The original documents are located in Box 54, folder "1975/12/18 - Economic Policy Board" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

EPB

8:30 a.m. Thursday
December 18, 1975

Meeting Cancelled

THE WHITE HOUSE

WASHINGTON

December 17, 1975

MEETING WITH ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE
December 18, 1975
8:00 a.m.
Roosevelt Room

From: L. William Seidman

I. PURPOSE

To discuss legislative strategy with respect to the tax bill.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: Following our tax strategy meeting with you today and completion of the drafting of your veto message, Jim Lynn, Alan Greenspan and others worked on language to amend the congressional tax bill that would represent a compromise position consistent with your objective of coupling a tax reduction with reductions in the growth of Federal spending.

A memorandum describing the possible compromise position along with the proposed amendment to the congressional tax bill is attached at Tab A.

B. Participants: L. William Seidman, James T. Lynn, Alan Greenspan, John T. Dunlop, Robert T. Hartmann, Stephen Gardner, John O. Marsh, Richard B. Cheney, Max Friedersdorf, James Cannon.

C. Press Plan: David H. Kennerley photo only.

III. AGENDA

A. Tax Bill Strategy

Jim Lynn will outline a possible compromise position in the event that the Congress fails to override your veto of the tax bill.

THE WHITE HOUSE

WASHINGTON

December 17, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN

SUBJECT: Tax Strategy

A memorandum on tax strategy prepared by Jim Lynn and proposed language detailing a compromise position on the tax bill are attached. The Lynn strategy memorandum was used by Lynn, Paul O'Neill, Alan Greenspan and myself in preparing the proposed compromise position which also has the concurrence of the Treasury.

In brief, the proposal would amend the congressional tax bill to extend the reductions for a full year. It provides that for FY 1977 the tax reductions in the bill and any other tax reductions from 1974 levels will be matched by a dollar-for-dollar reduction in spending from the Administration estimate of $423 billion as adjusted by Congress to correct for any estimating errors or to reflect substantially changed economic or other conditions that cannot reasonably be foreseen at this time.

(The following assumes extension of the tax cuts to expire December 31, 1976)

Section ___. To the extent that by reason of either this Act or any other law estimated Federal receipts for income taxes applicable to any part or all of fiscal year 1977 are less than the estimated receipts that would otherwise be collectible if the tax laws in effect on December 31, 1974 were applicable, Federal outlays for such fiscal year shall be likewise reduced on a dollar-for-dollar basis. For the purpose of this section, (a) the Federal outlay level from which such reduction shall be effected shall be determined on the basis of the Administration's projection of $423 billion with such adjustments, if any, as Congress may deem necessary to: (i) correct errors in estimating the cost of the various programs considered in the Administration's projection or (ii) otherwise reflect substantially changed economic or other conditions that cannot reasonably be foreseen at the time of the enactment hereof, and (b) refundable tax credits or similar provisions shall be deemed reductions in receipts.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

December 17, 1975

Used by group to decide upon recommended action.

MEMORANDUM FOR THE PRESIDENT

From: James T. Lynn

Subject: Tax Strategy

In my judgment, negotiations as to "a second time around" will begin within hours after the veto or even before. Accordingly, we need immediate direction as to who will do the negotiating and at least your tentative views as to what provisions you would find acceptable in the second bill and, among those, which ones you would prefer. This memorandum identifies possible alternative provisions. Although here and there it mentions some of the pros and cons of each alternative, this memorandum does not, with the time restraints we have, fully list or evaluate such pros and cons. It is anticipated that such evaluation can be handled most effectively in a meeting between you and your advisers.

I. Six months, one year or permanent. There is a fundamental issue whether, assuming the terms of the Congressional enrolled bill being vetoed are substantively acceptable from a tax policy standpoint (apart from not providing the deep cut), such provisions should expire June 30, 1976, at the end of 1976, or be made permanent.

A. Six months. One advantage is that this doesn't require change from the present Congressional position. It also adds force to the Congress keeping your proposals in mind while they are wrestling with expenditures in the budget process next Spring. As I see it, however, I think it is at least possible that in May or June Congress, having adopted an expenditure target substantially above ours, will conclude that for economic purposes an even deeper cut than the one they are handing you now is in order. If so, your decision as to whether to sign or veto would be extremely difficult.

