Treasury Secretary William Simon, on behalf of the Administration, formally requested the

Congress to increase the Federal debt ceiling. In testimony before the Committee, the Secretary pointed out that the government would exceed the existing limit on February 18, 1975.

For years, the Committee on Ways and Means has fought attempts to attach unrelated amendments to debt ceiling legislation. It has long felt it was unfair and unproductive to "put the gun at the President's head" by so doing. Yet, after years of responsible action, the current Committee has, in one day, voted to abandon its sound and time-honored principle. We deplore this recklessness and refuse to be a part of it. There is sufficient time for separate consideration of the debt ceiling increase and H.R. 1767 as originally introduced, and this is the only sensible thing to do.

Petroleum Imports as a Threat
to National Security

The energy problem touches in some way the life of virtually every American. Higher prices, the still-fresh memory of an oil embargo and long lines at gasoline pumps, plus a gnawing awareness of our increasing reliance on

uncertain foreign supplies, have combined to bring the issue home throughout the land. And the call for concerted national action to deal with the worsening problem has been loud and clear.

As the President said so succinctly, we have dawdled long enough. It is time to move, and each day of delay drains our strength and our capacity to act effectively.

In the space of one year, we have watched imported oil prices quadruple while our dependence on foreign sources has grown to almost 40 percent of our current demand. The embargo of a year ago shut off more than 2.2 million barrels of oil shipments a day and resulted in a lost gross national product of up to \$20 billion; today, if we were to be faced with an interruption of supplies from OPEC countries only, we could lose 4.35 million barrels per day (about a quarter of current consumption), with the severity of the economic impact multiplied accordingly. Even with no interruption, the United States in calendar year 1974 had the second worst balance of payments deficit in its history (\$3,065 billion), as the cost of imported oil rose from \$7.8 billion in 1973 to \$24.6 billion in 1974. The oil payments outflow is now running at over \$2 billion monthly.



These problems, to which the President's program is directed, did not materialize overnight. There has been ample opportunity for the development of other plans. But in this respect, the Democratic Majority in the Congress has failed, and by not providing an alternative, they indicate that they prefer inaction to leadership.

Legal Authority to Act Under Section 232
of the Trade Expansion Act of 1962

In imposing import license fees on foreign oil, the President is using the authority granted under the "national security provision" of our trade laws -- section 232 of the Trade Expansion Act of 1962, as amended.

That section is clear. It provides that in cases where the President agrees with the findings of an investigation showing that any article is being imported "in such quantities and under such circumstances as to threaten to impair the national security ... he shall take such action, and for such time, as he deems necessary, to adjust the imports of such article and its derivatives so that such imports will not so threaten to impair the national security." (Emphasis added.)



This is broad authority, and it was so designed. It originated in the Senate Finance Committee as an amendment to the 1955 Trade Agreements Extension Act. In its Report on that legislation, the Committee stated its intention that the President should take "whatever action is necessary to adjust imports..." (Emphasis added.) And in explaining the amendment during floor debate, Senator Millikin of Colorado, who was one of the authors, pointed out: "It grants to the President authority to take whatever action he deems necessary to adjust imports ... He may use tariffs, quotas, import taxes, or other methods of import restrictions."

Under section 232, the head of any department or agency, or any interested party, may request an investigation to determine if the imports of an article are a threat to national security. Over the years, many requests have been filed, and numerous investigations have been made. But Presidential action has been taken with respect to only one article -- oil.

In March of 1959, after a 36-day investigation, President Eisenhower issued Proclamation No. 3279, establishing an oil imports control program. For many years thereafter, quotas

were used as a means of control. But circumstances changed, and two years ago a system of variable license fees was established, with the import fee on crude petroleum placed at 63 cents a barrel. Under the new system, the levy on crude would go up \$1 per barrel February 1.

It is significant that the Congress did not seek to remove the President's section 232 authority to impose quotas or to switch to a license fee system. In fact, the oil imports control program has been continued for 15 years, under five Chief Executives, using both quotas and license fees, without a single challenge to the authority employed -- until now.

During this time, the oil import situation has been monitored constantly, as envisioned by the original statute; Proclamation 3279 has been amended at least 26 times, and our major trade laws have been altered on a number of occasions. Most recently, during deliberations on the Trade Act of 1974, section 232 itself was reviewed and changed in several respects, yet the language relating to Presidential action following a national security investigation, survived intact.

As the Attorney General' pointed out in a letter to the Secretary of the Treasury, which appears in an appendix to these views: "The force of Congressional acquiescence in this practice is particularly strong since Congress has, during that period, twice amended the very provision in question -- the last time only a month ago."

As amended by section 127 of the Trade Act of 1974, the Secretary of the Treasury is charged with conducting the investigation to determine whether imports of an article are threatening national security. The full report of the investigation conducted by the Secretary is also appended to these views. That material leaves no doubt that the investigation conducted followed both the spirit and the letter of the law.

Conclusion

Considering the clear intent of the Congress in enacting the "national security provision" and retaining it for 20 years, along with the urgent need for positive action in light of the emergency situation which exists with respect

to oil supplies today, we feel it is imperative that the nation move expeditiously toward reducing its vulnerability because of its reliance on insecure imports.

While some of us have serious concerns with respect to the President's import fee action, all of us feel he is quite correct in challenging the Congress to meet head-on the key question of how best to move toward a safe degree of energy self-sufficiency.

We would suggest that the Congress, instead of employing a delaying tactic, address itself to the development of a comprehensive energy program. In this process, we pledge our full cooperation in the consideration of all alternatives. In the meantime, the present program demonstrates to our allies and others who are observing this debate, and make no mistake, they are observing, the strength of our commitment and our capability to take necessary action to conserve petroleum and to free ourselves from dependency on petroleum imports.

Doug

Marsh
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copy.

~~Told~~
(Max
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2/4)

THE WHITE HOUSE

WASHINGTON

February 3, 1975

MEMORANDUM FOR THE PRESIDENT

THRU: JOHN O. MARSH, JR.
MAX L. FRIEDERSDORF *M. G.*

FROM: DOUGLAS P. BENNETT *DPB*

SUBJECT: House Procedure Re Consideration of Tariff Import
90 Day Delay Bill (H.R. 1767)

The Ways and Means Committee will request a closed rule waiving all points of order with permission for committee amendments and 4 hours of debate. The Rules Committee will hear this request Tuesday, February 4 at 10:30 a.m.

