

FOR IMMEDIATE RELEASE

SEPTEMBER 9, 1975

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE

HUGH SCOTT

SENATOR FROM THE STATE OF PENNSYLVANIA

AND

JOHN J. RHODES

REPRESENTATIVE FROM THE STATE OF ARIZONA

THE BRIEFING ROOM

9:45 A.M. EDT

MR. NESSEN: There was a meeting of the President with the Republican Members of Congress that lasted about one hour and forty minutes, I would say. There were mainly five items on the agenda: The resumption of arms sales to Turkey; the oil decontrol veto, which the President will sign today; a report by Jim Lynn and others on how Congress is allowing the budget deficit to go above the line that the President drew; the President's urging that the Federal pay raise be held to 5 percent, and a report by the President and Dr. Kissinger on the recently concluded Sinai agreement.

Senator Scott and Congressman Rhodes will give you a report and answer your questions.

SENATOR SCOTT: Ladies and gentlemen, the discussion on the Presidential veto centered around the chances of sustaining it, and in my judgment the veto is likely to be sustained if our count is right on energy, and the effects of continued control without a phase out, which have led to an 800 percent increase in the price of fuel. Isn't that the figure?

On the matter of the budget, Mr. Lynn made the point that we are looking at a \$70 billion deficit at least and not counting a number of bills that have not come through that the Treasury is forced to spend, and that means to borrow, with its impact on the private capital market, \$3.5 billion and \$1 billion a month over and above this \$60 billion figure that next year, even with the new Congressional budget system in effect on the Hill, if adhered to, plus some of the problems we are facing, we are looking at a minimal \$55 billion budget deficit next year.

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I leave it to John to talk about aid to Turkey, since that comes up in the House. I would say that the President feels, as does Mr. Zarb, as do I, that unless the veto of the six-months extension is sustained, action would probably be stalled in the Democratic Congress until after the 1976 election.

We have got to reduce our import vulnerability now, and if the veto is sustained, and the Congress wishes to compromise and enact a stretch-out program with a windfall profits tax, we would favor substantially the long proposal of a 90 percent excess profits tax, plus a 25 percent plow-back.

If the Congress goes ahead with some reasonable decontrol compromise on that assumption, the President would proceed to sign a 45-day extension of the EPA aid. Now, that is where we stand.

The difficulty that the Democratic leaders have had -- and I have no blame for any of them -- they have tried to compromise, they have tried with the President to meet, the President has gone from zero months to 39 months, he has gone from the \$13 cap to the approximately \$11 cap, and he has at all times shown willingness to compromise.

He told the joint leadership yesterday he would work 24 hours a day to seek a compromise with them, but they are being frustrated by their membership in the Senate and the House. They are being frustrated, in my view, by Presidential politics as well, plus the uncontrollable nature of the unfused and perhaps unfunctionable nature of the Democrats, particularly in the House of Representatives.

CONGRESSMAN RHODES: Concerning the Turkish aid situation, as most of us recall, the last day of the session before the August recess many of us tried to prevail upon the Rules Committee of the House to immediately go into session to vote out again a bill to rescind at least in part the ban on Turkish aid.

This was unsuccessful because the Chairman of the committee, Mr. Madden, refused to call the committee together. At that time, Mr. Madden indicated that he would bring the matter up before the Rules Committee on September 9 -- that is today -- and as far as I know, there is no plan to bring it up.

There is a meeting of the Rules Committee, but the matter is not on the agenda. I am informed, however, that certain Republican Members or a Member or Members will try to move the matter out of the Rules Committee today.

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Whether that will be successful or not, of course, is as yet undetermined. Nevertheless, it seems obvious that the quicker the House can act on the matter, the better off we all will be, particularly with regard to the Cyprus situation and the present efforts being made by the parties to come to some agreement.

The Secretary also talked to the leadership concerning the Sinai agreements and again went through the matter to explain to us exactly what was involved. I think it might be well to comment briefly on the cost of this.

Last week there were some figures released which indicated that the United States was committed to something like \$9 billion over three years for the Sinai agreement. Those figures are absolutely false.

The facts are that there is no firm commitment to anybody after this fiscal year. The figures given by the Secretary earlier from 2.1 to 2.3 for Israel are firm, 1.5 of that being for military aid, the rest were economic, and the comparable figure for Egypt being \$650 million for economic aid only.