B. One Year. A benefit of one year is that even though November or December action on further extension would be necessary, Congress would probably not be required to fish or cut bait on taxes during the pre-election period. Also, since the last three months of calendar 1976 are part of fiscal year 1977, there is more of a linkage between the tax issue and the spending ceiling; on the other hand, for the very same reason, an extension into fiscal year 1977 without a ceiling would be painted as a substantial compromise on your part.

C. Permanent. The advantages and disadvantages seem the same as the one year except that since deficits for entire FY 1977 would be affected there might be even more pressure on the Congress to hold down expenditures. However, the Hill bill doesn't satisfy our own priorities as to who should get the relief.

Prefer the smaller cost for only six months _____

Prefer one year _____

Prefer permanent _____

II. Position on your deeper tax cut. I think it is virtually certain that Congress will not in these closing days enact your deeper tax cut into law effective January 1, 1976. Another option, however, is to insist, at least in initial negotiations, that Congress enact, in addition to whatever extension there might be (for six months, a year, or permanently, as the case may be) the provisions of the deeper tax cut, to become effective if and when, in the Spring budget process, Congress enacts a ceiling of $395 billion. My own judgment is that, although this is a good going-in position, it won't get very far; but it may or may not be worth starting there.

Prefer at least starting with present enactment of deeper tax cut effective if and when $395 billion ceiling adopted _____

Prefer not even raising _____

If raise as indicated, need there also be a ceiling on the interim extension of the more shallow cuts as well?

Yes _____

No _____

III. Alternative approaches to spending ceiling. A key issue is whether or not to insist on the $395 billion ceiling even if we don't insist on the deeper tax cuts now. Quite apart from the issue of tax cuts, a $395 billion ceiling can be justified on its own as a strong step toward a balanced budget within three years. However, in view of our dollar for dollar concept, opponents will argue that such a "severe" moderation of expenditures without your full tax cut will represent too much of a withdrawal of stimulus produced by deficit. Further, I believe there is virtually no chance of Congress adopting such a $395 billion ceiling now, directly or indirectly. Accordingly, do you prefer that although we start with the $395 billion coupled with a deeper cut we drop insistence on a firm $395 billion ceiling when we drop discussion of the deeper tax cut?

Prefer _____

Disagree _____

IV. Ceilings in a law or Concurrent Resolution. You know the pros and cons of this issue. My recommendation is that we be willing to accept a Concurrent Resolution.

Agree _____

Disagree _____

V. Variations on language imposing ceiling. Of course, our preference is a simple number. For example, if the bill you are now receiving prices out on an annual basis at, say,

$16 billion as I have read in the papers (and this should be verified with Treasury), since that is $12 billion less than our deeper tax cut, the ceiling would be $407 billion (this should be verified, too). In my own judgment, this will be very hard to sell, even if we allow some weasel words to adjust for changes in estimates of undercontrollables or unforeseen circumstances as discussed later in this memorandum.

Another option is to try to work on a dollar for dollar reduction concept somewhat along the lines discussed on Monday with Bellmon and Roth. For example, under this option, the ceiling would be expressed as a dollar for dollar reduction from the Current Services estimate for fiscal year 1977 (possibly with a ceiling on how high Congress can go on such an estimate as discussed further on in this memorandum).

However, whether you go for a straight expenditure ceiling or the dollar for dollar reduction, an important issue is whether or not you are willing to have conditions on or adjustments to such ceiling. The obvious ones are as follows:

a. Condition or adjustment for changes in estimates. In arriving at the $395 billion in the budget, there are many estimates, e.g., interest to be paid on the national debt, amounts payable on entitlement programs, outlay rates on defense expenditures, etc. Congress can argue that whatever the concept, the ceiling should be adjusted upward if it turns out that such estimates in arriving at the $395 billion were too low. The issue is whether we would be willing to draft language to accommodate this.

Agree _____

Disagree _____

B. Another issue is whether to permit conditions or adjustments to the extent necessary to meet presently unforeseen economic or other changes of a substantial nature. In other words, the Congress can argue that between now and next May or June the economic recovery might abort and require extensions of old programs or adoption of new ones to take care of worsened unemployment figures. Although, to some extent, this is covered by the estimating adjustment mentioned above, it doesn't cover it fully (e.g., the need not to phase-out public service jobs).

