EXECUTIVE
FI999-15
FI11-1
CARR, Brayton
PERSON, J.L.
Zwick, Charles

(6)

ew
gh

May 2, 1966

MEMO FOR Larry O'Brien
Mike Manatos
Henry Wilson

FROM Joe Califano

For your information. I am very concerned about letting this Section 7 issue drag on too long.

Attachment
Memo to Mr. Califano
from Charlie Schultze re
Dept of Transportation, Apr 23, 1966

x American Waterways Operators, Inc.
x Nat'l Lines & Harbors Congress.

Nothing else sent to Central Files as of 9/12/66 L.B.

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

OFFICE OF
THE DIRECTOR

April 23, 1966

MEMORANDUM FOR MR. CALIFANO

Subject: Department of Transportation

Charlie Zwick and I met Friday with:

Braxton Carr
President, American Waterways Operators, Inc.

Brig. Gen. J. L. Person
National Rivers and Harbors Congress

Neither Carr's nor Persons's organization will oppose the bill. They will, however, suggest modifications of Section 7 (the standards and criteria section.) Both of them wanted the Water Resources Council to approve the standards insofar as they relate to navigation projects.

We agreed to change the language in Section 7 to provide that the standards developed by the Secretary of Transportation would be applicable to navigation only after the approval of the Water Resources Council.

This satisfied Carr. Persons said his Board had already voted to have the standards issued by the Water Resources Council, with the Secretary of Transportation participating. I told him we couldn't do that because the standards would apply to all transportation -- including highway, air, mass transit, etc. -- and couldn't, therefore, be issued by the Water Resources Council. He agreed that our change met the major substance of his objectives, but he was going ahead in testimony with his own suggestion.

However, he said his organization wouldn't oppose the bill if our changes were made.

We also talked to Senator Monroney and showed him the suggested change. He agreed that the change made a major improvement. While he didn't make any final commitments, he seemed to be satisfied on this point.

He also raised the following points:

1. The head of the Aviation Administration ought to be a Presidential appointee.

   - We agreed that all Executive level jobs could be Presidential appointees.

2. He was worried about layering the head of Aviation way down in the Department.

   - We assured him that this would not be the case -- that the Aviation agency head would report directly to the Secretary, and would outrank the Assistant Secretaries.

3. He was disturbed over moving the accident investigation functions of CAB's Bureau of Safety to the Department, where it might lose its independence of judgment.

   - We told him that the accident investigation unit would be independent of the operating Aviation agency.

   However, he seemed to be quite adamant that the Bureau of Safety ought to stay in CAB.

I think we satisfied most of his specific objections, except on the Bureau of Safety. Quite apart from specifics, however, the Senator is generally reluctant on general principles to approve a Department which might conceivably reduce the independent status of the FAA.

On the Section 7 matter, I plan to give both Committees our suggested changes on Monday. I will tell Senator McClellan that we have discussed them with Person and Carr, and that in substance they approve.

Charlie

Charles L. Schultze
Director

MEMORANDUM

I

THE WHITE HOUSE

WASHINGTON

May 24, 1966
Tuesday, 8:30 pm.

EXECUTIVE
76 175
76 226
76 155-11
76 155-15
76 211

FOR THE PRESIDENT

FROM Joe Califano JCN

O'Brien, Manatos and I met with McClellan today on the Transportation Department. John L.

He raised essentially four problems: Section 7 on investment standards; Presidential appointments for the FAA Administrator, the Maritime Administrator, and the Chief of the Bureau of Public Roads; whether the safety functions of the CAB should be moved to the new Department; and the extent of power which should be left in agency administrators and not placed in the Secretary of Transportation.

We told McClellan that there would be no problem on Section 7 or on additional Presidential appointments. We said that the CAB safety functions were essential to the new Department and the move was designed to upgrade safety in all modes of transportation. We also said that we considered it essential for the Secretary of Transportation to have all power vested in him to be able to run his department.