I think it is most significant that the Office of Management and Budget agrees that without the agreement, which has been initialed by the United States, Israel and Egypt, that nevertheless the Congress probably would have been asked to authorize and to appropriate sums for these two countries, which would have been within about \$1 billion of the amount which we now are asked to appropriate and to authorize.

So, the net effect of the Sinai agreement on the American budget as of now is something less than \$1 billion.

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Q Well, you say there is absolutely no commitment for any appropriation beyond this year?

CONGRESSMAN RHODES: There is no commitment as to additional funds. Of course, I think we should all understand that if there were no agreement there undoubtedly would be requests made by both of these countries for some aid, which would be honored, but the point is that as far as the quantum is concerned there is no agreement.

Q But there is a projection, is there not, that there will be a long-range aid proposition?

CONGRESSMAN RHODES: Well, there was this projection prior, of course, to the agreement.

Q Well, it is still there, isn't it?

CONGRESSMAN RHODES: It is still there. It has not been removed but it has not been increased.

Q Isn't it projecting a five-year outlay?

CONGRESSMAN RHODES: There is no agreement as to that, and as far as I know there is no projection for any kind of specific aid, military or otherwise, beyond this year.

Now I certainly am not going to tell you that there is not going to be any aid, military or otherwise, beyond this year, but the point is that the amount has not been settled and there is no agreement as to it.

Q Congressman, if the President's veto on the energy bill or on the decontrol is sustained, what kind of energy compromise do you foresee acceptable to the House?

CONGRESSMAN RHODES: Well, it would be my hope that if the veto is sustained that the House would then be able to make two important decisions which it has not yet made. One of them is to proceed for decontrol without the windfall profits tax being in place.

Now the Senate has reported out a bill from the Finance Committee -- well, actually it is the bill, the energy bill which was passed by the House, and it came from the Ways and Means Committee, and in the Senate version there is a windfall profits tax with a plowback, and it would certainly be my hope that the Members of the House would take this bill having been reported out as sufficient assurance that there would be a windfall profits tax and then proceed to decontrol.

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Now the other bone in the throat which the House must remove is the absolute insistence on the part of some Members that there will be no administrative decontrol, that it has to be done by legislation and the vehicle which they have chosen for legislation is H.R. 7014 which, as you know, we have made sort of a career out of so far and which is in such a shambles right now that nobody really believes that it will ever become law. It might pass the House -- it is problematical that it will -- but if it is not substantially changed in conference I would predict that it has no chance of being signed.

So the net result would be if you hold out for a legislative decontrol, the probabilities are that you are not going to get it because the legislation probably will not become law. So if there is to be any decontrol -- and we think it is absolutely necessary in order to increase our domestic supply of petroleum -- it will have to be by administration under the very provisions of the law which we had on the books and which we now hope will be able to be restored to the books with the assurance that there will be this plan.

SENATOR SCOTT: I talked to some of the Democratic Senators coming out of that caucus yesterday. It was their judgment -- their private judgment so I cannot give you their names, I can assure you they are highly responsible -- their private judgment that unless the veto is sustained there is no real likelihood of movement on this energy phase-out matter. The sustaining of the veto is all important.

Q Senator Scott, once the veto, if it is sustained, does the Congress remove the last possible road block to oil companies that may be interested in raising prices under a decontrolled situation?

SENATOR SCOTT: Well, the Administration has leverage here, I would say, and it is the general feeling that unless there is restraint on the part of the oil companies -- and I understand there has already been an agreement entered into at least orally by the major oil companies that they will continue supplies at substantially present levels to the independents so that the independent jobbers, producers will not be penalized should this happen.

I think what you are facing is if we end up with no controls and a veto override there will be about a three-cent-a-gallon increase. I think if you end up with a phase-out and new legislation, you will probably get about the same increase but it will be delayed, I would think, for perhaps two years, but you will get the benefits under a phase-out of increased production and an orderly energy program.

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CONGRESSMAN RHODES: May I comment on that. I think it is also well to remember that the sustaining of the veto is certainly not the last chapter because the President has already indicated that he would approve and in fact suggest a 45-day extension of the present law for the purpose of resubmitting his plan under the provisions of that law for decontrol in an orderly way.

If that bill becomes law and if Congress then accepts the plan, then, as Senator Scott says, you certainly have warded off an immediate increase of three cents a gallon in the price of gasoline at the pump. You have provided, in other words, for an orderly increase of probably the same amount over a period of 39 months or two years.

