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Q

*Think this
will be good*

RFEF

THE VICE PRESIDENT
WASHINGTON

May 2, 1975

MEMORANDUM FOR: THE PRESIDENT
FROM: THE VICE PRESIDENT
SUBJECT: Domestic Council Review Group: Energy and Resource Policy and Finance

In response to your suggestion at our meeting on March 6 on the need to develop a program of positive action to meet the unemployment problem through the revitalization of the private enterprise system, you asked me to develop, with members of the Domestic Council, a more specific proposal.

What follows is a broad outline of a proposal developed out of my consultations with the following members of the Domestic Council:

The Secretary of the Treasury
The Secretary of Commerce
Director, Office of Management and Budget
Administrator of the Federal Energy Administration
Chairman of The Council of Economic Advisers
Counsellor to the President for Economic Affairs
Assistant to the President for Domestic Affairs
Deputy Director of the Domestic Council

Labov



ENERGY AND RESOURCE POLICY AND FINANCE

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The challenge before the nation is to devise a program:

- to strengthen the free enterprise system;
- to stimulate the economy and increase its productivity;
- to create productive jobs; and

- to achieve self-sufficiency in energy and raw materials while at the same time helping to restore confidence in government's ability to act effectively and confidence in the capacity of our free enterprise system to meet the people's needs.

This could be accomplished by legislation to create an energy and resource policy and finance corporation.

The prospects for tomorrow, for the years ahead, are far from promising -- unless action is taken now to meet the situation.

Action can be taken effectively -- action that recognizes the interrelationships of all these critical elements -- action that can help meet the urgencies for today and the needs of tomorrow.

Objectives:

~~A key to the whole effort is a self-liquidating financing vehicle sponsored and chartered by the Federal government that can:~~

1. Achieve the President's goal of energy self-sufficiency by 1985;
2. Assure adequate supplies of essential raw materials or their substitutes;
3. Assure the provision of essential transportation services;
4. Have the capacity to finance the conversion of vacant or underutilized plants to produce materials essential to achieve the above.

Operations:

The operation of this corporation will be to make investments in the capital facilities and equipment needed to achieve the foregoing objectives, and to do so through guarantees, loans, equity investments, construction or purchase, and lease or sale or other financing mechanisms.

Financing:

Initial capitalization of up to \$5 billion through the sale of common stock to the United States Treasury.

Authorization to issue up to \$200 billion in government-guaranteed obligations.

These obligations would be available for purchase by foreign, as well as domestic, investors.



New

Powers:

The corporation would have the broadest powers, on a self-liquidating basis, to carry on its operations and to establish subsidiary corporations for special purposes.

Organization:

Management of the corporation would be vested in a Board of Directors consisting of five (5) persons appointed by the President, by and with the advice and consent of the Senate. Of the five, all of whom would serve full-time, in staggered terms, not more than three could be members of any one political party and not more than one could be from each Federal Reserve district.

Termination:

The authority of the corporation to make investments or to make new financing arrangements will terminate ten years after its establishment.

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At meetings this morning with:

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The Secretary of State

The Secretary of Commerce

The Chairman of the Federal Reserve System; and

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George Woods, Former President of the World Bank

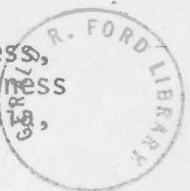
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David Packard has agreed to get together a top group from business, industry, and finance to meet with me confidentially at the Business Council Conference a week from today in Hot Springs, West Virginia, to get their thought on the subject.

Target date for a report back to you is May 16, 1975.



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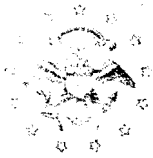
- Your vision for the future of America;
- Your confidence in the tremendous opportunities that lie ahead;
- What is necessary for us in order to restore the people's faith in the future of America.

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APPROVE _____

DISAPPROVE _____





THE VICE PRESIDENT
WASHINGTON

May 2, 1975

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APPROVE

RAZ.

DISAPPROVE

THE WHITE HOUSE
WASHINGTON

FYI

JMC:

Dick Allison called to say
that the Vice President
invited Rod Hills to attend
the meeting on Monday.

