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DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
~~1. memo~~	~~Doug Riggs to Cicconi (w/notations), 1p [Item is still under review under the provisions of EO 13233]~~	12/29/83	
~~2. memo~~	~~Riggs to Cicconi re Greyhound strike, 3p [Item is still under review under the provisions of EO 13233]~~	11/30/83	
~~3. statement~~	~~Joint Policy Statement on Energy Cooperation (w/notations), 2p~~ R 3/20/06 NLSF97-066/9 #19	~~n.d.~~	~~B1~~

RESTRICTIONS

B-1 National security classified information [(b)(1) of the FOIA].
B-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
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B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
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B-7a Release could reasonably be expected to interfere with enforcement proceedings [(b)(7)(A) of the FOIA].
B-7b Release would deprive an individual of the right to a fair trial or impartial adjudication [(b)(7)(B) of the FOIA]
B-7c Release could reasonably be expected to cause unwarranted invasion or privacy [(b)(7)(C) of the FOIA].
B-7d Release could reasonably be expected to disclose the identity of a confidential source [(b)(7)(D) of the FOIA].
B-7e Release would disclose techniques or procedures for law enforcement investigations or prosecutions or would disclose guidelines which could reasonably be expected to risk circumvention of the law [(b)(7)(E) of the FOIA].
B-7f Release could reasonably be expected to endanger the life or physical safety of any individual [(b)(7)(F) of the FOIA].
B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

C. Closed in accordance with restrictions contained in donor's deed of gift.

f OPL memos

THE WHITE HOUSE
WASHINGTON

To Jim Cicconi

FAITH has or will
Raise this REQUEST with
MR. BAKER.

Jim, time is of the essence
As to our response. Can you
please move this along
for a decision. (The
teamsters ARE pushing
hard for WH participation.)

Thanks.

Doug Riggs

check w/ Waller

THE WHITE HOUSE

WASHINGTON

November 29, 1983

MEMORANDUM FOR FAITH WHITTLESEY

THROUGH: JACK L. COURTEMANCHE

FROM: Douglas A. Riggs DAR

SUBJECT: Participation of the President or Vice President at the International Labor Management Tribute dinner to Joseph W. Morgan, Sixth Vice President, International Brotherhood of Teamsters (IBT) and Director of Southern Conference of Teamsters, who will be the 1984 recipient of the Eleanor Roosevelt Humanities Award to be given by the State of Israel Bonds

I was requested by Paul Locigno, Director, Governmental Affairs, IBT, to assist in securing the attendance of either the President or Vice President at the above referenced dinner to be held on Saturday evening January 28, 1984 in Miami, Florida. Evidently, an invitation was extended to the President by a letter dated November 16, 1983, from a Mr. Trertola, who is the second Vice President of the IBT and Dinner Chairman. (I assume that letter is in Fred Ryan's shop.)

The dinner honors not only Mr. Morgan, but Mr. Presser who is the first Jewish president of the IBT and co-chairman of the event. (The other co-chairman is the president of the employer arm of the trucking industry and the associate chairmen are the members of the IBT executive board.) The purpose of the dinner is to raise funds for the state of Israel through the sale of Israel Bonds. I have been informed by Mr. Norman Goldstein, Executive Assistant to Mr. Morgan and Chairman of the Arrangements Committee, that there will be approximately 2,000 people in attendance at the dinner including, according to Mr. Goldstein's letter to me, "representatives from not only the Teamsters union on a national level and other International Union labor leaders as well as representatives of the largest corporations in America and a number of public officials. Leading members of the Jewish community both locally and nationally are expected to attend this event and the Ambassador of Israel is to be the key speaker." Mr. Goldstein further views this "event as one of the most important fund-raising affairs for the state of Israel as well as the opportunity to be the stage for a State of the Union Address by the Administration since several of the states within the jurisdiction of the Southern conference of Teamsters such as Texas, Louisiana and Florida are pivotal states necessary for the reelection of the President."

Before I proceed further on this matter, I need direction on two threshold issues:

1. To what extent can the President or the Vice President participate in a function which has as its purpose the raising of money for a foreign country?

2. Given the dominant involvement of the IBT, to what extent can the President or Vice President participate?

It would be appreciated if this request could be immediately discussed by the appropriate officers of the White House and a position formulated.

Assuming there are not any legal impediments, I recommend that the Vice President attend. If not the Vice President, then Mr. Meese. (The IBT is applying a full court press and will view White House participation as a litmus test of its interest in and support for the IBT.)

