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THE WHITE HOUSE

7/9/91

Chris -

Thank you for the most
recent update of activities
at the FMC.

Keep in touch.

Andy Card

Andrew H. Card, Jr.
THE WHITE HOUSE
WASHINGTON

The Honorable Christopher Kach
Chairman
Federal Maritime Commission
Washington, D.C. 20573



Office of the Chairman

Federal Maritime Commission
Washington, D.C. 20573

July 2, 1991

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The Honorable Andrew H. Card, Jr.
Deputy to Chief of Staff
Executive Office of the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Andy:

Enclosed are some recent press clips that provide an overview of our current activities, including:

- Discussion of merchant marine policy.
- FMC's successful resolution of its trade case against Japan.
- FMC begins trade case against the People's Republic of China.
- House Merchant Marine and Fisheries Committee approves a bill mandating FMC fees for tariff data.
- Other ongoing activities at the FMC.

I would welcome any thoughts or comments you have about the Commission's activities.

With best wishes, I am

Sincerely yours,

Christopher L. Koch
Chairman

Enclosures



FEDERAL MARITIME COMMISSION
1100 L STREET, N.W.
WASHINGTON, D.C. 20573

CONTACT KAREN L. HECKER
202/523-5911

NEWS CLIPS

JUNE 1991

IN THIS ISSUE:

FMC's Chairman Koch addresses the issue on "Does the U.S. need a merchant marine?"

FMC successfully resolves the controversial Japan Harbor fee.

FMC Chairman Koch talks about the People's Republic of China.

FMC told by the House Merchant Marine Committee to charge for tariff data to offset recreational boating fees.

FMC and current activities.....

✓
Christopher Koch:

Think Twice

Convinced there will be a drive for total deregulation, FMC chairman points out risks involved in gutting Shipping Act & loss of options if merchant marine is abandoned.

By Tony Beargie

Big time shippers who smell victory in their drive to gut the 1984 Shipping Act should give some hard thought to what life would be like without the choice of a viable U.S.-flag merchant marine, according to Federal Maritime Commission chairman Christopher L. Koch.

In an interview with *American Shipper* following a speaking trip on the West Coast, Koch said he is now convinced that many shippers will be fighting for total deregulation across the board during the current Shipping Act review.

Shippers who see short-term gains under deregulation "should look at the long-term" consequences of what a gutting of the 1984 Shipping Act could do to them.

While not saying so directly, Koch indicated that a repeal of the Shipping Act could be the final straw that would break the back of the U.S.-flag merchant marine.

In their zest to deregulate ocean shipping, shippers should weigh the possibility of wiping out the U.S.-flag fleet and the effects such a situation would have on their transportation options.

Without a U.S.-flag choice, shippers over the long term could find themselves being held hostage by foreign shipping lines which are strongly supported by their national governments, Koch warned.

Many countries, Japan being a prime example, use their maritime fleets as part of

their overall trade policy. In these cases, cargo is routed directly on national-flag ships, the FMC chairman noted.

Koch feels that during the debate over the Shipping Act and other maritime issues, much will hinge on one key question—whether the U.S. any longer needs a merchant marine.

U.S. merchant marine.

Koch Breaks Tradition. On his West Coast speaking tour, Koch broke standard FMC tradition by addressing maritime promotional as well as regulatory issues.

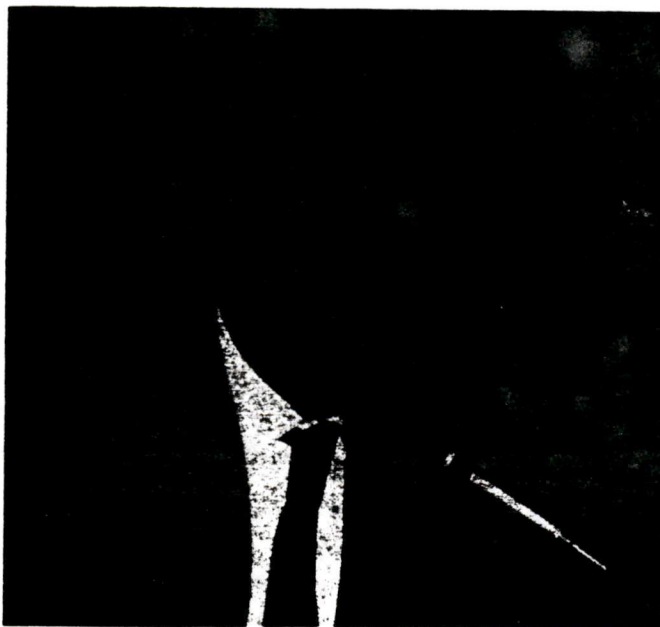
Koch noted what appears to be a growing number of both private sector and government officials who no longer see the need for a U.S.-flag fleet.

"There is a considerable school of thought that believes a U.S.-flag merchant marine is not an essential national asset, or at least not worth the cost. That question needs to be answered," he declared.

But to those who brush off the need for U.S.-flag shipping, Koch posed this question: "Are we as a nation comfortable with the prospect of all our imports and exports being dependent upon foreign merchant fleets for carriage?"