May 2, 1975





THE VICE PRESIDENT

WASHINGTON

May 2, 1975



MEMORANDUM FOR: The Secretary of the Treasury
The Secretary of Commerce
The Secretary of Labor
Director, Office of Management and Budget
Chairman, Federal Reserve System
Administrator of the Federal Energy Administration
Chairman of the Council of Economic Advisers
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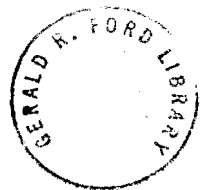
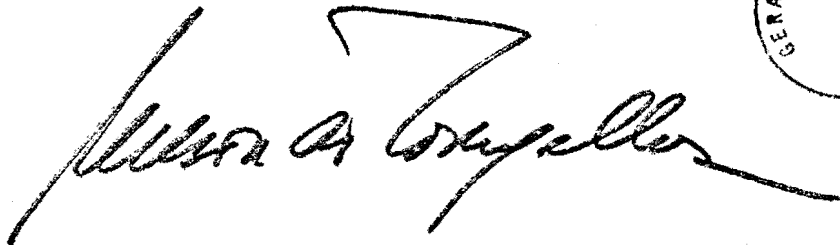
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The study will be prepared by the Domestic Council staff in cooperation with appropriate representatives of your departments.

The study will be completed by May 14, 1975, for review by the Vice President prior to its consideration by the President.

FIRST WORKING MEETING

You and/or your representative are invited to attend the first working meeting of this Domestic Council Study Group; the meeting is scheduled for Monday, May 5th in the Roosevelt Room in the White House at 2:30 P.M.



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OFFICE OF THE VICE PRESIDENT
WASHINGTON

May 4, 1975

MEMORANDUM FOR: THE VICE PRESIDENT
FROM: DICK ALLISON
SUBJECT: Domestic Council Review Groups -
Preparation for a Meeting of the
Domestic Council

1. At your request, I have prepared and attached a list of subject-areas for study by Domestic Council review groups.

2. After this list has been discussed and revised, a draft meeting briefing paper for the President will be prepared.

Attachment

cc: Jim Cannon
Dick Dunham

1000

[Handwritten signature]

DRAFT

SUBJECT AREAS OF STUDY BY DOMESTIC COUNCIL REVIEW GROUPS

I. Elements of Presentation by the President to a Meeting of the Domestic Council

A. Comments on response to the Vice President's February 27 Memo requesting Departmental and Agency estimates of national domestic needs and major policy problems.

B. Review of the double mission of Domestic Council:

1. Staff support;
2. Review groups.

C. Reorganization of Domestic Council.

D. Discussion and designation of Review Groups and establishment of study plans.

II. List of Domestic Council Review Groups Established or Pending

A. Continued (as Domestic Council Committees)

1. Bicentennial;
2. Illegal alien;
3. Land use;
4. Privacy.

B. Approved:

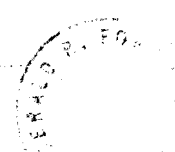
1. Study of U.S. Environmental Policy;
2. Federal Effort in the Prevention and Treatment of Drug Abuse.

C. Pending:

1. Federal Social Programs.

D. Tentative

1. Deregulation;
2. Summer Youth Unemployment.



III. Additional Proposals for Domestic Council Review Groups

A. Crime:

1. Description:

- For a law-abiding and safe America where person and property are secure.

- Unsafe cities, insecure suburbs, and exposed rural areas do not represent a sound base for a productive society of free individuals.

2. Proposal:

- A revision of law, of enforcement activities, of courts and prosecutors, and of procedures designed to protect individuals and properties against crime and to deal expeditiously with criminal offenders.

- reform of the Federal criminal code;

- program for dealing with career criminals (habitual offenders);

- white collar crime and official corruption;

- handgun control;

- Federal assistance to state and local criminal justice systems;

- drug enforcement (cf. drug study already approved).

B. National Transportation Policy:

1. Description:

- A vital America is one that can move; whose people and whose goods can move expeditiously. All our transport is in serious trouble:

(1) The private automobile and the industry that fabricates it;

(2) The railroads are bankrupt or on their way to it;

(3) The merchant marine is in dire straits;

(4) Urban and metropolitan transit are in serious difficulties, as is public transit in rural areas.