Per FF, OK to ask Kirkpatrick.
Pres & VP cannot attend.

JWR
12/28

f OPL memos

THE WHITE HOUSE

WASHINGTON

November 22, 1983

MEMORANDUM FOR JIM CICCONI

FROM: Douglas A. Riggs DAR

SUBJECT: U.S.'s representatives at the ILO

I wish to amend my response to Mr. Baker as to the identity of the U.S.'s representative to the ILO. I indicated Anthony (Tony) Freeman, Special Assistant to Secretary Shultz and Coordinator of International Labor Affairs, but, I failed to also include Robert Searby, Deputy Under Secretary of Labor for International Affairs.

Thank you.

f OPL memos

THE WHITE HOUSE
WASHINGTON

Jim

This is more than you ever wanted to know about Acid Rain.

I will be sending over a 1 page memo that will spell out issues to be raised by Trumka and brief background on them.

I assume you have the data on mine safety inspectors.

Thank you. Riggs

THE WHITE HOUSE

WASHINGTON

November 1, 1983

MEMORANDUM FOR JIM CICCONI

FROM: Douglas A. Riggs DAR

SUBJECT: Trumka's visit and acid rain

The issues center on (1) whether there should be a "control program" for acid rain and (2) if so, what control program should be imposed. The Administration's previous position has been that there was no need to have a "control program" because the effects of acid rain were still unknown and further research and study were required. However, upon Ruckelshaus assuming his position at EPA, the President made acid rain a priority. Consequently, EPA and the Administration are looking at options and moving toward a program that would offer some control of acid rain.

At the present time there are annually approximately 22 million tons of sulfur oxide residue and put into the air by utilities and other companies burning coal. The problem is primarily centered in the midwestern and eastern part of the United States.

There are presently 12 to 14 different bills pending on the Hill, most of which favor a "very expensive solution." The very expensive solution requires "scrubbing" on all coal burning facilities as a means of removing the sulfur oxide residue. It is estimated that the expensive solution would reduce the sulfur oxide by 50 percent; but, the cost would be $3-4 billion dollars per year for twenty years. EPA is now focusing on a so-called "option 3", a middle of the road option, that would remove four to five million tons per year at a cost of $1.4 billion per year for twenty years. The most inexpensive solution is for industry to switch from high sulfur to low sulfur coal.

Trumka met Ruckelshaus in late June or July and took the position that there is no need for acid rain control. However, to the extent there is control, the UMW would align themselves with those proposing the expensive solution of handling the problem, i.e., the use of scrubbers. The use of scrubbers would not eliminate the use of high sulfur coal which is the mainstay of UMW's membership in Appalachia. (Low sulfur coal is primarily mined in the western part of the United States and by people who are not members of the UMW.)

f OPL memos

THE WHITE HOUSE

WASHINGTON

December 29, 1983

TO: JIM CICCONI

In due course, I will be forwarding a memo with my analysis of potential labor problems in 1984. The most significant threat may be a national rail strike. A rail strike and others may have an impact on 1984 activities.

At the appropriate time, there may be some value in you participating in an informal meeting with Kay McMurray, Chairman, FMCS, and Walter Wallace, Chairman, National Mediation Board, for the purpose of reviewing their observations. Both of these men are political savvy, and friends of mine.

Doug Riggs

Note

Checked w/ Sherrie Cooksey, who advised against this due to "appearance" problems. Have conveyed this to Riggs, who agreed. Meeting will not be held, even for purely social reasons.

JWC
1/3/84

As Big Labor Contracts Lapse in '84, Both Sides Expect to Be Tougher

Continued From Page 15

Mr. Horvitz and other labor experts. Such arrangements typically increase current workers' pay, but cut scales for newly hired employees or those recalled from layoff. The move is palatable to the employed rank-and-file because their own incomes don't suffer.

The Oil, Chemical and Atomic Workers Union, which accepted a wage freeze for new refinery employees four years ago, "can't represent the future hires," says Robert Goss, a top official. But the union opposes industry's latest demand to actually trim new workers' rates. It faces an uphill struggle because capital-intensive refineries can operate easily during strikes, and plant closings have cost the union 17% of its members since 1980.