McClellan indicated that he thought we could work the bill out and "get a good bill." He said he hoped we would be able to take care of Magnuson and Monroney. Larry is going to Oklahoma with Monroney on Thursday and I will find out what Magnuson's real problems are (as distinguished from many of the nitpicks in his statement before the Committee). McClellan said that his main problem was the apathy of his Committee members -- they never attended meetings, etc.

McClellan said he would decide next week whether to hold one more day of hearings and then begin a mark-up or whether to begin marking up without additional hearings.

At the end of the meeting he suggested that we run over all the details with Jim Calloway of his staff. Since McClellan (unlike Magnuson) cannot be dealt with effectively through his staff, we will handle only small details with them, but leave the major problems to a final discussion with McClellan.

Larry and I are going to see Dawson and Holifield on the Transportation Department Thursday at 10:30 a.m.

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

OFFICE OF
THE DIRECTOR

May 27, 1966

MEMORANDUM FOR MR. CALIFANO
The White House

Subject: Status Report -- Department of Transportation

1. Senate

I talked with Jim Calloway yesterday. He indicates that by next Tuesday they will have drafted specific word changes to the bill. We agreed to exchange drafts early next week. He does not want to get together before then.

By the end of next week the staff intends to distribute proposed changes to the Committee members. As Senator McClellan will not be back until the beginning of the following week, no firm decisions will be made before then. If you have any information on the Larry O'Brien/Senator Monroney discussions, it would be useful in our work with Committee staff.

2. House

Charlie Schultze talked with Congressman Holifield today. The Congressman did not want to talk with Alan Boyd and me until he has a chance to discuss this matter with his staff. Charlie pressed him to have a meeting. He agreed to set one up early next week. Such a meeting could provide decisions which would allow his staff to continue work during the June 3-13 period, when Holifield will be in California for the primary. We will continue to press him on this.

Charlie
Charles J. Zwick
Assistant Director

Nothing else sent to
Central Files as of 5/12/67
L.B.

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

OFFICE OF
THE DIRECTOR

June 1, 1966

MEMORANDUM FOR MR. CALIFANO
The White House

Subject: Discussions with Congressman Chet Holifield and with Jim Calloway of the Senate Committee staff

This is to confirm our telephone conversation and report a telephone call from Jim Calloway.

In yesterday's meeting with Congressman Holifield, Alan Boyd and I agreed to the following changes in the bill.

1. Designating four modal Administrations -- Aviation, Highway, Maritime, and Rail. Each of these will be headed by an Administrator, appointed by the President with the consent of the Senate. Attachment A is a copy of our specific wording for this change.

2. Congressman Holifield wants the Great Lakes Development Corporation deleted from the organizational chart that will be in the Committee report. He feels that our chart gives it too much importance and therefore tends to downgrade the four operating Administrations and the Coast Guard. Since the bill does not cover the Corporation, we concurred in this change. The President is on record that he intends to transfer the Corporation to the Department.

3. Move the Office of Accident Investigation to the National Transportation Safety Board. Holifield feels that in selling the bill on the floor he is going to have to make a big pitch for safety, and therefore wants to strengthen the National Transportation Safety Board. We told him that we had no objection in concept to this change but that a number of details would have to be worked out -- e.g., to protect the current mode of operation in the Coast Guard and also be sure that there is a proper allocation of ICC safety functions between the National Transportation Safety Board and the Highway and Rail Administrations.

It was agreed that we would work with his staff on this matter. I believe we can work this one out, but it is not certain. They had proposed that the National Transportation Safety Board submit an independent budget. I believe we talked them out of it. If we are not careful we could be creating a completely independent and powerful agency here. We will work with the staff to be sure that a reasonable division of labor occurs.

4. Section 7. Holifield is prepared to go ahead with Section 7 as originally drafted, with the following changes.

At the end of Sec. 7(a), add: "; Provided, That the Secretary shall, at a time selected by him prior to the presentation of standards and criteria to the President for approval, publish a notice of proposed standards and criteria in the Federal Register and provide an opportunity for interested persons to present their views thereon."