H.R. 1767 is the bill reported out of Ways and Means to suspend for a period of 90 days the President's authority under any provision of law to increase tariffs or take any other import adjustment action with respect to petroleum or petroleum products. Two committee amendments are tied to this bill.

The first is technical in nature exempting from the provisions of H.R. 1767 any Presidential proclamation or executive order under the Trade Expansion Act of 1962 issued before January 16, 1975. This to protect license fees or duties on petroleum which may have been in effect prior to this date.

The second is the increase in the authorized debt limit from \$495 B to \$531 B. This would carry the Treasury through June 30.

Assuming this rule is granted, the following will probably occur on Wednesday, February 5:

(1) Rules Committee Chairman asks for right to bring bill to the floor to debate rule (1 hour).

(2) During debate, Republicans intend to argue for an open rule on the basis that this is a "gag" rule inconsistent with past pronouncements of reform-minded Democrats.

(3) During or at close of debate, previous question on the rule could be moved in an effort to rewrite the rule on the floor. If agreed to, vote on the rule. If not agreed to, debate continues and amendments to the rule are in order.

(4) Vote on the rule. If defeated, bill goes back to Rules.

(5) Assuming rule agreed to, Chairman Ullman calls up H. R. 1767 and moves the House resolve itself into the Committee of the Whole.

(6) Committee of the Whole proceeds with 4 hours of debate - time split equally between majority and minority. Discussion of committee amendments is likely to occur.

(7) Bill reported out of Committee of the Whole with recommendations.

(8) Speaker asks if there are Ways and Means Committee amendments.

(9) Chairman Ullman discusses two committee amendments (5 minutes allowed for each).

(10) Straight vote can occur on each amendment and will with respect to debt limit authorization amendment. If amendment agreed to, it would be tied to the tariff bill. If defeated and separated, Ways and Means Committee will bring back a separate debt limit authorization bill.

(11) Motion to recommit is in order. Rep. Schneebeli may make this motion and has two options.

(a) Straight motion to recommit back to Ways and Means.

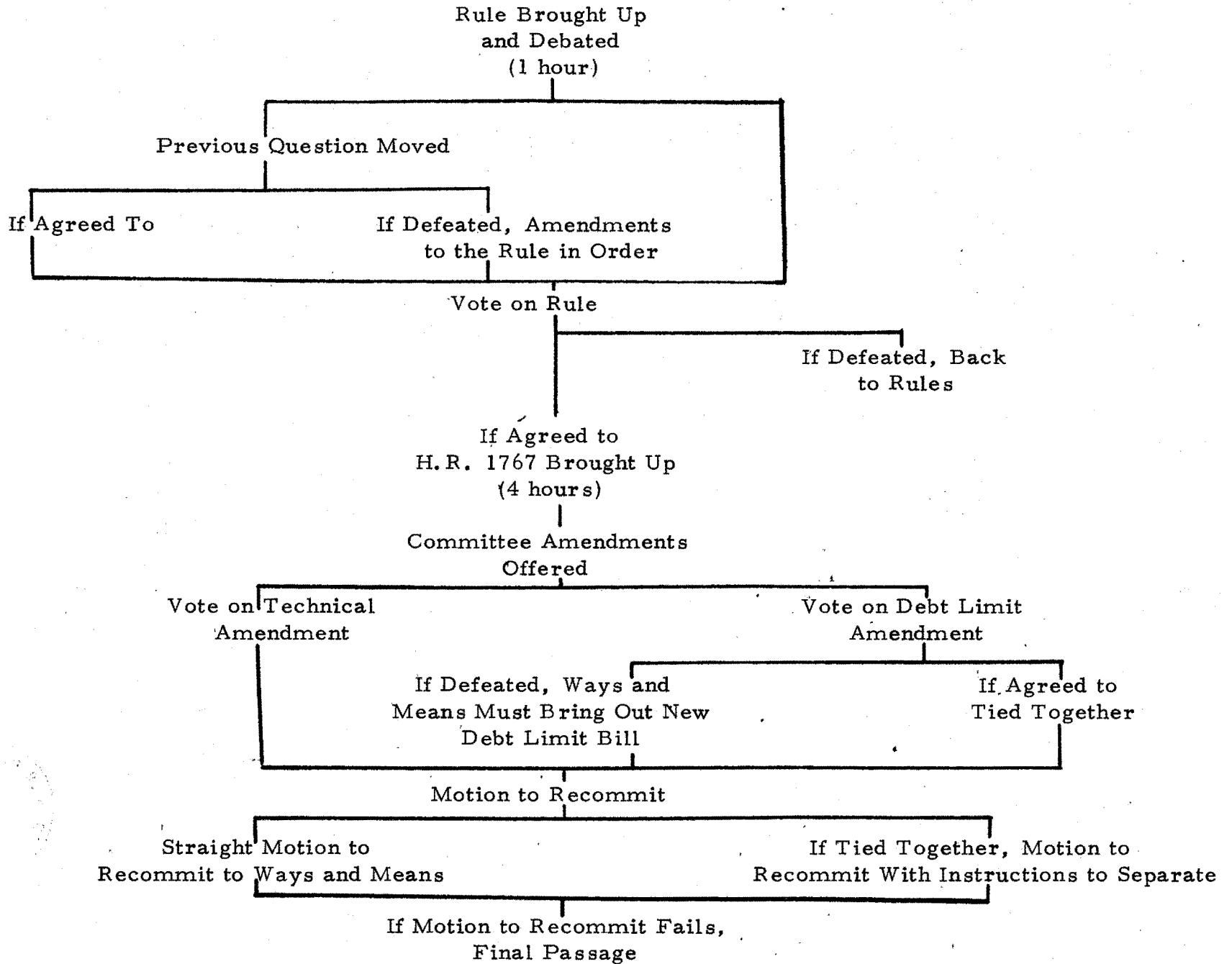
(b) Assuming amendment agreed to and tied to tariff bill, motion to recommit with instructions to separate is in order.