Similarly, in the retail-food industry, "we hope to slow down" and "eventually stop" the spread of two-tier wages, says Alan Lee, director of the United Food and Commercial Workers Union's retail division. Contracts covering about 300,000 retail-food employees expire during 1984. Mr. Lee says the union's bargaining strength varies greatly from one area to another, but he adds that strikes in the industry "have started to pick up" because jobless levels are dropping. Mr. Lee says that workers "are simply looking at some of the demands of employers and saying, 'We won't go that far.' "

Wall Street Journal
12/28

SECTION 2

As Big Labor Contracts Lapse in '84, Both Sides Expect to Be Tougher

By JOANN S. LUBLIN
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—After three hard years of concessions, unions are heading into the new year's heavy round of contract talks intent on sharing the fruits of the economic recovery. "Restore and More in '84" has already become the rallying cry at several United Auto Workers union locals.

But leaner and tougher managements, eager to retain gains obtained from workers during the recession, are equally determined to hold down labor costs. As a result, says Jack Barbash, a professor emeritus of industrial relations at the University of Wisconsin, 1984 "will be a year of reckoning" in U.S. labor relations.

Unions representing about three million private workers will negotiate in the auto, rail, coal, construction, retail food and other major industries. Rank-and-file expectations are rising as workers see corporate profits rebound and the unemployment rate drop. And union members are increasingly willing to strike: Federal figures show strike activity is up 50% from last year.

Federal officials fear that significant wage gains in next year's bargaining could lead to renewed inflation. "Wage restraint at this point in the (economic) cycle is a key to keeping disinflation going," says Robert Gay, a Federal Reserve Board economist, because wages "are two-thirds of total costs."

'Get Their Pound of Flesh'

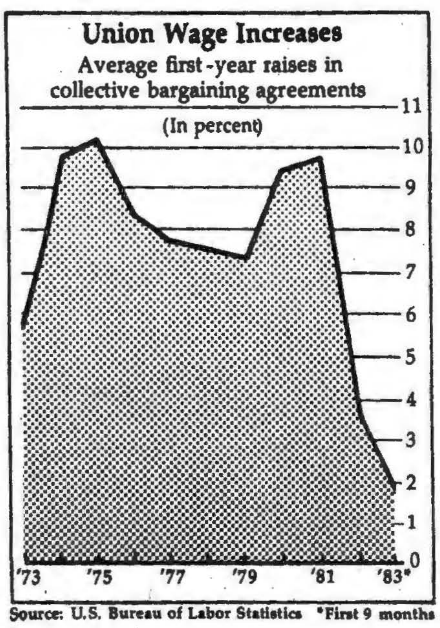
National UAW accords covering about 462,000 General Motors Corp. and Ford Motor Co. employees expire next fall. With their employers again fat with profits, auto workers being recalled from layoffs increasingly feel dissatisfied with the several billion dollars in wage-and-benefit concessions they agreed to in 1982. "There's growing sentiment to go back and—pardon the expression—get their pound of flesh," says Michael Bennett, president of the UAW's 2,200-member Local 326 in Flint, Mich.

Yet opposing pressures could keep all unions' 1984 wage increases, on average, to a modest 5%, several labor analysts believe. That would exceed 1983's historically low average increase of about 2%, but would be considerably more moderate than in past boom years. The difference in this recovery is that fundamental changes may overwhelm unions' fierce desire to regain lost economic ground.

The recession greatly weakened unions' bargaining clout, not only by forcing "givebacks," but also by permanently thinning their ranks in the shrunken smokestack industries. Unions now represent about 18% of the U.S. labor force, down from 20.5% in 1980, a Labor Department economist says.

Management's increased willingness and ability to operate during walkouts has further sapped unions' strength. With the jobless rate still relatively high, more companies—such as Continental Airlines and Phelps Dodge Corp.—feel free to fire strikers and hire cheaper, nonunion replacements.

A third force is companies' continuing concern about controlling labor expenses. Corporations undergoing an economic recovery still face low-cost competition from abroad or, partly because of deregulation, from nonunion U.S. rivals. Many companies in the retail food, oil and rail industries want small 1984 settlements because they're smarting over the generosity of their expiring accords, signed before the recession hit and inflation slowed. Gulf Oil Corp., for instance, wants refinery workers to accept a three-year contract with a wage freeze in 1984, a raise of about 1.8% in 1985 and a 2.2% increase in 1986. A two-year accord that expires Jan. 8 provided increases totaling 16%.