Also, at the end of Sec. 4 he proposes to add the following: "(m) Nothing in this Act shall be construed to authorize, without appropriate action by Congress, the adoption, revision, or implementation of any transportation policy, or investment standards or criteria contrary to or inconsistent with any act of Congress."

He feels that these changes will put him in a position to answer criticisms of Section 7. In short, he proposes to go ahead with a strong Section 7.

Holifield's schedule is for the staff to develop a clean bill while he is in California for the primary. He promises to push hard on it as soon as he returns from the primary, and forecasts that the bill could be reported out of the Committee by the Fourth of July. He sees utility in going ahead with the House bill to help us negotiate with the Senate.

He had one conversation with Congressmen Brown and Erlenborn, in which he asked them if they were against a Transportation Department per se. They said they were not against a Department of Transportation. He plans to get together with Congressman Erlenborn today and see if he can work with them or whether

he will have to go ahead without their support. In short, Congressman Holifield is prepared to move ahead with a strong bill, with the possible exception of the National Transportation Safety Board changes.

On our part, I believe it is important that Congressman Holifield understands and is informed of any changes to Section 7 that we agree to with Senator McClellan.

Jim Calloway called this morning and asked to see our revisions to Sec. 7. I told him that the Administration had not yet agreed on any specific word changes to Section 7; as soon as I was in a position to do so, I would get in touch with him on specific wording.

Since he promised last Thursday to provide me with their proposed changes by yesterday, I asked about the status of their changes. He said that he could not give them to us until they are cleared by Senator McClellan. I have the strong impression that Jim is taking all the changes we are willing to offer up, and will then take us one step further in their staff recommendations.

We need to develop a set of tactics which protect Congressman Holifield and at the same time get us the best Section 7 language possible in the Senate. On this point, it was interesting to note that Calloway stated that he assumed we wanted to change Section 7 rather than eliminate it. I told him that this was the case and furthermore I thought we were pretty close on Section 7 and could work out the details as soon as both of us had clearance to do this. He agreed. I therefore conclude that we should be able to salvage parts of Section 7 in the Senate.

Charlie

Charles J. Zwick
Assistant Director

Attachment

Attachment A

Specification in law of major subordinate organizations

There shall be in the Department four agencies to be known as (1) the Federal Highway Administration, (2) the Federal Railroad Administration, (3) the Federal Maritime Administration, and (4) the Federal Aviation Administration. The agencies shall each be headed by an Administrator who shall be appointed by the President, by and with the advice and consent of the Senate.

EXECUTIVE

FG 999-15
FI 4
LE/BE 2-1
BE 2-1
CO 23
FO 3-1
VR 2

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

June 2, 1966
Thursday, 11:10 a.m.

FOR THE PRESIDENT

FROM Joe Califano

O'Brien, Manatos and I went to see Senator Magnuson (Warren) this morning.

Transportation Department. Maggie will talk to McClellan and Mundt and urge them to move this along rapidly. Grinstein (Maggie's top staff man) will set up a meeting between himself, Calloway (McClellan's top staff man) and me to run through all the proposed amendments and put a bill together. We think this will move well now.

Appropriation Authorization for Asset Sales. Maggie asked that we send it up on June 12 so that he can take it up on June 13 as he closes his Appropriation hearings and report it out that day. June 12 is a Sunday, so we will probably have to send it up on June 10.

Truth-in-Packaging. Maggie asked Manatos to get Mansfield to make a headcount of the Cotton Amendment to the Truth-in-Packaging legislation. Manatos will do that this morning. We have to defeat this amendment to ward off accusations of gutting the bill.

Russian Fishermen Off Washington Coast. Maggie said that a tremendous furor was rising in Washington over Russian fishing ships that were taking salmon and perch, within sight of land, from the waters off of Washington. He says the sportsmen, as well as the commercial fishermen, were up in arms and that he had not been able to move the State Department rapidly enough. Maggie asked us to bring this to your personal attention. I will call Rusk this morning and ask him to have someone at a top level at State get in touch with the Russian Embassy and with Maggie.

