# WITHDRAWAL SHEET
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|---|---|---|---|
| 1. draft memo | Elizabeth Dole to James Baker re strategy and recommendations on women's initiative, 5p [Item is still under review under the provisions of EO 13233] | n.d. | |

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Shannon Wall, President

# Reagan - Bush

# A New Beginning

# for America's Maritime Industry

## A specific naval-maritime program must be developed that will:

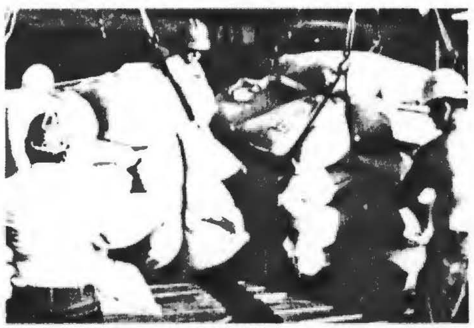
1. Provide a unified direction for all government programs affecting maritime interests of the United States. We must insure that there is active cooperation between the Navy and the Merchant Marine and the governmental departments responsible for each. We must see that long-range building programs for naval and merchant ships are established and carried out.

2. Insure that our vital shipbuilding mobilization base is preserved. It is essential that sufficient naval and commercial shipbuilding be undertaken to maintain the irreplaceable shipbuilding mobilization base. Without this nucleus of trained workers and established production facilities, we can never hope to meet any future challenge to our security.

3. Improve utilization of our military resources by increasing commercial participation in limited functions. The Navy today is facing a critical shortage of trained personnel. With the commercial industry assuming increased responsibility for many auxiliary functions, substantial cost saving can be achieved and a large reserve of manpower can be released to provide crews for a growing naval fleet.

4. Recognize the challenges created by cargo policies of other nations. The cargo policies of other nations hold a challenge to the United States. We have traditionally believed in free trade and freedom of the seas. Today, however, we are faced with a network of foreign governmental preferences and priorities designed to advance the interests of foreign shipping at the expense of our own. It is much the same as a country which subsidizes its steel industry to enable it to dump steel in the U.S. market at prices below actual production costs. That's not free trade. Thus, countries will have to be told they can't have it both ways—protection for their ships and competition for everybody else. As President, I intend to make that fact very clear to a number of people who apparently have not heard much from the current administration on this point.

In addition, we must encourage and support our maritime industry by negotiating bilateral agreements with some countries now—such as Brazil and Argentina. A major goal of my administration will be to assure that American flag ships carry an equitable portion of our trade consistent with the legitimate aspirations and policies of our trading partners.



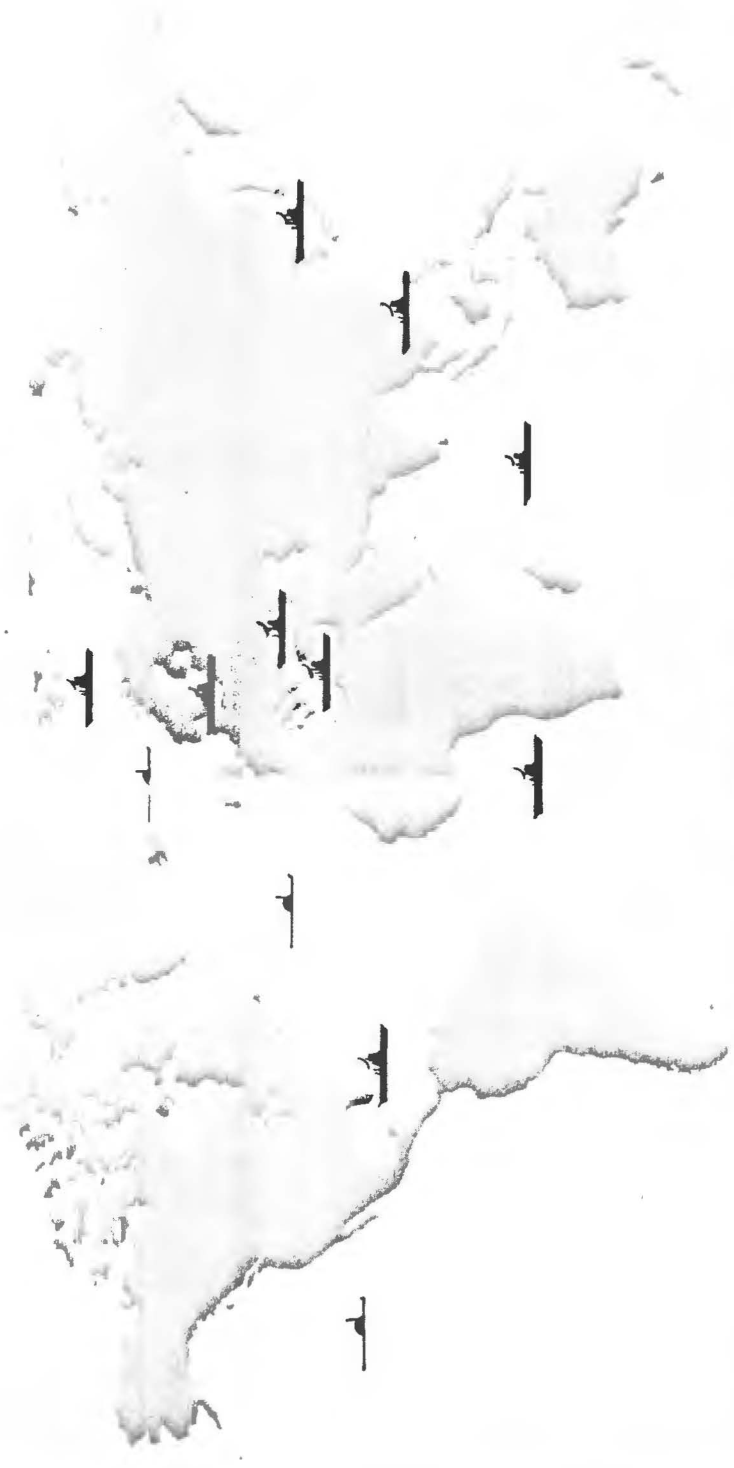
5. Restore the cost competitiveness of U.S.-flag operators in the international marketplace. It has been American policy since 1936 for the additional costs of building and operating U.S.-flag ships to be borne by a system of subsidies to help insure the competitiveness of American importers and exporters. But our parity system failed in the mid-1970's because most foreign governments moved to protect their own vital maritime interests after the shipping collapse of the mid-1970's. We must now take corrective action to make certain our merchant fleet and our shipbuilding industry survive and grow.

