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THE WHITE HOUSE

WASHINGTON

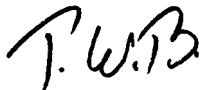
October 2, 1974

MEMORANDUM FOR THE FILE:

Subject: Civil Service Commission and GSA

1. Discussed with Bill Williams his draft of reply to Miss Victoria Holt re discharge of John E. Holt by GSA and will review.

2. Discussed with Bill Walker and later with Lazarus proposed call and confirmatory letter to Art Sampson following the earlier meeting on 10/1 with Hampton, Walker, and Lazarus and following Sampson's letter to the President. Lazarus prepared a draft before I made call. But had better clear with DR. Received copy of Sampson letter to the President.



Philip W. Buchen  
Counsel to the President



Friday 10/4/74

4:10 Seth Kantor of the Detroit News called to talk with you 628-4566  
if he could. Said he heard that you were looking into  
the whole Jack Holt/Fednet thing with the possibility  
of drawing up an answer to Mr. Holt's daughter's letter.

Then he heard that the decision to fire Mr. Holt had been  
reversed.

Would like a call if you have a chance. Knew how busy you are  
and didn't want to bother you.

Told him the Press Office would be able to let him know  
any developments -- and that you would funnel any information  
you might have -- to the Press Office.



THE WHITE HOUSE  
WASHINGTON

*For filing*

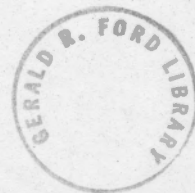
October 4, 1974

MEMORANDUM FOR: Bill Seidman  
FROM: Bill Casselman /s/  
SUBJECT: Administration Policy on Utility Rate  
Increases

In accordance with our recent conversation, I am passing the attached memorandum on to you for consideration and further handling. As one who has handled such work in the past on behalf of the Government, I concur with the GSA Counsel's recommendation.

Enclosure

cc: Phil Buchen ✓  
Phil Areeda



## GENERAL SERVICES ADMINISTRATION

Office of General Counsel

Washington, D.C. 20405



SEP 24 1974

MEMORANDUM FOR: WILLIAM E. CASSELMAN II  
Counsel to the President

SUBJECT: Administration Policy on Utility Rate Increases

Summary

The Administrator of the Federal Energy Administration, Mr. Sawhill, has made recent public policy pronouncements to the effect that earnings for the electric utility industry should produce a rate of return on common equity of 15 percent. (See e.g., attached memorandum of August 15, 1974). These pronouncements, and meetings which have followed here in Washington with State public utility commission representatives, are designed to encourage the speedy grant by these commissions of substantial rate hikes in the utility area.

The Administrator of GSA is assigned the statutory responsibility for representing the interest of the Federal Government as a consumer before Federal and State commissions regulating rates for utility services including gas, electric, and telephone (Section 201(a)(4) of the Federal Property and Administrative Services Act of 1949, as amended, 40 U.S.C. 481(a)(4)). This is accomplished through the concept of intervention to challenge requested rate increases which will have a substantial impact on the Federal budget, and which appear either to be without economic justification or discriminatory in their impact.

We recognize the importance and validity of the case that has been made on behalf of a financially healthy utility industry. The major increases in energy costs and interest rates obviously require appropriate relief if the utilities are to continue to operate in an economically viable fashion and to raise funds in the capital markets needed for necessary expansion. Our concern, however, is that the relief urged may not be the most appropriate in nature or application, and that it may also fail to recognize the equally strong national interest in containing the inflationary pressures that overly generous rate increases would produce. In light of the important energy and inflation considerations at issue here, we believe a conscious, considered and unified Administration policy is required.



## Discussion

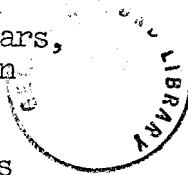
President Ford has designated inflation as our number one problem. This suggests a high priority on careful tailoring of the type of relief urged for financially troubled industries in order to minimize any inflationary impact. Factors such as debt coverage, equity to debt ratio, and cost and stability of fuel supplies vary greatly from utility to utility. These directly influence what an industry member must and should earn to retain its operating viability and to attract additional capital for expansion. We therefore believe that a policy based on a blanket rate of return on common equity may not be the most appropriate means of accommodating the varying levels of financial need of these utilities with the anti-inflationary posture of the President.

Since GSA is charged with the representation of the Federal interest in these rate-making proceedings, we are subject to increasing question as to whether Mr. Sawhill's pronouncements reflect the policy of this Administration and, if so, the basis for our objection to requested rate increases which are within his return guideline but which appear excessive and inflationary considering the design of the rate or the financial structure of the particular utility.

Public utility commissioners are, for the most part, appointed by the Governor of a State or are elected. They are, of course, very conscious of the reaction of the utility customers who elect them or the Governor who appointed them. Consequently, State commissioners, for the most part, carefully and judiciously weigh the evidence of economic need of the utility and the selection of the classes of service which should be required to pay for the necessary increases in revenue. These factors vary from State to State and among the individual utility companies themselves, depending upon whether they have favorable contracts for fuel, a predictable growth area, and customers with load factors that will promote efficient use of distribution and generating equipment. Other variable factors, including debt to equity ratios and the cost of embedded debt, are also considered by these commissioners.

In most recent instances, commissions have allowed rates of return on common equity from 11.5 percent to 13.25 percent. In the last two years, GSA's rate of return testimony has supported rates of return on common equity in electric cases varying from 11.8 percent to 12.3 percent.

In most of the electrical utility rate increase cases in which GSA has recently intervened, the companies have asked for returns on common equity of about 13.5 percent and for revenue increases of approximately \$1.8 billion. In three very recent cases, however (one filed after distribution of Mr. Sawhill's August 15 memorandum), the companies have requested from 15 percent to 15.39 percent return on common equity. If



those rate increases are granted in total, the Government's billing will be increased by approximately \$19 million. If each of these companies were to request and receive a 15 percent return on common equity, their requested revenue increases would total \$2.2 billion and the Government's increase in annual billing would be approximately \$23.4 million.

More significantly, we believe this would encourage additional filings by other electric utilities seeking similar rates of return on common equity. This would produce an impact on both the nation's economy and the Federal budget of far greater proportions. Moreover, if electrical utilities are encouraged to ask for 15 percent returns on common equity, this will not go unnoticed by the telephone and natural gas industries. To illustrate this impact, if the Bell companies attained a 15 percent return on common equity, it would increase annual telephone billings about 10 percent, or roughly \$45 million on the Government's annual billing of approximately \$450 million from the Bell companies.

#### Recommendation

It is recommended that a coordinated Administration position respecting utility rate increases be developed. We further suggest the desirability of inclusion within that policy of a concept of flexibility to consider the varying needs of the utilities, premised upon an accelerated but adequate testing and review of increase requests by the commissions charged with that responsibility.



HAROLD S. TRIMMER, JR.  
General Counsel

Enclosure





FEDERAL ENERGY ADMINISTRATIO  
COMMUNICATIONS AND PUBLIC AFFAIRS  
U.S. POST OFFICE BUILDING  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D.C. 20461  
TELEPHONE: 961-6216

ELECTRIC UTILITIES AND PROJECT INDEPENDENCE  
FEDERAL ENERGY ADMINISTRATION STAFF PAPER

ELECTRIC UTILITIES ADVISORY COMMITTEE  
ROOM 3000A, FEA HEADQUARTERS  
WASHINGTON, D. C.  
AUGUST 15, 1974

If the Nation's goals of energy independence are to be met, a strong and financially viable electric utilities industry is imperative. The industry is one of the main pillars of Project Independence. It consumes about one fourth of our primary energy, almost as much as all other industries combined.