EF

EXECUTIVE
FG 175

(2)

June 6, 1966

To: The Secretary

Subject: Memorandum of Conversation with Senator Norris Cotton and Mr. Jerry Kenney

(1) Conversation with Senator Norris Cotton:

This morning I spent an hour discussing the Department of Transportation with Senator Norris Cotton. He stated a position of general opposition to the Department, which he said, however, was not opposition to the principle of the Department. He said that at the time the bill was introduced he and Senator Monroney pledged to each other opposition to the transfer of the Federal Aviation Agency. His concern is based on two things: First the "back in the basement of the Commerce Department attitude", and second, his concern about the possibility of a future conflict over control of military and civil aircraft, which he felt had been eliminated by the establishment of the Federal Aviation Agency. His concern was related to the downgrading of the Administrator, who would have to report to the Assistant Secretary through the Under Secretary thereby making ineffective his voice.

He wanted to know Monroney's present attitude. I told him the results of both my conversation and Larry O'Brien's with Monroney, which left me puzzled as to the latter's attitude.

I advised Senator Cotton that in my view the aviation interests would continue to receive strong financial support in a Department for a number of reasons, not the least of which is that our Government operates in response to public demand. I pointed out that the private aircraft fleet is increasing rapidly and will soon number 100,000. I pointed out the growing demand for air transportation and indicated my firm belief that these demands would be met as they had in the past. He was concerned about the dividing up of aviation safety functions, and I told him the Administration was perfectly willing to submit a letter to the proper Committees providing assurance that the operation of the airways, certification of airmen and the airworthiness of aircraft would be delegated to the Federal Aviation Administrator. Beyond that I said that the nature of the operation requires that it be handled on a unitary basis in any event.

I drew an organizational chart to show him the heads of the operating agencies would report directly to the Secretary, rather than reporting through Assistant Secretaries, who in any event would be staff officials without line responsibility. I further indicated my belief that one of the manifest requirements for a Department lies in the tremendous amount of money which must be invested in the transportation plant in the future if we are to continue to have an efficient transportation system with all that means to our security and standard of living.

Senator Cotton wanted to know whether it would be possible to provide in the act for the delegation of aviation safety authority (operation of airways, certification of airmen and airworthiness of aircraft) so that changing Administrations would not change this requirement. I told him that as a matter of policy the Administration felt that there should be the greatest possible degree of management flexibility, even though we would cheerfully state that the functions mentioned would be delegated to the Administrator. My guess is that we should consider the implication of a proposal to provide for the delegation in the statute.

Senator Cotton said that he was much more comfortable about the idea of a Department as a result of my conversation with him. He does not expect to oppose the legislation, although he may want to do something on the safety functions. He was pleased that the aviation administrator would be on a level with the Under Secretary.

(2) <u>Conversation with Mr. Jerry Kenney, Chief Minority Counsel, Senate Commerce Committee:</u>

At Senator Cotton's request, I discussed the Department with Jerry Kenney who has been opposed to the legislation. Jerry says he is not opposed to the concept, but feels that better legislation could be developed next year. I asked him who would be refining the ideas, and he said he felt that I would. I told him that I had shot my bolt. Jerry says that in his judgment none of the Republicans on the Commerce Committee will vote against the legislation if it is pushed to a vote this year. He expressed concern about loss of funds for aviation, and I gave him the same response to public demand argument I had given to Senator Cotton. He said he was forced to agree with that. He believes a stronger Section 7 makes a lot of sense and feels better knowing that the heads of the operating agencies will report directly to the Secretary.

My assessment is that Jerry will become more affirmative about the legislation, but his reluctance is related altogether to moving at a pace as fast as he sees the current legislation moving.

(sgd) Alan S. Boyd

Alan S. Boyd

cc: Mr. Califano
Mr. Zwick
Mr. Giles
Mr. Southwick
Mr. Bridwell
Mr. Macky
Mr. Bond

EXECUTIVE

FG175

June 9, 1966

To: The Secretary

From: Alan S. Boyd

Subject: Memorandum of Conversation with Senator Fred Harris

Paul Southwick and I talked to Senator Harris June 9 about the Department of Transportation.