(12) Vote on final passage

Chart Attached

ANTICIPATED HOUSE PROCEDURE RE H. R. 1767

(Assuming Closed Rule)



THE WHITE HOUSE

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Residential
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(2) During debate, Republican^s intend to argue for an open rule on the basis that this is a "gag" ~~rule constituting hypocrisy on the part of reform-minded Democrats~~ ^{rule} ~~inconsistent with past pronouncements~~ of reform-minded Democrats.

(3) During or at close of debate, previous question on the rule could be removed in an effort to rewrite the rule on the floor. If agreed to, vote on the rule. If not agreed to, debate continues and amendments to the rule are in order

(4) Vote on the rule. If defeated, bill goes back to Rules.

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(9) Chairman Ullman discusses two committee amendments (5 minutes allowed for each).

(10) Straight vote can occur on each amendment and will with respect to debt limit authorization amendment. ~~Effort will be made to separate debt limit amendment from 90 day delay bill.~~ *If amendment agreed to, they would be tied together to the tariff bill.* *If separated, Ways and Means Committee will bring back a separate debt limit authorization bill.* *defeated and*

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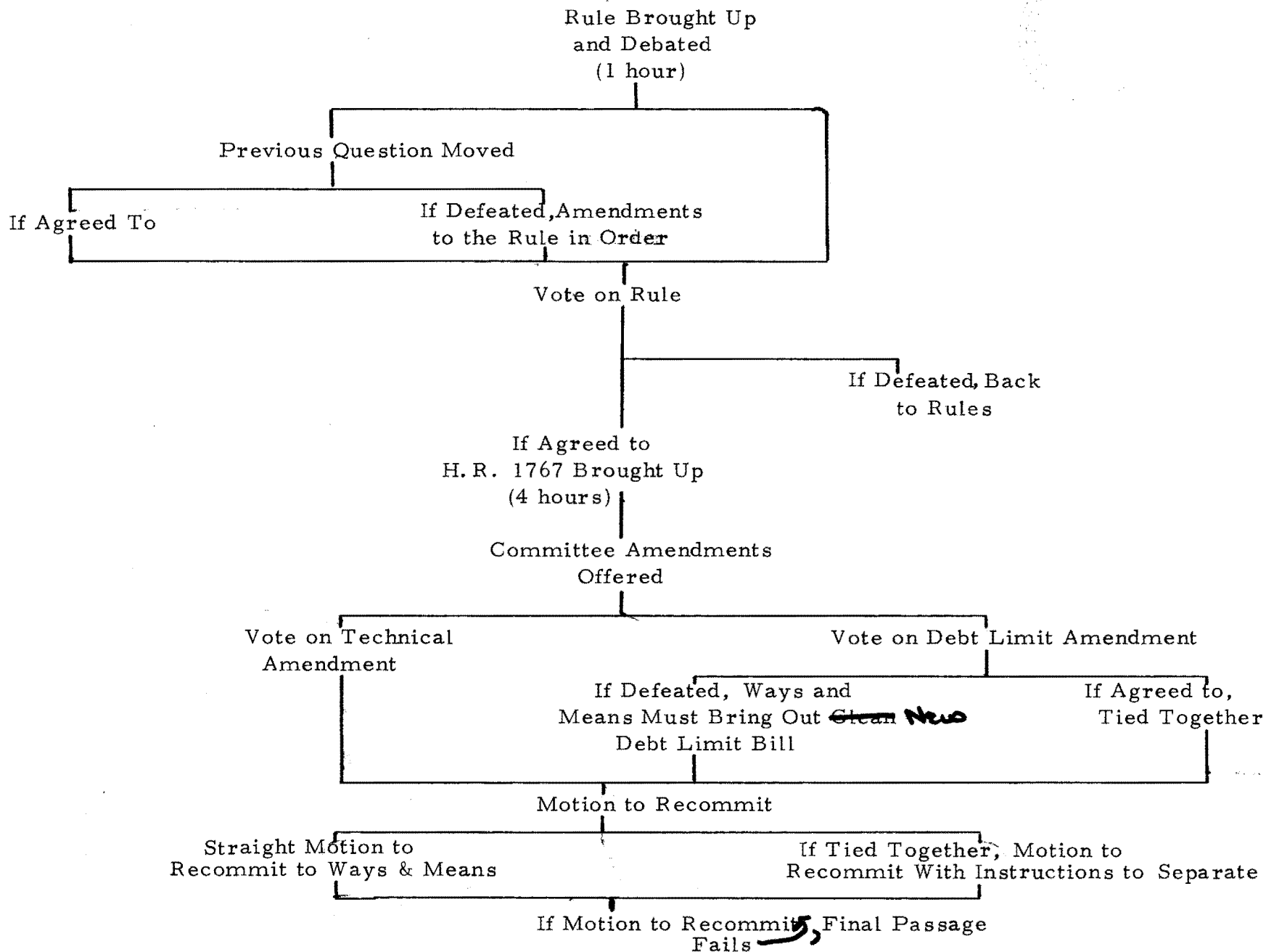
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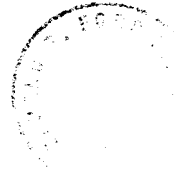
SUBJECT: Rep. Chalmers Wylie (R-Ohio)

Congressman Wylie will attend the dinner this evening and expects to ask the President a question on strategy --

" Why not vote down the previous question on the rule and rewrite the rule on the House floor regarding the delay of the oil import tariff. "

The President can respond to Congressman Wylie as follows:

- (1) There are not enough votes to defeat the previous question on the rule.
- (2) Prior agreement is necessary on the substance to be placed in the rule written on the floor. This has not been worked out and I doubt if we can get the Democrats to go along with any compromise on the rule.
- (3) The debt limit and tariff deferral bills have been separated by Rules Committee action today. The deferral bill will now come to the Floor tomorrow under a 2-hour open rule. The House Parliamentarian has opined that an amendment to reduce the 90 days would be in order, but would not indicate that a "sense of Congress" amendment would be germane.
- (4) The President may wish to ask Congressman Rhodes or Congressman Quillen to also comment.



THE WHITE HOUSE

WASHINGTON

February 4, 1975

MAX --

Chalmers Wylie (Ohio) will attend dinner tonight - will ask P question on strategy -- Why not vote down the previous question on the rule and rewrite the rule on the House floor regarding the delay of the oil import Tariff.

P should be made aware of the Q & A for this question by Wylie.

