

FOR IMMEDIATE RELEASE

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OFFICE OF THE WHITE HOUSE PRESS SECRETARY
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THE WHITE HOUSE

PRESS CONFERENCE
OF

GOVERNOR DOLPH BRISCOE, TEXAS
GOVERNOR RAUL CASTRO, ARIZONA
GOVERNOR DAVID L. BOREN, OKLAHOMA
GOVERNOR DAVID PRYOR, ARKANSAS
GOVERNOR JERRY APODACA, NEW MEXICO
AND

RON NESSEN
PRESS SECRETARY TO THE PRESIDENT

SHAMROCK HILTON HOTEL

11:01 P.M. CST

MR. NESSEN: Before we get started with the questions, maybe I can give you a very brief outline of what was discussed so you will have some idea of what questions you might want to ask. I would say that in the whole evening of conversation, the Governors and the President agreed on about 80 percent of what they talked about.

The first subject discussed was releasing highway funds, and the Governors said that they wanted money and could use money and the President said, "We are taking a look at that." There was general agreement on the need to deregulate natural gas, although some of the Governors did not favor an excise tax on natural gas.

There was general agreement on the windfall profits tax, although some of the Governors felt that they wanted a plowback provision, which would allow the companies to keep their profits if they were used for drilling. There was no sentiment whatever for gasoline rationing.

The President told the Governors that he has recommended an extension of general revenue sharing with increases in that money. The longest part of the discussion this evening -- and I don't want to speak for the Governors, who will speak for themselves -- and I think the greatest agreement was on the issue of holding down the increased government spending, especially in the area of income transfer payments. Some of the Governors said that they were having success in their states and were popular in their states because they were holding down the growth of government, and some of the Governors indicated that they would prefer to have block grants instead of categorical grants, even if it meant that they got less money overall.

I think, with that very brief outline of the discussion and the general agreements, we will have the Governors come up and afterwards I can give you, perhaps, any loose ends or loose quotes that don't get picked up when you talk to the Governors.

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(OVER)

We have Governor Briscoe of Texas, Governor Castro of Arizona, Governor Boren of Oklahoma, Governor Pryor of Arkansas and Governor Apodaca of New Mexico. They are at your mercy.

GOVERNOR BRISCOE: First, let me say, we are very happy to have President Ford and his group here in Texas to discuss with us the various and many problems we are facing, particularly, here in Texas. We have a very keen interest in the energy problem.

It is difficult to make those from other states understand the fact that we have a shortage of natural gas here in Texas as well as a shortage in other parts of the United States. It was a very fruitful discussion.

I personally want to express my appreciation to President Ford for traveling throughout this country, for coming here to Texas to give us a chance to have this type of discussion.

Q Governor Briscoe, what is your alternate energy plan about?

GOVERNOR BRISCOE: I talked with the President about the importance, I think, of getting back to a supply and demand situation as far as the price of crude oil, the price of domestic crude oil is concerned, deregulation of the price of old oil, the windfall profit tax to be applied to that, but not to new oil, or to stripper oil because that would be self-defeating, that there be a plowback provision whereby the plowback, particularly so far as independents are concerned, who find most of the new production, that that be allowed to be plowed back into new drilling; also, the use of the Defense Production Act in making available the steel necessary to build new rigs, drilling rigs -- all the drilling rigs that are available are being used, and there are wells now -- there are locations staked that are waiting for rigs, and, also, in the case of tubular steel, the shortage of tubular steel is holding up the development of new reserves here in Texas, and I assume this to be true throughout the United States.

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Q What is the President's reaction to your proposal?

GOVERNOR BRISCOE: I thought the President's reaction was a very reasonable one. Mr. Zarb, the President, Secretary Morton would consider the recommendations that were made by all the Governors tonight. I think this is all that we could ask for at this time, that these recommendations would be considered and that they would look at these in their further discussions and deliberations.

Q Governor, as a Democrat, do you support the Democratic leadership in Congress that wants a 90-day delay on the President's tariff import duties until the Democrats can get their own energy program going?

GOVERNOR BRISCOE: I do not favor the tariff, so I would support a delay of it, or suspension of it, or not any imposition of it. I do not think this is moving in the right direction and would be highly inflationary.

Q Can we get the answers to the same questions from the other Governors?