Harris sees the need for a Department but is not enthusiastic about it for several reasons, not the least of which is his feeling there are other things more important at this time.

He is concerned about waterway improvement projects, the sanctity of the Federal Aviation Agency, and the loss of identity of the Bureau of Public Roads, plus a growing concern about the invasion of the highway trust fund. He says that if we are able to satisfy McClellan on waterway improvement projects, or Section 7, and to satisfy Monroney on the Federal Aviation Agency, he will vote for the Department.

I assured him that his concern about Section 7 would be taken care of, that we were attempting to work out a solution with Senator Monroney, and that the highway trust fund would not be invaded for other purposes. He seemed to be satisfied.

cc: Mr. Califano
Mr. Zwick
Mr. Giles
Mr. Southwick
Mr. Brickwell
Mr. Mackey
Mr. Bond

Copy No. 2

(4)

EXECUTIVE

LE/TN2

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FG 90 15

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

5:00 p.m., Thursday
June 9, 1966

FOR THE PRESIDENT

FROM Joe Califano

I am increasingly suspicious that the real problem with the Senate on the Transportation Bill is the 1964 criteria for Corps of Engineers navigation projects. This might come up tonight with the Senate Chairmen.

Prior to 1964, a comparison was made between rail rates at the time the project was being considered and water rates that would be in effect if the project were built, to determine the savings to the shipper as part of the cost benefit ratio used to decide whether navigation projects should go forward.

Under the 1964 criteria, the comparison is made between future rail rates that experts anticipate will be in effect if a waterway were built and water rates that would be in effect if the project were built.

The Budget Bureau is now exploring new criteria which would compare the cost, as distinguished from the rate, of shipping by rail at the time the project is considered and the cost of shipping by barge if the project were built. As a general rule, this will result in a savings of somewhere between the pre-1964 criteria and the 1964 criteria.

A.S. Mike

John L.

Everyone agrees that the existing 1964 criteria are difficult to administer. Most interested Congressmen -- including Monroney and McClellan -- want to go back to the pre-1964 criteria. There is possibly as much as 3 or 4 billion dollars in projects held up as a result of the 1964 criteria (including a big one for Monroney). To switch to the new criteria being explored by the Budget Bureau will take extended study.

The Executive Branch is split wide open on this one and it will take a little time to resolve it. I have asked Barefoot to get into it in some depth with the Budget Bureau, the Corps and other interested agencies. He and I will attempt to make an analysis of the substance, the political situation and the relation to the Department of Transportation and prepare some recommendations for you in a few days.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

EXECUTIVE
FG999-15
FG11-1
NR7-1
FG120-5

10:15 p.m., Friday
June 10, 1966

FOR THE PRESIDENT

FROM Joe Califano

Attached is a memorandum from General Cassidy, Chief of Engineers, laying out his problems on the Hill.

My personal belief is that General Cassidy has sincerely supported the Department of Transportation. He has made several speeches for it (to the point where Senator McClellan asked him to stop speaking out on behalf of it) and has visited every Congressman I have asked him to talk to on the Hill. He dropped by to see me today and said he would do anything he could to help you get the Department.

Cassidy's key recommendation in the attached memo is that we return to the pre-1964 basis for comparing rates on Corps of Engineer projects. Barefoot is still working on this, and we will have a recommendation for you by Monday.

Attachment

DEPARTMENT OF THE ARMY
OFFICE OF THE CHIEF OF ENGINEERS
WASHINGTON, D.C. 20315

IN REPLY REFER TO
ENGCE

10 June 1966

MEMORANDUM FOR: THE PRESIDENT

SUBJECT: Department of Transportation

I have just concluded a meeting with Secretary McNamara concerning the Corps of Engineers and its position with respect to the Bill to create a new Department of Transportation. Since the initial meetings concerned with the drafting of this Bill, and the presentations to the heads of Federal Agencies, I have been consistently and wholeheartedly in support of the Bill. Following your instructions to me at a meeting in the White House, and a discussion with Mr. Califano, I called together key members of my staff to make completely clear to them that the Corps is in complete support of the Transportation Bill. I also sent a wire to the Division Engineers in the United States to make this position completely clear. With the concurrence of Mr. Califano I had a discussion with Senator McClellan to convince him that the Corps favored the Transportation Bill. So far as influencing him is concerned, I would say that I got nowhere.