Thus, its vitality is critical to our national economy, to the fulfillment of our longer term energy needs, and to meeting the more immediate goals of Project Independence.

Historically, the utilities have been a high growth industry. From 1950 to 1973 the industry expanded its generating capacity and its revenues sixfold. Annual spending on total construction in that time grew from \$2 billion to over \$13.4 billion, and the proportion of spending on generating plants increased from 45 percent to 58 percent.

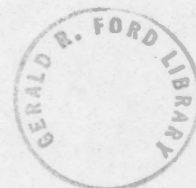


Until 1968, the dollar investment per kilowatt of installed capacity was fairly stable at \$358 despite inflation, because of technological advances and the economies of scale in plants with greater capacity.

But then that stability began to disappear. As nuclear plant construction increased, so did the cost per kilowatt of capacity. Safety requirements and operating controls make the cost of nuclear plant construction up to 50 percent higher than fossil fuel plants.

Therefore, electric utilities must devote much more of their capital budget to building production facilities. Fossil fuel plants are also running into added costs as they try to comply with pollution abatement requirements.

The industry's growth in generation has averaged over 7 percent each year since 1962. But we don't expect that annual growth rate will continue. Even if historical consumption trends persisted, the growth rate would probably decline to about 6.3 percent through the year 2000. If we are successful in our conservation programs, that rate could be reduced to between 3-5 percent.



The achievement of any of these growth rates depends on the utilities' ability to finance internally or externally continued expansion, and on their efforts to eliminate wasted fuel and to increase electrical efficiency.

It is clear that the electric utilities industry and rate commissions face a difficult and complex situation. We must attack the problem on two fronts:

- (1) First, we must pursue conservation programs both to reduce the demand for electricity and to level utility loads, and;
- (2) We must have adequate and immediate rate relief.

#### Conservation

Recent rate hikes have led to dramatic efforts on the part of industries to reduce their consumption of electric energy. In some instances consumption has been reduced by more than 20 percent. The payoff for reductions in demand are immense. Recent preliminary studies suggest that the difference in electric utility capital requirements between an historic growth rate and a low growth scenario of approximately 3 to 5 percent per year through 1989 would be between 100 and 400 billion dollars depending on the rate of inflation.

Utilities would be required to finance from non-operating revenues several hundred billion dollars less than they would assuming an historic growth rate.



While it is true that recent efforts at conservation have contributed to the financial problems which the utility industry is currently experiencing, this appears to be a short term phenomenon. As the figures above indicate, improved load management affords one of the brightest opportunities for assuring sufficient supplies of electricity at reasonable prices to consumers, as well as a way to reduce long term capital requirements. The major conservation thrust can be split into two areas -- reducing demand and leveling loads.

No doubt higher electricity costs will continue to provide an incentive in efforts to reduce demand, but the dominant factor in the realization of large energy savings will be the persistence and dedication with which the utility customers pursue that objective. Utilities themselves can play a major role by promoting the conservation ethic through advertising campaigns, public education and initiating home insulation programs similar to the Michigan Consolidated plan. I encourage the utilities to extend these efforts and explore additional concepts which promote more efficient use of energy. This fall FEA will intensify programs to reduce electricity for commercial lighting in selected cities to increase substantially home insulation retrofits. I urge state commissions and utilities to participate in these and related programs.



Concurrent with efforts to reduce the demand for electricity, we must institute aggressive programs to level utility loads and raise the 51 percent capacity factor (or 62 percent load factor) at which the industry now operates. It is estimated that even a 10 percent reduction in daily peak demand could lead to savings equivalent to approximately 200,000 barrels of oil per day. I urge state commissions and utilities to pursue programs that show promise in leveling loads. A number of such efforts have been underway for some time, such as Detroit Edison's radio controlled devices to cut off selected water heaters and Puget Sound Power and Light's time controls on selected commercial space heating. As part of such efforts, utilities may want to use the media to shift the use of electricity away from peak hours. Commissions should review their policies to ensure that such advertising and promotion is not discouraged.

Considerable discussion has taken place of late regarding changes in rate structures, including peak period pricing, as a method of both reducing demand and leveling loads.

The Federal Government is not in a position to judge among the many possible rate structure changes for promoting further energy savings. We are, however, encouraging experimentation and research. FEA has undertaken a program to test and evaluate various rate designs and other programs for leveling



loads. We have already underway several projects with utilities and state commissions in this regard and are desirous of other such arrangements. FEA will serve as a clearing house for information and suggestions that individual state commissions and utilities offer with respect to their own experience in these areas.

We will require the cooperation, and assistance of the utilities industry and the state commissions if these programs are to be expanded and more importantly, if they are to provide substantive and meaningful answers.

#### Rate Relief

The electric utilities industry is confronted with critical financial problems. They are experiencing a debilitating erosion of revenue due to reduced consumer demand, lack of timely and adequate rate relief, soaring operating costs, depressed stock prices, and record interest rates on debt offerings.

Today, common stocks of 44 of the 51 companies average approximately 78.8 percent of book value. Since offerings of additional common stock will mean further dilution of earnings per share, such equity issues are unattractive to investors.



And, since the capital structure of most utilities is already over-leveraged and interest coverage is at critical levels, their ability to offer additional debt may also be severely restricted. Even if they can secure capital through a debt offering, they must now pay record interest rates in order to sell these obligations.

The subsequent interest payments to bond holders represent a substantial addition to future fixed costs, a financial burden that the company can ill afford. This financial distress arises at a time when their need for funds for expansion of generating capacity has never been greater.

Due to regulation of and restrictions on the way in which they conduct their businesses, the utilities are limited in the ways they can handle their financial problems. One option is to delay or cancel construction projects, thus reducing their capital requirements. Many electric utilities have recently elected this option, resulting in delays or cancellations of several nuclear generating plants.

Such drastic moves may jeopardize our future supply of electrical power, and endanger the goals of Project Independence.

Another option open to a financially distressed utility is to replace a proposed, more expensive nuclear plant with a lower cost fossil fired generating plant. In such cases the net effect on future electricity supplies may be negligible.



However, this would cause some alteration in our future energy balance, since fossil fuels to feed these generators must be imported, aggravating our balance of payments problems. Moreover, each proposed nuclear generating plant which is replaced by a fossil fuel generating plant means higher priced electricity to future customers.

A final option -- if it may be called that -- would be to reduce or exclude dividend payments. Yet, the attractiveness of additional capital through the issuance of further equity would be substantially diminished.

We are acutely aware of these and other problems facing the electric utilities industry. Solutions are available, but they will require a cooperative effort of the electric utilities industry, consumers, and Federal and state regulatory officials at all levels.

The state regulatory bodies must allow expeditious and adequate rate increases for those utilities now suffering severe revenue erosion. The utilities must be permitted to earn a sufficient rate of return so that their stocks will become attractive to investors, and so that the combined effects of rising costs and reduced revenues due to conservation are counteracted.





In considering requests for rate increases, I urge the state commissions to aim for a return on net capital investment of 15 percent as a desirable target.

The state regulatory bodies and legislatures could also improve the utilities' ability to compete for capital by increasing depreciation accruals for regulatory purposes to a minimum of 3-1/2 percent, eliminating flow-through accounting and allowing work-in-progress to be included in the rate base.

When interim reports show that a particular utility's cash flow position is deteriorating, I strongly urge that interim rate increases be granted to improve cash flow in the short term. In examining rate requests, the use of a forward test period instead of a historical test period may also be desirable.

