The original documents are located in Box 16, folder "Mineral Leasing Bill" of the Michael Raoul-Duval Papers at the Gerald R. Ford Presidential Library.

July 3, 1976

MEMORANDUM FOR: DICK CHENEY

FROM: MIKE DUVAL

Dick, here's one way to handle the Mineral Leasing Bill patterned after Eisenhower's veto of the Natural Gas Decontrol Act in the 50's. At that time, Ike decided to veto -- against his judgment on the bill's substance -- because it had been alleged that one Senator had been bought off. Ike explained his position on essentially moral grounds and urged Congress to reenact the bill without any question of impropriety.

My thought is that the President could veto Mineral Leasing and say that he agrees (in balance) with the substance of the bill but because of the untrue allegations of the Post, he will veto to avoid any suggestion of impropriety.

He should go on to urge Congress to quickly reenact the bill after the Republican National Convention and that he would sign it.

FOR IMMEDIATE RELEASE JULY 3, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE SENATE OF THE UNITED STATES:

I am returning to the Congress today without my approval S. 391, the Federal Coal Leasing Amendments Act of 1975.

This bill addresses two essential issues: the form of Federal assistance for communities affected by development of Federally-owned minerals, and the way that Federal procedures for the leasing of coal should be modernized.

On the first of these issues, I am in total agreement with the Congress that the Federal Government should provide assistance, and I concur in the form of assistance adopted by the Congress in S. 391. Specifically, I pledge my support for increasing the State share of Federal leasing revenues from 37-1/2 percent to 50 percent.

Last January I proposed to the Congress the Federal Energy Impact Assistance Act to meet the same assistance problem, but in a different way. My proposal called for a program of grants, loans and loan guarantees for communities in both coastal and inland States affected by development of Federal energy resources such as gas, oil and coal.

The Congress has agreed with me that impact assistance in the form I proposed should be provided for coastal States, and I hope to be able to sign appropriate legislation in the near future.

However, in the case of States affected by S. 391 -- most of which are inland, the Congress by overwhelming majority has voted to expand the more traditional sharing of Federal leasing revenues, raising the State share of those revenues by one third. If S. 391 were limited to that provision, I would sign it.

Unfortunately, however, S. 391 is also littered with many other provisions which would insert so many rigidities, complications, and burdensome regulations into Federal leasing procedures that it would inhibit coal production on Federal lands, probably raise prices for consumers, and ultimately delay our achievement of energy independence.

I object in particular to the way that S. 391 restricts the flexibility of the Secretary of the Interior in setting the terms of individual leases so that a variety of conditions -- physical, environmental and economic -- can be taken into account. S. 391 would require a minimum royalty of 12-1/2 percent, more than is necessary in all cases. S. 391 would also defer bonus payments -- payments by the lessee to the Government usually made at the front end of the lease -- on 50 percent of the acreage, an

more

unnecessarily stringent provision. This bill would also require production within 10 years, with no additional flexibility. Furthermore it would require approval of operating and reclamation plans within three years of lease issuance. While such terms may be appropriate in many lease transactions -- or perhaps most of them -- such rigid requirements will nevertheless serve to setback efforts to accelerate coal production.

Other provisions of S. 391 will unduly delay the development of our coal reserves by setting up new administrative roadblocks. In particular, S. 391 requires detailed anti-trust review of all leases, no matter how small; it requires four sets of public hearings where one or two would suffice, and it authorizes States to delay the process where National forests -- a Federal responsibility -- are concerned.

Still other provisions of the bill are simply unnecessary. For instance, one provision requires comprehensive Federal exploration of coal resources. This provision is not needed because the Secretary of the Interior already has -- and is prepared to exercise -- the authority to require prospective bidders to furnish the Department with all of their exploration data so that the Secretary, in dealing with them, will do so knowing as much about the coal resources covered as the prospective lessees.

For all of these reasons, I believe that S. 391 would have an adverse impact on our domestic coal production. On the other hand, I agree with the sponsors of this legislation that there are sound reasons for providing in Federal law -- not simply in Federal regulations -- a new Federal coal policy that will assure a fair and effective mechanism for future leasing.

Accordingly, I ask the Congress to work with me in developing legislation that would meet the objections I have outlined and would also increase the State share of Federal leasing revenues.

GERALD R. FORD

THE WHITE HOUSE,

July 3, 1976.

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