Source: U.S. Bureau of Labor Statistics *First 9 months

The auto industry could suffer the rockiest bargaining in the new year. The UAW will probably push to revive the 3% annual pay rise achieved in past negotiations—and to recoup the two such increases its members gave up in the 1982 wage freeze. It will also fight hard for expanded job-creation efforts, such as sweetened early retirement benefits, tougher limits on overtime and restoration of nine annual paid personal holidays given up in 1982.

The union's tough stance reflects acrimonious feelings in some quarters. Local leaders say relations with GM in particular have soured. They maintain, for example, the auto maker has used quality-of-worklife programs to abolish jobs.

"There's strong sentiment that we should shut down the corporation," says the UAW's Mr. Bennett. He found such grumbling widespread at a mid-November meeting of about 35 mostly GM locals representing 200,000 auto workers.

Negotiations "will be difficult because of our profitability," concedes Alfred Warren, GM's industrial-relations vice president. But he insists relations with the union "are the best they have been," and he says he doesn't anticipate a strike. GM believes greater worker awareness of the company's persistent competitive problems could help limit the settlement's size. That's why GM will probably support extension of a profit-sharing plan won by the UAW in 1982 and increased involvement of top union officials in corporate decision-making.

Strike threats will probably be less potent in the coal industry because of still-high layoffs and the erosion of unionized work. About 55,000 of the United Mine Workers' 160,000 active members are on layoff because of still-depressed coal production. The union controls less than half the nation's coal output, compared with 78% during its heyday.

Yet many miners and construction workers still want their wages improved, which creates a dilemma for UMW President Rich Trumka. He thinks the union can avoid a national walkout in 1984, but says he won't accept a "takeaway" contract. The 1981 negotiations sparked a 72-day industrywide strike and an agreement that gained mine workers an estimated 37.5% increase in wages and benefits.

Selective Strike Considered

Mr. Trumka may instead use a selective strike against one or more coal operators so most miners could remain on the job after contracts expire. At the union's early-December convention, delegates approved a $70 million selective-strike war chest.

In the construction industry, the current 15% unemployment rate means "you wait" to strike, a top AFL-CIO official says. "You don't fight wars under your opponents' best conditions." The Associated General Contractors, a trade group, projects that unionized construction workers' wages will rise 3% to 5% in 1984. About 70% of industry contracts signed during 1983's first nine months contained wage freezes.

The combination of an improved economic climate and organized labor's diminished bargaining strength may force some union leaders to trade wage gains for nonwage concessions, such as easing restrictive work rules, trimming time off and sharing more benefit costs, suggests Wayne Horvitz, a labor arbitrator and former head of the Federal Mediation and Conciliation Service.

Two-tier wage structures will become an increasingly common tradeoff, according to

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OPL memos

THE WHITE HOUSE

WASHINGTON

November 30, 1983

MEMORANDUM FOR JIM CICCONI

FROM: Douglas A. Riggs DAR

SUBJECT: Greyhound Strike

I believe the President and the Administration is taking an undeserved beating in the media concerning the Administration's role in the Greyhound strike. It is suggested by the media, both in articles and editorials and the theme was repeated last evening on Channel 5, that the Administration, through a conspiracy of inaction, is assisting Greyhound management in "busting the union." The evidence is absolutely to the contrary; and, as such we should consider a strategy for an appropriate response. I am concerned that this drum beat which is being orchestrated by some elements of the AFL-CIO, Congress and the media flames a "hysteria" that this White House is against the working union person. I believe it is critically important that this perception be not further reinforced.

An outline of the facts concerning the Administration's activities in this controversy as as follows:

1. On or about November 16, 1983, I received a letter from the Legislative Director of the Amalgamated Transit Union (ATU) in which he transmitted to me the final draft of a telegram, subsequently received at the White House, which requested the assistance of the President to help resolve the dispute. The letter was received in my office on November 17, a day when I was in Birmingham, Alabama. Upon my return on November 18, I reviewed the correspondence with David Waller and Kay McMurray, Chairman of the Federal Mediation and Conciliation Service (FMCS).

NOTE: asked that R. prepare talking pts/guidance on this for press office. JC

2. Kay indicated that he had one of his best mediators in Phoenix attempting to assist the parties in resolving their dispute. Further, he was personally monitoring the situation on an hourly basis. In response to my inquiry as to what, if anything, I should say to the Legislative Director of the AMT, he suggested that I say the following:

   a. Reaffirm the fact the FMCS was on the scene in Phoenix with one its more skilled mediators; Chairman McMurray was personally monitoring the situation; and, if in the opinion of the union, his personal presence would assist he was prepared to immediately fly to Phoenix.