Agree to unforeseen events exception _____

No _____

If instead of a spending ceiling you were to accept the concept of dollar for dollar reduction from current service estimates there is a fundamental issue as to how much you are willing to leave to the Congress the determination of what such current service estimates would be. Alice Rivilin had already testified that depending on the assumptions used, $430 billion would not be unreasonable. If no dollar limit is put on the congressional right to determine current service outlays, Congress could fudge the whole disciplinary activity by coming up with a very high current service outlay. For example, if Congress were to finally determine that current service outlays would be $440 billion for FY 77, a dollar for dollar reduction from that kind of figure would be meaningless. On the other hand, it will be extremely difficult, as we learned on Monday, for either Russell Long or the budget committees to accept a limit on their estimating of current service outlays. If we were to impose such a limit, it would be difficult to make it precisely $423 billion because that is your number. If any number could be sold, it surely couldn't be lower than $423 billion, and any number above your figure is in effect a retreat from the discipline implied by dollar-for-dollar from $423 billion. Thus, if we use the dollar-for-dollar reduction concept, should we insist on some specific number as a limitation on Congress's right to estimate current service outlays or be willing to abide by their determination?

Insist on limitation _____

If necessary, leave current outlay open-ended _____

d. If you go with the dollar-for-dollar reduction concept and decide to stick with a number limitation on current service outlays, which approach do you prefer (bearing in mind either of the following is a retreat in dollars from our numbers):

Changing the $423 billion to $425 billion or thereabouts? _____

Refer to a "but not in excess of" number such as $430 billion? _____

In view of all of the foregoing difficulties with a dollar for dollar concept, would you prefer to stick firmly to an expenditure ceiling (with conditions or adjustments as outlined above in a. and/or b. for changed estimates and unforeseen circumstances) and reject conclusively trying to use the dollar for dollar concept instead?

Yes _____

No _____

VI. If you are willing to have the exceptions for re-estimates and/or unforeseen circumstances, would you reject such exceptions being "conditions" (in which case, it means "all bets are off" if the condition occurs), and insist that such exceptions only give rise to adjustment of the figures?

Yes, reject conditions _____

No _____

ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEETING

AGENDA
8:30 a.m.
Roosevelt Room

December 18, 1975

1.	Economic Forecast for the 1977 Budget	Troika II
2.	State of the Union Preparation: International Economic Policy	CIEP

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

December 17, 1975

MEMORANDUM FOR: MEMBERS OF THE ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE

Attached for your information is a statement I released to the press this morning which sets forth my views on the merits of the situs picketing and collective bargaining titles of H.R. 5900.

My statement on situs picketing addresses the significant benefits of a single labor policy for construction sites, the importance of area wage standards and work practices to particular construction sites and the merits of peaceful advertisement when different standards and practices exist on the same site.

The Collective Bargaining bill (Title II) constitutes a major constructive step in bargaining which will serve to enhance responsible settlements among the diverse segments and localities of the industry.

I also enclose a copy of a statement made by Mr. Robert Georgine, President of the Building and Construction Trades Department, AFL-CIO and refer you particularly to pages 4 and 5. The proposals made by Mr. Georgine provide enormous additional potential in my view for the strengthening of collective bargaining and labor relations in this industry for next year and over the long term.

John T. Dunlop

Secretary of Labor

Attachments

cc: William J. Baroody, Jr.
Philip W. Buchen
James A. Cannon
John O. Marsh, Jr.
Betty Murphy
Robert T. Hartmann
Edward Schmults
Frank Zarb

J.T.D.
12/17/75

H.R. 5900

The Senate on December 15, 1975 passed H. R. 5900 by a vote of 52 to 43. This legislation, composed of Title I (Protection of Economic Rights of Labor in the Construction Industry) and Title II (the Construction Industry Collective Bargaining Act of 1975) will reach the President's desk surrounded by an atmosphere of emotional public and political debate. The debate, mainly focused on the common situs picketing provision, has been one of long standing, going back some 25 years to a situation in Denver, Colorado.

In 1949, a commercial building was being built in Denver by a general contractor with a number of subcontractors.