6. Revitalize our domestic water transportation system. The inland water transportation system provides an economic and energy efficient method of moving the goods and commodities of the nation between all parts of our country. It also provides a vital link in our international trading effort by tying the ports of all four seacoasts, which includes our Great Lakes, to the producing heartland of the Nation. Again we are paying a high price for the absence of any coherent national policy.

7. Preservation of coastal trade. The principle that a nation's own ships should carry its coastal trade, presently embodied in the Jones Act, has been part of this country's maritime policies since the early days of the Nation. I can assure you that a Reagan Administration will not support legislation that would jeopardize this long-standing policy or the jobs dependent upon it.

8. Reduce the severe regulatory environment that inhibits American competitiveness. As foreign competition on the maritime scene has increased, so have the operational and regulatory restrictions on U.S. shipping and shipbuilding. Many of these restrictions increase costs and, in some cases, simply prevent our ships from competing with foreign ships. There is rarely, if ever, any commensurate benefit from these restrictions. Accordingly, we will carefully and rapidly review the effect of these restrictions and sponsor appropriate actions.

In carrying out these expansive programs, a coordinated effort will be undertaken to create new jobs for American seamen, shipyard workers, and the thousands of workers in related industries. These maritime industries which are vital to our national well being, in the past have had an outstanding record of providing not only employment but the training to enable minorities and the disadvantaged to obtain continued advancement.



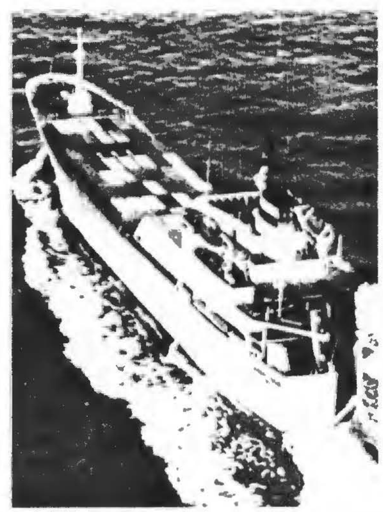
SOVIET NAVAL PRESENCE WORLDWIDE

## Soviet maritime growth.

Today we see that the Soviet Union — primarily a land power — has the world's largest navy. The Soviet Union has more oceangoing surface warships than the U.S. Navy. And the Soviets are building new ships at a faster rate than we are. While the U.S. Navy will complete five major missile warships in the next three years . . . the Soviet Navy will add more than five times that number of major missile ships to their fleet, several of them nuclear powered.

In the submarine category the Soviets have about three times as many undersea craft as the U.S. Navy, and significantly more nuclear submarines.

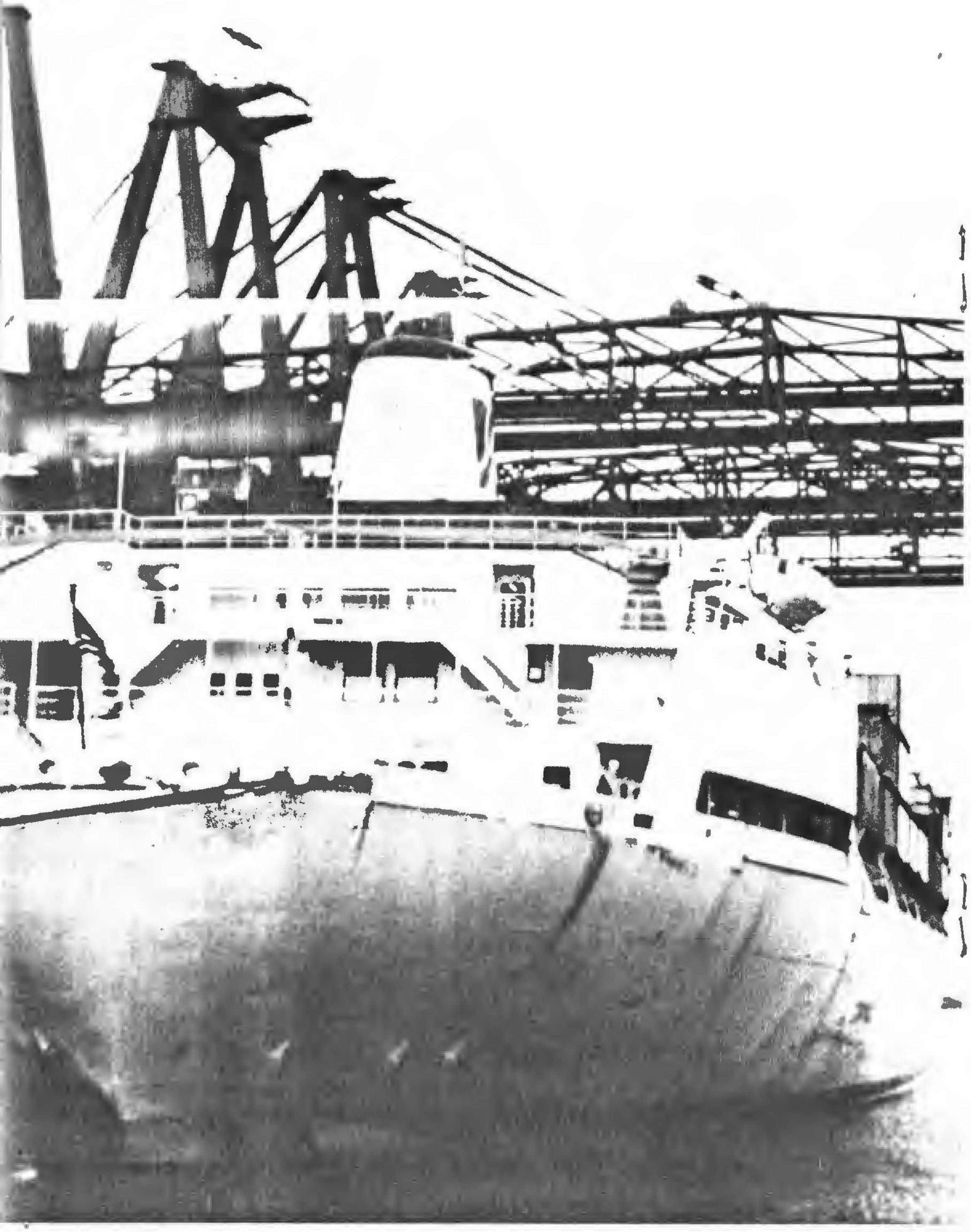
This Soviet thrust to the sea is qualitative as well as quantitative. For example, the Soviet ALFA-class submarine, now in series production, has a titanium hull and can dive significantly deeper and travel significantly faster than any American nuclear submarine.