And, in the interview with this reporter, Koch issued an even stronger warning to those who want to totally dismantle the Shipping Act. "If the U.S. merchant marine goes, it's gone," he emphasized. "And it is not likely to come back."

To shed some light on the possibility of a merchant marine-free nation, Koch did some historical research by noting that during the early days of World War I when the U.S. carried



"If one U.S. trucker is replaced by another trucker, the U.S. is no worse off. But in international shipping, U.S. liner companies do not compete on the same turf."

-Christopher L. Koch

It is common knowledge that many shippers and some government policy makers no longer see the value in maintaining a

U.S. merchant marine.

less than 10 percent on U.S.-flag ships, the Europeans pulled their ships back to the Continent and the U.K. and the U.S. suffered the consequences to the point where "cargo backed up from port cities all the way to the Midwest" and in one four-week time frame, "freight rates jumped 1,500 percent." This led to the U.S. response of a major maritime promotional and regulatory program, the FMC chairman noted.

Government support is needed for any merchant marine—especially the higher cost U.S. merchant marine—if such a fleet is to flourish, Koch said.

Asked if he feels that the Bush administration really supports the need for a U.S. merchant marine, Koch took note of the President's policy statements in which he endorsed the Jones Act. "You don't endorse the Jones Act if you don't believe in the value of a U.S.-flag fleet," the FMC chairman responded.

Koch Cites Shipping Act Benefits.

The 1984 Shipping Act has accomplished what Congress set out to do when it passed the legislation, Koch said.

"We've eliminated barriers to entry. We do not regulate rates, and we have a competitive market," the FMC chairman said.

Apparently thinking of shippers who point to trucking and airline deregulation as an example of how this new environment benefits them, Koch said that in the international business and trade arenas there is a far different playing field.

"If one U.S. trucker is replaced by another trucker, the U.S. is no worse off," he noted. "But in international shipping, U.S. liner companies do not compete on the same turf. Their costs are higher. Our tax laws are different," Koch said. And there is the question of loyalty to national-flag shipping lines. "In Japan, (shipper) loyalty (to Japanese-flag shipping lines) abounds," the FMC chairman said.

Some shippers also point to airline deregulation. "They should think this through, because bilateral agreements run the show here," he said. He also noted that shippers are adamantly opposed to cargo-sharing bilateral agreements.

A far tighter regulatory regime applied to trucking operations when this mode was deregulated than the current maritime regulations now on the books, Koch pointed out. Unlike ocean carriers, truckers were faced with entry barriers, rate regulation and trade lane regulation, he said. "They had to get Interstate Commerce Commission permission to go from point 'A' to point 'B,'" Koch noted. "You had to prove you were in the public interest just to get a license to operate."

New Approach Explained. Asked why he ventured into maritime promotional issues on his West Coast trip, Koch said in effect that Washington can no longer act in a vacuum when it comes to U.S. maritime policy.

Although the FMC and the Maritime Administration are "distinct agencies" governed by their own statutes, Koch feels that "you cannot draw an absolute line between the two that is never crossed."

"When Congress drafted and passed the 1984 Shipping Act, the lawmakers did so with the maintenance of a U.S.-flag fleet in mind," he said.

And while "we at the FMC will always enforce the law in a flag-blind manner, many of the laws we enforce affect the U.S.-flag fleet," Koch said.

"Clearly, a dramatic example is the 1988 Foreign Shipping Practices Act" which continues to be an effective tool to combat unfair maritime trade practices.

"Congress intended this law to be used to assist the U.S.-flag merchant marine."

"When you're examining the future prospects for a U.S. merchant marine, maritime policy cannot be effectively addressed by dividing it into uncoordinated, discrete cat-

"If the U.S. merchant marine goes, it's GONE. And it is not likely to come back."

-Christopher L. Koch

egories of promotional policy, or regulatory policy," Koch said.

Seven Options Listed. In an address before the Greater Seattle Chamber of Commerce and the Port of Seattle chapter of the U.S. Propeller Club, Koch listed seven possible courses of maritime policy action ranging from "doing nothing" to "dismantling what there is."

- **Doing Nothing.** Retaining the maritime status quo is a view that "cannot be easily dismissed," Koch said.

There are those who feel our current programs—the 1984 Shipping Act, subsidy programs, cargo preference and the coastwise laws—are the best the nation can do for the time being given the divergence of views between shippers and carriers, international comity and the federal budget crunch, Koch said.

However, to sit back and do nothing may very well spell near demise of the U.S. merchant marine by the end of the 1990s, Koch said. If no action is taken, the FMC chairman said, only two U.S.-flag liner companies are likely to survive. He was apparently referring to the two most prosperous companies, namely, Sea-Land Service, Inc. and American President Lines.

- **Reduce Costs Imposed On Ships.** Costs

could be cut by eliminating or reducing U.S. crewing requirements, Koch said, adding that this approach "has some strong followers" and that it has been adopted by some European countries.

However, it is uncertain that this would create sufficient savings to U.S.-flag companies since only five percent of the industry's total costs are labor related, Koch noted. Also, such an approach would be "politically unrealistic," he said.