   I conveyed this message to the Legislative Director on Friday morning, November 18. The union was pleased that I had called, and acknowledged the FMCS's presence.

3. Kay, prior to Friday, November 18, had had informal conversations with Tom Donahue, the Secretary-Treasurer, AFL-CIO, concerning this matter. He informed Mr. Donahue that he was prepared to be of assistance, but did not want to barge uninvited into a matter. <u>Those conversations with Mr. Donahue are continuing to the present date, and have been useful in dealing with many of the issues involved in this matter</u>.

4. On November 18, Kay had telephonic communications with Mr. Rowland, President of the AMT. Since that date, there have been numerous conversations between Kay and Mr. Rowland leading to a request that Kay travel to Phoenix. Kay, after consulting with both Mr. Teets, President of Greyhound and Mr. Rowland, travelled to Phoenix on Friday, November 25, 1983.

5. In Phoenix he met separately with Mr. Teets and other senior officials of Greyhound and with the union officials over Saturday and Sunday. Kay's participation produced a number of positive results notwithstanding a difficult environment:

   a. The bargaining for the union is controlled by a committee of 33 local union officials. You can well imagine the difficulty of negotiating a deal with 33 individuals, each having speaking parts. However, the union, nonetheless, agreed to take the last and final offer to the membership, a position which they originally had refused to do.

The offer as you know was overwhelmingly rejected by the membership on Monday, November 28. Nonetheless, the process had started.

b. Kay was able to convince both parties to come to Washington, D.C. and he is presently meeting with them.

c. Furthermore, Kay was able to secure from Mr. Teets some commitments, which I cannot describe in this memo, that will enhance the possibility of a resolution.

6. Therefore, the assertion that the Administration is assisting the company in busting the union is absolute nonsense. Kay has spent substantial portion of his time during the last two weeks on this issue and has ably worked with both sides, even including Mr. Donahue, in an attempt to reach a resolution.

It is difficult at this date to say with certainty what will occur this week, but irrespective of the outcome, Chairman McMurray has performed his statutory duties and in doing so has properly represented the Administration. (Kay has gone out of his way in keeping Donnovan, Waller, Fuller's office and me informed.) This is certainly not a situation that requires the "personal intervention" of the President. Moreover, I am not aware of any legal authority under which the President could take action other than through the Chairman of the FMCS.

Those who are pounding on us are doing so for political reasons and/or because, in contrast to previous President's or FMCS's Chairmen who have grandstanded on this type of situation, this Administration has quietly, but efficiently performed its statutory duty. Chairman McMurray believes that you cannot conduct negotiations by newspaper headlines. However, I suggest that Peter Roussel or some other appropriate press person might chat with Kay and devise some sort of response that could be given at an appropriate time.

Thank you.

OPL memo

THE WHITE HOUSE

WASHINGTON

November 18, 1983

MEMORANDUM FOR JIM CICCONI

FROM: Douglas A. Riggs

SUBJECT: Richard Trumka's visit with Mr. Baker on Monday, November 21, 1983

1. Trumka, who is President of the United Mine Workers will be accompanied by John Banovic, Secretary-Treasurer of the UMW.

2. Mr. Trumka is a lawyer by professional training, and served prior to his election as Counsel to the UMW. He is about 38 years old.

3. Mr. Trumka intends to raise with Mr. Baker the following issues:

(1) Need for energy policy that places a greater emphasis on coal.

(DOE has submitted to Congress under a date of October 1983 "The National Energy Policy Plan")

(It is anticipated that coal use will increase substantially over the long term)

(Coal leasing program has been revitalized)

(2) Did the President, in his talks with the Japanese, raise the issue of the importing of U.S. coal by the Japanese?

(Yes, see attached joint policy statements on energy cooperation issued by Japan and U.S. following the President's visit.)

Why is the export of coal to Japan slacking?

(Price of U.S. coal is substantially more per ton than Australian coal)

(Inland Transportation Costs)

(However, UMW's productivity is increasing)

Overseas coal mining being developed by US companies = makes US coal non-competitive if only due to massive transportn costs.

(3) The Administration's position on acid rain.