GOVERNOR BRISCOE: Certainly.

Q Governor, before you step back could we ask you one more question?

GOVERNOR BRISCOE: Certainly.

Q You stood on the White House lawn and said President Ford's energy program was a disaster ---

GOVERNOR BRISCOE: I said it was a disaster for the State of Texas. If the 37¢ tax on natural gas was imposed, it would cost the consumers of this State \$1,680,000,000. Here in Texas, industry and utilities are strong users of natural gas. Some 90 to 95 percent of the electricity generated in Texas is generated by natural gas. We are moving in the direction now, the new plants that are being built, the new plants that are under design are to use coal.

I think that there is a need for a tax incentive for those utilities whose transfer from natural gas to coal or for industry that transfers from natural gas to coal, and yet the imposition of such a tax would be a disaster as far as the economy of the State of Texas is concerned.

Q Governor, did you look the President in the eye tonight and tell him his program was going to be a disaster?

GOVERNOR BRISCOE: Yes, sir.

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Q It is fair to say you oppose the main provision of the President's energy program?

GOVERNOR BRISCOE: The main provision?

Q The main provision is without a doubt the excise tax.

GOVERNOR BRISCOE: I am not in favor of the excise tax and I am not in favor of the tax on natural gas, no.

Q Governor, when you looked the President in the eye and said that that program would be a disaster for the State of Texas, what was the President's response?

GOVERNOR BRISCOE: I don't know that there was any reply and I leave that up to him to answer that, but in my opinion, it would be a disaster for the economy of this State.

Q Did he wince, did he smile, or did he say nothing?

GOVERNOR BRISCOE: It was a very friendly meeting.

Q What do you want the Democrats to come up with instead of the President's program?

GOVERNOR BRISCOE: I think I tried to outline that just a minute ago -- a deregulation of the price of oil, a windfall profits tax on that, a plowback provision for that tax to encourage greater energy, greater investment in new drilling, the finding of new reserves to move in the direction of independence as far as energy resources are concerned in this country.

I think the only way to do that is to encourage additional exploration. The only way to find new oil and gas is to drill and also to encourage -- this was discussed tonight -- to encourage the leasing of prospective reserves off the coasts of other States.

Here in Texas I think we have done our part as far as supplying the energy needs, not just of this State but of this nation, and I think other states are going to have to do the same.

Q What did you learn from this trip by the President that you might not have learned by a telephone call or a letter? Do you think a trip like this was beneficial to you or the State of Texas?

GOVERNOR BRISCOE: I think for anyone holding public office it is very important to travel around, to get out and get away from the capital, be it the capital in Washington or be it the capital in Austin, Texas, to get out and find out the thinking of the people and I think the only way to do that is to travel around. It was a friendly discussion and, again, I appreciate very much the fact the President is giving the Governors of the States, those of us here tonight, a chance to have an input, a chance to talk directly with him and his top advisers and to present to them the problems, and particularly in the field of energy, as we see them here in the largest energy-producing State in the nation.

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Q May we ask the other Governors?

GOVERNOR BRISCOE: You bet, I would be happy to turn it over to them. Governor Castro.

Q Can you finish the question that was partly answered?

Q As a Democrat, do you agree with the position of the Democratic Majority in Congress to postpone for 90 days the President's imposition of this dollar, \$2, \$3 tariff on imported oil?

GOVERNOR CASTRO: Number one, I am opposed to the \$3 tax and the \$2 domestic per barrel.

I would rather have the choice of having a decreasing quota on the importation of oil. Also, I believe by doing this we would also create an incentive toward domestic consumption and development, so therefore I am not inclined to have 90 days. I would rather go the 30-to-60 day route of delay to be able to make provision for that type of an outline.

Q The other Governors, please?

GOVERNOR BOREN: I think I am in sympathy with the delay also. Governor Briscoe and I presented pretty much the same idea on the excess profits tax, and I think this is a point that is often missed and it is a point that I felt the President heard very sympathetically, that is, if we have an excess profits tax on marginal producers, those wells which are just now breaking even -- and already those producers are being tempted to plug their wells and salvage them because of the shortage of pipe in this country -- what we are going to do is help the self-defeating action of plugging many, many wells in this country, some 26,000 by our estimates, and stopping production of over five billion barrels of oil, and that is half the production of the North Slope.