Similarly, the Soviet merchant fleet is among the world's largest, with almost five times the number of ships at sea as fly the American flag.

Since 1950, the Russian merchant fleet has increased from 400 ships with under two-million tons of capacity to over 2,500 ships totaling almost 20-million tons, of which the vast majority are modern ships specifically designed to support military forces. This fleet carries over 65% of Soviet foreign commerce and, through [illegible] manipulation an increasing share of the commerce of the free world.

The Soviet Union has the world's largest fishing and ocean research fleets as well, and they are deployed over the four corners of the world.



## Trade and our merchant fleet.

The world trades by sea and the United States is the world's greatest trading nation. We are heavily dependent upon ships to bring in foreign goods as well as petroleum and the raw materials for our industries; and we need ships to carry our manufactured products and our agricultural and raw material exports to the world's markets.

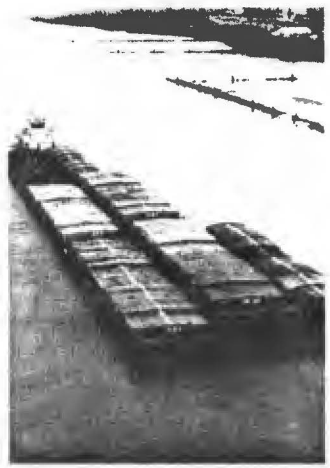
It is difficult for most Americans to conceive of the magnitude of our maritime decline. Three decades ago the U.S. was the most powerful maritime nation in the history of the world. Our Navy was over 1,000 ships strong and our merchant fleet carried 42% of the U.S. foreign trade.

Today, the Navy is down to less than 500 ships, many over-aged. As for commercial shipping, the 500-odd oceangoing vessels flying our flag currently carry less than 5% of our own commerce, while 95% of U.S. trade is carried by ships of other countries. The availability of these foreign ships in time of crisis is problematical at best.

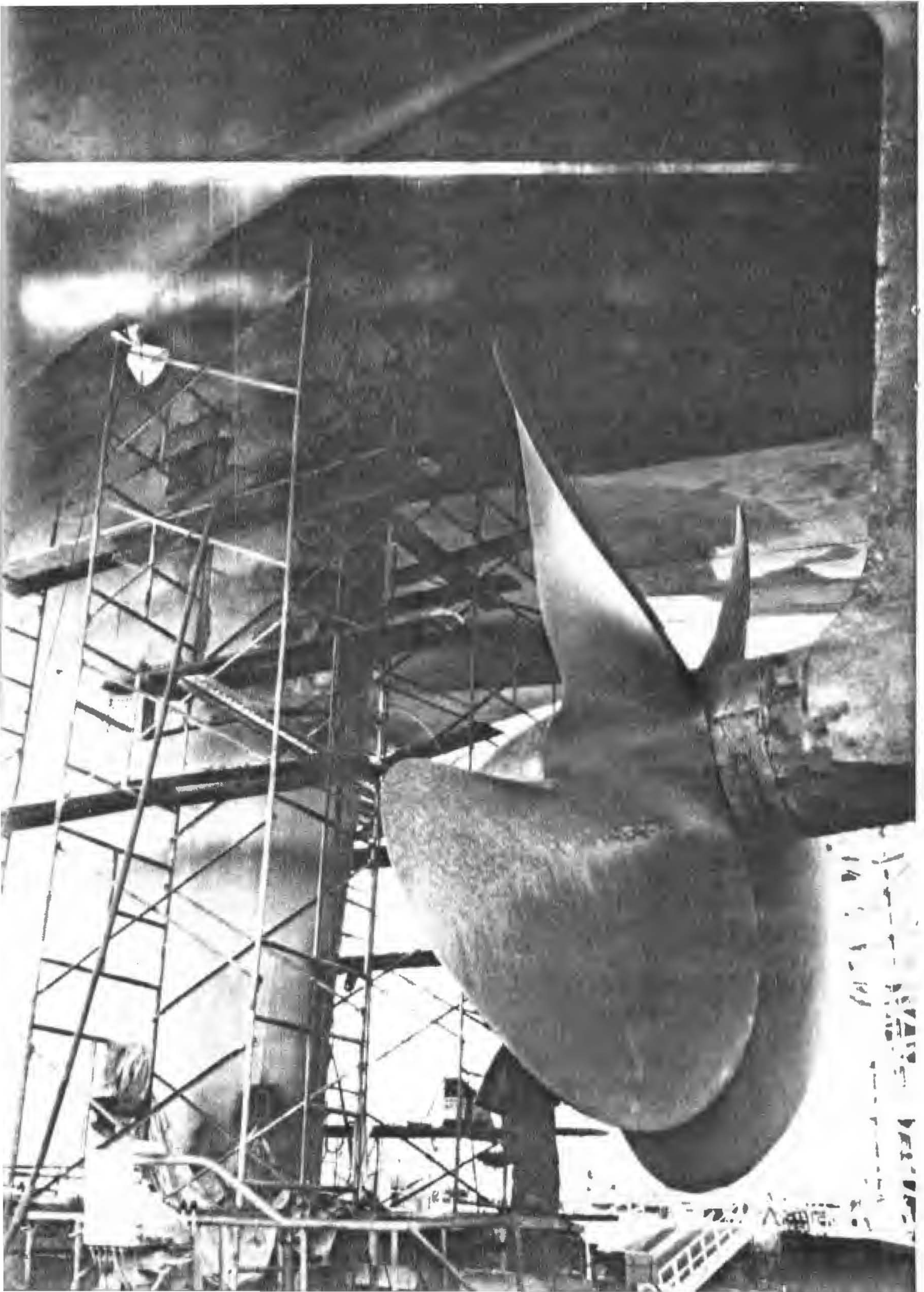
Even our once matchless inland water transportation system has been allowed to deteriorate so that today the movement of goods is limited by antiquated lock systems, silted rivers and inadequate harbors.