All the contractors on the project were under collective bargaining agreements with the building trades unions, providing for standard wages and conditions, except the electrical contractor who was paying 42-1/2 cents below the collective bargaining scale in the area. Over this issue, the Denver Building Trades Council engaged in peaceful picketing, bannering the job as "unfair."

The National Labor Relations Board (NLRB) in 1949 held that the picketing was unlawful. Although a Court of Appeals reversed that decision, the case was taken to the Supreme Court which upheld the NLRB's decision that the picketing constituted an enjoinable secondary boycott. However, the picketing would

have been legal if all the contractors were without agreements or if the picketing were confined to a separate gate for the contractor paying below standard wages and conditions.

Since 1951 the labor movement has protested this artificial limitation on the right to picket peacefully against wages and conditions below the collectively bargained area standards in the construction industry.

Employees are intermingled on a construction site, and what occurred in Denver is a prime example of the difficult problems of industrial relations which arise when union employees are working side by side with non-union employees of other contractors with differing labor conditions.

Typically, a construction project consists of a general contractor and a number of subcontractors who perform specialized work such as the heating, plumbing, painting, masonary, and electrical work. On large industrial construction projects, there are a great many subcontractors. Even on simpler jobs there are many subcontractors.

Thus, the simultaneous presence at the same job site of many different employers who may have differing labor policies is the source of the common situs picketing problem.

From one viewpoint, a construction site is a single entity with different crafts performing different functions in an

integrated operation similar to the work of a factory. The electricians at a construction site install the electrical system. Other crafts install other parts of the structure and equipment. In this instance each contractor is not truly an independent economic entity since the speciality work sub-contractor is an agent of other contractors on the site.

On the other hand, there is the view that each contractor is an independent enterprise and as such each should be free to follow its own labor policy.

In general, mixing labor policy on any single job is not conducive to sound labor relations, to cooperation on a job, nor to increased productivity. Rather, mixing labor policies tends more to stimulate disputes between workers operating under different wages and benefits doing the same or similar work, who must necessarily interface with each other for practical purposes. A single, consistent labor policy enhances overall labor relations and, in the long run, results in beneficial gains for both the employers and employees, and the public.

President Truman and four Presidents, starting with President Eisehnower, and all Secretaries of Labor under those

Presidents have supported porposed legislation to permit situs picketing. Senator Robert Taft, Sr., had favored such an amendment to the Taft-Hartley bill.

Secretary Shultz in 1969, testified in support of legislative changes to legalize common situs picketing, specifying five necessary safeguards:

1. other than common situs picketing, no presently unlawful activity should be transformed into lawful activity;
2. the legislation should not apply to general contractors and subcontractors operating under State laws requiring direct and separate contracts on State or municipal projects;
3. the interest of industrial and independent unions must be protected;
4. the legislation should include language to permit enforceability of no-strike clauses of contracts by injunction; and
5. the legislation should encourage the private settlement of disputes which could lead to the total shutting down of a construction project by such means as a requirement for giving notice prior to picketing and limiting the duration of picketing.

H.R. 5900 embodies all of Secretary Shultz' five safeguards.

This Administration proposed two new major safeguards in endorsing the legislation, strengthening Shultz's fifth point:

1. the provision for a 10-day notice period, and
2. the requirement that any picketing be authorized in writing by the international union.

These safeguards also are incorporated in H.R. 5900.

In the past six months, as Congress deliberated over common situs picketing, many additional safeguards and new limitations were developed and became a part of the legislation.

Included in H.R. 5900, under Title I, are:

1. the substantial exemption of homebuilding (90 percent of homebuilders doing 60 percent of the volume.)
2. the effective date is deferred until the spring of 1977 for projects under $5 million gross begun by November 15, 1975.
3. for such projects more than $5 million gross, the effective date is deferred until the spring of 1978.
4. A limitation of 14 days of picketing for organizational purposes in construction alone. (Generally, labor organizations in industry are permitted 30 days picketing for organizational purposes.)

Additionally, the extent of the limitations on peaceful picketing in this legislation needs clearly to be understood.