The regulatory process itself should be streamlined and a definite time limit placed on rate proceedings. Regulatory bodies should set five months as a target for consideration and action on all rate proposals. Such a period is practical and affords a reasonable time for a thorough examination of all relevant issues.



I recognize that a number of state regulatory bodies have made serious efforts to refine the rate-making process to bring rates into closer relationship with costs, such as those of Wisconsin and Maryland. Yet, problems of regulatory lag remain in many jurisdictions and should be eliminated.

Automatic rate adjustment for increases or decreases in fuel and tax costs should be permitted. I also urge that the commissions consider implementing procedures that would permit automatic cost adjustments for increases and decreases in operating expenses beyond management's ability to control.

Here I emphasize that I am not calling for an abdication by the state regulatory bodies of their legal responsibility to review petitions for rate increases. On the contrary, I urge a continued, vigorous and thorough examination of all such petitions.

However, I suggest that this examination be made in the form of a retroactive review. Where increases are then determined to have been excessive and unmerited, severe penalties should be considered.

The utilities can improve the efficiency of the regulatory process by improving their forecasts of load, of total demand and of costs to provide more accurate estimates of capital requirements and revenue levels.



Automatic pass-through provisions should reduce the number of rate increase filings, and alleviate some of the pressures on the regulatory system.

The regulators and the companies must work together to give the regulatory system greater flexibility in meeting the needs of both the companies and the consumers.

Now, I realize that these actions will mean higher rates for the consumer in the short term. But I believe they are necessary in order to restore the financial well-being of the utilities industry, and to assure adequate supplies of electricity to consumers at reasonable prices.

We simply must act now -- even if our actions are unpalatable -- if we are to avoid truly astronomical costs in the years ahead.

If we fail to act now, when we can see clearly what must be done, we will be guilty of abdicating the responsibility that belongs to us.

That responsibility involves putting the electric utilities once again in a sound, viable economic position -- and this means higher rates.

There are more than 100 nuclear power plants in either the planning or construction stage. If the utilities drop plans for 50 of these due to financing troubles, and ultimately they are replaced by fossil fuel steam plants, the Nation's consumption of fossil fuel in 1985 would be increased by more than 500 million barrels a year.

The balance of payments impact, even if oil prices do not advance, would be in the neighborhood of \$6 billion per year. Thus, even if we get Project Independence on the track by the early 1980s, this development would surely derail it.

Moreover, because the total capital and operating costs of nuclear power plants may be around one cent per kilowatt-hour cheaper than costs for fossil fuel plants, this development would entail additional charges to electricity consumers of about \$3.5 billion per year beginning in the 1980s.

At a time when we are launching a vigorous effort to attain energy independence and to control the fires of inflation, we cannot ignore the implications of a failure to place the utilities on sound financial footing. The inevitable results would be increasing dependence on foreign crude supply, severe balance of payments impact and inflationary price increases to consumers in the long term.



We must work together toward the achievement of our national energy goals, a major one being a financially sound and energy efficient electric utilities industry, able to meet our future electric energy needs at the lowest possible price.

We can achieve that goal by embarking on more aggressive conservation programs to reduce demand and requirements and by ensuring a rate of return on investment that will meet the growing financial needs of the industry.



G 5A

THE WHITE HOUSE  
WASHINGTON

October 4, 1974

PERSONAL

Dear Mr. Sampson:

This is to acknowledge your October 1 letter to the President setting forth your views with respect to a series of matters within the purview of the Civil Service Commission.

As the cases in question, I understand, are currently under active consideration by the Commission, or, as to some, by the Justice Department, I do not believe it would be appropriate to discuss them further at this time. On your more general concerns, I trust that all possible efforts will be made between you or your representatives and those of the Commission to resolve whatever differences remain.

Sincerely,

*Philip W. Buchen*  
Philip W. Buchen  
Counsel to the President

Honorable Arthur F. Sampson  
Administrator  
General Services Administration  
Washington, D. C. 20405



October 4, 1974

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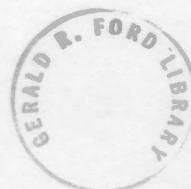
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Sincerely,

Philip W. Buchen  
Counsel to the President

Honorable Arthur F. Sampson  
Administrator  
General Services Administration  
Washington, D. C. 20405

PWB:ed



THE WHITE HOUSE

WASHINGTON

October 4, 1974

FOR: PHIL BUCHEN  
FROM: KEN LAZARUS *KL*  
SUBJECT: Proposed letter to Arthur Sampson,  
GSA.

Attached is a copy of Arthur Sampson's letter of October 1, 1974, to the President regarding the current dispute between GSA and the Civil Service Commission, and a proposed response for your signature.

Attachments

cc: Phil Areeda  
Bill Casselman ✓





THE WHITE HOUSE  
WASHINGTON

October 4, 1974

PERSONAL

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This is to acknowledge your October 1 letter to the President setting forth your views with respect to a series of matters within the purview of the Civil Service Commission.

As these matters are currently under active consideration by the Commission, I do not believe it would be appropriate to discuss them further. I trust you appreciate my concern in this regard.

Sincerely,

Philip W. Buchen  
Counsel to the President

Honorable Arthur F. Sampson  
Administrator  
General Services Administration  
Washington, D. C. 20405





UNITED STATES OF AMERICA  
GENERAL SERVICES ADMINISTRATION  
WASHINGTON, D. C. 20405

**STRICTLY PRIVATE AND CONFIDENTIAL**

ADMINISTRATOR

October 1, 1974

Determined to be an  
Administrative Marking

By SD NARA, Date 10/21/2015

The President  
The White House  
Washington, D. C. 20500

Dear Mr. President:

I sincerely applaud your September 20, 1974, memorandum praising Federal civil servants and endorsing the merit system. GSA is a success today because it adhered to these principles.

There has been some publicity recently which tends to portray GSA as a "haven for political hacks" and implies that we have some sort of all-pervasive political patronage system.

I assure you this is not the case!!

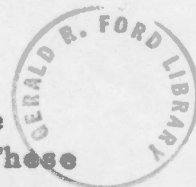
We have had some problems. (As I am sure everyone does from time to time.) In this regard there are two things you should be aware of:

1. When the problems came to my attention, swift and effective action was taken to solve the problems.
2. The problems were very minor in scope.

We seem to be in the position of the 2000-man police force that is being condemned publicly because of two or three corrupt policemen.

Here are the facts:

- Civil Service Commission investigators examined some 3600 files covering a four and one-half year period. (These files we maintained to followup on congressional and other personnel referrals.)



- From these 3600 files, CSC identified 37 (1 percent) cases which they alleged were questionable.
- During this four and one-half year period GSA processed some 300,000 applications for jobs and hired over 40,000 employees.

Currently there is a great difference of opinion between GSA and CSC. We disagree strongly with CSC's proposed penalties (dismiss four employees and suspend four others) as being greatly disproportionate to the charges.

I have written a letter to Bob Hampton today asking for a meeting to reconcile our differences.

One final point, adherence to merit principles is a sound policy. But we must be wary of overly strict adherence which results in an inflexibility that is detrimental to effective performance by Departments and Agencies.

I am afraid that we have already reached this state of inflexibility and I would like to discuss this with you, if you so desire.

Respectfully,

(Signed) A. F. Sampson

**ARTHUR F. SAMPSON**  
Administrator

cc: Honorable Phillip W. Buchen  
Counsel to the President

Honorable Donald Rumsfeld  
Assistant to the President



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THE WHITE HOUSE

WASHINGTON

October 4, 1974

MEMORANDUM FOR: PHIL BUCHEN  
THROUGH: WILLIAM E. TIMMONS *for*  
FROM: TOM C. KOROLOGOS *TC*  
SUBJECT: Senator Griffin/John E. Holt

Last evening at the retirees dinner, Senator Robert Griffin (R-Mich) handed me the attached newsclipping entitled: "Mr. President: Help My Father", concerning the plea of John E. Holt's daughter to save her father's job at GSA.