Although American innovation has been responsible for most of the major advances in shipboard productivity, our foreign competitors have now successfully mastered these advances and are able to take advantage of both the American innovation and the lower priced foreign wage structure.

Because of the failure of the maritime policy to adapt to significant changes in the international environment over the last ten years, we are in imminent danger of losing even the minimum level of skilled manpower, engineering, management and component manufacturing capability needed to serve in a national emergency and to give us a base on which to expand in time of a protracted crisis or conflict.



## Why we need shipbuilding capability.



Our shipbuilding industry is vitally important to our nation. Shipyards provide the mobilization base for future buildups, employ people in every one of our fifty states, and are a proven technical training facility for our youth and minorities in a host of related industries.

The crisis in our shipbuilding industry is ominous. Despite their already massive array of seapower, the Soviets continue to expand and improve their shipyards and related industries while America continues to decline. For example, 15 years ago the United States had seven shipyards building nuclear-powered ships and submarines. Today we have only two. In the same period the Soviet Union nuclear shipyards have increased from two to six, with just one of those yards capable of building more nuclear submarines each year than the rest of the world's shipyards combined.

Should our shipbuilding capability continue to decline, America's mobilization potential will be seriously undermined because a large reduction in a skilled shipbuilding workforce today makes any increase tomorrow very difficult. This is a dangerous threat to our national security, jobs and a key U. S. industry.

The United States is in dire need of a rational, reasonable and effective maritime policy.

## Why we need an effective maritime policy.

The United States is in trouble. We have watched the steady erosion of United States power and the decline of our influence during the past few years. We have watched the Soviet Union and several Third World nations take increasingly aggressive actions against the interests of the United States and our allies, and even against smaller neutral nations. We have lost our place as the logical focal point for Free World policy and action.

The cost to the United States has been a loss of prestige and influence, and these, in turn, have had a direct negative impact on our economy in terms of increased inflation and our relations with the rest of the world.

This adverse situation has occurred because of the lack of leadership within the White House and the subsequent loss of leadership by the United States as a nation. Nowhere is this loss of leadership more evident nor more dangerous than in the decline of both our naval forces and our maritime industry.

This decline occurs at a time when the United States is more dependent upon the use of the seas for our political, economic, and military well being than ever before in our history. Every day, major decisions affecting international relations are influenced by the capability or lack of capability of our naval forces.

The text of this booklet is based on statements made by candidate Ronald Reagan in Washington, D.C. on September 15 and in Saint Louis, Mo., on October 9, 1980, outlining his program for the development of an effective maritime strategy.

# A Program for the Development of an Effective Maritime Strategy

Reagan & Bush Headquarters
Arlington, Virginia

# A PROGRAM FOR THE DEVELOPMENT OF AN EFFECTIVE MARITIME STRATEGY

The United States is in trouble. We have watched the steady erosion of United States power and the decline of our influence during the past few years. We have watched the Soviet Union and several Third World nations take increasingly aggressive actions against the interests of the United States and our allies, and even against smaller neutral nations. We have lost our place as the logical focal point for Free World policy and action.

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This decline occurs at a time when the United States is more dependent upon the use of the seas for our political, economic, and military well being than ever before in our history. Every day, major decisions affecting international relations are influenced by the capability or lack of capability of our naval forces. When we realize that strategic missile submarines are the least vulnerable component of our nuclear deterent force and that our only military capability in the volatile Indian Ocean area is our carrier task groups, we can appreciate the importance of naval capability in world affairs.

The world trades by sea and the United States is the world's greatest trading nation. We are heavily dependent upon ships to bring in foreign goods as well as petroleum and the raw materials for our industries; and we need ships to carry our manufactured products and our agricultural and raw material exports to the world's markets.

As I stated in a recent speech in Chester, Pennsylvania, our shipbuilding industry is vitally important to our nation. Shipyards provide the mobilization base for future buildups, employ people in every one of our 50 states, and are a proven technical training facility for our youth and minorities in a host of related industries.

production, has a titanium hull and can dive significantly deeper and travel significantly faster than any American nuclear submarine.

Similarly, the Soviet merchant fleet is among the world's largest, with almost five times the number of ships at sea as fly the American flag. These Soviet merchant ships vary from small, coastal cargo ships - ideal for the smaller Soviet ports and for serving Third World ports - to giant supertankers and container ships. The Soviet penetration of Third World trades gives them a political and economic presence that our current leadership fails to appreciate.

Until the Afghan invasion a year ago, the Soviet share of American maritime trade was growing at a faster rate than that of any other nation, while in the past decade the U.S. flag share of our own commerce declined by 20 percent.

The Soviet Union has the world's largest fishing and ocean research fleets as well, and they are deployed over the four corners of the world.

Despite their already massive array of seapower, the Soviets continue to expand and improve their shipyards and related industries while America continues to decline. For example, 15 years ago the United States had seven shipyards building nuclear-powered ships and submarines. Today we have only two. In the same period the Soviet nuclear shipyards have increased from two to six yards, with just one of those yards capable of building more nuclear submarines each year than the rest of the world's shipyards combined. And still the Soviet shipyards are being expanded and improved.

How did we come to this state of affairs?