The statute precludes picketing, enjoinable by injunction, in the following circumstances:

- Where such activities are in violation of an existing collective bargaining agreement.
- Where such activities are otherwise a violation of law.
- Where the dispute involves an independent union or a nonconstruction labor organization.
- Where an object is discrimination by reason of sex, race, color or national origin, or because of membership or non-membership in any labor organization.
- Where an object is to discriminate against employees denied union membership, except for failure to pay periodic dues and initiation fees uniformly required.
- Where an object is to cause a cessation of use of a product, processor or manufacturer.
- Where a state law requires separate bids and contract awards on public works.

These are carefully drawn and reasonable restraints and safeguards. They are far more restrictive than those for which the Administration indicated support earlier this year.

TITLE II

In addition to the common situs picketing provisions of Title I, this legislation fills the most urgent need of collective bargaining in the construction industry -- the need for a mechanism to improve the structure of bargaining and dispute settlement. Title II, the Construction Industry Collective Bargaining Act of 1975, will serve to enhance responsible settlements among the diverse segments and localities of the construction industry.

This title of the legislation was developed jointly by the responsible national leaders of labor and management engaged in collective bargaining in the construction industry. It is the culmination of joint efforts of labor and managements, with government, which began at least 10 years ago. This title can be expected to make a significant contribution in this vital but troubled industry, in the year ahead and over the longer term. It constitutes a major constructive step in collective bargaining.

Title II establishes a tripartite Construction Industry Collective Bargaining Committee (CICBC). Title II requires local unions and contractors wishing to terminate or modify a contract to give 60-day notice to their national union. Local contractors and contractor associations are also required to notify the national associations with which they are

affiliated -- or the CICBC, if there is no national contractor association affiliation.

The CICBC has authority to take jurisdiction over contract renewals. An automatic cooling-off period of up to 30 days beyond contract expiration results.

The CICBC may then take any or all of the following actions:

1. Meet with the parties directly
2. Refer the matter to a national labor-management craft board
3. Request direct national union and management participation in the negotiations.

Where a request is made for national union and contractor participation any new contract must be approved by the national union involved -- unless CICBC suspends this requirement.

Title II is designed to minimize "whip sawing" and "leap frogging" which can result in wage and benefit distortions in the construction industry.

The CICBC is composed of 10 representatives of national construction unions, and 10 representatives of national construction contractor associations whose members engage in collective bargaining -- and up to 3 neutral members -- all to be appointed by the President.

The Secretary of Labor and the Director of the Federal Mediation and Conciliation Service are to serve as ex officio members.

Title II is experimental in nature, and must be reviewed after 5 years.

And finally, the opportunity is clear for the CICBC to play a major role in resolving disputes which could lead to common situs picketing.

The charge has been made that H.R. 5900 will breed industrial relations strife and contribute to inflation in the construction industry.

In my considered judgment, this charge is without merit. My judgment is based on personal experience as a mediator and arbitrator in the industry for more than 30 continuous years and is supported by W. J. Usery, Jr., Director of the Federal Mediation and Conciliation Service, and other government labor-management relations officials.

Nor is the bill inflationary. Construction wages and fringe benefits are negotiated typically at intervals of two or three years on an area-wide basis. Issues related to common situs picketing arise on individual projects during the term of the agreement. Experience points to stability in wage settlements in this industry under such a committee.

The increase in average hourly earnings in contract construction were 39.2% from 1970-75, during which period various construction industry bargaining committees operated. During that five year period, construction earnings rose less than,

for example, earnings in steel 63.5%, communications 62.6%, trucking 57.0%, and retail food stores 47.2%. These statistics point clearly to the potential of stability -- not to the inflationary settlements of the late 1960's. The legislation will assure the continuation of efforts toward moderation.

It is time to put to rest in a constructive way the long-time issue of situs picketing and to embark on an agreed-upon procedure to improve the collective bargaining process, to reduce industrial strife, and to achieve responsible terms and conditions of employment in the construction industry.

This legislation, I feel, has realized the best means to arrive at peaceful solutions to many of the contemporary problems and needs of the construction industry.

# # #

Building and Construction Trades Department
AFL-CIO
815 SIXTEENTH ST., N.W., WASHINGTON, D. C. 20006 • DISTRICT 7-1461 A.C. 202

ROBERT A. GEORGINE
President

PRESIDENT ROBERT A. GEORGINE'S OPENING STATEMENT
AT THE SITUS PICKETING PRESS CONFERENCE
AFL-CIO BUILDING, WASHINGTON, D. C.
TUESDAY, 11:30 A.M., DECEMBER 16, 1975

Good Morning.