(The Administration is considering proposals on acid rain control. No decision. Shultz's statement to Canada)

Byrd-Rahall approach favored = accel. approach, lake liming, other interim steps —

(4) What is the Administration's position on Mine Safety?

(200 additional Inspecter positions. Though budget request is down, so is number of active mines)

(Lowest incidents of accidents in recent history)

(Major change in philosophy of MSHA that improves safety)

THE WHITE HOUSE

WASHINGTON

November 1, 1983

MEMORANDUM FOR JIM CICCONI

FROM: Douglas A. Riggs DAR

SUBJECT: Trumka's visit and acid rain

The issues center on (1) whether there should be a "control program" for acid rain and (2) if so, what control program should be imposed. The Administration's previous position has been that there was no need to have a "control program" because the effects of acid rain were still unknown and further research and study were required. However, upon Ruckelshaus assuming his position at EPA, the President made acid rain a priority. Consequently, EPA and the Administration are looking at options and moving toward a program that would offer some control of acid rain.

At the present time there are annually approximately 22 million tons of sulfur oxide residue and put into the air by utilities and other companies burning coal. The problem is primarily centered in the midwestern and eastern part of the United States.

There are presently 12 to 14 different bills pending on the Hill, most of which favor a "very expensive solution." The very expensive solution requires "scrubbing" on all coal burning facilities as a means of removing the sulfur oxide residue. It is estimated that the expensive solution would reduce the sulfur oxide by 50 percent; but, the cost would be $3-4 billion dollars per year for twenty years. EPA is now focusing on a so-called "option 3", a middle of the road option, that would remove four to five million tons per year at a cost of $1.4 billion per year for twenty years. The most inexpensive solution is for industry to switch from high sulfur to low sulfur coal.

Trumka met Ruckelshaus in late June or July and took the position that there is no need for acid rain control. However, to the extent there is control, the UMW would align themselves with those proposing the expensive solution of handling the problem, i.e., the use of scrubbers. The use of scrubbers would not eliminate the use of high sulfur coal which is the mainstay of UMW's membership in Appalachia. (Low sulfur coal is primarily mined in the western part of the United States and by people who are not members of the UMW.)

DECLASSIFIED
NLS F97-026/9 #19
AC NARA, DATE 3/20/06

[illegible]

Come back 10 hours

Joint Policy Statement on Energy Cooperation

1. Taking account of the energy prospects for the entire Pacific Basin, the two countries agree that the sound expansion of U.S.-Japan energy trade will contribute to the further development of the close economic and energy security relationship which exists between the two countries;

2. They will continue to discuss and find ways of developing this trade for the mutual benefit of both countries, noting the importance of long-term cooperation, the central role of the private sector, and the need for a balance between economic cost and energy security.

Note 3. Both countries consider Alaska to be a particularly promising area for joint development of energy resources. Both governments will encourage private sector discussions regarding the possibilities for such development.

4. With regard to trade in oil, gas and coal, we have agreed on the following next steps:

a. The US and Japan recognize that if legislative barriers can be removed, the US has the potential to ship substantial quantities of crude oil to Japan, thereby increasing economic incentives for U.S. oil production and helping to diversify Japan's energy sources. The US will continue to keep under review the removal of restrictions on exports of domestic crude oil.

b. The US and Japan will encourage private industry in both countries to undertake now the pre-feasibility or feasibility studies necessary to determine the extent to which Alaskan natural gas can be jointly developed by US and Japanese interests.

c. The US and Japan will encourage private industry in both countries to discuss conclusion of long-term coal contracts and joint development of mines and transportation systems to make American coal more competitive in the Japanese market.

d. In this regard, the two countries welcome the examinations underway of the technical and economic aspects of several steam coal projects by private companies concerned on both sides. As economic recovery proceeds, Japan will encourage its industries to consider ~~(favorably)~~ purchase of more U.S. steam coal to meet future demand not already covered by existing contracts. In addition, Japan will invite the private sector concerned to explore the possibility of further increasing substitution generation.

e. With regard to metallurgical coal, both sides noted that the depressed state of world steel manufacturing had reduced demand for traded coal. However, in view of the fact that the U.S. has been a major supplier to the Japanese market, Japan will endeavor to maintain the level of imports of U.S. coal. Japan expects that imports of competitively priced U.S. metallurgical coal will not continue to decline, and will encourage its steel industry to increase U.S. coal imports when conditions in the industry permit.

f. As a first step toward developing U.S.-Japan coal trade from a mid- to long-term perspective, a mission composed of representatives of major Japanese coal users and other appropriate interests will visit the U.S. to meet with major coal mining and transportation interests. The purpose of this mission will be to explore the possibility of expanding coal trade between the U.S. and Japan, and the possibility of conducting a major study of the opportunities for reducing the delivered price in Japan of U.S. coal.