2. Proposal:

- To develop a coordinated and integrated overall passenger and freight policy in the following aspects:

- Auto
- Bus
- Truck
- Rail
- Air
- Sea

C. Housing:

1. Description:

- To accomplish a significant expansion of mortgage credit for homebuilding and construction generally, to encourage the building industry to reappear in the marketplace, and to go forward with new construction.

- To provide the means for establishing an effective dialogue between labor, the banking community, the pension funds, and the construction industry.

2. Proposal:

- Immediate creation of a small inhouse study group which would examine the feasibility of two separate projects:

- The means by which the \$275 billion private and public pensions can provide an immediate voluntary infusion of \$6 billion in housing and mortgage money for new construction purposes;

- To determine the means by which the pension funds could serve as a continuing and major source of housing and construction financing.



D. Making the Federal System More Effective:

1. Organization and Management of the Executive Branch:

a. Description:

- The federal government's executive branch is neither working well nor efficiently. It is serving itself instead of the public.

- It is in need of:

- Managerial reform;
- Structural changes;
- Commonly defined objectives;
- Fiscal responsibility;
- Increased accountability;
- Innovative experimentation;
- Substantial reductions in the cost of administration of Federal programs;
- The work of previous commissions (Hoover, Ash, etc.) needs to be updated;
- Particularly timely would be a review and report due in 1976, the bicentennial anniversary of our Independence.

b. Proposal:

- "To improve the organization and management of the Executive Branch and to 'belt up' the Administrative System," Presidential Commission to make recommendations on: ^a

- The improvement of administration and management of Federal programs;
- Reorganization;
- Improving motivation of federal employees;
- Changes in structure;
- Establishment of pilot projects to explore new forms of government administration.



E. State of the Nation

- To determine the feasibility of a periodic reporting system on selected aspects of the State of the Nation, through a series of statistical readings and interpretive comments on where we are going as a nation and as a society.

F. Bicentennial:

- To make the bicentennial a focal point for those activities which involve a celebration of the spirit and ideals upon which this nation was founded, with concentration on the challenges of the future which will require us to adopt these fundamental ideas to a new world.

- To make the bicentennial a point of moral, spiritual, and political reassessment.





THE VICE PRESIDENT
WASHINGTON

May 6, 1975

MEMORANDUM FOR:

The Secretary of the Treasury
The Secretary of Commerce
The Secretary of Labor
Director, Office of Management
and Budget
Chairman, Federal Reserve System
Administrator, the Federal Energy
Administration
Chairman, Council of Economic
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Assistant to the President
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Deputy Director of the Domestic
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FROM:

THE VICE PRESIDENT

SUBJECT:

Domestic Council Review Group:
Energy and Resource Policy and
Finance

1. My thanks to you and/or your representative for attending the first working meeting of this Domestic Council Study Group this afternoon.
2. In order to meet our reporting date of May 14, I feel that, by the close of business on Wednesday, May 8, I should have in my hands:



- a. Your brief but authoritative assessments of five of the most important energy projects which are currently delayed - with serious implications for the future strength and vitality of our economy; and
 - b. For each of these five projects, the type of financing that could be developed by the financing vehicle which we are contemplating; and, in response to the President's request, how that financing would actually work.
3. It would be convenient if you could send your replies, and direct your questions, to Dick Dunham's assistant, Paul Leach, Room #234 OEOB, ext. 7082.

Wm. D. Ray



W. Ford on

5/7/75

~~15/15~~

venture for

plus letters

with in a

under



5-8-75

As promised

CW

THIS MATERIAL IS BEING

SENT TO YOU

WITH THE COMPLIMENTS OF

DR. CHARLS E. WALKER

THURSDAY, JANUARY 23, 1975

The Washington Post

AN INDEPENDENT NEWSPAPER

Charls E. Walker

Backing Loans to Business

Some opponents of an NGA argue that the federal government has not and should not intervene to help major businesses faced with temporary credit strains. But, despite all its shortcomings, the RFC did make some \$40 billion in loans over two decades. In addition, the Overseas Private Investment Corporation and predecessor government agencies have provided political risk insurance to business (mostly big) on \$7.6 billion of U.S. investments in less developed countries since 1948.