So really the dilemma before the Congress -- and I don't know why people find it a dilemma -- is whether or not you are going to have an immediate three-cent increase or whether you are going to go along with a decontrol plan which provides for an increase of that amount over a period of 39 months. It seems to me the choice is absolutely clear.

Q Well, would the President accept decontrol of the 39 months without the excess profits and -- I mean windfall and plowback?

CONGRESSMAN RHODES: Of course, when you decontrol over a period of 39 months the windfall profits tax probably has a very minimal effect anyway, but the President, of course, has asked for a windfall profits tax with a plowback all through these months and, in fact, beginning last January, and the fact that the Senate has reported out the House bill with a windfall profits tax provision certainly is enough for me to go ahead to decontrol and I am sure it would be for the President, too.

SENATOR SCOTT: And with regard to the expected crisis this fall in natural gas supplies which will hit at least 10 States, at least two of the Democratic leaders yesterday asked the President why, in view of this emergency, he had not asked earlier for deregulation of natural gas and he pointed out that the request went in in 1971, has been periodically and frequently renewed and that Mr. Zarb has had a series of requests pertaining to this type of emergency and is hoping to forestall it ranging over the last six months to the last two years.

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Q When will the Sinai resolution go before Congress?

SENATOR SCOTT: It is hoped it will go before the Congress in the next two weeks. This is the two weeks during which the protocols are being set up at Geneva, and, as you know, Israel is unwilling to sign the military protocol until the Congress has acted.

There is a general feeling that the movement will be by concurrent resolution. I would expect it to be introduced by Senators Sparkman and Case probably in the Senate, and Mr. Broomfield and Chairman Morgan in the House.

Q Are you satisfied that you know everything in the -- whatever our role is in the commitments that have been made?

SENATOR SCOTT: I would not say that I know everything on anything. I would simply say that Dr. Kissinger has said to the committees that there is nothing in this agreement of any character whatsoever, including the private exchanges which will not be made available to the Congress, and that he has indicated that he has no concern if the Congress wants to add a provision providing for the withdrawal of these forces in the event of war.

He has also asked that the committees be circumspect in the release of any commitments which may have been made between third parties, other parties, as to which the United States is intermediary or aware as a party but not a party to commitment.

Q Senator, how do you explain the Congress and the public not being exactly in tandem step on this agreement if we believe some of the polls and also much of the letters that are being received? Is there a letter writing campaign against this agreement or is the public not informed, or what about it?

SENATOR SCOTT: Well, I think the public is reasonably well-informed. They are naturally concerned on any question of an American presence and that is why it would be better that they be told the absolute maximum which can be told them.

I don't think if the individual members of the public were asked "would you want the United States to release anything private that the Egyptians and the Israelis told the United States about which did not involve a U.S. commitment," I don't think they need that or would insist on it. I assume that the process of leakage is so well developed that they will get everything, but I think a little delay at least would be advantageous if it would be hurtful to our relations with some other country.

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CONGRESSMAN RHODES: May I comment on that?

Actually, there has been some misinformation about this agreement. I mentioned already the \$9 billion price tag, which is completely false. Also, there have been statements made by people in I guess both bodies of the Congress concerning comparison between this and the Vietnam situation.

I think this may bother the people. Of course, there is no comparison really because the Americans who go to the Sinai are not there to train one side to fight the other. They are there at the request and at the insistence of both sides in order to train both sides to operate peace-keeping equipment and also to operate some of the equipment themselves.

So, there really can be no comparison, and I would hope that when the people understand this, that the opposition which does exist to this agreement would be mitigated.

SENATOR SCOTT: There are 39 Americans also in the U.S. zone, as I am sure you are aware.

Q How do you explain to your own constituents that you favor an agreement that is disclosed to you, but that you are not able to disclose to them?

CONGRESSMAN RHODES: Mr. Pierpoint, that has been happening for many, many years, and I guess centuries. Diplomacy being what it is, I think my people are sophisticated enough to realize that there are certain elements of any agreement which are sensitive and which can be disclosed only to the elected representatives of the people.

I think if there were not full disclosure to the committees of the Congress of even the most sensitive part, that my people would be irate and I would be irate, too, but I think that as part of the representative process they understand -- and I am pleased that they do -- that there is no way that you can make public all the nuances of every agreement.