Griffin said: "I'm not telling you to heed this plea, or really urging you to do anything...however, somebody should take a look at this thing..."

I send it unto you for your perusal and seek advice on what I should report back to Griffin.

# 'Mr. President: Help my father'

*Girl pleads for aide fired after revealing 'supersnoop' plan*



**VICTORIA HOLT**  
Appeals for father

—UPI Telephoto



**JOHN E. HOLT**  
Fired by GSA

GSA

Friday 10/4/74

10:15 Mr. Metz said they have been getting calls concerning the dismissal of John Holt. He just wanted you to know of their feelings in the Privacy Committee that they don't feel he should have been dismissed because of his disclosure of the situation in FEDNET.

Said the rumor is that there might be a Congressional investigation but he feels that would be something to be avoided if at all possible.



GSA

THE WHITE HOUSE  
WASHINGTON

October 4, 1974

Dear Miss Holt:

This is in reply to your letter to President Ford dated September 24, 1974, in which you asked him for assistance relating to your father's dismissal from the General Services Administration.

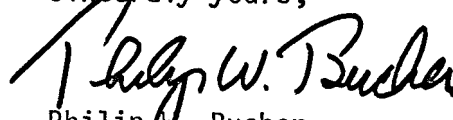
The President asked this office to consider the matter.

When we made inquiries, we found that the issue in this removal case of work performance was under further review by a three-person panel, and we delayed writing you until this procedure had been completed. It seemed only appropriate that we should allow the adopted procedures to take their course.

Today we are advised that as a result, the removal decision has been rescinded and that your father is being given opportunity to remain in his position or to seek reassignment.

Under these circumstances, I am sure you will feel most gratified.

Sincerely yours,



Philip W. Buchen  
Counsel to the President

Miss Victoria Holt  
P.O. Box 3134  
University Park  
Las Cruces, New Mexico 88001





10/7/74

As promised, here's a copy  
of the letter to Victoria Holt  
which we have just mailed out.

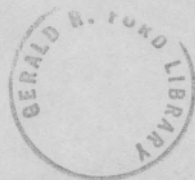
10/7/74 9:40 a. m.



Friday 10/4/74

10:15 Mr. Metz said they have been getting calls concerning the dismissal of John Holt. He just wanted you to know of their feelings in the Privacy Committee that they don't feel he should have been dismissed because of his disclosure of the situation in FEDNET.

Said the rumor is that there might be a Congressional investigation but he feels that would be something to be avoided if at all possible.



P. O. Box 3134  
University Park  
Las Cruces, New Mexico  
September 24, 1974

The White House  
Washington, D. C.

Dear President Ford:

My father needs your help. In the wake of the crumbled administration, the General Services Administration has terminated my father's position with the agency. It stems from illegal campaign solicitations (exploiting federal employees) plus a matching of wits, and finally, abuse of power.

My father, John E. Holt, is employed by the General Services Administration as a research specialist, GS-15, in Washington, D. C. His final date of employment is October 4, 1974. He has held various other positions within the Federal Government since 1948. Through hard and conscientious work, he rose from a GS-2 up to his present grade. He served his term of duty in the United States Army and received an honorable discharge. During a short tenure with Georgetown University, he was instrumental in the development of a system that translates Russian into English in a machine computer. Indeed, his contributions to his country are noteworthy.

*Encl.*  
My father objected vehemently to monies being solicited by the high echelon of the GSA from its employees for political purposes. As a result, a few conducted a personal vendetta against him through unfair practices. They continuously gave him unsatisfactory ratings and demoted him to positions way beneath his intellectual ability. (Incidentally, my father is a graduate of George Washington University with a degree in Electrical Engineering with an option in Machine Computing.) As I see it, this was a deliberate attempt to demoralize and degrade him. The entire episode was in direct violation of our American standards--both legally and morally. But more to the point, it appears to be a continuation of the misconduct that plagued our last administration.

Sir, I am 19 years old, and a sophomore at New Mexico State University majoring in political science. My oldest sister Michelle is a junior at Eastern New Mexico University. My sister Theresa is a sophomore in High School; Anita a freshman. Little Vivianne is less than a year old. We all depend on my father's salary for a livelihood. Not to mention, we have the security of hospitalization while we study free of financial pressures. But now, unless my father has his just day in court, we will be left out in the cold.

My father filed a Complaint of Discrimination in the Federal Government, but unfortunately, it will be difficult proving discrimination because of race, color, religion, sex or national origin. The government does not provide forms on discriminations against honest and hard-working taxpayers who have never learned to keep the most sacred commandments--"see no evil, hear no evil, speak no evil."

I am enclosing a copy of the deposition and other documents which led to his dismissal. My father mailed copies for my perusal and I felt the need to seek your help. But none of these will be of any value when he is out of a job. We are all completely aware of how the government bureaucracy manages to complicate matters, and in the end, does nothing. He can appeal all he wants and all he will get is sympathy. Not only that, but his chances of ever getting a decent job are nil.

It stands to reason that nobody goes from outstanding to unsatisfactory ratings unless he or she gets help from upstairs. Therefore, Your Excellency, I am appealing to you to step in and prevent the dismissal until he has been proven unsatisfactory in his performance. And for heaven sakes, the GSA cannot and should not stand in judgement. But please step in before October 4, 1974.

For my father to be persecuted for freedom of speech indicates that the system in which we live is failing miserably. And at the age of 44, this man may as well give up and join the millions on Welfare rolls and let the system support him. You are an honest man, please help us quickly.

Respectfully yours,

*Victoria Holt*

Victoria Holt

cc: Senator Pete Dominici  
Congressman Manuel Lujan, Jr.  
Senator Joseph Montoya  
Congressman Harold Runnels  
Veterans Administration



MEMORANDUM

Date : JUL 16 1974

Reply to  
Attn of : Commissioner - C

Subject : Notice of Proposed Removal

John E. Hoff  
Office of Agency Assistance, Planning and Policy  
Advanced Planning and Research Division - CPP

This is notice that I propose to remove you from your position of Research and Planning Specialist, GS-301-15, Automated Data and Telecommunications Service, Office of Agency Assistance, Planning and Policy, Advanced Planning and Research Division, and the Federal service no earlier than 30 calendar days from the date you receive this notice. This action is proposed for such cause as will promote the efficiency of the service. The reasons for the proposed action are that although you were issued a notice on February 28, 1974, that your performance was unsatisfactory, and assistance was offered to you, your performance has not improved to a satisfactory level; you have neglected your official duties; and you have made repeated false and defamatory statements about ADTS employees. These reasons are specifically indicated by the following:

1. Your failure to plan, develop, and establish a technical information service that would assist ADTS management in making policy decisions, as well as provide effective support to planning and research activities. This is evidenced by the overall poor quality of your Technical Information Reports, which have not demonstrated thorough and complete research, unbiased and technically sound analysis, and have sometimes dealt with inappropriate subjects. The reports were found to be lacking in technical substance and perspective in relation to the ADTS mission, and



a number of them did not provide adequate reference to source material; others were summaries of your personal perspectives on topics that were neither timely nor associated with any recent technological developments.

From May 23, 1973, to February 28, 1974, you produced only one of your required weekly Technical Information Reports, which were to review the recent technological developments in the fields of ADP and telecommunications. You were informed of the need to resume these reports on a number of occasions, both verbally and in writing, with the last such notification being given on January 9, 1974. Since March 1, 1974, you have produced approximately 50 reports. While the quantity has improved, the technical quality still remains unsatisfactory.