The answer to that question unfortunately is all too clear. It has become apparent that during the past 3-1/2 years the Carter Administration has ignored the lessons of history, turned away from the world as it exists today, and failed to understand America's need to use the seas. Time and time again the Carter Administration has made the wrong decision or simply avoided making any decision at all.

In 1979, Mr. Carter vetoed the defense budget because the Congress - the direct representatives of the American

Navy and the Merchant Marine and the governmental departments responsible for each. We must see that long-range building programs for naval and merchant ships are established and carried out without falling victim to petty bureaucratic jealousy. This is the role of the President and I shall see that our maritime policy is coordinated to insure that it achieves the objectives we set for it.

2. Insure that our vital shipbuilding mobilization base is preserved. It is essential that sufficient naval and commercial shipbuilding be undertaken to maintain the irreplaceable shipbuilding mobilization base. Without this nucleus of trained workers and established production facilities, we can never hope to meet any future challenge to our security.

3. Improve utilization of our military resources by increasing commercial participation in support functions. The Navy today is facing a critical shortage of trained personnel. With the commercial industry assuming increased responsibility for many auxiliary functions, substantial cost saving can be achieved and a large reserve of manpower can be released to provide crews for a growing naval fleet. This is an example of the means by which we can increase defense mobility without adding burden to the taxpayer.

4. Recognize the challenges created by cargo policies of other nations. The United States has traditionally espoused free trade. However, the international shipping trade is laced with a network of foreign governmental preferences and priorities designed to strengthen foreign fleets, often at the expense of U.S. maritime interests. We must be prepared to respond constructively for our own interests to the restrictive shipping policies of other nations. A major goal of the United States must be to insure that American-flag ships carry an equitable portion of our trade consistent with the legitimate aspirations and policies of our trading partners.

5. Restore the cost competitiveness of U.S.-flag operators in the international marketplace. It has been American policy since 1936 for the additional costs of building and operating U.S.-flag ships to be borne by a system of subsidies to help insure the competitiveness of American importers and exporters. But our parity system failed in the mid-1970's because most foreign governments moved to protect their own vital maritime interests after the shipping collapse of the mid-70's. We must now take corrective action to make certain our merchant fleet and our shipbuilding industry survive and grow.

The United States has a heritage of the sea that dates from the first settlement of our country. The oceans - and the ships - and men that both build and sail on them - have been a prominent factor in shaping the crucial development of our nation's history. Our economic vitality, national defense, and foreign policy options will depend increasingly on the use we make of the sea during the remainder of this century.

Ronald Reagan

RONALD REAGAN

ARLINGTON, VIRGINIA

September 22, 1980

The Journal of Commerce
AND COMMERCIAL
SECTION B NEW YORK, FRIDAY, JULY 15, 1983

# Navy Accused of Hedging on Reagan Pledge

By ROBERT F. MORISON
Journal of Commerce Staff

WASHINGTON — The Navy has been accused of failing to follow through on one of President Reagan's 1980 campaign pledges to help the merchant fleet by shifting more supply functioning to private ship operators.

Failure to comply will cost the government $6 billion over the next five years in the operation of its supply ships, it was alleged in a suit filed in U.S. District Court here by the Joint Maritime Congress, a trade association with companies operating more than 100 U.S.-flag vessels and having labor contracts with the Marine Engineers Beneficial Association.

The suit targets the September 1982 award of a contract by which the Navy's Military Sealift Command was given the operation of three T-1 tankships to be manned by civil service crews.

The award of that contract, the suit claims, was alleged to have been the result of the Navy's having "structured" the request for proposals "to insure that MSC would be the successful offeror."

That was accomplished, it was claimed, by "withholding critical information from bidders" regarding the condition of the ships and the number of days at seas, "deceptive manning levels, omission of MSC insurance cost" data, and other factors that disadvantaged the nine private companies that also submitted offers.

The JMC asked U.S. District Court Judge Joyce H. Green to find the Navy's rejection of the private operators' bids "arbitrary, capricious, an abuse of discretion, and contrary to law."

A permanent injunction was asked to bar the Navy from "taking any action pursuant to or in furtherance of the selection of MSC as the successful offeror" for the tankers, and to bar use of funds for the continued operation by MSC of the three T-1s.

A "timely recompetition" also was asked for.

Navy Secretary John C. Lehman Jr. was the target of the action filed Wednesday.

JMC's complaint outlined the background of the Navy-MSC request for proposals, claiming it was a "sham competitive procurement, in which MSC was the predetermined successful offeror," allegedly in violation of the law and government regulations covering bidding to supply goods and services to the armed services.

*Failure to comply will cost the government $6 billion over the next five years in the operation of its supply ships.*

MSC has 86 vessels in its active fleet, 56 of which are operated by civil service crews. The remaining 28 are run and crewed by private carriers.

The shipping industry has long contended it is cheaper to have such vessels run by private carriers, although the Navy has produced studies showing otherwise.

Increasing the number of such vessels run by private operators has been the center of a Navy-industry struggle for years.

President Reagan, during his 1980 presidential campaign, proposed just such a step to help the private merchant fleet, to stretch available Navy manpower, and hopefully to save the government money. After his election, the Navy was "instructed" to follow up, the complaint added.

However, JMC said the Navy "responded to that direction by commissioning additional studies by its captive consulting firm which again purported to show that under a variety of misleading costing assumptions, manning Naval fleet support ships with civil service mariners is always the least expensive alternative."

Again, it was claimed, at the direction of the chief executive, a meeting was held by his staff at the White House in April 1982 "to expedite the Navy's implementation of the president's announced policy with respect to naval fleet support."

At that meeting, JMC's own report, by Booz, Allen & Hamilton, on the manning issue, "rebutted the Navy's contention that increased utilization of the private sector was neither economicaly nor operationally feasible," the complaint added.

The result of the meeting was, JMC asserted, the Navy "devised a new strategy for frustrating the orderly transfer of naval fleet support functions to the private sector and some five weeks later issued the request for proposals for the operation of the three tankers."