By the way, if you want my diet, I will give it to you. (Laughter)

SENATOR SCOTT: Every bit of information that portends to U.S. involvement or U.S. commitment will not only be made available to the Congress, it will be made available to the people with the sole exception that where there are discussions by the other parties which don't involve U.S. commitment, which would impair the relations, which would weaken the possibilities of further peaceful negotiation, only those would the Congress be asked -- not directed, not required, but asked -- to be circumspect about it.

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Q Senator, or both of you, if you have a comment, it seems that the country is in a position where a politician, like anyone running for President, runs the risk of appearing to be cowardly if he does not go in and shake hands with crowds and do things that obviously are very dangerous, so clearly they are not going to propose legislative changes or restrictions that would guard themselves against the situation like that.

In the light of the incident the other day in California, and in light of the President's desire to continue to shake hands, but obviously drawn into this dilemma, is there any sympathy in the Congress at all to impose a legislative restriction on a Presidential candidate to keep him out of obviously dangerous situations?

SENATOR SCOTT: The question of restriction there raises very serious Constitutional questions -- the right of public assembly; the right of the people to know, which Mr. Pierpoint has just been arguing for, and the right of free speech itself.

I think these decisions ought to be considered by the Congress, these problems, because I said on the floor yesterday if there is any way in which we can improve our security, we ought to do it.

I think most people in public life are not only well aware of the risks of public exposure, but have had personal experience with death threats.

I am not going to tell you the number of death threats that were received over the years against Mike Mansfield or myself, but they are merely typical of those that don't rise to Presidential consideration.

I had one in Kansas City the day I went on television out there and announced that I favored a program for Vietnamese refugees. Like all of the others that I have had, they came to absolutely nothing. They come from nuts and fanatics, but there is the risk, and I have never before cited it and would not cite it now except to say that most Members of Congress have had this experience.

Q Senator and Congressman Rhodes, I wonder, as long as we are in the political arena, if you can give us your comments as party leaders on the prospect of Ronald Reagan now getting into the Presidential race and if that will be healthy for your party.

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CONGRESSMAN RHODES: I have no input as to the prospects of Governor Reagan getting into the race. As to the latter part of the question, there certainly is room in the Republican Party for any person who feels that he is qualified for the Presidency to run, and there will be no attempt, of course, to keep anybody out.

I have, I guess, mingled feelings about whether it would be desirable or not. I can see that there might be some benefit to it if the two candidates -- and I think in this case they would -- would conduct their campaigns in such a way that they would not be divisive and that they could move together after the convention is over and support the winner.

I think that that would happen in the case of the two individuals that we have in mind now. I am not so sure that it would happen insofar as all of their supporters are concerned.

You usually find that the two principals do get together rather well, but sometimes the chasm which occurs in a fight like this goes pretty deeply under the surface.

Being a minority party, as we unfortunately are at the present time, I am not at all sure we can afford the luxury of that kind of dissatisfaction and dissention.

SENATOR SCOTT: I would like to comment that the Democrats have at least 13 roosters in their barnyard, some of them bantams, and a little crowing on the Republican side would certainly stir up some additional interest.

On the other hand, as purely a pragmatic consideration, I make the statement here, as I expect to be Chairman of Pennsylvania's delegation, that we are the only delegation in the country, by the way, publicly committed to the Ford-Rockefeller ticket.

I make this statement: In my judgment, the President will probably be nominated by acclamation; if not, by an overwhelming majority at Kansas City by the 17th or 18th of August.

Q Congressman Rhodes, can you tell us what the prospect is that the President's desire to have the Federal pay raise held to 5 percent will be honored by the Congress?

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CONGRESSMAN RHODES: If you take the track record of the Congress in the past, I think you have got to say that his desire is in danger of being overturned. On the other hand, when you look at the Federal deficit, which we have facing us, as Senator Scott has said, of some magnitude close to \$70 billion this year and at least \$55 billion next year, then certainly the Congress, if it is facing up to its responsibility to take care of the affairs of the public, should honor the President's request.

There is no doubt but what an increase over 5 percent is inflationary, and I personally would intend to support his request.

Q Do you have any informed estimate at the moment as to what might emerge?

CONGRESSMAN RHODES: No, I do not. We have not taken any head count in the House.

SENATOR SCOTT: I have made no statement because I don't know, but I understand that the Senate committee will probably meet on Thursday and, therefore, it will probably come up next week.

THE PRESS: Thank you, gentlemen.

END (AT 10:12 A.M. EDT)