**2. Neglect of your official duties as evidenced by:**

(a) Your memorandum dated January 11, 1974, which outlined several problems you were attempting to resolve that you stated "definitely impaired your ability to engage in productive work." The problems enumerated by you were an appeal to the Comptroller General of the United States on the denial of a 1970 within-grade increase; a grievance and a CSC appeal on your 1971 reduction-in-force, and your potential need to attend hearings at the Labor Department in connection with a NFFE petition. You were advised by memorandum dated January 18, 1974, that your reasons, as stated, did not justify your failure to carry out your officially assigned duties.

(b) A memorandum dated December 7, 1973, from the Director of the Administrative Services Division which advised Dr. Muntner that your frequent non-work related visits to one of the offices was interfering with the performance of the functions of that office. You were advised that there was no objection to your visiting other offices in an official capacity and in the performance of your job functions, but that prolonged social visits would not be tolerated.

(c) Three routing slips, dated March 8, 1974, one addressed to Dr. Muntner, and two addressed to



Mrs. Briscoe, requesting: (1) a complete list of Dr. Muntner's absences from the office and who was acting for him from December 10, 1972, to March 8, 1974; (2) a copy of the attendance records of Ms. Lawander D. Lee and Mr. Kevin McCormick; and (3) a copy of the Executive Training Program reports for the past year, a complete list of all training provided to personnel in the Division, the name of trainee, subject, and dates of training. Such information is not required to perform your official assignments.

**3. Repeated false and defamatory statements by you about ADTS employees. Some examples:**

(a) On February 28, 1974, you stated in a memorandum to Mr. Darrell V. Swayne that "the enclosed document is a good example of prejudiced supervision." This was apparently a reference to Dr. Muntner and a written evaluation he composed of your Technical Information Report of February 26, 1974.

(b) On March 1, 1974, you stated in a memorandum to Mr. Darrell V. Swayne that "the warning notice dated February 28, 1974, is another example of the vendetta Weinstein is engaging in as a result of my revealing his involvement in Hatch Act violations which occurred in GSA."

(c) On February 28, 1974, Mr. Sidney Weinstein asked that you and Dr. Muntner come to his office so that he could deliver to and advise you on the performance rating warning notice. During the meeting you made the following statements:

(1) - that ADTS had purposely assigned a thief as your secretary so as to permit you not to perform some of your duties.

(2) - that the sole reason Mr. Weinstein was giving you the memorandum was because he



was discriminating against you, and that you wanted him to know that you would "nail" him and get him put in jail.

You may review the material relied on to support these reasons by contacting Patricia A. Moore, Office of Personnel, 1121 Vermont Avenue, N.W., Room 1109, telephone 254-6288. If you have questions about the procedures and regulations applicable to your proposed removal, please contact Miss Moore for further explanation.

You may answer this notice personally and in writing to M. S. Meeker, 1121 Vermont Avenue, N.W., Room 1200, Washington, DC 20405, and you may submit affidavits in support of your answer. You will be allowed 15 calendar days from the date you receive this notice to submit your answer. Consideration will be given to extending this period if you submit a request to this office stating your reasons for desiring more time. Full consideration will be given to any answer you submit.

You will be allowed a reasonable amount of official time to review the material relied on to support these reasons, to secure affidavits, and to prepare an answer to this notice. You should arrange with Dr. Michael Muntner for the use of official time.

As soon as possible after your answer is received, or after expiration of the 15-day limit if you do not answer, you will be given a written decision. Until then, you will remain in a regular duty and pay status.

(signed) Warren E. Burton  
for  
M. S. MEEKER  
Commissioner

CPP:MMuntner:sj 7/11/74 x43376  
cc: Official File - CP  
C, CX, BPR, BPOR, BOP, BPOA, CP, CPP  
LR, LP

Concurrences:

CPP  
\_\_\_\_\_  
Dir., Adv. Plang. & Research  
Div.

CP  
\_\_\_\_\_  
A/C - Agency Assistance,  
Planning & Policy

BPOA  
\_\_\_\_\_  
Chief, Archives, ADTS Br.

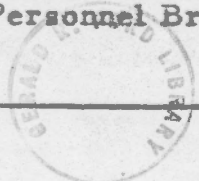
BPOR  
\_\_\_\_\_  
Chief, Employee Relations

LP  
\_\_\_\_\_  
Asst. General Counsel

CXAA  
\_\_\_\_\_  
Chief, Adm. & Personnel Br.

LR  
\_\_\_\_\_  
Asst. General Counsel

CX  
\_\_\_\_\_  
Executive Director





# Firing a GSA Whistle Blower

By John Cramer  
Star-News Staff Writer

General Services Administrator Arthur F. Sampson personally approved the firing of a GS-15 (\$32,000) computer expert who blew the whistle on GSA's plans for a privacy-invading federal computer network called FEDNET.

The expert is John E. Holt, 44, a 22-year government employe with an excellent record and the father of four daughters.

His whistle-blowing prompted both the House and Senate to approve

appropriation language prohibiting use of GSA funds for FEDNET.

**IT ALSO CAUSED** then-Vice President Gerald R. Ford, serving as head of a special committee on privacy invasion, to denounce FEDNET as the forerunner of a "computerized society which threatens to open the most personal affairs of each of us to anyone with access to computer-stored information."

When he failed, in a March memo, to convince his superiors that FEDNET had Orwellian potential for bad, Holt

**9 to 4:30**

took his version to influential members of Congress.

On July 16, Milton S. Meeker, head of the section that had conceived FEDNET, served him with a 90-day notice of proposed dismissal, charging Holt with inefficiency and negligence, making false and defamatory statements against GSA officials and failing to prepare "unbiased and technically sound analysis."

# Washington Star-News

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WASHINGTON, D. C., WEDNESDAY, OCTOBER 2, 1974 — 102 PAGES

# GSA Whistle Blower From the Top

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of proposed dismissal, charging Holt  
with inefficiency and negligence, making  
false and defamatory statements  
against GSA officials and failing to pre-  
pare "unbiased and technically sound  
analysis."

ON JULY 18, Sampson took the  
unusual step of writing Holt that he  
concurred in Meeker's action. He said  
the evidence of "unsatisfactory per-  
formance" was sufficient "to warrant  
your removal to promote the efficiency  
of the service."

Then on July 19, with funds cut off by  
Congress, Sampson issued a press re-  
lease announcing the abandonment of  
FEDNET.

Holt's record includes several glow-  
ing commendations and outstanding  
performance ratings in 1967 and 1968,  
but no ratings in subsequent years

(when he says GS-15s were not rated)  
until GSA began its attempt to fire him.

HE SAYS HE CAN prove his alleged  
"false and defamatory" statements  
about other GSA officials were correct  
statements. He contends other charges  
against him are vague or frivolous.

One, he said, accuses him of absence  
from duty at a time when he was on ap-  
proved annual leave in response to a  
Labor Department request that he at-  
tend a labor relations hearing.

See CRAMER, A-6

ton Star-News

WASHINGTON, D. C., WEDNESDAY, OCTOBER 2, 1974 — 102 PAGES

Tuesday 10/8/74

8:40 In filing the attached exchange of correspondence with Sampson, I have several questions:

Lazarus drafted the reply to the carbon copy of the letter to the President which Sampson sent to you.

To whom did the original letter to the President go? And did anyone reply to it -- not knowing you had prepared a reply?

A copy of the Sampson letter to the President was also marked for Rumsfeld. Did Rumsfeld reply?

