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THE PRESIDENT HAS SEEN *dsf*

THE WHITE HOUSE
WASHINGTON

March 6, 1975

MEMORANDUM FOR THE PRESIDENT

THROUGH: DONALD RUMSFELD

FROM: JERRY H. ~~JONES~~ *JH*

MR7

Attached at Tab A is a note from you to Frank Zarb regarding two items from the February 19 News Summary. Zarb's reply is attached at Tab B.

THE WHITE HOUSE
WASHINGTON

I rank you,

What story on
this?

Economy-Energy-Budget

Midwest PapersMining Journal (Marquette, Mich.), "No Free Lunch."

Cries of anguish are still reverberating around the country from opponents of President Ford's proposal to levy an eventual tax of \$3 a barrel on imported oil. Unfortunately, American politics isn't filled with officials willing to give bad news to people, to tell them things just aren't going to be as good as in the past. The fact is, as the old saying goes, there is no such thing as a free lunch. The lunch that looks free today can get awfully expensive a little further down the road.

Columbus Evening Dispatch: L. William Seidman, one of President Ford's top economic advisers said Friday in Columbus he thinks Congress will probably modify the President's economic and energy proposals but will stick with the basic idea of using revenues from an imported oil tariff for economic relief to lower and middle-income families. Seidman also said he expects the rate of inflation which was 12 per cent in 1974, to be "down to 7 per cent very shortly."

Detroit News, U.S. Funds to Aid Michigan." President Ford's release of impounded federal highway and water pollution control funds should give a good boost to the badly depressed construction industry in Michigan, meaning more jobs and serving the President's aim of spurring the economy.

Minneapolis Tribune, "Mondale and Canadian Oil." We join Sen. Walter Mondale (D., Minn.) in urging the Ford administration to get together with the Canadian government in high-level talks about Canada's phasing out of crude-oil shipments to Upper Midwest refineries, which are almost totally dependent on Canadian oil. Despite personal appeals to President Ford by Mondale, Gov. Wendell Anderson and others, the White House has shown a strange reluctance to face up to the problem. Canadian officials are willing to assign a special priority to supplying the upper Midwest, but the administration needs to work out an allocation program. So far, however the Federal Energy Agency has shown no sense of urgency about the area's plight.

Federal Appeals Court Rules Against Decontrol of Old Oil

A federal appeals court ruled Wednesday that last year the government acted illegally in removing the price ceiling on new oil, ABC reported. If the decision is upheld, it will force the oil companies into a multi-million rebate for consumers, Howard K. Smith said.

* * *

Bergman Refuses to Testify Before Senate Committee
Studying Nursing Home Fraud

Rabbi Bernard Bergman, operator of a nationwide chain of nursing homes, refused to testify before a Senate committee studying nursing home funding abuses pending the results of criminal investigations of his homes by New York State officials, all networks reported.

His lawyer said Bergman had to take the protection of the fifth amendment because he is facing criminal charges in New York, ABC/CBS reported.

ABC's Gregory Jackson interviewed Judge Louis Kaplan, who as a New York City commissioner led a similar investigation of nursing home abuses 15 years ago. Jackson said nothing came of that investigation.

"In fact, after the furor died down, the nursing home operators won a generous increase in their welfare payment," Jackson said.

John Chancellor (NBC) said the nursing home industry became highly profitable when the federal government began paying for the care of the elderly. In a special report on Medicare and Medicaid, Betty Rollin (NBC) said from the beginning the program was so big and so poorly administered that both federal and state authorities simply lost track of how the money was being spent.

Rollin said it was easy in the nursing home industry for owners to divert tens of millions of dollars from patient care to their own care. They paid club dues, bought a Rolls Royce, and charged a son's college tuition to Medicaid.

Rollins said NBC news has learned that for four years none of the 552 nursing homes in New York State was visited by a state Medicaid auditor, but health inspectors, Rollins

THE WHITE HOUSE

WASHINGTON

February 24, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: FRANK ZARB
FROM: JERRY H. JONES

The attached pages from the February 19 News Summary were returned in the President's outbox with the following notation to you:

-- What is the story on these?

The notation on page 13 with regard to new oil price increases was:

-- Significance?

Please follow-up with the appropriate action.

Thank you .

cc: Don Rumsfeld
Mike Duval



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D. C. 20461

MAR 5 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK ZARB

SUBJECT: Reply to Notations on the February 19
News Summary *Jul G. Zarb*

This memorandum is in response to the two items of interest which you noted in the February 19 News Summary.

1. The effect of the phase out of Canadian crude oil shipments to Upper Midwest refineries.

The news article (see attached) indicated that despite appeals from Senator Mondale and Governor Wendell Anderson, the Administration has failed to address the problem. On January 28, Senator Mondale wrote you of his interest in exempting Canadian crude shipments from the proposed import fee and of the need to negotiate modifications to the announced Canadian oil export phase out in order to assure a source of supply to refineries in the Upper Midwest which have been heavily dependent on Canadian crude. State and FEA are, in fact, actively pursuing discussions with the Canadian Government on alternatives to the complete export phase out as well as seeking alternative sources of feedstocks for the Canadian crude eventually be cut off. Senator Mondale has been informed of the above.

These negotiations have been in process for some time now. Although it is clearly a sensitive subject for the Canadians, the Government has indicated its willingness to

cooperate in attempting to dovetail the Administration of its cutbacks with the U.S. allocation plan as the U.S. takes on responsibility for the allocation of the imported Canadian crude. While we have agreed with the Canadians on this matter, the specific allocation mechanism has not as yet been fully worked out. The next export cut (from about 800,000 B/D to about 650,000 B/D) is anticipated around July 1, but there is some doubt as to whether it will really happen. No difficulty is anticipated in having an allocation plan in place by that time.

2. Temporary Emergency Court of Appeals ruling against the two-tier oil pricing system.

Your question concerned the significance of this ruling. If the two-to-one decision is upheld on further review, it would have the effect of significantly narrowing FEA's authority under the Emergency Petroleum Allocation Act of 1973 and would reduce the Agency's flexibility to respond to changing market conditions. Furthermore, if under this decision FEA is required to set a specific price on "new" oil at well below market prices (a point on which the majority's opinion is not very clear), we believe it would tend to discourage new production, and if applied retroactively (another point on which the opinion is not clear), it could impose an unconscionable financial burden on large and small oil producers. Finally, to the extent the new oil price level is required to be significantly modified, this would probably necessitate a revision of FEA's cost equalization program on crude oil. The decision does not significantly undermine your authority to decontrol old oil prices, but makes it clear that the action must be submitted to Congress for its tacit approval -- which we have always assumed was the case.

FEA has requested the Justice Department to seek a rehearing before all nine members of the T.E.C.A. and a stay of the issuance of the Court's mandate until final disposition of the appeal.