My answer is:

- (1) Not enough votes to defeat previous question on rule.
- (2) Prior agreement is necessary on the substance to be placed in the rule written on floor. This has not been worked out and doubt if we can get Demo's to go along with any compromise on rule.
- (3) Throw the ball to Rhodes because he'll be in charge of the floor situation on the rule along with Quillen

Chas.

Oil Import

THE WHITE HOUSE

WASHINGTON

Date 2-5-95

TO: NETA

FROM: CHARLES LEPPERT

Please Handle _____

For Your Information _____

Per Our Conversation _____

Other: *PLEASE FILE*



January 22, 1975

Mr. Robert K. Wolthuis
Deputy Assistant for Congressional Relations
The White House
Washington, D.C. 20500

Dear Bob:

This letter refers to our telephone conversation of Tuesday, January 21, 1975 in which I stressed the disasterous impact which a recent ruling of the Justice Department would have on the income of the Virgin Islands Government.

Presidential Proclamation No. 4227 which was issued on June 21, 1973, a copy of which is enclosed, modified Proclamation No. 3279, and provides for payments to the Virgin Islands, Guam, Puerto Rico, and American Samoa of funds collected from oil import license fees. At the time the Proclamation was issued it was estimated that by 1980, if all Virgin Islands refined oil was imported into the United States, the Virgin Islands Government would receive \$30 million annually. I have been informed that through April 4, 1974, oil import fee refunds for the Virgin Islands, held by the United States Treasury, amounted to \$10.4 million.

As you can see from the opinion of the Department of Justice, a copy of which is also enclosed, the Department now considers that Proclamation No. 4227 contains fatal legal defects in regard to the payment of refunds to the Virgin Islands and the other jurisdictions which would benefit under its provisions. The Deputy to the General Counsel of the Federal Energy Administration has informed me that FEA is bound by the ruling of the Department of Justice. Thus, at the present time the Virgin Islands will not receive any of the monies which they legitimately anticipated receiving on the basis of the Proclamation of June 21, 1973.



Mr. Robert K. Wolthuis
January 22, 1975
Page 2

I am sure you can appreciate the severity of this loss of funds to the territorial government which is already facing profound budgetary problems because of the decline in revenues related to the general national economic slump. This problem is further compounded in the Virgin Islands by a fall-off in tourism which is their primary industry, and by chronic problems associated with insularity, small population, and a total lack of mineral resources. In addition, future anti-recession reductions in the level of Federal taxation will have an immediate impact on Virgin Islands Government revenues in view of the fact that all such taxes are returned to the territorial treasury and form its principal source of income. Unlike the Federal Government, however, the territorial government cannot exercise deficit spending without facing immediate bankruptcy.

The FEA has informed me that the Proclamation concerning petroleum imports, which is to be issued later this week, will include provisions which will substantially compensate for the loss Puerto Rico will sustain under the Justice Department ruling. At the same time, I understand that it is silent in regard to the needs of the Virgin Islands, Guam, and American Samoa.

I believe that the Federal Government which drafted, reviewed, and approved the issuance of Presidential Proclamation No. 4227, has an obligation to honor the commitment which was made in that Proclamation. I, therefore, request that simultaneously with the issuance of the President's petroleum import proclamation later this week, that the Administration publicly state that it endorses legislation which will fully implement the substance and intent of Proclamation No. 4227 as it applies to refund payments to the Virgin Islands, Guam, and American Samoa. While the Virgin Islands are the chief recipients of the benefits of that Proclamation, I believe that the Federal Government should also honor its commitment to Guam and American Samoa.



Mr. Robert K. Wolthuis
January 22, 1975
Page 3

I greatly appreciate your prompt attention to this matter of critical importance to the people of the Virgin Islands.

With warmest personal regards, I am

Sincerely,

RON deLUGO
Member of Congress



THE WHITE HOUSE
WASHINGTON



Ron deLuca

1-24-75

Sent info to Skutumpah on
Oil proclamation 1 1/2 yrs ago
to rebate money to Virgin plants
Challenged by Justice Dept.
FEA found

FEA position - want Admin to
push legis to carry out intent
of proclamation - involves
1/4 of VA budget.

FEA pushing for VE (Rosen - Waltham)

Justice Dept. - Dudley Chapman
hold up - Justice originally
approved commitment made in
good faith.

THE WHITE HOUSE
WASHINGTON

Con'd

Queiroz has announced
that they will get legs

Legs will be released to F. Gov't
funds collected under the
proclamation (2) June to D. I
214 per lbl. provided in the
proclamation.

Justice position - I don't have
auth. to provide for VI



UNITED STATES CONGRESS
COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS
HOUSE OF REPRESENTATIVES

Jan 27, 1975

Charlie —

Here it is.

I know you
will do your

best

Respectfully
JRM



RON DE LUGO
DELEGATE, VIRGIN ISLANDS

COMMITTEE ON INTERIOR
AND INSULAR AFFAIRS

SUBCOMMITTEES:
TERRITORIAL AND INSULAR AFFAIRS
NATIONAL PARKS AND RECREATION
ENVIRONMENT
INDIAN AFFAIRS

Congress of the United States
House of Representatives
Washington, D.C. 20515

January 27, 1975

1217 LONGWORTH BUILDING
WASHINGTON, D.C. 20515
(202) 225-1790

P.O. Box 65
7 KING CROSS STREET
CHRISTIANSTED, ST. CROIX
(809) 773-5900

22 CRYSTAL GADE
CHARLOTTE AMALIE, ST. THOMAS
(809) 774-4408

The Honorable Rogers C. B. Morton
Secretary of the Interior
Interior Building
Washington, D. C. 20240

Dear Mr. Secretary

I am writing to you regarding a matter of the greatest urgency to the Government and people of the Virgin Islands.

As you know, Presidential Proclamation No. 4227, which was issued on June 21, 1973, modified Proclamation No. 3279, and provides for payments to the Virgin Islands, Guam, Puerto Rico, and American Samoa, of funds collected from oil import license fees. At the time the Proclamation was issued it was estimated that by 1980, if all Virgin Islands refined oil was imported into the United States, the Virgin Islands Government would receive \$30 million annually. I have been informed that through April 4, 1974, oil import fee refunds for the Virgin Islands, held by the United States Treasury amounted to \$10.4 million.