Should we send a copy of our reply to Sampson to Mr. Rumsfeld for his information?

Perhaps these matters have all been discussed and taken care of, but I didn't want us to be remiss.

Also, Lazarus noted copies to Areeda and Casselman on his memo to you of 10/4; however, the copies marked for them are still attached to the package so they didn't know of the exchange. Would you want copies sent of your reply to Sampson's letter?



TALKING PAPERS FROM COUNSEL

TO RON NESSEN

ON OCTOBER 8, 1974

I.

BACKGROUND FACTS

The October 8, 1974, St. Louis Post-Dispatch carried a story referring to William E. Casselman, II, Counsel to the President, to the effect that Mr. Casselman "knew about and may have played a role" in attempting to secure a G.S. 4 position for one, James R. Nesbitt, in response to political pressure allegedly exacted by the late, former Congressman John P. Saylor (R.-Pa.). According to the St. Louis Post-Dispatch, Mr. Casselman, while serving as General Counsel for the General Services Administration, forwarded a Saylor request for a G.S. 4 position for Mr. Nesbitt to individuals within G. S. A. and instructed the unnamed individuals in the article to "take action". Mr. Casselman is quoted in the article, through an aide, that he "feels it would be inappropriate for him to comment on this or any other matter that is or might be the subject of litigation".

The events discussed in the Post-Dispatch article relate to a G. S. A. processing of an application for



Mr. Nesbitt in late 1971. Congressman Saylor sponsored Nesbitt for the position and wrote at least two letters to G. S. A. expressing his desire that the agency employ Mr. Nesbitt. Mr. Nesbitt was never employed by the agency. In October, 1973, the United States Civil Service Commission undertook to investigate the facts and circumstances surrounding Mr. Nesbitt's application. As a result of that investigation and others which have been detailed in the Post-Dispatch stories with no reference to Mr. Casselman, certain individuals received or accepted an administrative sanction. At least one of those individuals has elected to seek judicial review of that sanction and that review is presently pending in the United States District Court for the District of Columbia.

## II.

### ANTICIPATED QUESTION

(ANTICIPATED QUESTIONER IS ROBERT ADAMS,  
WASHINGTON CORRESPONDENT FOR THE POST-  
DISPATCH AND AUTHOR OF THE OCTOBER 8,  
1974, ARTICLE.)

In light of the disclosures made in the October 8, 1974, article in the St. Louis Post-Dispatch, where it is



alleged that the President's Counsel, Mr. William E. Casselman, II, was linked to a job favoritism case while serving as G. S. A. counsel, does the Administration have any comment?

III.

SUGGESTED ANSWER BY MR. NESSEN

I am familiar with the story carried in the October 8, 1974, issue of the St. Louis Post-Dispatch. I am informed that the individual whom former Congressman Saylor sponsored was not employed by the agency. I am further informed that this matter, which occurred in late 1971, was investigated by the Civil Service Commission and that the investigation was concluded in 1973 and that Mr. Casselman was not implicated in any way in that investigation. Finally, I am informed that at least one G. S. A. employee may have been implicated in this particular matter and/or others and has appealed <sup>(AN APOURSE)</sup> ~~the~~ Civil Service Commission ruling to a United States District Court <sup>BECAUSE OF THIS LITIGATION,</sup> ~~and is presently litigating his position there.~~ ~~In light of these facts,~~ further comment is deemed inappropriate.



# Ford Aid Linked To Favoritism Case When He Was A GSA Official

By ROBERT ADAMS

A Washington Correspondent  
of the Post-Dispatch

WASHINGTON, Oct. 3—William E. Casselman, II, who is now a counsel to President Gerald R. Ford, knew about and may have played a role in extraordinary efforts to place a Republican House job in 1971 and 1972, the Post-Dispatch job in 1971 and 1-877, the Post-Dispatch learned today.

The United States Civil Service Commission Inter cited that case as one in which preferential treatment was allegedly given to a candidate for a civil service job in apparent violation of merit principles.

The incident took place while Casselman was general counsel for the General Services Administration. The Civil Service Commission has charged eight GSA staff members with allegedly giving preferential

reatment to certain job candidates.

Documents obtained by the Post-Dispatch confirm a report last Wednesday of Casselman's possible involvement. It marked the first indication that a member of Mr. Ford's staff had been linked to an incident involving possible violation of Civil Service rules while at another agency.

Less than three weeks ago, President Ford issued a directive to all heads of federal agencies and departments urging them to comply with the Civil Service laws. He called on the officials to respect the merit system and keep political considerations out of career jobs.

Casselman, through an aid, refused to comment.

The aid, Barry Roth, said Casselman "feels it would be inappropriate for him to comment on this or any other matter that is or might be the subject of litigation." Two of the eight GSA staff members have gone to court to challenge the Civil Service Commission's charges.

The case in question involved what the commission later called "all kinds of special efforts" to place James R. Nesbit, a factory worker from Reynoldsville, Pa., as a protective officer with GSA. Nesbit had been referred to GSA by the late John P. Saylor, a Republican Representative from Pennsylvania.

In a Jan. 17, 1972 letter to Saylor, Casselman detailed some of the efforts GSA was making to place Nesbit. A copy of the letter was obtained by the Post-Dispatch.

The letter indicates Casselman's awareness of an apparent willingness on GSA's part to hire Nesbit despite a Government-wide hiring freeze then in effect.

It shows also that Casselman knew about an extraordinary, 200-mile trip made by a GSA personnel officer to Nesbit's home in rural Pennsylvania. Knowledgeable sources said it was the only time in memory that a GSA staff member had journeyed to the home of a person seeking a job as a building guard for the purpose of interviewing him. Normally, such low-paying jobs are filled through routine Civil Service channels.

Another document, an internal staff memorandum dated Nov. 18, 1971, referred to a conversation in which Casselman was said to have told Saylor that GSA would take action to recruit Nesbit for the protective officer's job.

"Casselman's interest was known by everybody there," one source familiar with the case told the Post-Dispatch. "If there had been a one-plus priority, this would have been it."

According to a confidential Civil Service report on the "special referral unit" in GSA, Nesbit was offered two jobs as



William E. Casselman II

TURN TO PAGE 4, COL. 1



October 9, 1974

Holt, John

Dear Mr. Wolkowir:

The President has asked me to respond to your letter of October fourth, concerning the case of John Holt, an employee of the General Services Administration.

On September 24, Mr. Holt's daughter wrote to the President expressing concern that her father was being improperly discharged from his position. While a response was being prepared to her letter, a three-person review board made the determination to rescind the original decision and consequently he will continue in his present position or be given the opportunity to seek reassignment.

Thank you very much for your inquiry.

Sincerely yours,

Philip W. Suchan  
Counsel to the President

Mr. Nathan T. Wolkowir, President  
National Federation of Federal Employees  
1737 H Street, N.W.  
Washington, D. C. 20006

PWB:em





# NATIONAL FEDERATION OF FEDERAL EMPLOYEES

1737 H STREET, NORTHWEST, WASHINGTON, D. C. 20006



VICE PRESIDENTS: REGION 1, BENNETT C. JOSEPH, BATH, N.Y. • REGION 2, INEZ F. HOWARD, ORANGE, N.J. • REGION 3, LEWIS W. FUSSELL, PANAMA CITY, FLA. • REGION 4, SARAH B. BUETTNER, TEXARKANA, TEX. • REGION 5, LAWRENCE A. BOYER, TUCSON, ARIZ. • REGION 6, JAMES O. PETERSON, RIVERSIDE, CAL. • REGION 7, ALBERT W. LAMPTON, RICHLAND, WASH. • REGION 8, SHELTON M. ESTES, MINNEAPOLIS, MINN. • REGION 9, ABRAHAM ORLOFSKY, CHICAGO, ILL.