Some items in this folder were not digitized because it contains copyrighted materials. Please contact the Gerald R. Ford Presidential Library for access to these materials.

THE VICE PRESIDENT

WASHINGTON

May 2, 1975

MEMORANDUM FOR: The Secretary of the Treasury
The Secretary of Commerce
The Secretary of Labor
Director, Office of Management and Budget
Chairman, Federal Reserve System
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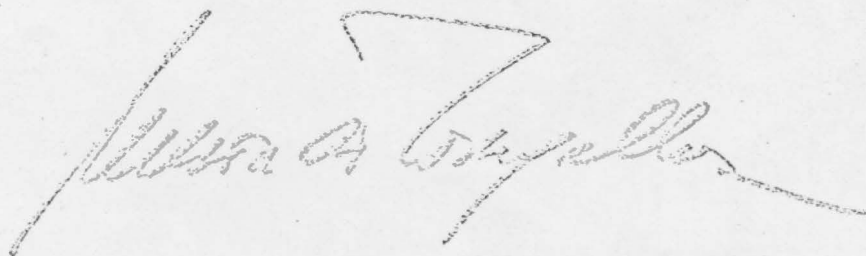
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A large, stylized handwritten signature, likely of Henry A. Kissinger, is written in dark ink at the bottom of the page. The signature is fluid and cursive, with a prominent 'H' and 'K'.

THE VICE PRESIDENT

WASHINGTON

May 5, 1975

MEMORANDUM FOR:

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Wm. S. Rogers



May 12, 1975

MEMORANDUM FOR THE VICE PRESIDENT

FROM:

JACK VENEMAN /s/

The attached letters from Howard Allen of Southern California Edison verifies the need of a Energy Resource Corporation similar to the proposal you have put forth.

Attachments

✓cc: Jim Cannon





OFFICE OF THE VICE PRESIDENT
WASHINGTON

May 12, 1975

Mr. Howard P. Allen
Executive Vice President
Southern California Edison Company
P. O. Box 800
2244 Walnut Grove Avenue
Rosemead, California 91770

Dear Howard:

Thank you for your letter of May 1st regarding the difficulty the utility companies are having in obtaining adequate capital for new plant construction. This is an issue that is of interest to the Vice President. In fact, he is working on a proposal that would generate capital for projects such as these.

I have forwarded a copy of your letter to Jim Cannon, Director of the Domestic Council, who has been working on this project with the Vice President.

I hope you will give me a call when you are in Washington. Bagley seems to be settling well in his new role as Chairman of the Commodity Futures Trading Commission.

Thanks again, Howard, for all of your cooperation in the past.

Sincerely,

John G. Veneman
Counselor to the
Vice President



Southern California Edison Company

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HOWARD P. ALLEN
EXECUTIVE VICE PRESIDENT

TELEPHONE
213-572-2777

May 1, 1975

Mr. John G. Veneman
555 California Street, Suite 2635
San Francisco, California 94104

Dear Jack:

Thank you for your note about Bill Bagley.

Enclosed is a letter I sent to leaders in the Congress, members of the Cabinet and presidential counsellors in Washington, D.C. If utilities in this country cannot earn sufficient return to attract new capital and build new plant, it is going to have a substantial adverse effect on our economic wellbeing and jobs. It will further increase our reliance on foreign oil to the detriment of the economy and national security of the nation.

Electric utilities spend more on plant and equipment each year than any other industry, and we are one-fourth to one-half of all securities marketed each year. When you have a \$20-25 billion dollar cutback in utility construction, it is going to have a substantial impact on jobs and economic recovery. Unless utilities become financially healthy, I don't think economic conditions and unemployment can make any substantial recovery.

Jack, this matter is getting serious, and although Secretary Simon and Morton are well informed on it, I hope you can inform the Vice President. If you would like me to come east and cover it personally, I would be delighted.