Reagan & Bush

Reagan Bush Committee

901 South Highland Street, Arlington, Virginia 22204 (703) 685-3400

September 29, 1980

Mr. John F. Sullivan, Jr., President
Bath Iron Works Corporation
700 Washington Street
Bath, Maine 04530

Dear Mr. Sullivan:

Governor Reagan and I were particularly gratified by the large number of maritime leaders who assembled in the Carlton on Monday, September 15th. We have been increasingly aware, of not only the problems of the maritime community, but also of the unique benefits of a prudent and coordinated maritime policy.

Attached to this letter is a signed copy of the maritime strategy paper which we distributed and discussed. As of September 22 we had received no indication that anyone had taken exception to any of the points. There were several suggestions for the inclusion of specific goals and these are under study. Because we could not make precise dollar assessments of the impacts of particular goals without careful analysis and having data on major factors, such as the intensity of the naval ship construction program and the number of types of the combatants to be built, we made the decision to use the present paper as a starting point. We firmly believe, and I trust you agree, that the direction is right and that our overall goals should be established and made public.

As you know, we have been working with several maritime organizations as well as with a number of individuals. We have asked the National Maritime Council, Shipbuilding Council, Transportation Institute, and the American Waterways Operators to identify key positions in government relative to maritime affairs and to describe the qualifications which they believe individuals should have for those positions. I also invite any of you, or maritime organizations which you are a part of, to pass on to us your ideas concerning key positions. As soon after November 4th as practicable, I would like to meet with essentially the same group as was present in the Carlton to discuss the key positions, qualifications, relationships and organization as they pertain to the entire maritime community.

If I may, I would like to add a word or two about the campaign. As you are aware I work in the policy side of the staff, but our ultimate objective will only be secured by the proper coordination between the political and policy groups. Our maritime coordinator, who is a link between these two elements, has enclosed some information about volunteer activity. The ability of Governor Reagan to generate volunteer activity directed at grass root support is our major political strength. Our strategy is, and always has been, based on a very close race. Victory will be the direct result of the effectiveness of that grass roots campaign.

Again, the Governor and I thank you for giving us the opportunity to meet. The letters and calls resulting from the Carlton meeting have been brought to my attention and they are very much appreciated. We look forward to a long, happy, and productive relationship with the maritime community.

Sincerely,

Ed Meese

Edwin Meese, III
Chief of Staff

Enclosures:

Maritime Strategy Paper
Memo from Maritime Coordinator

DOT memos

DRAFT

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

MEMORANDUM

TO : James A. Baker, III

FROM : Elizabeth Dole

SUBJECT : Strategy and Recommendations on Women's Initiative

ISSUE : Last week, the Cabinet Council on Legal Affairs met to discuss Congressman James Florio's request that the Administration testify before his Commerce, Transportation and Tourism Sub-Committee February 22 on the Non-Discrimination in Insurance Act. That testimony could have particular significance to the Administration and its standing with women.

BACKGROUND:

An effort to regain a measure of credibility with mainstream American women was enhanced by two recent Administration actions. Both of these focused on pensions:

1) The Department of Justice and the Solicitor General jointly filed a Supreme Court brief indicating that the practice of calculating retirement benefits under which women receive smaller amounts each year violates civil rights laws (the Spirt case). The Government argued that Title VII of the Civil Rights Act requires that an individual, not a group, be treated equally.

2) The President, in his State of the Union Address, supported "action to remedy inequities in pensions." The press statement accompanying SOTU indicated the Administration "will submit legislation to remedy inequities based on sex in employer pension systems."

The above initiatives are perceived by many as the first evidence of the Administration's sensitivity to issues of concern to women. The President's commitment to pension issues may thus take on an even greater significance in the context of this early hearing on a controversial matter. A negative appearance could undermine irretrievably the goodwill created with the Administration's recent initiatives.

Working Group Recommendations:

The Working Group of the Cabinet Council on Legal Affairs recommends the Administration support the following in its testimony before the House Committee:

* That equal pension benefits be required in employer-related plans. This is consistent with the Administration's support of the Spirt case. However, the Working Group proposed to dodge the issue as it relates to private, or individual plans in pensions, life, health and disability insurance. The bill on which the Administration will testify extends the policy in Spirt for employer-related plans to insurance and annuities purchased on an individual or private basis. The Administration's support of the principle in Spirt, and lack of support for H.R. 100 will be deemed inconsistent, as the litigation and legislation are linked. The life insurance industry itself plans to support the concept embodied in the legislation (see Legislative Outlook).

* That the Government's position leave open the possibility for employers to provide unequal forms of pension benefits as long as other, equal benefit forms were also offered (the "open market" exception). Such a recommendation supports the "separate but equal" concept, already established as illegal in race discrimination.

* That only _future_ accrued benefits should be equalized between men and women. Women's organizations will undoubtedly point out that under this recommendation, women will lose rights they already have through Title VII. Since at least 1980, employers and insurers have been on notice that Title VII of the 1964 Civil Rights Act prohibited discrimination in insurance and annuities connected with employment. (Los Angeles Department of Water and Poser v. Manhart (1978); EEOC v. Colby College (1978); Spirt v. TIAA-CREF (1979). In addition, the body of case law in race and sex discrimination (hiring, promotion, wage discrimination) supports remedies which can be figured back _two years before the charge was filed_. In the _Spirt_ case, the lower courts held thus, that remedies are appropriate from May, 1980, two years before _Manhart_.

The Department of Labor study on the impact of the pension portion of the bill, places annual costs to the industry of $95 million to $1.5 billion, depending on the option of repayment selected. The industry is at the higher end, advocates at the lower end. The Working Group claims the legislation would be of little benefit to women. It is true that in life and auto insurance, under sex-segregated tables, women benefit. Under pensions, health, and disability, men benefit.

_Legislative Outlook_:

In the House, Congressmen Renaldo and Broyhill, both friendly to the insurance industry, have indicated that H.R. 100 will pass the House, with or without industry support. They encouraged the industry to present realistic proposals for modification of the bill within the next 30 days, as they believe the bill may be moving that fast. The Congressmen indicated, informally, that they could round up only 50 Republican votes against the bill on the floor. House Committee members have informally expressed a willingness to negotiate on some of the points with respect to so-called retroactivity -- perhaps moving toward a phased-in enactment on its provisions.