Within an organization as large as mine there is a possibility that some individuals may be talking against the Bill; however, this is without my knowledge. If I can determine any place where this is happening, I will take positive corrective action.

Brigadier General J. L. Person, USA Retired, was a Director of Civil Works in this office and is well known on the Hill; he is now Executive Secretary of the National Rivers and Harbors Congress. His Board of Directors is in opposition to Section 7 of the Transportation Bill. Therefore, General Person is quite active in his opposition to the Bill. I have discussed this with General Person to include pointing out that the modification proposed in Senator McClellan's Committee should satisfy the objectives of the waterways operators. General Person felt that as long as his Board of Directors is in opposition, he would have to work actively against the Bill.

I believe that a part of the opposition to the Bill lies in the fear that the criteria and standards to be established by the new Secretary of Transportation under Section 7 might be so restrictive as to preclude further waterways development. This in turn is tied back to the objections of the waterways operators and certain Members of Congress to the projected rate basis under which the Corps determines the benefits of waterways projects. While the change was made by the Corps of Engineers

in 1964 these people recognize that a change back to the old method or to any other method must have the sanction of the Bureau of the Budget. Hence the series of letters to you on this subject. As a result of those letters, with the guidance of the Bureau of the Budget, the Corps is preparing instructions which will determine benefits to waterways improvement on a cost basis. This is not being accepted as a solution to the problem by the individuals concerned. I have recommended to Mr. Schultze, Mr. Henry Wilson and Mr. Califano that you make the decision to return to the old or current rate basis while the Corps makes its studies and determines how to use a cost basis. This is a political decision and the full implications of such a decision are beyond my knowledge. However, I believe that it can be used to turn around some of the opposition to the Transportation Bill.

As I see the picture then, the current concern with the methods of determining benefits for waterways improvements has generated a strong opposition to the Transportation Bill. I would recommend that concessions be made in this area in order to gain support for the Bill.

WILLIAM F. CASSIDY
Lieutenant General, USA
Chief of Engineers

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

EXECUTIVE

FG 175

NR 7-1

June 13, 1966

FOR THE PRESIDENT

FROM: Joe Califano and Barefoot Sanders

SUBJECT: Waterway Project Criteria and Transportation Bill

SITUATION

1. We have reviewed this situation with General Cassidy, Schultze and O'Brien. The three criteria in issue are:

Pre-1964 Criteria - Waterway transportation costs against current rail rates. This is the standard most likely to result in approval of a project.

1964 Criteria - Water transportation costs against projected rail rates after waterway is built.

Cost Criteria - Water transportation costs against rail costs (including a reasonable profit). This system now under study.

2. There may be a major attempt by Senator McClellan to write into the Transportation Bill the pre-1964 criteria. Government Operations Committee staff has prepared an amendment to do this. Senators Jackson and Harris of the Committee, plus Senators Magnuson, Monroney, Randolph, Ellender, Sparkman and Long (La.) indicate support of Senator McClellan on this.

Such action would nullify the discretion of the Executive Branch to change the criteria. It should be opposed. All agree.

3. Certain Congressmen and Senators -- some of them from the House Public Works and the members of the House and Senate Appropriations Subcommittee on Public Works-have written you stating their dissatisfaction with the 1964 (present) criteria.

Orig to Mrs Tennity

Schultze has advised them that the 1964 criteria would be discontinued and the cost criteria put in. It will take a year to put it in and additional time to apply it to pending projects. Thus, no criteria are in effect now and no projects are moving.

4. Holifield is handling the Transportation Bill in House Committee and says he can get it out of Committee with an acceptable Section 7 this month. Jones, Wright and Blatnik are three of the Congressmen who have complained about present waterway criteria: they are on the Committee but have given no indication of attacking Section 7.

Prospects are good for favorable House action.