I have agreed to this press conference on the equal treatment -- or situs picketing -- legislation for several reasons.

First, a number of reporters have expressed the desire to ask me questions concerning the bill, particularly in the last week, during which period both the House -- last Thursday -- and the Senate -- yesterday -- accepted the report of their Conference Committee. As I understand it, the measure right now is en route to the President.

In just a few minutes, I shall attempt to field any questions any of you here may have concerning the legislation. But first there are several things I want to get off my chest.

As you can all appreciate, I am sure, to get this bill through both Houses of Congress required tremendous effort. This has been the No. 1 priority legislation of the Building and Construction Trades Department for more than 25 years. And this is the very first time we were able to even get it to the floor of either House for a vote.

I wanted a press conference also because I have been utterly amazed by the lack of understanding of many individuals and organizations as to what the situs picketing bill does and what it does not.

Now I am not talking about those individuals and organizations which, for their own selfish purposes, distort the provisions or deliberately misinterpret.

I can understand, for example, why the Associated Building Contractors or the Round Table or the Right-to-Work Committee or the National Association of Manufacturers would use any and all means to defeat situs picketing. They are against organized labor, period. They

More

are opposed to anything organized labor seeks, period. They are against the working people in general. This is no secret; everybody knows it.

I also can understand why a number of his alleged Republican "friends" -- and I use friends in quotes because they really are not his friends -- are threatening President Ford in regard to this legislation. They are, as you know, telling him they will dry up contributions to his Presidential campaign if he signs the bill. They are using phony polls and every pressure device known to the trades. About the only partisan reference they are omitting is that 11 Republican Senators, including Bob Taft, and 27 House Republicans voted in favor of the bill. Or that previous Presidents Eisenhower, and Nixon, as well as Truman, Kennedy and Johnson, publicly favored it.

As I say, I can understand this. They are desperate. They have lost their anti-union, anti-working man fight in the Congress. The President is the last hope to do the bidding of that element of our population which is irrevocably against the working man.

If these people really were friends of President Ford or friends of the United States, for that matter, they would be urging him to do that which is in the best interest of the Nation, that which is fair and just and decent and honorable. They would be telling him: "Mr. President, good business is good politics. You just do what is right and we'll stand behind you."

They would not be indulging in political blackmail, threatening to bolt to another candidate if the President's decision happens to displease them. In fact, if they should bend him to their desire this time, is it not likely they will use the same pressures, the same tactics, the same threats everytime President Ford has to act on any measure affecting their particular selfish interest?

This week they are demanding President Ford's veto of energy, tax reform and situs picketing and no one should be fooled that they are going to stop here. The President can never appease a group of people that in essence don't want Gerry Ford in the White House.

Moving on to another area, I am surprised that there is so much misunderstanding and -- perhaps as a direct result -- so much misinformation -- on the part of the press -- especially the editorial writers -- in respect to this bill.

It bothers me a great deal that a number of editorial writers and, particularly, a large number of contractors are not vigorously helping us seek passage of the bill, instead of opposing it.

Haven't they read the collective bargaining section?

There is no need for me to retrace the arguments pro and con with respect to Title I of the Bill entitled "Protection of Economic Rights of Labor in the Construction Industry." Presentations on the subject matter of this Title have been made over a period of a quarter of a century to administrative agencies, courts, committees of Congress, the Congress itself and the President of the United States.

Our whole approach in the legislative process has been to accept proposed changes in the original Bill which do not interfere with our basic principles. We also have made changes which were required by President Ford as a condition for his signature of the Bill.

The Building and Construction Trades unions intend to use the new restrictive authorization in the most responsible way.

(1) The legislation itself provides that the authority may not be used on projects started by November 15, 1975 until the spring of 1977 or 1978 depending on size. There can be no precipitous conflicts.

(2) The legislation also provides for a 10-day notice period and requires written authorization by the international unions.

(3) The building trades unions believe that these problems of the relations among contractors and workers on construction sites are eminently practical questions that require the attention of top labor and management representatives rather than litigation to resolve issues. Accordingly, the building trades unions have resolved to require that any authorization by a national union requires the approval of the Building Trades Department. They will also extend the date to July 1, 1976 before any use of these authorizations on projects started after November 15, 1975.