In the Senate, Packwood has set hearings for early April and seeks to gain floor consideration by early summer. He should not have much trouble in achieving that. He, too, appears willing to sit down with the industry to discuss a possible phase-in over 5 to 10 years. However, he may well have the votes to win, with or without industry cooperation. Both Committees seem anxious to avoid politicization of the bill, and are thus willing to cooperate in a bi-partisan manner.

Industry Views:

The American Council on Life Insurance will testify before the Florio Committee next week. Mrs. Dole talked with Dick Schweicker, who affirmed that the industry is well along in a compromise position. He referred her to Judy Norrell, chief legislative person on the issue for ACLI. Ms. Norrell indicated that unofficially, consensus at their meeting on February 15 was to accept the civil rights principle involved in the bill, recognizing that it poses certain difficulties for policy holders in terms of so-called retroactivity. They will indicate a willingness to negotiate, developing options that will not destroy the civil rights provisions of the bill, while confronting the economic implications to policy holders.

ACLI has expressed eagerness for the Administration to serve as a conciliator in developing a compromise.

Recommendations:

* That the Administration be represented by a Cabinet official at the hearing, preferably, the Attorney General, in order to further

underscore the justice and fairness aspect of the issue.

* That the Administration embrace the principle espoused in the Spirt case for employer pension plans.

* That the Administration pledge to work with the coalition of industry, Congress, and civil rights groups to develop an appropriate mechanism for carrying out that principle for private plans, as well.

* That the Administration investigate thoroughly -- and quickly -- the proposals embodied in the Economic Equity Act to determine which can be supported. If the Administration cannot support the coalition effort above on insurance, at least it will have alternative measures to implement the President's commitment.

* That it is premature to make specific recommendations on how to implement the legislation, given the negotiations that are now going on. Neither is it appropriate, as the Cabinet Council recommends, to point out the difficulties embodied in implementing this legislation. Such an approach would be detrimental to the President and his commitment to pension reform.

T DOT
[illegible]

U.S. Department of Transportation

Office of the Secretary of Transportation

From: Linda Gosden LG

To: Margaret Tutwiler

Please make Jim aware that while the formal selection has not been made, it will be Houston unless it gets hung up on the no cost conveyance issue, which is why we didn't specify Houston in the memo.

Thanks for all your help.

Many Thanks —
Let me know if we
can help further —

To Cicconi —
FYI
MDT
5/20

JAB HAS NOT
READ

**THE SECRETARY OF TRANSPORTATION**

**WASHINGTON, D.C. 20590**

MAY 19 1982

MEMORANDUM FOR: JAMES BAKER, CHIEF OF STAFF AND ASSISTANT TO THE PRESIDENT

As per our discussion this note is to give you some background on the impending transfer of Ellington Air Force Base to local government for use as a public airport.

The base was declared excess to the needs of the Air Force in 1976. The local governments of both Houston and Pasadena requested that the airport be transferred to them at "no cost." It is the Federal Aviation Administration's task to decide whether air traffic dictates transferring the base to the local community and whether it should go to Houston or Pasadena. The FAA determination is close to completion but now is awaiting decision on whether or not the property will be transferred at no cost. I have written Gerald P. Carmen, Administrator of General Services, requesting that the base be transferred to one of these local communities in the Houston area at no cost for use as a public airport.

The decision, however, must go to the Property Review Board on which you sit, along with a recommendation to come from GSA. We hope this recommendation from GSA will be expedited. This will be among the first major property conveyances using the Property Review Board procedure developed for handling discount property conveyances pursuant to Executive Order 12348. We had been informed that Jerry Carmen approved a discount conveyance last fall, and the question before us is whether such pre-existing commitments should be honored.

Aviation activities have grown at a tremendous pace in the Houston area. Our analysis confirms the need for additional airport capacity in the Houston area. The city of Houston is undertaking major expansion at Intercontinental and Hobby Airports, but additional general aviation relief is still needed. The difficulty and expense of locating airport facilities makes taking advantage of existing locations of paramount concern.

Houston has requested conveyance at no cost. In light of its expensive development of Intercontinental and Hobby, it is not in a position to commit additional revenues to airport acquisition at Ellington. Pasadena wants the airport at no cost due to a general lack of funds. Both prepared detailed plans for use of the facility.

As to whether this transfer could be at no cost, one further consideration should be noted. The National Aeronautics and Space Administration, the U.S. Coast Guard and the military (USAF/ANG and Army) continue to be heavy users of Ellington and wish to remain tenants at the base. Their use of the Ellington facility amounts to 50,000 operations annually. Accordingly, the government will maintain a benefit through continued use of the facility for airport purposes.

The important thing is, however, that we complete the transfer of Ellington AFB to a local community in the Houston area expeditiously and without having them purchase it. I feel it clearly falls within the criteria for such discount conveyances, as outlined in the Property Review Board Guidelines of April 6, 1982.

Sincerely,

Drew

THE SECRETARY F TRANSPORTATION
WASHINGTON, D.C. 20590

MAY 11 1982

The Honorable Edwin L. Harper
Assistant to the President for
Policy Development
The White House
Washington, D.C. 20500

Dear Ed:

In accordance with the procedures recently developed for handling discount properties and conveyances pursuant to Executive Order 12348, and with the added responsibilities undertaken by the Property Review Board, which you chair, I am transmitting to you our recommendation, along with the required supporting material, that Ellington AFB be conveyed as currently planned to local government for use as a public airport in the Houston metropolitan area.

As you know, two communities, Houston and Pasadena, Texas, have both submitted applications to become the airport owner. The Administrator of the Federal Aviation Administration is currently reviewing these requests to decide which applicant is better suited to operate and develop Ellington as a major reliever airport. Regardless of which community will be named in the final recommendation which he will make to you, we propose that the property be conveyed cost-free as originally contemplated by both communities.