5. Eleven waterway projects totaling $4.2 billion are in various stages of consideration by the Corps. For the next two years only three -- totaling $1.9 billion -- are clearly affected by a relaxation of criteria:

Lake Erie, Ohio ($1 billion) is unfavorable by the present 1964 criteria but favorable by pre-1964. Cassidy says that the Corps will not act this year on this and does not want to act at all. The Governor of Ohio is opposed to the project: the Congressional delegation is not solid in support. However, the project is strongly backed by Congressman Kirwan. If criteria relaxed, Congressional authorization is possible in 1967 or 1968.

The Trinity ($5.15 million) is Congressionally authorized subject to a re-study due by fall 1967. Project almost certainly will be unfavorable on present 1964 criteria but may be barely favorable on pre-1964. If criteria relaxed Congressional action probable in 1968 session.

Central Oklahoma ($400 million) unfavorable on both 1964 and pre-1964 criteria now, but with a re-study -- not yet requested -- it might be favorable on pre-1964. If criteria relaxed and re-study favorable, Congressional action probable in 1968 session.

Of the other eight projects:

Two -- Red River (La.) ($150 million) and upper Missouri

($60 million) -- will probably be favorably reported in 1967 Congressional session, since they are barely favorable under 1964 criteria and favorable under pre-1964.

One -- Chattahoochee (Ga.) ($234 million) -- may be reported next year but now believe that report would be unfavorable on both 1964 and pre-1964 criteria.

Five projects totaling $1.9 billion will not be reported to Congress by the Corps this year or the next. They are Tennessee -- Tombigbee ($300 million), Coosa (Ala. and Ga.) ($300 million), Pearl (Miss.) ($250 million), San Antonio (Tex.) ($700 million) and Big Muddy (Ill.) ($330 million).

6. Projects under construction -- Ark., Cross-Fla., Kaskaskia -- are not affected by the criteria controversy.

ALTERNATIVES

1. Maintain budget decision to discontinue 1964 criteria and put in cost criteria when ready -- in other words, a one year hiatus during which no project can be measured because no criteria are in effect. All agree that this is undesirable.

2. Continue 1964 criteria in effect until cost criteria ready. There would be continued Congressional dissatisfaction because of the strictness of the 1964 criteria. Under this Lake Erie-Ohio, Trinity, and Central Oklahoma will be unfavorably reported by the Corps. All agree that this is not realistic.

3. Re-institute the pre-1964 criteria pending through study of cost or other criteria. This we recommend because of the Transportation Bill situation. It should satisfy Congressional objections and is a standard which served the government for many years.

RECOMMENDATIONS

We recommend you approve our pursuit of the third alternative. If we do not pursue this alternative, we believe that the Senate Committee and indeed the Senate, has enough horsepower to write the pre-1964 criteria into the Transportation Bill and get it passed. If this happens, we would lose the support of the railroads for the bill. We recommend adoption of this alternative even though there is some slight chance of criticism on the ground that the three big projects, which would probably receive favorable reports, are Lake Erie - Ohio; the Trinity River in Texas; and the Central Oklahoma Project -- two in the Southwest.

The difficult question is one of timing. In the House, Holifield thinks he will have a bill out of full committee by June 29. In the Senate, the staff is now developing language for Section 7 in the Bill that would legislate the pre-1964 criteria. What we would want to get in exchange for administratively returning to the 1964 criteria would be an agreement to have Section 7 eliminated from the Bill or get Section 7 generally along the lines of our original proposal.

Schultze and Boyd are due to testify in Executive Session before the Senate Committee on June 29. O'Brien's current feeling is he would not give the Senate this pre-1964 criteria administratively until after that date. This is on the assumption we will get a good Bill out of the House -- which now appears to be the case.

Unless you have some view about timing, we would be inclined to follow O'Brien's judgment and play it by ear thereafter.

We recommend your approval of (a) the third alternative (reinstating the pre-1964 criteria pending study of the cost criteria) and (b) the timing suggested by O'Brien.