(a) They intend to use this period to inform and advise local unions as to the statute.

(b) They will work with the national contractor associations to perfect notice requirements and information to be furnished for practical review.

(4) They offer to negotiate with the Building Trades Department work out with the national contractor associations engaged in

collective bargaining procedures to be followed in the review at the national level of any requested authorization. They are also prepared to insert mediation and neutrals into the consideration of these cases.

In these ways the use of the new authorization can be orderly developed with due regard to the interests of contractors, owners, workers and the public.

Title II of the Bill is"The Collective Bargaining Act of 1975." The Collective Bargaining Act of 1975 provides a unique opportunity to improve the structure and performance of collective bargaining in construction. The principles of the legislation were jointly developed by labor and management representatives in the industry. The representatives of the associations engaged in collective bargaining all supported the plan.

The building trades unions now call upon the national contractors associations engaged in collective bargaining, to enter immediately into discussions seeking to achieve the following objectives which they have long advocated:

(a) The establishment of craft boards for all sectors of the industry which should seek to resolve all disputes over collective bargaining agreements before any resort to strike or to the Collective Bargaining Committee.

(b) The support through collective bargaining of the means whereby the national parties can adequately finance such craft boards, necessary supplementary date and associated services. Separate funding should be available to each side.

(c) The negotiation of a standard agreement for major industrial work and the exploration of the appropriateness of agreements for other branches of the industry.

(d) The Collective Bargaining Committee established by the legislation is authorized to make recommendations in any case in which the Committee accepts jurisdiction. The building trades unions are prepared to negotiate arrangements under which their affiliates will settle disputes without work stoppage within the framework of the recommendations of the Committee made in particular cases.

In making these declarations and suggestions for discussions with the national contractor associations engaged in collective bargaining

the national building trades unions seek to demonstrate their willingness to act in the best interests of labor and management in the industry, owners and the country.

Now, finally, I know I shall be asked whether I think the President will approve or veto the bill.

Let me say this: I have no doubt whatsoever that the President is going to sign this bill. He's an honest man. He has a great deal of integrity. In the final analysis, he's going to keep his commitment and do what is in the best interests of the country, in spite of the tremendous pressure to yield to the demands of a very vocal minority.

####

For Additional Information
Alvin Silverman
(202) 628-1688

THE WHITE HOUSE

WASHINGTON

December 17, 1975

TO EPB EXECUTIVE COMMITTEE MEMBERS

The attached paper(s) will be discussed at a forthcoming Executive Committee meeting.

COUNCIL ON INTERNATIONAL ECONOMIC POLICY
WASHINGTON, D.C. 20500

December 17, 1975

MEMORANDUM FOR EPB EXECUTIVE COMMITTEE

SUBJECT: State of the Union Message Preparation, International Economic Policy

Attached is the draft of a proposed text for the international economic policy section of the State of the Union Message.

This paper is scheduled for discussion at the EPB Executive Committee meeting on Thursday, December 18, 1975.

Attachment

STATE OF THE UNION ADDRESS

International Economic Policy Section

We live in an interdependent world. Events of recent years strongly emphasize that we will be more able to achieve our goal of promoting a stable economic environment for our own people by encouraging stable economic growth conditions elsewhere in the world. These conditions can only be achieved through continued cooperation with other nations working to insure sound and compatible economic policies that promote sustainable long term growth.

Throughout 1975, the United States has made understanding the policies of other nations an integral part of its policy formulation and initiatives; specifically in energy, monetary policy and trade. The U.S. has tried to promote a more open exchange and understanding of its views with other countries. At the Rambouillet Economic Summit I joined with the leaders of five other major industrialized countries to recommit our respective nations to the goal of a fuller utilization of our human and material resources.

The accomplishment of this objective requires the greatest possible freedom of exchange of goods, services and capital among nations. The U.S. will therefore continue to take the lead in moving the Multilateral Trade Negotiations forward, looking toward the conclusion of negotiations in 1977. We are also hopeful that further reforms of the international monetary system will promote a more stable environment for an expanded international flow of goods and capital. Finally, the U.S. has put forward a broad set of program alternatives that will assist the developing countries around the world to achieve greater self-sufficiency and economic well-being.