HAN T. WOLKOMIR, President  
M. HARTZ, Secretary-Treasurer

IN REPLY REFER TO:  
GT - 1705

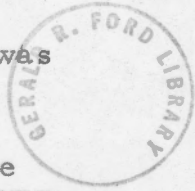
*W. Wilson*

October 4, 1974

The President  
The White House  
Washington, D. C.

Dear Mr. President:

This will be the first time I have written to the President of the United States about the concerns of a single civil servant. But extraordinary events demand extraordinary measures and, therefore, I am compelled to take this highly unusual step. I speak of John E. Holt, a computer expert who has been fired by the General Services Administration. But beyond the issue of John Holt is the broader issue of a citizen's right to speak and the American public's right to know. Mr. Holt's case is unusual only because he spoke out. That he was fired for doing so is, unfortunately, not unusual.



Mr. President, the media reports that while you were Vice President you were instrumental in the defeat of GSA's project FEDNET; that you characterized FEDNET as a threat to the personal lives of thousands of people. John Holt was the first person to point out the defects of project FEDNET. First to the GSA and then, when he was unceremoniously told to mind his own business, to the Congress. Now, the GSA has fired him. There can be no doubt that the GSA removed him because of this and other revelations he has made. Mr. Holt is also responsible for earlier revealing a serious infraction of the Hatch Act which resulted in the disciplining of six persons.

John Holt has been an outstanding employee and has been responsible for saving the taxpayers millions of dollars. Computer systems that he worked on are still in use and continue to save additional dollars. He is a valuable employee with 22 years of government service.

October 4, 1974

Mr. President, you recently affirmed your support for the career civil servant. In your memorandum of September 20, 1974, you observed that due chiefly to efforts of the career civil servants the Government could function under even the most difficult circumstances. You asked that the "...merit principles contained in the Civil Service Act and the personnel laws and regulations... (be)... fully and effectively carried out... (and that)... the agencies fully (comply) with both the letter and the spirit of the law..."

The average Federal employee does not believe that he or she will be protected in the exercise of his rights. They see what happens to the Ernest Fitzgerald's, the Gordon Rule's and the John Holt's. They know that if they criticize, if they reveal embarrassing facts, their careers will be on the line. They know to a certainty that they have virtually no chance of winning an appeal. They see that those few who do succeed do so only at enormous costs both personal and financial. The Ernest Fitzgerald case cost a reported quarter of a million dollars and took four long years to resolve. Federal employees see this and know they are playing with a stacked deck. They have mortgage payments to make, a family to support, and children in college. They see all of this and they are silent. It takes an unusual and courageous person to reveal facts which will probably cost him his job.

Mr. President, this country needs more Gordon Rule's, Ernest Fitzgerald's and John Holt's. What is needed is men and women who are unafraid and willing to speak the truth. In revealing wasteful practices, or as in the case of FEDNET, something that constitutes a threat to the personal lives of thousands of people, these dedicated men and women perform service for which they will never be adequately compensated and may in fact be forever stigmatized.

What is needed, Mr. President, is a clear signal from you that the civil servant will be protected. I believe that there are many projects "FEDNET's," that there are many cost overruns and many wasteful contracts which are never revealed. Millions of dollars could be saved by stopping these boondoggles. I, therefore ask, Mr. President, that you publicly proclaim your support of those Americans who have had the courage to speak out even at the risk of their jobs. I ask that you support legislation that will protect and encourage the John Holt's of this country to speak out. Finally, Mr. President, I urge that you order the GSA to reconsider its decision to remove Mr. Holt. His last day of work will be October 4, 1974.

Sincerely,

Mate' Wolkomir



UNITED STATES OF AMERICA  
GENERAL SERVICES ADMINISTRATION  
WASHINGTON, DC 20405



OCT 23 1974

Honorable Sam J. Ervin, Jr.  
Chairman, Committee on  
Government Operations  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

The Congress has expressed serious concern with the very important public policy issue of privacy and security as it relates to the acquisition of major automatic data processing (ADP) equipment, including teleprocessing and data communications systems. GSA shares this concern and its potential threat to the privacy of individuals.

During congressional hearings I stated that until legislation is passed or other guidelines are promulgated, GSA will consult with the Congress on each procurement involving major ADP, teleprocessing, and data communications systems.

On October 1 a Temporary Federal Property Management Regulation establishing the procedures to meet this commitment was issued. A copy of this Regulation is enclosed for your convenience. These procedures allow for expeditious processing of requirements for systems necessary to meet the complex needs of Government. In addition to the Temporary Federal Property Management Regulation I have established a GSA Privacy Board. This organization will ensure that information practices followed within GSA for both manual and automated systems are consistent with the overall goal of protecting the individual's right to privacy.

We are committed to working jointly with Congress on our major objectives for the preservation of privacy in our society and serving the public interest through efficiency and economy by the utilization of modern computer and communications technology.

Sincerely,

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

Arthur F. Sampson  
Administrator

Enclosure

cc; Honorable Philip W. Buchen  
Counsel to the President  
The White House



Identical Letter Sent To:

Honorable Chet Holifield  
Chairman, Committee on Government Operations  
House of Representatives

Honorable Joseph M. Montoya  
Chairman, Subcommittee on Treasury,  
U.S. Postal Service and General Government  
Committee on Appropriations  
United States Senate

Honorable Tom Steed  
Chairman, Subcommittee on Treasury,  
Postal Service and General Government  
Committee on Appropriations  
House of Representatives

Honorable Jack Brooks  
Chairman, Subcommittee on Government Activities  
Committee on Government Operations  
House of Representatives

Honorable William S. Moorhead  
Chairman, Subcommittee on Foreign Operations  
and Government Information  
Committee on Government Operations  
House of Representatives

Honorable John E. Moss  
House of Representatives



*Wm. B. Holt* *John Holt* *GSA*  
NATIONAL FEDERATION OF FEDERAL EMPLOYEES

1737 H STREET, NORTHWEST, WASHINGTON, D. C. 20006 *John Holt*



VICE PRESIDENTS: REGION 1, BENNETT C. JOSEPH, JR., BATH, N.Y. • REGION 2, INEZ F. HOWARD, ORANGE, N.J. • REGION 3, LEWIS W. FUSSELL, PANAMA CITY, FLA. • REGION 4, CHARLES D. STEPHENS, NORTH LITTLE ROCK, ARK. • REGION 5, JOSEPH V. CHIARELLA, PHOENIX, ARIZ. • REGION 6, JAMES O. PETERSON, RIVERSIDE, CAL. • REGION 7, ALBERT W. LAMPTON, RICHLAND, WASH. • REGION 8, WALTER J. BURKE, JR., ST. LOUIS, MO. • REGION 9, ABRAHAM ORLOFSKY, CHICAGO, ILL.

NATHAN T. WOLKOMIR, President  
RITA M. HARTZ, Secretary-Treasurer

IN REPLY REFER TO:  
GT-White House

November 5, 1974

Mr. Philip W. Buchen  
Counsel to the President  
The White House  
Washington, D. C.

Dear Mr. Buchen:

We appreciate your letter of October 9, 1974, regarding the John Holt case.

The Holt case was, of course, of particular interest and was exceptional in that it was resolved in favor of the employee. There are, however, thousands of other cases that are not favorably resolved and Federal employees are well aware of this. The chilling effect this knowledge has on the willingness of Federal employees to reveal facts which may be of benefit to the taxpayer is tremendous. We are convinced that if Federal employees were protected in situations where they reveal embarrassing facts, they would be willing to come forward. The result would be a more open government and, I believe, a very considerable savings to the taxpayer.