I certainly, again, seconded the idea of Governor Briscoe and I came prepared with it myself also that we urge that the excess profits tax not be applied to marginal producers.

We need incentives to encourage secondary recovery. This is not something we are just urging here in the Southwest. It is not a selfish matter. We have in Oklahoma, by estimate, 40 years' worth of annual production of oil in Oklahoma which could be recovered through secondary recovery -- water flood operations -- and I impressed upon the President the need to have adequate investment incentives. This is capitally intensive and I think we need to immediately move into the encouragement of exploring these reserves which we have here at home.

Let me add one last point, because some of the questions touched upon whether or not we think this is a waste of the President's time to come out and talk to us. Certainly, I think it is not.

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I think the President is to be commended. I think that we said to him very forcefully that there are a lot of people in this part of the country--and I know this is true in the State of Oklahoma--that appreciate the emphasis on the taxpayer for a change.

We want to hold the line on the growth of government. We told the President that very strongly and he seemed surprised with the force with which we said it.

We think the people of the country want to hold the line on the growth of government. We think the people will back him in an effort to hold down the deficit, which I certainly do.

We would like to see him go even stronger. I think the people of Oklahoma certainly back him in an effort to give some incentives for increased production because the people of this country are not so foolish as to think that by merely holding down consumption in the short-range that you are going to solve the problem.

We realize we have to have incentives for production. I think this meeting was very valuable and I think instead of criticism, the President deserves a lot of praise for coming out and listening to what people have to say at the grass roots, and hearing the voice of the taxpayer rather than just the tax user, which I think is heard too often in Washington.

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GOVERNOR PRYOR: Governor Pryor, Democrat.

MR. NESSEN: Let me straighten out one thing first. Just in case there is any misunderstanding, the Governors, Governor Briscoe and the others strongly expressed their view about the excise tax on natural gas and on the plowback provision for windfall profits. There was no actual mention in so many words of the program being a disaster, but the Governors did express their views on various aspects of it. I just wanted to clear that up.

Q Ron, how does this jibe with you telling us of the 80 percent agreement they had this evening?

MR. NESSEN: I think the Governors would agree to that.

Governor Pryor.

Q What did you agree on?

GOVERNOR PRYOR: First, I basically would support the 60 to 90-day, let's say, moratorium on the imposition of the tax, and, two, I would personally like to thank President Ford for coming to Houston tonight. I think it has been a worthwhile meeting. We are all prisoners of time.

I wonder, frankly, how insulated he is and how insulated we are. I just wish there was some method where a President of the United States could receive some better information than he actually receives from Governors, but this being the best method that he knows at this time, I think it is the only one we know to supply him information.

His people helped us with information relating to the possibility of releasing turnback funds for highway program trust funds, and I think, in the area of various Federal services, that the President's people were extremely helpful to us in chief executive roles in state government, attempting to plan what we are going to do in the next two or three years in state government in our respective roles. I think his visit here was extremely helpful, and I am deeply grateful for his visit here.

Jerry.

GOVERNOR APODACA: I think, at this point, the issue, really, in my judgment, is not whether we agree to the delay or not, but the question I want to ask is, how much input have the Western States, to a great degree, the producing States, had in any policy, whether it be the policy of the President, or the policy of the Democratic Congress? I think the time has come for my State -- which is New Mexico -- and the producing States, which are largely in the West, to quit being a colony for the rest of the country.

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I think we are now looking at a time when we are going to form a caucus of our own and preempt the New England effort that has been made for so many years. We are now in the process of doing that. Several Governors have met time and time again to develop a western caucus or western coalition of states, and at the last count, we have 11 states that are now interested.

I commend the President for participating with us and for listening to some of our ideas, but mainly for him expressing his views regarding the roles of states.

I think the problem with the energy policy, particularly, has been that states have never been consulted, whether it has been by Congress or by the President's office, so I welcome the opportunity. I think you are going to see, in the very near future, the Western States are going to exert leadership in establishing national policy in many areas, but particularly in the area of energy.

Q How do you feel about this delay, Governor?
Do you say, yes, no, maybe?

GOVERNOR APODACA: The fact is, my State has never been consulted; my office has never been asked. We have never been asked to put in any input.