The Department of Justice now considers that Proclamation No. 4227 contains fatal legal defects in regard to the payment of refunds to the Virgin Islands and other jurisdictions which would benefit under its provisions. The Federal Energy Administration has informed me that FEA is bound by the Justice Department ruling. Thus, at the present time the Virgin Islands will not be paid any of the monies which they legitimately anticipated receiving on the basis of the Proclamation of June 21, 1973.

Since learning of the action taken by the Department of Justice, I have made repeated representations to the FEA and the White House both in writing and telephonically. I have enclosed for your information a copy of my letter to Robert Wolthuis, Department Assistant for Congressional

The Honorable Rogers C. B. Morton
January 27, 1975
Page 2

Relations, and his reply. Unfortunately, this crisis has arisen at a time when the Office of Territorial Affairs is undergoing a period of transition and the Virgin Islands have consequently suffered from the lack of full Interior Department participation in their behalf. Thus, as a long time friend of the territory both as a member of the House Interior Committee and now as Secretary of the Department of the Interior, I am coming to you directly to assist in having what was the policy of your Department implemented. As the Virgin Islands spokesman in the Administration, I request that the Department of the Interior, at the highest level, serve as a vigorous advocate of the territory's interests before the Domestic Council and other policy making units within the White House. I feel that until now these interests have not been adequately represented, reviewed, and considered by the top Administration decision makers.

For instance on January 23, 1975, when President Ford issued his Proclamation relating to imports of petroleum and petroleum products, it was announced by the White House that, "in order to avoid any new burden on Puerto Rico, the President is seeking legislative authority to refund to the Government of the Commonwealth of Puerto Rico the amount collected by the supplemental and existing fees." It was also stated that "the President will also ask for immediate legislation to refund to Puerto certain fees already collected." I believe it is totally unconscionable and inequitable to provide for the needs of Puerto Rico while remaining completely silent in regard to the needs of the Virgin Islands. The only explanation I can think of is that the severe harm which the Virgin Islands would suffer if the Department of Justice ruling is not compensated for, was never fully considered at the highest level by those responsible for determining such policies.

Prior to the issuance of the Presidential Proclamation of January 23, 1975, I stressed to representatives of the White House the severity of the loss of funds to the territorial government which is already facing profound budgetary problems because of the decline in revenues related to the general national economic slump. This problem is further compounded in the Virgin Islands by a fall-off in tourism which is their primary industry, and by the chronic problems associated with insularity, small population, and a total lack of mineral resources. In addition, future

The Honorable Rogers C. B. Morton
January 27, 1975
Page 3

anti-recession reductions in the level of Federal taxation will have an immediate impact on the Virgin Islands Government revenues in view of the fact that all such taxes are returned to the territorial treasury and form its principal source of income. Unlike the Federal Government, however, the territorial government cannot attempt deficit spending without facing the threat of immediate bankruptcy.

It should be noted, Mr. Secretary, that the November 14, 1974 opinion of the Justice Department is a very close ruling and a meritorious agreement may be made that the decision reached in regard to the Virgin Islands is clearly in error. It should also be noted that in reversing itself a year and a half later, the Department of Justice is abruptly repudiating the policy of the President's Oil Policy Committee and that policy endorsed by the Assistant Director of your Department's Office of Oil and Gas. Furthermore, the unilateral overturn of existing policy was taken without any consultation with me or any representatives of the Virgin Islands Government, and without any opportunity to review or comment on the action taken.

I have been informed that the White House Domestic Council will be meeting in the near future to consider further ramifications of the President's Proclamation of January 23, 1975. I expect that your Department will be fully represented at this meeting to energetically and effectively argue that the United States Government should honor the moral commitment made in Proclamation No. 4227 on June 21, 1973. The Virgin Islands should receive the same assurance given Puerto Rico in regard to the refund of certain fees already collected. In addition, I request that the Administration publicly state that it seeks and will support immediate legislation which would fully implement the substance and intent of Proclamation No. 4227, as it applies to refund payments to the Virgin Islands, Guam, and American Samoa.

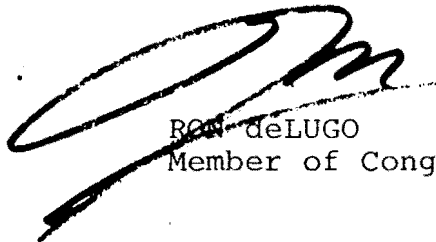
This is a matter of such profound importance to the present and future well-being of the Virgin Islands that its success cannot be left to the whims of indifferent and half-hearted bureaucratic treatment. Again, Mr. Secretary, the Federal Government which drafted, reviewed, and approved the issuance of Proclamation No. 4227 must honor its commitment if our belief in the integrity of our Government is to be preserved.

The Honorable Rogers C. B. Morton
January 27, 1975
Page 4

I would very much appreciate your personal attention to this matter, and will be pleased to assist you in any way possible. I look forward to hearing from you at your earliest convenience.

With warmest personal regards, I am

Sincerely,

A handwritten signature in black ink, appearing to read 'Ron deLugo', written over a horizontal line.

RON deLUGO
Member of Congress

Enclosures

FRIDAY, JANUARY 24, 1975

SMALL AND INSIGNIFICANT?

The current dispute over oil import fees between the federal and territorial governments is far more than just another example of Washington officialdom taking action with little thought about the consequences in the Virgin Islands. It is a situation where the Justice Department itself has become confused over just what the law is, and the effect on the Virgin Islands can be measured in the millions of dollars.

It was more than a little shocking to hear recently that the Justice Department, which in 1973 had ruled that increased import fees on Hess Oil shipped into the mainland would revert to the Virgin Islands treasury, as does the rum tax and revenue from the regular Hess royalty payments, had reversed itself, and now claims that money must remain in the federal treasury. Scarcely helping matters was the department's statement that the provision was a "small and relatively insignificant part of a complex proclamation."

What may be viewed as small and insignificant to Washington is far from that here, for the money in question came to \$10 million last year and due to possible increased license fees on imported oil, could reach as high as \$50 million a year within the decade, a sum equal to almost half the territory's entire operating budget. In view of the fragile state of the territory's economy, such a matter is huge and vital rather than small and insignificant.

