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THE WHITE HOUSE

WASHINGTON

October 30, 1974

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ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR

BIL BAROODY
DEAN BURCH
KEN COLE
BILL SEIDMAN
BILL TIMMONS

FROM:

MIKE DUVAL

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SUBJECT:

JONES ACT WAIVER

BACKGROUND

Earl Butz and Gary Seevers have recommended that a Jones Act waiver be granted, permitting a foreign flag vessel to carry nitrogen fertilizer from Alaska to the Pacific Northwest. This recommendation was triggered by the sinking of a barge which has carried some 30 percent of the total supply of this fertilizer. Other factors have contributed to a fertilizer shortage in the Northwest such as a nation-wide shortage and the shutting down of a fertilizer exporting plant in Canada.

The barge which sank is owned by the Collier Carbon and Chemical Company, a subsidiary of Union Oil. It carried the fertilizer from a plant in Alaska. According to our information, the barge is not salvageable and the company has taken first steps to have a self-propelled replacement built in the U.S. They have also ordered another backup barge and delivery dates are expected to be 1976 and 1977, respectively. These dates are contingent upon the construction company receiving priority for steel.

Preliminary contacts between Bill Baroody and Paul Hall indicate that the Maritime Union may go along with a Jones Act waiver as long as it is (1) time-limited (2) foreign vessel must operate only to provide this fertilizer from the Collier Carbon and Chemical Plant and (3) the replacement must be U.S. built.

Senator McClure has urged the President to make no decision on the Jones Act waiver until after the election. Others, such as Senator Packwood, have urged that the waiver be granted prior to the election. Jackson and Magnuson have both urged a waiver and have become vocal on the subject.



Ed Schmults at Treasury is pulling together an options paper for Secretary Simon and will cite the findings by Agriculture and CEA. Schmults tells me that the Defense Department is not inclined to grant the waiver.

Under the Jones Act, a finding must be made by either the Secretary of Defense or the Secretary of the Treasury that the waiver is required for national defense reasons.

ACTION REQUIRED

The basic documentation of the need for the waiver has been accomplished by Agriculture and CEA. There is some additional information which is needed concerning the following: (1) the availability of a foreign flag replacement (2) commitments from the Collier Carbon and Chemical Company to use their foreign flag temporary replacement only for the Alaska-NW fertilizer shipment and (3) their plans to build a U.S. Flag permanent replacement. This additional information is being gathered together by Treasury.

Once we have our ducks all lined up, there should be an additional contact with Paul Hall, via Bill Baroody, prior to any final decision.

RECOMMENDED COURSE OF ACTION

1. Further agency action should be focused in Treasury Department. I made it very clear to Ed Schmults that no final decision should be made by Simon until the President has an opportunity to review the facts of the case.
2. We will complete the paper work leading up to a final Treasury decision and get it over here for review (hopefully, today). At that time, I will insure that Baroody is informed so that he can touch base with Paul Hall.
3. By 10:00 tomorrow (Thursday) I will have a one-page description of the action which can be taken and get it to Dean Burch.
4. The statement will essentially say that all the conditions exist for a waiver and that the President will discuss the issuance of a waiver with Butz and Simon on his return to Washington. This can be put out on Air Force One en route from Fresno to Portland. The statement will refer to the role that Packwood played in bringing this to the President's attention.
5. The actual waiver will be granted Wednesday, November 6. *if Simon goes along on merits*