Q You are being asked now.

GOVERNOR APODACA: I don't have any feelings about input at all.

Q You don't care?

GOVERNOR APODACA: I don't know that I have a reason to until I have all the information. I think there are more important issues than the delay. I think the real issue is that the states oftentimes are not consulted. We don't make the input when it really counts.

Q Do any of you Governors, will you plan to go to Washington to the National Governors Conference and attempt to talk to any of your Congressional delegates and lobby for any aspects of the President's energy or economic recovery program?

GOVERNOR BOREN: I can answer that.

I certainly do plan to lobby with my own Congressman from our own district, Speaker Albert, in regard to holding down an increase of expenditures. The President talked to us about trying to hold a 5 percent cap on the growth of salaries and new programs to keep the budgetary deficit from going about \$19 billion higher. I certainly intend to lobby for that. I support his proposal to try to give incentives to the producers and the deregulation of natural gas.

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I would support the excise tax as applied only to the old oil which is being deregulated, and I am going to urge my Congressman to take some effort along the lines that Governor Briscoe and I talked about earlier on the incentives of marginal producers.

I think we should encourage them to take immediate action, and I think we need to let them know very forcefully that we support the efforts of the President to give some productive incentives and not just rational shortage. That seems to be the basic issue. We spent a lot more time talking about that kind of issue and very little time talking about the tariff because we think the incentives for the producers, the plowback provisions, are much more important right now than the moratorium on the tariff, and we think holding down the cost of government is more important, and we spent more time talking about those issues.

Q Governor -- any one of you -- Ron Nessen said that there was general agreement on the need to deregulate natural gas. I want to know if that means that each of you supports his proposal to deregulate the price of natural gas in interstate sales, and if someone does not, would you please say so?

GOVERNOR BOREN: I support it.

Q All five of you, all right.

MR. NESSEN: Let me give you a little additional few bits and pieces that you might care to hear about.

Q Give us a new percentage.

MR. NESSEN: One thing was that the question, the question of tariffs actually didn't come up tonight, either in the President's suite or at dinner.

I have told you about the highway funds and what the President's response on that was.

Q How much was involved?

MR. NESSEN: There was no figure mentioned. The President asked the Governors whether they had highway contracts ready to go in case he released the money. Most of the Governors said they did have contracts ready to go.

I have told you that Governor Briscoe spoke of the need, of his feeling that there should not be an excise tax on natural gas. There was also a discussion of the shortage of drilling rigs and pipe, which was hampering the exploration for both domestic oil and domestic natural gas.

There was, as I told you, a discussion of adding a plowback provision to the windfall profits tax, and Governor Briscoe felt that that should be done, especially for the independent drillers who wanted a plowback provision very much.

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Governor Boren and Governor Briscoe said it would be counterproductive to have a windfall profits tax without plowback.

There was a discussion of the natural gas shortage and how it was hurting farmers in some of these states because they use natural gas to run their pumps for irrigation of their fields. The President said, "We have fought for deregulation," but he said that Representatives and Senators from the North and Eastern States are opposed to deregulation. And he said, "Can you help us; it is not just for your States, it is in the national interest."

Governor Boren of Oklahoma said, "We have no price control on natural gas produced and sold within the State of Oklahoma, and in five years, the prices have gone up only 21 percent, much less than the inflation rate. And if people elsewhere in the country could see how the system works without regulation, the free market system, they would also be in favor of deregulation because it would produce more natural gas."

The President, again, said, "You can help us; we need every vote when deregulation comes up in Congress."

Rationing came up very briefly, and none of the Governors spoke in favor of gasoline rationing. At that point, the President talked about general revenue sharing and told the Governors that he had recommended an extension and increase in general revenue sharing, and Governor Pryor said that deserves a round of applause. The President said, "Some people want to gut general revenue sharing, or give all the money to cities, but I don't think you want that."

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The President then outlined his economic program, including a ceiling on the increases in various programs, the income transfer payments; he talked about the size of the deficit and how it would get even larger if the increases were allowed to go above the ones he has recommended in the budget.

Paul O'Neill talked about the Defense Department budget, how in constant dollars, taking into account inflation, the Defense Department budget has been coming down since 1968 and, at the present rate of coming down, the Defense Department would have virtually no money to operate on by 1985.