Not being lawyers we cannot debate the fine points of law involved in this situation. However, it seems here that the intent of Congress in other cases has been that taxes and revenues that would, if collected elsewhere, normally go into the federal treasury should be reverted to the Virgin Islands treasury if they are collected either here or on goods imported into the mainland from the islands. Examples of this are customs collections in these islands, the excise tax on rum, income taxes, and of course the royalties on Hess Oil that go into the Conservation Fund.

The Governor and Congressional Delegate have already raised this subject with the administration in Washington, and we

understand that the Finance Commissioner is also scheduled to go there shortly to present the islands' case, and we trust that they shall be successful in either getting the Justice Department to again reverse itself or in obtaining the necessary legislation to ensure that these monies revert to the local treasury. While we wait to see what the outcome is, however, it might be well to reflect on the need to eventually develop an economy that rests on less artificial foundations.

THE WHITE HOUSE

WASHINGTON

January 22, 1975

RECEIVED JAN 24 1975

Dear Congressman:

I have received your January 22 letter describing the problems facing the Virgin Islands as a result of the Justice Department's ruling on Presidential Proclamation No. 4227. I have forwarded the correspondence to Mr. Norm Ross on the Domestic Council and have asked him to review the matter carefully.

I have also asked that he contact you directly by telephone in order to discuss the matter with you before the Presidential Proclamation is issued this week.

Sincerely,

Bob Wolthuis

Robert K Wolthuis
Deputy Assistant
for Congressional Relations

Honorable Ron deLugo
House of Representatives
Washington, D.C. 20515

January 22, 1975

Mr. Robert K. Wolthuis
Deputy Assistant for Congressional Relations
The White House
Washington, D.C. 20500

Dear Bob:

This letter refers to our telephone conversation of Tuesday, January 21, 1975 in which I stressed the disastrous impact which a recent ruling of the Justice Department would have on the income of the Virgin Islands Government.

Presidential Proclamation No. 4227 which was issued on June 21, 1973, a copy of which is enclosed, modified Proclamation No. 3279, and provides for payments to the Virgin Islands, Guam, Puerto Rico, and American Samoa of funds collected from oil import license fees. At the time the Proclamation was issued it was estimated that by 1980, if all Virgin Islands refined oil was imported into the United States, the Virgin Islands Government would receive \$30 million annually. I have been informed that through April 4, 1974, oil import fee refunds for the Virgin Islands, held by the United States Treasury, amounted to \$10.4 million.

As you can see from the opinion of the Department of Justice, a copy of which is also enclosed, the Department now considers that Proclamation No. 4227 contains fatal legal defects in regard to the payment of refunds to the Virgin Islands and the other jurisdictions which would benefit under its provisions. The Deputy to the General Counsel of the Federal Energy Administration has informed me that FEA is bound by the ruling of the Department of Justice. Thus, at the present time the Virgin Islands will not receive any of the monies which they legitimately anticipated receiving on the basis of the Proclamation of June 21, 1973.

Mr. Robert K. Wolthuis
January 22, 1975
Page 2

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The FEA has informed me that the Proclamation concerning petroleum imports, which is to be issued later this week, will include provisions which will substantially compensate for the loss Puerto Rico will sustain under the Justice Department ruling. At the same time, I understand that it is silent in regard to the needs of the Virgin Islands, Guam, and American Samoa.

I believe that the Federal Government which drafted, reviewed, and approved the issuance of Presidential Proclamation No. 4227, has an obligation to honor the commitment which was made in that Proclamation. I, therefore, request that simultaneously with the issuance of the President's petroleum import proclamation later this week, that the Administration publicly state that it endorses legislation which will fully implement the substance and intent of Proclamation No. 4227 as it applies to refund payments to the Virgin Islands, Guam, and American Samoa. While the Virgin Islands are the chief recipients of the benefits of that Proclamation, I believe that the Federal Government should also honor its commitment to Guam and American Samoa.

Mr. Robert K. Wolthuis
January 22, 1975
Page 3

I greatly appreciate your prompt attention to this matter of critical importance to the people of the Virgin Islands.

With warmest personal regards, I am

Sincerely,

RON deLUGO
Member of Congress

Enclosure

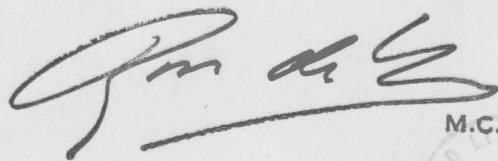
RdeL/Slew

Congress of the United States

House of Representatives

Washington, D.C. 20515

OFFICIAL BUSINESS



M.C.



Mr. Charles Leppert, Jr.
Special Assistant for Congressional Relations
The White House
Washington, D.C. 20500

94TH CONGRESS
1ST SESSION

H. R. 1767

IN THE SENATE OF THE UNITED STATES

FEBRUARY 6, 1975

Read twice and referred to the Committee on Finance, under the authority of
the order of the Senate of February 5, 1975

AN ACT

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

- 1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That, during the period beginning on the date of the enact-
4 ment of this Act and ending at the close of the ninetieth day
5 thereafter, nothing in section 232 (b) of the Trade Expansion

1 Act of 1962 (19 U.S.C. 1862 (b)) or in any other provision
 2 of law shall be deemed to grant to the President any au-
 3 thority to adjust imports of petroleum or any product derived
 4 therefrom.

5 SEC. 2. (a) (1) Any action which is taken after January
 6 15, 1975, and before the date of the enactment of this Act
 7 by the President under section 232 (b) of the Trade Expan-
 8 sion Act of 1962 or any other provision of law which results
 9 in the imposition of a rate of duty on petroleum or any
 10 product derived therefrom shall cease to have effect on the
 11 date of the enactment of this Act, and the entry or with-
 12 drawal of petroleum and any product derived therefrom on
 13 or after such date of enactment shall be duty free.

14 (2) Upon appropriate request therefor filed with the
 15 customs officer concerned on or before the sixtieth day after
 16 the date of the enactment of this Act, the entry or with-
 17 drawal of petroleum or any product derived therefrom to
 18 which a rate of duty imposed by the President (pursuant to
 19 any action by him after January 15, 1975, and before the
 20 date of the enactment of this Act under such section 232 (b)
 21 or any other provision of law) applies shall, notwithstand-
 22 ing the provisions of section 514 of the Tariff Act of 1930
 23 or any other provision of law, be liquidated or reliquidated
 24 as if no duty applied to such entry or withdrawal.