Kindest regards,




Enclosure

April 4, 1975

I don't think we can solve this country's economic problems and unemployment without solving some of the problems affecting the electric utility industry. Because of your leadership and interest in trying to help the electric utility industry help itself, I thought you might be interested in the following letter which I have sent with attachments to 50 of the members of Congress from the area where we do business:

The electric utility business is in financial trouble. For some companies in the industry the problems are critical. This has been caused by:

- Inflation
- Skyrocketing foreign fuel costs
- Substantial environmental costs
- Extended lead times for construction because of delaying tactics of extreme environmentalists and layer upon layer of government approvals required
- Tremendously increased construction costs
- High money costs
- Increased capital requirements
- Regulatory time lag on rate relief
- Common stock selling at substantially below book.

Earnings have eroded to the point where a number of electric utilities are not earning their dividends or meeting bond indenture requirements. The result is that institutional and individual investors are reluctant to buy utility securities, particularly common stock.

See enclosed Fortune article and Southern California Edison in-house summary.

The result is that electric utilities have deferred or canceled about \$25 billion in construction of new plant and equipment.

This will: Delay the time when we can build coal and nuclear electric generating plants to increase domestic energy self-sufficiency and reduce our reliance on high-cost imported fuel oil.

Result in dangerously low electric generating reserves which could result in electric power shortages and adversely affect jobs and the economy.



This \$25 billion cutback has contributed substantially to the present unemployment and economic recession.

Without adequate supplies of electric energy and reducing our reliance on imported foreign, high-priced oil, this country will be delayed or prevented from regaining its economic health, jobs and protecting its national security.

Utilities issued 50% of the bonds and 33% of the equity securities marketed in 1973.

Electric utilities invest more in new plant and equipment each year than any other industry.

It is of extreme national importance for Congress to enact legislation quickly to help the electric utility industry to raise the necessary capital to build plant facilities to provide reliable and competitive electricity so this nation can regain its economic health, jobs, and reduce reliance on uncontrolled high-cost, low-sulfur imported oil.

WHAT SHOULD CONGRESS DO?

1. Enact Tax-Free Dividend Reinvestment.

Provide for income tax exemption of dividends to holders of electric utility common and preferred stocks when such dividends are reinvested in the electric utility. (At time of sale of stock, holders of such stock would be taxed on capital gains basis for dividend benefit.)

This should increase investor interest in electric utility equity stock and enable electric utilities to sell stock nearer book value to raise the billions of dollars necessary to build new plant.

2. Investment Tax Credit. (Some suggestions below included in tax bill recently enacted, but for only 2 years at 10%.)

Increase from 4% to 12% the investment tax credit for electric utilities.

Make such credit permanent; however, if credit is reduced, electric utilities should receive same rate as other industries, not a lower rate as at present.

Allow use of credit during time of construction of facilities and not wait five or six years until major generating plants are completed, as is the case under present law. Also, allow credit for major plants under construction at time of enactment.

Increase the limitation on the use of the credit to 100%.

Provide for mandatory normalization accounting of the increase from 4% to 12%.

By continuing the flow-through method of accounting for the present 4% where presently required, no increase in electric rates would result.



An increased investment tax credit with the other provisions noted above would help utilities increase internal cash flow and thereby reduce reliance on an already overburdened capital market.

3. Allow Preferred Stock Dividends as Expense for Tax Purposes.

Congress should enact legislation to provide that electric utilities can deduct for tax purposes preferred stock dividends in the same way that bond interest costs are deductible.

4. Federal Directives to State Regulatory Commissions.

There is an overriding national consideration of energy self-sufficiency and economic recovery which demands that Congress direct state regulatory commissions to:

- a. Put rate increases into effect within five months after filing, subject to refund.
- b. Allow inclusion in rate base of construction work in progress.
- c. Provide mandatory fuel adjustment clauses to allow utilities to offset increases or decreases in the cost of fuel.

5. Amend Clean Air Act.

Amendments to the Clean Air Act should be enacted to allow extension of time for utilities to comply with certain air quality rules provided primary ambient air standards are not exceeded. This country is going to have to utilize a greater percentage of its coal reserves, and until technology is further developed, some amendments to the Clean Air Act are necessary.

Enactment of the above will not only help the electric utility industry regain its financial strength, but also help ratepayers, consumers, investors, capital goods manufacturers, construction industries and workers reduce reliance on overseas oil and help the nation achieve an acceptable degree of self-sufficiency of energy supply. Enactment of the above will help the electric utility industry help itself and prevent the Congress and the nation from being faced with another type of railroad industry and aircraft manufacturer financial crisis.

