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Jim -

Do you have any
objection to this going to
Central Files --

Note last paragraph.

Trudy

*hold in
handwriting
for now!*



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

C. F.

JUL 22 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB

SUBJECT: Tuesday Meeting with Congressman Rhodes

Congressman Rhodes and representatives of the Associated General Contractors of America will be meeting with you this afternoon to discuss the impact of the \$2.00 import fee on their industry.

We have been in discussions with this group for the past several months regarding their claim that the tariff has placed a hardship on their industry not shared by other industries. From these discussions, we have concluded that many of the companies in this industry have been adversely affected not by increases in fuel used to power their construction equipment (which they are willing to absorb along with other industries), but by major increases in the price they pay for asphalt. The problem here centers around the facts that:

- . Asphalt is made from crude oil, much of which is imported;
- . The price of asphalt is not controlled by FEA (by law), and has received an inordinate amount of the tariff and other cost increases;
- . Many of the contracts in this industry are fixed price contracts with State and local governments that cannot be renegotiated under existing State laws.

In summary, the tariff is significantly increasing costs of completing contract work signed up prior to the implementation of the tariff, and the companies are being severely squeezed.

Although we have concluded that limited remedial action is appropriate here, particularly since the need for conservation does not relate to asphalt, we have been reluctant to take any direct action pending the outcome of Congressional action on energy taxes and decontrol. Both issues bear a direct relationship to the asphalt problem.

I have discussed this issue with Larry Woodworth, the senior staff member for both Ways and Means and Senate Finance, and he has agreed to put relief for this industry into the Senate Finance Committee mark-up of energy tax legislation. He believes that this relief, which would apply only to those contracts written 12 months prior to the imposition of the first dollar of the tariff and take the form of a specified tax deduction, should have no problem being accepted by the Congress.

This effort with Senate Finance is not known outside of the Administration and the Committee.