The current slump in coal production stems, in part, from a drop in demand that accompanied the recent economic slowdown. We are now pulling out of the recession. Industrial production has increased steadily over the past 10 months. The 13.9 percent gain in industrial productivity achieved by this country during the last year is greater than that of any recovery in the past 25 years. As more industries are put back into operation and more powerplants brought back on line, coal's inherent economic advantage will make it an increasingly attractive alternative to oil. The most important action the Government can take on coal's behalf, therefore, is to improve the nation's economy. Lowering taxes, reducing Federal spending, and relying on the private sector to decide which fuel choices make the most sense will all work to coal's benefit.

GENERAL ENERGY POLICY: To foster an adequate supply of energy at reasonable costs by a) minimizing federal control and involvement in energy markets; and b) promoting a balanced and mixed energy resource system.

GENERAL COAL FACTS: The U.S. has more than 475 billion tons of recoverable coal with recent annual rates of coal production topping 800 million tons (200-300 million tons/yr. of excess productive capacity also exists). About 80 million tons will be exported in 1983. The primary user of coal is the electric power industry. In the U.S., coal-fired generation comprises 53.2 percent of all electricity generated. More than 80 percent of the coal used domestically is consumed by the electric power industry. For coal-fired generation:

- o coal cost is largest single cost component of producing electricity, averaging about 50%;
- o on a national average, the transportation component represents about 30% of the delivered price of coal, although in some areas, particularly the West, it can represent as much as 40-60 percent of coal's delivered price.

COAL-RELATED ASPECTS OF ENERGY POLICY: The role that coal plays in the Administration's energy policy and energy mix is important because it is one of the largest domestic fuel resources. The coal-related aspects of the National Energy Policy Plan include:

Leasing. The U.S. Government is the country's largest landlord, holding 200 billion tons of coal on 100 million acres. Coal leasing was virtually halted during the 1970s (83 percent of all current federal coal leases were issued in the 1960s or earlier; only 9 percent were issued in the 1970s.)

The Administration has redesigned and revitalized the coal leasing program, again making federal coal available to energy markets, and ensuring that an adequate supply of coal reserves will be available for development when needed.

COAL-RELATED ASPECTS OF ENERGY POLICY: (con'd)

Coal Transportation Rates. 65% of U.S. coal moves by rail; 85% of this coal is captive to a single shipper. On Feb. 24, 1983, the ICC proposed guidelines that would permit railroads to raise coal rates 15 percent per year above the rate of inflation and charge captive coal shippers more in order to lower rates where there is competition.

DOE commented on the proposed coal rate guidelines on July 28, stating that these proposed guidelines may not strike the appropriate balance among competing policies and interests that the ICC must consider.

The Administration agrees with the fundamental policy of the Staggers Rail Act of 1980 to maximize the use of market forces to determine rates on competitive coal traffic. Differential pricing relying upon the elasticities of demand for each type of traffic carried, coal or otherwise, is an appropriate pricing principle. The concern with the ICC guidelines, however, is that in their limited context, applying only to those rates which remain subject to ICC rate regulation, the ICC may be permitting railroads to charge more than an appropriate amount for captive coal shipments in order to achieve revenue adequacy without distributing this goal among other captive classes of traffic.

Coal Slurry Pipelines. The President, in principle, has been opposed to the exercise of federal eminent domain, preferring that the rights of land condemnation for coal slurry pipelines be vested in state and local governments. The Administration believes, however, that a slurry pipeline industry is in the national interest and, although there is no assurance that pipelines will ever be built, the national interest in promoting competing forms of transportation is paramount.

Although the Administration did not take a strong advocacy position regarding the slurry pipeline legislation defeated in the House of Representatives in September, the version of the bills proposed by Manuel Lujan in the House (and James McClure in the Senate) were considered to have adequately protected state's water rights and to have gone as far as possible to preserve individual rights and the rights of the respective states in eminent domain actions.

Coal Research and Development. Federal R&D efforts in areas such as advanced coal cleaning, coal combustion and conversion, and environmental control technology are intended to ensure economic development and use of domestic coal resources over the long term. The Federal role in coal R&D is concentrated in areas where the incentives for and availability of private investment are severely limited or nonexistent.