25 (b) (1) Any action which is taken after January 15,

1 1975, and before the date of the enactment of this Act by
 2 the President under section 232 (b) of the Trade Expansion
 3 Act of 1962 or any other provision of law which results in
 4 the imposition of a tax or fee on the importation of petroleum
 5 or any product derived therefrom which is higher than the
 6 tax or fee imposed on the importation of petroleum or any
 7 such product on January 15, 1975, shall cease to have effect
 8 on the date of the enactment of this Act; and the tax or fee
 9 imposed on the importation of petroleum or any product
 10 derived therefrom after such date of enactment shall be the
 11 tax or fee in effect on January 15, 1975.

12 (2) Upon request therefor filed with the appropriate
 13 Federal agency on or before the sixtieth day after the date
 14 of the enactment of this Act, the amount of any tax or fee
 15 imposed by the President (pursuant to any action by him
 16 after January 15, 1975, and before the date of the enact-
 17 ment of this Act under such section 232 (b) or any other
 18 provision of law) and paid by any person on the importation
 19 of petroleum or any product derived therefrom which exceeds
 20 the tax or fee that was imposed with respect to the importa-
 21 tion of petroleum or products derived therefrom on Jan-
 22 uary 15, 1975, shall be rebated to such person.

23 SEC. 3. If during the ninety-day period referred to in
 24 the first section of this Act—

- 1 (1) the Congress declares war,
- 2 (2) United States Armed Forces are introduced
- 3 into hostilities pursuant to specific statutory authoriza-
- 4 tion,
- 5 (3) a national emergency is created by attack upon
- 6 the United States, its territories or possessions, or its
- 7 Armed Forces, or
- 8 (4) United States Armed Forces are introduced
- 9 into such hostilities, situations, or places, or are enlarged
- 10 in any foreign nation, under circumstances which re-
- 11 quire a report by the President to the Congress pur-
- 12 suant to section 4(a) of the War Powers Resolution
- 13 (50 U.S.C. 1453 (a)),
- 14 the first section of this Act shall not thereafter apply.

15 SEC. 4. Nothing in the first section and sections 2 and
 16 3 of this Act shall be deemed to affect the validity of any
 17 proclamation or executive order issued before January 16,
 18 1975, by the President under section 232 (b) of the Trade
 19 Expansion Act of 1962.

Passed the House of Representatives February 5, 1975.

Attest: W. PAT JENNINGS,
Clerk.

94TH CONGRESS
1ST SESSION

H. R. 1767

AN ACT

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

FEBRUARY 6, 1975

Read twice and referred to the Committee on Finance

94TH CONGRESS
1ST SESSION

H. R. 1767

IN THE SENATE OF THE UNITED STATES

FEBRUARY 6, 1975

Read twice and referred to the Committee on Finance, under the authority of
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94TH CONGRESS
1ST SESSION

H. R. 1767

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FEBRUARY 6, 1975

Read twice and referred to the Committee on Finance

Suspend Tariffs on imported
petroleum H R. 1767

Recd in Senate 2/7/75

Passed H 2/6



THE WHITE HOUSE

WASHINGTON

February 10, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF
THRU: VERN LOEN
FROM: DOUG BENNETT ~~DPB~~
SUBJECT: Oil Tariff Delay Bill

The attached is a list of possible target House members who voted for H.R. 1767 - the oil tariff delay bill - and whom Vern and I feel might switch to help sustain a veto. What do you think?

Attachment

cc: C. Leppert

Hamilton, Lee (Ind)
 Alexander, Bill (Ark)
 Annunizio, Frank (Ill)
 Ashley, Thomas (Ohio)
 Bedell, Berkley (Iowa)
 Bevill, Tom (Ala.)
 Boggs, Lindy (La)
 Breaux, John (La)
 Brinkley, Jack (Ga)
 Byron, Goodloe (Md)
 Daniel, Dan (Va)
 Downing, Thomas (Va)
 Eckhardt, Bob (Tex)
 Evins, Joe (Tenn)
 Fountain, L.H. (N.C.)
 Hanley, James (NY)
 Hebert, Ed (La)
 Henderson, David (N.C.)
 Hightower, Jack (Tex)
 Ichord, Richard (Mo)
 Jones, Bob (Ala)
 Jones, Walter (N.C.)
 Jones, Jim (Okla)
 Jones, Ed (Tenn)
 Jordan, Barbara (Tex)
 Karth, Joseph (Minn)
 Krebs, John (Calif)
 Krueger, Bob (Tex)
 Litton, Jerry (Mo)
 Long, Gillis (La)
 McCormack, Mike (Wash)
 Mahon, George (Tex)
 Mann, James (S.C.)
 Mathis, Dawson (Ga)
 Milford, Dale (Tex)
 Nichols, Bill (Ala)
 Oberstar, James (Minn)
 Passman, Otto (La)
 Pickle, J.J. (Tex)
 Poage, W. R. (Tex)
 Rostenkowski, Dan (Ill)
 Runnels, Harold (N.Mex)
 Sisk, B.F. (Calif)
 Steed, Tom (Okla)
 Stratton, Sam (N.Y.)
 Teague, Olin (Tex)
 Thornton, Ray (Ark)
 Haley, James (Fla)

Not Voting


Jarman, John (Okla) Solarz, Stephen (NY)
 Mills, Wilbur (Ark)

Ashbrook, John (Ohio)
 Bafalis, Skip (Fla)
 Bauman, Robt. (Md)
 Biester, Ed (Pa)
 Burke, Herbert (Fla)
 Clancy, Donald (Ohio)
 Clawson, Del (Calif)
 Cohen, William (Maine)
 Conlan, John (Ariz)
 Duncan, John (Tenn)
 Emery, David (Maine)
 Fenwick, Millicent (N.J.)
 Fish, Hamilton (N.Y.)
 Gilman, Ben (N.Y.)
 Grassley, Charles (Iowa)
 Gude, Gilbert (Md)
 Hansen, George (Idaho)
 Harsha, William (Ohio)
 Heckler, Margaret (Mass)
 Holt, Marjorie (Md)
 Jeffords, James (Vt.)
 Kemp, Jack (N.Y.)
 Ketchum, William (Calif)
 Lent, Norman (N.Y.)
 Lott, Trent (Miss)
 McEwen, Robert (N.Y.)
 McKinney, Stewart (Conn)
 Moore, Henson (La)
 Myers, Gary (Pa)
 Peyser, Peter (N.Y.)
 Pressler, Larry (S.D)
 Rinaldo, Mathew (N.J.)
 Shuster, Bud (Pa)
 Snyder, Gene (Ky)
 Steelman, Alan (Tex)
 Symms, Steven (Idaho)
 Walsh, William (N.Y.)
 Wylie, Chalmers (Ohio)
 Young, Bill (Fla)