Approve ✓ Disapprove _____

Why not do this at once

C

June 17, 1966

MEMORANDUM FOR Joe Califano

FROM Barefoot Sanders

SUBJECT: Transportation Bill

John P

~~Tom~~ TIM Callaway of Senate Government Operations Committee tells me that Senator McClellan is offended by our failure to contact him on Section 7 and will not be satisfied simply to strike the Section.

However, if we are willing to reinstitute pre-1964 criteria administratively, then we will have a "winner", and he feels certain that we can work out an acceptable Section 7.

However, the Senator also wants to get rid of the so called "comparability" standard which has been used for several years to evaluate hydroelectric projects. That standard is much too long to spell out here but it appears that the Senator is just as interested in getting rid of it as he is in re-instituting pre-1964 criteria.

Orig not sent to file as of 12/3/66
JAH

EXECUTIVE
76/175
76/155

THE UNDER SECRETARY OF COMMERCE
FOR TRANSPORTATION
WASHINGTON 25, D. C.

June 21, 1966

Joe:

We cannot afford to have the 1964 criteria in the statute. Such language will mean the loss of support of the railroad industry and very possibly the loss of legislation.

Alan S. Boyd

THE WHITE HOUSE
WASHINGTON

June 25, 1966

FOR Barefoot Sanders

FROM Joe Califano

Attachment

EXECUTIVE

FG 175

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

June 21, 1966

MEMORANDUM FOR RECORD

Mike Manatos and I met with Senator John L. McClellan this morning to discuss the Transportation Department.

Senator McClellan began the discussion by expressing his concern about Section 7 of the bill and about the criteria that were promulgated by the Administration in 1964. He said that he hoped those criteria could be worked out. Senator McClellan also expressed some concern about the hydro-electric comparability criteria, particularly with respect to the Water Valley Reservoir Project in Arkansas. He said he did not care whether the dam was built but, if the dam were built, he believed it should have power.

I told Senator McClellan that, since the meeting with the Committee Chairman, the President had given a great deal of thought and attention to the Transportation Bill. I said that the President's views were essentially as follows:

1. The President felt that all the pieces he had proposed to go into the Department had to go there. If any one piece were left out, then another portion of the industry would want to be left out.

2. The President felt that the powers of the various components of the Department should be vested in the Secretary. This was essential so that the Secretary of the Department would have power commensurate with the responsibilities given him as the chief official in the Government to whom the President could look on transportation matters.

3. The President had looked into the question of the 1964 criteria. At the request of Senator McClellan, the President was willing to return to the 1964 criteria administratively, but he did want to have them written into the law.

Senator McClellan said he was afraid the 1964 criteria would be changed again unless it were written into the statute. I told him that the Corps, the other water resource agencies, and the Bureau were constantly studying criteria and that there had to be flexibility. I also said that no changes would be made without consultation of the appropriate Committees of the Congress.

Senator McClellan did not agree or disagree on the issue of whether criteria should go into the Bill. The Senator did say he felt real progress had been made this morning and that he would get out a good Department of Transportation Bill. He felt the only other remaining problem might be with respect to the CAB Safety functions and whether they should go into the agency.

He said that he would still want to hold hearings with one or two private witnesses on June 28 and Executive Session hearings with Schultze and Boyd on June 29.

He said that he could then mark up the bill and handle it fairly promptly. His Committee Counsel said that he thought it would take about a week to mark up the bill once hearings were completed but that week would be after the July 4 recess.

Joseph A. Califano, Jr.
Special Assistant to the President

gah/ri

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EXECUTIVE

7G 175

June 22, 1966

FOR JOE CALIFANO

SUBJECT: Transportation Bill

Alan Boyd is very much concerned that writing the pre-1964 criteria into Section 7 will bring all-out opposition from the railroads to the Transportation bill. He is anxious to discuss with you the details of your conversation with Senator McClellan, John L. and ascertain how far we are committed to McClellan.

You might want to call Jerry Grinstein as to sounding out Magnuson's attitude on statutory pre-1964 criteria. Warren G.

Barefoot Sanders

Orig not sent to file as of 12/3/66 gah