*\**  
We believe there are ways to encourage Federal employees to come forward. We think this would be of great benefit to the taxpayer and improve the efficiency of the government. Accordingly, we are requesting a meeting with you to discuss these possibilities.

Sincerely,

*N. T. Wolkomir*

N. T. Wolkomir  
President



186B  
12/18

UNITED STATES OF AMERICA  
GENERAL SERVICES ADMINISTRATION  
WASHINGTON, DC 20405

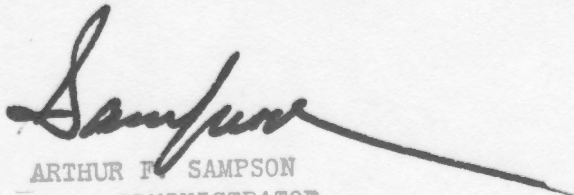


DEC 17 1974

MEMORANDUM TO: Honorable Philip W. Buchen  
Counsel to the President

SUBJECT : Proposed guidelines for declassification and release  
of Office of Censorship records and documents

Enclosed herewith are the amended proposed guidelines and the letter to the President requesting his approval. They incorporate the suggestions made by Mr. Stanley Ebner, General Counsel, Office of Management and Budget, which were forwarded to me on February 28, 1974, with the exception that Part C now reflects that in cases of conflict between the provisions of the guidelines and those of Executive Order 11652 or its successor, those of the Executive order shall govern. This change, designed to prevent any legal conflicts concerning the preemption of the provisions of an Executive order, has been communicated to and concurred in by Mr. Ebner.

  
ARTHUR F. SAMPSON  
ADMINISTRATOR

Enclosures



UNITED STATES OF AMERICA  
GENERAL SERVICES ADMINISTRATION  
WASHINGTON, D.C. 20405



DEC 17 1974

MEMORANDUM TO: Honorable Philip W. Buchen  
Counsel to the President

SUBJECT : Proposed guidelines for declassification and release  
of Office of Censorship records and documents

Enclosed herewith are the amended proposed guidelines and the letter to the President requesting his approval. They incorporate the suggestions made by Mr. Stanley Ebner, General Counsel, Office of Management and Budget, which were forwarded to me on February 28, 1974, with the exception that Part C now reflects that in cases of conflict between the provisions of the guidelines and those of Executive Order 11652 or its successor, those of the Executive order shall govern. This change, designed to prevent any legal conflicts concerning the preemption of the provisions of an Executive order, has been communicated to and concurred in by Mr. Ebner.

ARTHUR F. SAMPSON  
ADMINISTRATOR

Enclosures



UNITED STATES OF AMERICA  
GENERAL SERVICES ADMINISTRATION  
WASHINGTON, DC 20405



DEC 17 1974

The President  
The White House  
Washington, DC 20500

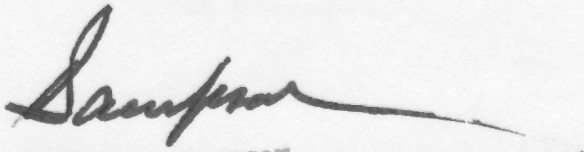
Dear Mr. President:

At the recommendation of Byron Price, Director, Office of Censorship, President Truman, on August 8, 1945, approved an arrangement under which one copy of certain records and documents of that Office was deposited in the National Archives, under seal, and all other copies were destroyed. As the custodian of those records, I now recommend that that seal be removed and that certain of those records be declassified and released in accordance with the guidelines that are enclosed and made a part of this letter. These guidelines were prepared in accordance with the dictates of Executive Order 11652.

Representatives of the State Department, Central Intelligence Agency, and the National Security Agency have been consulted and have concurred in these actions.

Please signify your approval or disapproval of these actions on the appropriate line below.

Respectfully,

  
ARTHUR F. SAMPSON  
ADMINISTRATOR

Enclosure

Approved: \_\_\_\_\_

Date : \_\_\_\_\_

Disapproved: \_\_\_\_\_

Date : \_\_\_\_\_



GUIDELINES FOR DECLASSIFICATION AND RELEASE OF  
OFFICE OF CENSORSHIP RECORDS AND DOCUMENTS

The President of the United States has removed the "seal" formerly placed on Office of Censorship records and approved these guidelines. The Archivist of the United States shall implement these guidelines for the systematic review for declassification and release of records and documents originated by the World War II Office of Censorship, which have been accessioned by the National Archives and Records Service into the National Archives of the United States.

Part A

All national security-classified information originated by the Office of Censorship is automatically declassified except that information and material categorized under paragraphs 1, 2, or 3 of this part and determined by specialists of the named Departments or agencies of primary subject-matter interest as requiring continued protection. Emphasis will be upon declassification. National security information and material requiring continued protection and exemption from declassification following review shall be listed in accordance with Section 5(E) of Executive Order 11652 and referred through the head of Department to the Archivist of the United States. Only national security information and material originated by the Office of Censorship of the following categories may be exempted from disclosure under Section 552(b)(1) of Title 5, United States Code (Freedom of Information Act):

1. Information concerning communications intelligence or cryptography and their related activities. All such information which might still be sensitive will be referred to the National Security Agency for final determination on declassification and release or the need for continued security protection.

2. Information of an intelligence methodological nature concerning secret writing and microphotography. All such information which might still be sensitive will be referred to the Central Intelligence Agency for final determination on declassification and release or the need for continued security protection.

3. Information concerning foreign governmental censorship activities as disclosed by U.S. liaison with foreign censorship agencies not previously declassified. All such information which might still be sensitive will be referred to the Department of State for guidance and consultation in determining whether to declassify or whether the need for continued protection exists.



## Part B

Information in Office of Censorship intercept and similar files concerning individuals and organizations the disclosure of which would constitute a clearly unwarranted invasion of personal privacy (cf. Section 552(b)(6) of Title 5, United States Code) will normally be exempted from release until 50 calendar years after its origin. Such information may be further defined as:

1. All information clearly identifying individuals or organizations whose communications were intercepted, were the object of surveillance or were of particular interest to the intelligence agencies of the United States or its Allies, including the following:

(a) Originals, photocopies, or transcripts of intercepted communications;

(b) Submission slips (extracts from intercepted communications);

(c) Daily reports, also known as "Dayreps" (Office of Censorship messages to stations providing background information on persons and organizations of interest to the Office of Censorship);

(d) Special watch instructions, also known as SWIs (instructions or supplemental information on particular persons, addresses, organizations, etc., whose communications are to be intercepted);

(e) Watch lists/flash lists (lists of persons, organizations, addresses, etc., with indicator of subject interest, whose communications are to be intercepted), including proposed entries and deletions;

(f) White lists (names of persons whose communications were to be bypassed without examination) including entries and deletions thereto;

(g) Border watch/flash lists (names of persons whose communications across the U.S. borders were of particular interest to a local censorship station), including entries and deletions thereto.

2. All information identifying individuals or organizations involved in complaints or recommendations about carrying out the specific provisions of the Codes of Wartime Practices for the American Press and Broadcasters not previously wholly released.

3. All requests for information of the types described in Part B of these guidelines shall be referred to the Director, Office of Preparedness, GSA, for a determination as to whether that information can be released in whole or in part or should continue to be exempted from public disclosure.



## Part C

In any case in which the provisions of these guidelines are inconsistent with the provisions of Executive Order 11652 of March 8, 1972, or its successor, the provisions of the Executive order shall govern.