Not Voting

Derwinski, Ed (Ill)
 Dickinson, William (Ala)
 McClory, Robert (Ill)
 Madigan, Ed (Ill)

THE WHITE HOUSE
WASHINGTON
February 10, 1975

MEMORANDUM FOR: FRANK G. ZARB
FROM: MIKE DUVAL 
SUBJECT: DINGELL HEARINGS AND GAO BILL

As you can see from the memo that Charlie Leppert did (copy went to you), Dingell will kick off his hearings during the week of February 17. I suspect that you will be our principal witness.

I think we need to take the GAO bill seriously. It is a comprehensive proposal designed to deal with the entire energy problem. It picks up about 90 percent of the President's program but avoids the tough, hard decisions on conservation and assumes that somehow government can replace the private sector on the supply side.

Their automobile and gasoline tax proposals will not result in our achieving the President's short-term conservation goals and will create totally unacceptable inequities.

In terms of reducing oil imports, their Title II is an attempt to adopt a painless remedy under the banner "quotas". This, of course, will result in end use, long-term rationing, thus they propose to give the President discretionary authority to ration.

Title IV is structurally inadequate because it assumes that the government can find, develop and produce energy. Their solution to the natural gas shortages problem is another FPC study. (These two ideas have to tell us something about their understanding of the Nation's energy problem.)

In terms of organization, they essentially propose creation of DENR but in a manner which totally cuts the President out of Energy policy formation and implementation. I think that any step along the lines of their proposed Title V would be a serious step backward.

I recommend that FEA prepare a detailed rebuttal to the GAO bill with a very short one or two-page cover sheet outlining the basic flaws in the approach they have taken. It would seem to me that the place to unveil this would be at the opening day of the Dingell hearings.

cc: Friedersdorf, Leppert, Schleede, Cavanaugh, Jones

THE WHITE HOUSE

WASHINGTON

February 10, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF
THRU: VERN LOEN
FROM: DOUG BENNETT **DPS**
SUBJECT: Oil Tariff Delay Bill

The attached is a list of possible target House members who voted for H. R. 1767 - the oil tariff delay bill - and whom Vern and I feel might switch to help sustain a veto. What do you think?

Attachment

cc: C. Leppert

DEMOCRATS

Hamilton, Lee (Ind)
 Alexander, Bill (Ark)
 Annunizio, Frank (Ill)
 Ashley, Thomas (Ohio)
 Bedell, Berkley (Iowa)
 Bevill, Tom (Ala.)
 Boggs, Lindy (La)
 Breaux, John (La)
 Brinkley, Jack (Ga)
 Byron, Goodloe (Md)
 Daniel, Dan (Va)
 Downing, Thomas (Va)
 Eckhardt, Bob (Tex)
 Evins, Joe (Tenn)
 Fountain, L.H. (N.C.)
 Hanley, James (NY)
 Hebert, Ed (La)
 Henderson, David (N.C.)
 Hightower, Jack (Tex)
 Ichord, Richard (Mo)
 Jones, Bob (Ala)
 Jones, Walter (N.C.)
 Jones, Jim (Okla)
 Jones, Ed (Tenn)
 Jordan, Barbara (Tex)
 Karth, Joseph (Minn)
 Krebs, John (Calif)
 Krueger, Bob (Tex)
 Litton, Jerry (Mo)
 Long, Gillis (La)
 McCormack, Mike (Wash)
 Mahon, George (Tex)
 Mann, James (S.C.)
 Mathis, Dawson (Ga)
 Milford, Dale (Tex)
 Nichols, Bill (Ala)
 Oberstar, James (Minn)
 Passman, Otto (La)
 Pickle, J.J. (Tex)
 Poage, W. R. (Tex)
 Rostenkowski, Dan (Ill)
 Runnels, Harold (N.Mex)
 Sisk, B.F. (Calif)
 Steed, Tom (Okla)
 Stratton, Sam (N.Y.)
 Teague, Olin (Tex)
 Thornton, Ray (Ark)
 Haley, James (Fla)

Not Voting

Jarman, John (Okla) Solarz, Stephen (NY)
 Mills, Wilbur (Ark)

REPUBLICANS

Ashbrook, John (Ohio)
 Bafalis, Skip (Fla)
 Bauman, Robt. (Md)
 Biester, Ed (Pa)
 Burke, Herbert (Fla)
 Clancy, Donald (Ohio)
 Clawson, Del (Calif)
 Cohen, William (Maine)
 Conlan, John (Ariz)
 Duncan, John (Tenn)
 Emery, David (Maine)
 Fenwick, Millicent (N.J.)
 Fish, Hamilton (N.Y.)
 Gilman, Ben (N.Y.)
 Grassley, Charles (Iowa)
 Gude, Gilbert (Md)
 Hansen, George (Idaho)
 Harsha, William (Ohio)
 Heckler, Margaret (Mass)
 Holt, Marjorie (Md)
 Jeffords, James (Vt.)
 Kemp, Jack (N.Y.)
 Ketchum, William (Calif)
 Lent, Norman (N.Y.)
 Lott, Trent (Miss)
 McEwen, Robert (N.Y.)
 McKinney, Stewart (Conn)
 Moore, Henson (La)
 Myers, Gary (Pa)
 Peyser, Peter (N.Y.)
 Pressler, Larry (S.D)
 Rinaldo, Mathew (N.J.)
 Shuster, Bud (Pa)
 Snyder, Gene (Ky)
 Steelman, Alan (Tex)
 Symms, Steven (Idaho)
 Walsh, William (N.Y.)
 Wylie, Chalmers (Ohio)
 Young, Bill (Fla)

Not Voting

Derwinski, Ed (Ill)
 Dickinson, William (Ala)
 McClory, Robert (Ill)
 Madigan, Ed (Ill)