The President said that he wanted a five percent increase in government pay, retirement benefits, social security and so forth instead of the eight or nine percent increase, and that whereas this seemed small in one year, as it projected out over the years, it would take up an increasingly large part of the budget.

There was a discussion of what a large part of the budget would be taken up with transfer payments if the present trends were allowed to continue, that is the Defense Department budget actually staying level or going down slightly in real dollars, the cost of all other government programs going up at about 3 percent a year and the so-called transfer payments going up at a compounded 8 percent a year rate, which they have been; that by the year 2000, Federal, state and local government expenditures would reach 58 percent of the Gross National Product, and if the government continues to take 20 percent of the Gross National Product in taxes, as it has been doing, the United States would run a budget deficit in the year 2000 of \$600 billion, and that is no increase except a continuation of the present trends.

Then, Governor Boren, Governor Castro, Governor Briscoe all spoke in favor of holding down the growth of government and of government spending.

The President talked about the Defense budget, how a great deal of it -- 53 percent of it -- went for salaries, that the total Defense budget is now only 27 percent of the overall budget, the lowest since World War II, and only 5.9 percent of the Gross National Product, the lowest since the Korean War, whereas income transfer payments make up 47 percent of the federal budget.

The President said, "We have a good economic program and a good energy program, and we are going to fight for it and we would appreciate your help."

Alan Greenspan also spoke about the transfer payments, as did Paul O'Neill.

Q What did they say when he asked for their help?

MR. NESSEN: Well, he asked them to use their influence on their Members of Congress, in the Senate and the House. They offered no reply except they seemed in this area to agree completely on the need to hold down government spending. For instance, Governor Boren said, "We can't seem to get this across to people but my State wants a halt in the growth of government." Governor Castro said he agreed, that he was very popular at the moment because he was cutting employees from the state payroll---

Q He said he was popular?

MR. NESSEN: He said he is popular now because he is cutting employees from the State ---

Q Who is he popular with?

MR. NESSEN: The voters and taxpayers of his State. Governor Briscoe said, "Yes, the overwhelming opinion in Texas is to cut government."

Then, there was the discussion of block grants versus categorical grants and Governor Boren said, "Give us block grants and cut out the categorical and matching programs." He said this feeling is growing among Governors. He said the matching grant programs tempt Governors into programs they don't really want or need by the lure of setting their federal share.

Governor Pryor said we could take 30 percent less federal money if we could get the money in block grants instead of categorical grants and we could do a better job.

Frank Zarb told the Governors we do need some help to make sure that Congress doesn't just take bits and pieces they like from the President's program. We need the help of the Governors.

We do have a good program, it will get results and we should not let Congress neutralize us into no program at all.

The President closed by urging the Governors to tell Congress: Come on, hold hearings -- do something, and the President said if there is a justifiable case made for changes in his program, he would be willing to consider compromise.

He said, "I happen to believe we are going to have a healthier economic situation in about 12 months." And that is basically what happened.

Q Ron, we were told by John Connally that he had a private meeting with the President today. Can you tell us a little bit about it?

MR. NESSEN: Well, I didn't attend the meeting, but I am told that John Connally and the President are old friends, have known each other a long time, and when the President was here he decided to invite John Connally up for a talk. They talked for about 45 minutes and the subjects were energy and the economy. I am told there were no politics discussed.

Q Is there any discussion about a possible pardon for John Connally?

MR. NESSEN: Governor Connally's legal problems were not discussed.

Bill.

Q How long did the meeting last with the Governors?

MR. NESSEN: Well, let's see now -- they were up in the suite about a half hour and then down at dinner from then until we just came down here.

Q Did the President invite him on his own initiative without any prodding? Did he just know that Connally lived in Houston? Isn't it a little odd?

MR. NESSEN: I said they are old friends. They have known each other in Washington for some time.

Q Did I understand you to say there was no discussion with the Governors tonight of the excise taxes and oil tariff?

MR. NESSEN: I said there was no discussion of the oil tariff. The excise taxes came up only as it applied to natural gas and Governor Briscoe primarily discussed his opposition to an excise tax on natural gas.

Q I don't understand. If the President is out here to explain his program and to garner support, and the most difficult thing he is facing right now is the vote in Congress to delay these oil tariffs, why on earth does he bring that up?