I hope you can support the above programs. If you have any questions or would like more information, please let me or Messrs. Alan M. Nedry or Robert B. Harding of our Washington, D.C. office know. Our Washington office phone number is (202) 298-7050.

Thank you for your consideration.

Sincerely yours,

Enclosures

May 12, 1975

MEMORANDUM FOR JIM CANNON

FROM: JACK VENEMAN

The attached letters from Howard Allen of Southern California Edison verifies the need of a Energy Resource Corporation similar to the proposal you have put forth.

Attachments

cc: The Vice President



May 12, 1975

MEMORANDUM FOR JIM CANNON

FROM: JACK VENEMAN

The attached letters from Howard Allen of Southern California Edison verifies the need of a Energy Resource Corporation similar to the proposal you have put forth.

Attachments

cc: The Vice President



THE VICE PRESIDENT
WASHINGTON

May 19, 1975

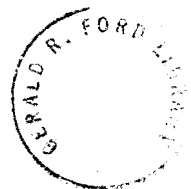
TO: THE PRESIDENT
FROM: THE VICE PRESIDENT
SUBJECT: Immediate Action on Employment and Energy-
Substantive and Political Considerations.

*Foli
Energy Financing*

1. The successful, decisive handling of the Mayaguez incident has given you and your administration a new look leadership posture with the American public.
2. The unemployment projections for the ensuing year which are to be released by June 1, however, will present a dismal domestic outlook and a serious threat to public confidence in the Administration and your leadership here at home.
3. Both from the point of public confidence and good politics, it is urgent that these negative employment figures be used to launch a program to stimulate the economy, to increase employment and to give the people a reasonable basis for hope that economic conditions can be basically improved going into 1976. You and your administration can make a basic contribution to economic recovery and importantly grab the political initiative by moving on such a program now. Failure to move will give the Democrats and other critics a field day. Senator Lloyd Bentsen is already talking privately about a new "RFC" for energy. George Meany has spoken of a \$100 billion deficit to make more jobs.



4. The program should be one that combines the nation's energy needs and employment. It should be one that encourages private enterprise and employment in basic industries. It should be such as to strengthen our free enterprise system and not another "make work" public job program or dole. The two basic elements for such a program are:
 1. Your energy program with its call for new sources, new plants, new and improved transport, new energy conserving materials and the like. The program is now stalled. This program should spring it.
 2. A financing vehicle to stimulate, buttress and reassure private industry to undertake the energy program - The Energy Resources Finance Corporation, which we have been discussing.
5. By announcing this bold, comprehensive program at the same time as the unemployment projection figures are released, you will command public attention for positive action. You will have seized the initiative and placed the political monkey on the back of the Democratic Congress. It will enable you to revive your energy independence program by a major new initiative -- to provide employment.
6. The employment-energy combination should also encompass the environment. You can say, and it needs to be said, that for a wholesome environment for all Americans, we need energy, employment and economic opportunity. Also, it takes energy to clean up the environment.



7. You have a unique opportunity here and now to act on the domestic front as you acted on the foreign front with the Mayaguez incident. There will be critics but their complaints will be nothing as compared with the public dismay over inaction on your part in the light of the unemployment prospects.

To the critics there are ready answers:

For conservatives it is a step to buttress and help preserve the free enterprise system -- it is not socialism;

For those concerned over its financial magnitude, it is not spending but extension of credit, it will not lead to immediate inflationary spending because costs will be incurred over a period of years. However, by assuring financing it will encourage starts of plant construction, well-drilling, railroad rehabilitation, etc.

For those opposed to Federal financing of employment, it is not a dole, not public jobs, but real jobs, private enterprise jobs for people who will not be government employees and who will be paying their taxes at all levels of government.

8. The opportunity is one that should not be missed. You can tell the people "like it is." You can say that such conditions must not be permitted to come to pass. You can call for action. Importantly -- even though the program will bring forth some controversy and debate -- the agenda will be your program and the attention will be focussed on your leadership.
9. You can relate this program to your own vision of a more self-reliant America with a clean sense of purpose to improve the quality of life for all Americans and to strengthen the cause of freedom in the world.