This proposal has been reviewed in the light of Executive Order 12348 and we have determined that it meets two of the three criteria for exemption enumerated in your April 6, 1982, memorandum to General Services Administration. We believe that disapproval of cost-free conveyance would cause extreme hardship for not only the citizens and aviation users in the Houston area, but for the Federal Government as well. Further, the continued use of this property as an airport is the most feasible, practical, and economical means of solving a severe airport capacity problem in the Houston/Galveston metropolitan area. As a civil airport, this property will serve the highest and best use for the benefit of the metropolitan as well as the national transportation system.

We also understand from Mr. Bruce Selfon, the Acting Executive Director of the Property Review Board, that recommendations for a discount conveyance should be accompanied by information on the following:

(a) validation of the need
(b) financial feasibility of the plan
(c) statement of highest and best use (cost of other alternatives)
(d) any Federal requirements
(e) plan of use and development schedule
(f) community views and support
(g) description of any revenue-producing activity

Each of the two communities has prepared a comprehensive plan for developing and operating Ellington. These plans include considerable detail on most of the foregoing items, particularly items (b),(d),(e), (f), and (g). Summaries of these plans are enclosed, and the full text comprising several hundred pages is available for your review, if needed.

The need for Ellington AFB to be developed as a civil airport is one which we feel is unquestioned. In 1976, Ellington AFB was declared excess to the need of the Air Force after an earlier decision by DOD to relocate the permanent Air Force unit to Austin. Initially, the primary local concern was over loss of the Air Force unit and potential loss of other Federal tenants (NASA, Coast Guard, National Guard), and several proposals were considered in an effort to assure retention of these activities in the Houston area. The most prominent plans included operation of Ellington by the State of Texas or creation of a "Federal Center" under management by GSA. These proposals were considered infeasible and development of proposals for local sponsorship began.

Although the Houston metropolitan area has always had a healthy economic climate, the energy crisis of the late seventies spawned even more business growth, particularly in the petrochemical industry. There has been a corresponding growth in aeronautical activity with the current based aircraft count for the metropolitan area exceeding 3,600. Hobby Airport alone has over 600 based aircraft, and the 367,000 aviation operations in CY 1981 have already exceeded the annual capacity. The city of Houston currently operates two air carrier airports, and there are publicly owned general aviation airports at LaPorte, Galveston, Angleton/Lake Jackson, and Conroe with active privately owned, public-use facilities also supporting the area. The demand still exceeds capacity, however, and the local system experiences the highest volume of delays in the FAA Southwest Region. The city of Houston is undertaking major expansion at Intercontinental and Hobby Airports, but additional general aviation relief is still needed.

Physical and environmental constraints restrict the expansion of other existing airports and development of new sites in the south and southeast portions of the metropolitan area. The most recent update of the Regional System Plan reaffirms the need for additional facilities in the quadrant to provide relief for the air carrier system.

The most recent study of the feasibility of operating Ellington as a public airport was started in 1980, funded in part by an FAA grant. The study was concluded in April 1981. This analysis also confirms the need for additional airport capacity, considers its highest and best use to be for public airport purposes, and recommends development for such activities. An earlier study, funded entirely by the city of Pasadena, reached similar conclusions.

The financial analyses for both sponsors are based on a no-cost transfer to the municipality. A substantial initial outlay is necessary to develop general aviation facilities and to ensure airspace compatibility with Hobby Airport. With even the most optimistic forecasts of industrial development in nonaeronautical areas, a public sponsor can do little more than break even in operating the facility. While both potential recipients have the financial capability to operate the base under these conditions, it is expected that the requests for transfer will be withdrawn if more than nominal consideration is required. Even with the resources available to the city of Houston (were Houston selected as the sponsor), payment of fair market value is out of the question when the present and future demands for capital improvements at Intercontinental and Hobby are considered. Pasadena would simply not be able to contend with the added initial capital costs.

There are significant Federal requirements at Ellington resulting in about 50,000 annual operations by NASA, U.S. Coast Guard, and military (USAF/ANG and Army) aircraft. Should Ellington not become a public owned and operated civil airport, some arrangement would be required either for the Federal tenants to maintain and operate the entire aviation facility or to relocate elsewhere. All Federal tenants are strongly supportive of the transfer to local sponsorship since the expense of either alternative (relocation or assuming airport sponsorship) would be prohibitively expensive. Although the overall cost to the Federal budget of these alternatives has not been calculated, they may well approach the recoverable value of Ellington. Further, there is no available capacity in the area to accommodate the Federal operation without exacerbating the already critical airspace and delay problems.

We believe that the above summary establishes the eligibility of the Ellington AFB property conveyance for an exemption under the ground rules of the Property Review Board.

Sincerely,

Enclosure

CERTIFIED TRUE COPY

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

MAY 11 1982

The Honorable Gerald P. Carmen
Administrator of General Services
Washington, D.C. 20405

Dear Mr. Carmen:

In accordance with the procedures recently developed for handling discount property conveyances pursuant to Executive Order 12348, I am transmitting to you our recommendation, along with the required supporting material, that Ellington AFB be conveyed as currently planned to local government for use as a public airport in the Houston metropolitan area.

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This proposal has been reviewed in the light of Executive Order 12348 and we have determined that it meets two of the three criteria for exemption enumerated in the April 6, 1982, memorandum to you from Edwin Harper, Chairman of the Property Review Board. We believe that disapproval of cost-free conveyance would cause extreme hardship for not only the citizens and aviation users in the Houston area, but for the Federal Government as well. Further, the continued use of this property as an airport is the most feasible, practical, and economical means of solving a severe airport capacity problem in the Houston/Galveston metropolitan area. As a civil airport, this property will serve the highest and best use for the benefit of the metropolitan as well as the national transportation system.

We also understand that you have advised Mr. Bruce Selfon, the Acting Executive Director of the Property Review Board, that recommendations for a discount conveyance should be accompanied by information on the following:

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We believe that the above summary establishes the eligibility of the Ellington AFB property conveyance for an exemption under the ground rules of the Property Review Board and request that you forward to them our proposal for their review. Should you wish to review the detailed studies or have further questions, please contact Mr. Paul Galis, Director of FAA's Office of Airport Planning and Programming. His telephone number is 426-3050.

Sincerely,

Drew

Enclosure

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