In particular, research on coal-water slurries, fuel cells, and coal-fired turbines is intended to open up new markets for coal in areas now dominated by oil and natural gas. Federal research into new combustion technologies, such as fluidized bed coal combustors, has already provided industry with a new, coal-based technological option that can meet strict environmental standards.

COAL-RELATED ASPECTS OF ENERGY POLICY: (con'd)

Acid Rain. In the area of acid rain -- perhaps the Nation's most controversial energy-related environmental issue -- the Administration has supported accelerated research to determine how acidic compounds are formed in the atmosphere and the relationship between air emissions and acid deposition effects. The Administration, through the Cabinet Council process, is reviewing recently-released scientific studies and other research findings and is evaluating options for mitigating the adverse effects of acid rain.

The national energy policy objective continues to be one of achieving a scientific understanding of the atmospheric physics and chemistry and related characteristics of the acid rain phenomenon and of avoiding premature or excessive regulatory initiatives that might increase consumer prices and displace miners without providing corresponding benefits in controlling acid rain.

Coal Exports. Significant changes in the coal industry in the last few years have increased the financial options available to buyers of U.S. coal, including:

- The Staggers Rail Act of 1980 which limited Government power to review and approve rail rates and provided for contract ratemaking between the rail carrier and shipper. Any rail shipper, including the foreign coal buyer, can now negotiate with the rail carrier on the price, volume, and terms of service on long-term or short-term contracts.

- The Administration supports S.865, the Deep Draft Navigation Act, introduced by Sens. Hatfield, Byrd, Warner and 12 others. S.865 provides for the costs of port dredging to accomodate deep-draft colliers to be shared between the federal government and the local port. The bill would also impose a nationwide user fee on the value of cargo to fund 40% of the annual operation & maintenance costs at coastal and Great Lakes ports.

- Ongoing terminal and port expansions alone will increase U.S. coal export capability to more than 300 million tons, roughly double the capability of two years ago.

The U.S. Government has made a commitment through its national coal export policy to be a significant and reliable coal exporter contributing to the economic health and energy security of allies and trading partners. The President has directed various executive departments (coordinated by the Commerce Dept.) to assist in removing any Government obstacles that reduce coal-export volume or place hidden costs in the way of U.S. exports.

Synthetic Fuels. The Administration has supported the activities of the U.S. Synthetic Fuels Corporation to put into place a limited number of first-of-a-kind synthetic fuel plants (several of which will be coal-based) to provide the technical, financial, environmental and socioeconomic basis so that future investment and policy decisions can be made in an orderly, rational manner if market forces or long-term national security interests warrant.

The metallurgical and steam coal [illegible]ts to Japan are falling due to a variety of economic, technical and p[illegible] reasons:

- The general economic recession worldwide has produced a buyers market for coal in general. Thus, the Australians and South Africans have been offering coal at prices which are considerably below coal from the U.S. The Japanese have used this oversupply condition to force price reductions of as much as $14 per ton from Australian and U.S. suppliers;

- The Japanese have made extensive, long-term commitments and long-term investments in Australia, Canada, the Peoples Republic of China, and the USSR;

- The Japanese have noted to the US/Japan Energy Working Group that the FOB mine prices are competitive with Australia, but it is the inland transportation and ocean shipping costs which make U.S. coal more expensive. The Japanese have also noted the rising productivity of U.S. mines and the improved labor/management relations in the U.S. and have expressed a belief that there will not be any major disruption of U.S. coal supplies.

- U.S. has been urging Japan, through the Working Group, to increase coal import[redacted]o maintain roughly a 33% share).

Metallurgical Coal

- Metallurgical coal exports to Japan have decreased due to the economic downturn in 1983 which has reduced the production of Japanese steel. This has been heightened by the increase in the use of scrap steel which is becoming available at distressed prices;

Steam Coal

- The steam coal market is even in a more difficult position. U.S. steam coal from the lower 48 states is not competitive with Australian and South African coals. The coal which appears to be possibly competitive on a "Btu" basis is from the Alaskan Beluga coal fields;

- The demand in Japan for electricity has not been increasing at the levels that were forecasted. In fact, MITI has been reducing the demand for coal for electric generation on a monthly basis;

JAPANESE IMPORTS (Million Tons/Year)