MR. NESSEN: Well, the format at both this dinner and the one in Atlanta has been that the Governors have really taken the lead and in fact almost immediately after the Governors arrived and after there was this discussion of highway funds, which was initiated by Governor Apodaca, and after that discussion of highway funds was over, the President said, "What are the problems you have?"

He said that again several times during dinner. He really wanted to hear what they wanted to talk about rather than leading the conversation in any particular direction.

Q Ron, did you get any kind of impression that the Governors were perhaps too polite to bring up their opposition to the President's program at his table? Was that the reason they ---

MR. NESSEN: I wouldn't think so. As I said, there was opposition to the excise on natural gas; there was opposition to a windfall profits tax without a plowback provision. I didn't sense any bashfulness about ---

Q Ron, there is some disagreement over whether Governor Briscoe told the President his program was a disaster for Texas. He said he told him that; you say that nobody said anything about it.

MR. NESSEN: Those words were not used. I think what Governor Briscoe was trying to get across was his opposition to the excess on natural gas and his opposition to a windfall profits tax without a plowback provision.

But the words, "your program is a disaster" were not used.

Q Ron, did the Governors convey to the President other unemployment problems on the agenda at all?

MR. NESSEN: It was not.

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Q There was no sense of urgency or concern about the decayed state of the economy?

MR. NESSEN: Well, I am sure the Governors have some thoughts about the economy, but the unemployment was not mentioned at either the dinner or the prior reception.

Q Was the word "recession" used?

MR. NESSEN: No, it was not. In fact, at the beginning upstairs before coming down to dinner, Governor Boren said, "We have a \$30- or \$40 million surplus in our budget," and Governor Apodaca said, "We have a \$130 million surplus;" The President said, "Do you want to change places?"

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Q If that is the case, Ron, why do they want an increase in general revenue sharing funds?

MR. NESSEN: I was going to say, the next quotation was from Governor Pryor, who said, "We are talking ourselves out of revenue sharing."

Q Why is the President considering a general revenue sharing increase?

MR. NESSEN: These happen to be states, not all of them, but some, which have a prohibition on running a debt. They are not allowed to have a debt. They are not allowed to have a deficit.

Q What about the oil profits?

MR. NESSEN: I think that is probably part of it.

Q Ron, you said that was the need of the Governor of Texas; did he solicit for that in Washington?

MR. NESSEN: I didn't attend that meeting. I came in at the very end of it, and I got the feeling it was more social than anything else.

Q Ron, do I understand you quoted one of the state party leaders as saying that the President assured them that Vice President Rockefeller is going to terminate --

MR. NESSEN: I didn't attend the meeting, and I didn't quote anybody at the meeting.

Q You have not heard that?

MR. NESSEN: I have not.

Q You don't know if the President said that?

MR. NESSEN: I didn't attend that meeting.

Q Ron, you said that 80 percent of what was discussed was agreed on by the Governors, like they didn't discuss the oil tariffs and so forth. Some of the Governors tonight were Republicans and some were Democrats, does the President expect more Republican Governors tomorrow and does he think party lines make no difference?

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MR. NESSEN: I have never heard him talk about this in terms of party lines. Almost all the Governors in Atlanta were Democrats, and there was basic agreement on goals down there, too. It just never came up, and I never heard the President speak of these meetings in political or party terms.

We have got everything out for tomorrow that we can get out? Have you got speech advances?

Q Yes, we have the speech.

MR. NESSEN: And you have the rundown of the questioners at the news conference? Those names were drawn out of a hat on Saturday by Ann Compton of ABC.

Q The only thing we don't have is a decent pool set up on Air Force One?

Q We really cannot go on with this arrangement.

MR. NESSEN: We are aware of the problem and are working on that.

Q Ron, is the President thinking about revising the windfall profits tax proposal?

MR. NESSEN: I think that is going too far, Bill. What Frank Zarb told the Governors was that the independent producers are very strong advocates of having a plowback provision in the windfall profits tax and the Congress has decided to hold hearings on this specific issue and that the White House agrees that they should have hearings on this issue and that the White House would take a look at what the results of the hearings are and decide then whether they would make a recommendation to revise the windfall profits.

THE PRESS: Thank you.

END

(AT 11:36 P.M. CST)