COUNCIL ON INTERNATIONAL ECONOMIC POLIC
WASHINGTON, D.C. 20500

DEC 9 1975

MEMORANDUM FOR

The Honorable L. William Seidman
Assistant to the President
for Economic Affairs

SUBJECT: Financial Situation of Eastern, Pan American, and TWA: A Status Report

This memorandum provides for your information a report on the three airlines in the worst financial situations: Eastern, Pan American, and TWA.

Each has avoided insolvency in the near term through a recent series of negotiations with their financial backers. While each carrier now has adequate cash resources to see it through the next year, unless performance is significantly worse than planned, the banks have made plain their reluctance to continue investing in the airline industry.

Eastern

Eastern has $75 million worth of senior debt coming due this month, and no cash available. (Estimated operating loss for 1975 is $40 million.) Tentative agreement has been reached with the banks and insurance companies to defer these payments until 1977, and to relax existing loan covenants to avoid default in the year ahead.

Eastern had been forecasting an $82.2 million operating loss for 1976. This has been reduced by $40 million as a result of a company-wide wage freeze and by $21.1 million as a result of profit improvement actions.

Eastern seeks further fare increases to cut the projected loss, and perhaps to provide a small profit in 1976. (In the past year the average domestic passenger fare has increased less than three percent, while fuel prices have risen steadily.)

Pan American

Pan American had a close call at the end of November, as its banks very nearly did not reach agreement among themselves on a line of credit. First National City Bank (FNCB) was trying to work out a $100 million renewal of last year's one-year $125 million revolving line of credit, which Pan American had paid back in full and ahead of schedule. (A time deadline of November 30 resulted from the fact that, absent renewal, first mortgages on hotels and equipment would have reverted from the bank consortium involved with the line of credit to the institutions holding the senior debt.)

Pan American needs to draw on the line of credit in December as it generates insufficient cash in the winter season to meet operating expenses. It has no cash reserves.

Indicative of the attitude of the banks toward the airline industry is the fact that three months of arduous negotiations were required to arrange a $90 million, ten-month (through September 1976) line of credit. Of last year's consortium of 36 banks, 13 declined to participate this year, despite the fact that Pan American's operating results are significantly improved - -

	Pre-tax loss
1974	$131 million
1975	$ 40 million
1976	even --

the loan is well-secured (by the assets of the Intercontinental Hotels), and the credit is basically a rather-standard temporary seasonal financing agreement. Had one more bank dropped out, it is unlikely that the line of credit could have been arranged.

FNCB advises that it is most unlikely that Pan American will be able to obtain an extension of this line of credit for the 1976-77 winter season.

Thus, Pan American has essentially one year in which to improve its capital structure. (The only likely means is through earnings on operations, and that will be difficult.)

TWA

The outlook for TWA is grim.

TWA, the banks, and the insurance companies have nearly reached an agreement that will save TWA from default and consequent insolvency in the first quarter, and perhaps for the next year. The agreement should be finalized next week.

The insurance companies will accept deferment of principal payments on senior debt due this month and next year. The banks participating in TWA's 1973 revolving $300 million line of credit will waive incurrence and maintenance covenant tests so that TWA can draw down an additional $43 million. (They currently have drawn down $182 million. The agreement runs through June 30, 1981; no principal payments are due until 1978.)

TWA anticipates airline pretax losses of $142 million this year and $75 million next year. Next year's forecast is based upon a number of optimistic assumptions: a five percent fare increase on April 1, five percent traffic growth, and a fuel price of 33.4 cents per gallon, only 1.6 cents higher than at present.

The banks' covenant waivers are tied to this forecast. If TWA's experience is more than $10 million worse than planned, TWA will have insufficient cash to continue operations. The banks' position is clear: they will not stick with TWA if its situation worsens.

Some banks last month were willing to see Pan American declare bankruptcy. Others were not. Few, if any, banks would be unwilling to "pull the plug" on TWA. There is some feeling in the financial community (and at DOT) that TWA has not yet taken the severe internal steps (as Eastern and Pan American have) to bring expenses and revenues more into balance.

Administration Action

DOT is monitoring closely the financial situations of these three carriers.

for J. M. Dunn
Acting Executive Director