- **Direct Subsidies/Tax Law Changes.** Under the current budget crisis, direct subsidies would pose a major obstacle, while more favorable tax treatment would be viewed in a more sympathetic light, Koch said. "The fact that our carriers' foreign-flag competitors pay little or no taxes to their national governments is obviously a major competitive disadvantage to U.S.-flag companies," the FMC chairman said. "But, because of the huge budget deficit, the unavoidable and irresistible pressure in Congress is to find new and bigger ways to raise more taxes, not cut them."

- **Change Regulations To Promote Liners.** This option would look into ways U.S. regulations could be changed to bolster the U.S. fleet, Koch said, noting that some carrier officials have endorsed the legalization of closed liner conferences and the doing away with independent action on rates. Koch said that shipper reaction to this option would most likely be "highly unfavorable."

- **Guarantee Cargo For U.S. Ships.** Another option may be to extend cargo preference laws to commercial freight. However, shippers oppose cargo sharing and the U.S. officially opposes the UNCTAD liner conference code with its 40-40-20 cargo-sharing mechanism. "This is not viewed by many as an optimal solution," he said. This option would also represent "a major policy switch for the U.S. to become a promoter of cargo reservation," Koch added.

- **Shipper Incentives.** Still another option would be to give shippers economic incentives to use U.S.-flag ships. If they work, the government could "easily eliminate inefficient subsidies like ODS," Koch said. However, such an approach would reduce the U.S. tax base, he said.

- **Dismantle Current Programs.** Programs would be done away with and then the U.S. could "stop worrying about a flag merchant marine," Koch said. Under such a plan, cargo preference and military support would be retained in order to maintain some flag presence and then "simply retain a couple of U.S. liner companies operating mostly foreign ships," Koch said.

All of the above options enjoy support in Washington, Koch said. "And not all of them are mutually exclusive."

Do we need a merchant marine?

Man who regulates
fleet says system
is self-destructing

By Don Carter
P-I Reporter

Christopher Koch, who regulates the nation's merchant marine fleet, is asking if the United States really needs a merchant marine fleet.

Koch, chairman of the Federal Maritime Commission, says he isn't out to torpedo the fleet. The nation's shipping business is self-destructing, he said, and he just wants people to understand what's happening.

A former Seattleite, Koch was here yesterday to speak at the 40th annual Maritime Luncheon.

Facing stiff competition from shipping lines subsidized by foreign governments, the nation's merchant marine fleet continues to shrink, Koch said during a meeting with the Post-Intelligencer's editorial board. While the nation's shipping lines carried 30 percent of its imports and exports in 1984, that figure has shrunk to 19 percent today, he said.

A strong merchant marine fleet traditionally has been considered essential to national security, to ferry troops and equipment in war time, Koch said. It also has been considered an economic necessity to maintain national control over the ships involved in trade, he said.

The nation had to use foreign-flagged ships to carry about two-thirds of the "Operation Desert Storm" cargo to the the Middle East, Koch said. He said the country was fortunate that the operation was politically acceptable to foreign shippers, and that Iraqi President Saddam Hussein had no strong naval or air power that could have scared away foreign shippers.

Koch said that he is just asking the questions, and that he doesn't have the answers.

He opposes direct subsidies to shippers that would "reward inefficiency," such as encouraging excessive crew sizes. Besides, he said, deficit-plagued Congress isn't in the mood for subsidies.

He suggested looking at other nations that regard shipping as "a national asset" and encourage it by offering subsidies, tax incentives and favorable regulations.

FMC chair sees demise of merchant marine

Bruce Johnson

The fundamental maritime policy question facing the United States today is "whether we as a country want to have a U.S.-flag merchant marine," Federal Maritime Commission Chairman Chris Koch declared in a speech last month.

Since implementation of the Shipping Act of 1984, which preserved carrier conferences in the nation's foreign waterborne trades, the U.S.-flag share of liner trade has declined from 30 percent to less than 19 percent, he said in a subsequent interview with *Marine Digest*.

American-flag carriers face foreign-flag competitors that are heavily subsidized in one form or another by their governments, noted Koch, who was featured speaker at the 40th annual Maritime Week Luncheon sponsored by the Greater Seattle Chamber of Commerce and Seattle Propeller Club. Unless the United States is willing to improve its support of the merchant marine, the American flag will eventually disappear from the nation's foreign waterborne liner trades, he warned.

In an interview with *Marine Digest* Koch predicted that ten years from

now, if the merchant marine continues its downward course, there will be only a couple of U.S.-flag carriers — Sea-Land Service and American President Lines — in those trades. And there will be no more investments in U.S.-flag liner vessels engaged in foreign commerce, he said.

Both Sea-Land and APL are "excellent" companies that will survive, but "I'm not convinced" that they will retain the U.S. flag, said Koch, a former Bogle & Gates attorney in Seattle and chief legislative assistant for the late U.S. Sen. Warren G. Magnuson.

If it's decided for commercial and national security reasons that American-flag liner shipping should not be allowed to die, a comprehensive examination is needed on how to rebuild the merchant marine, Koch said. Such a look is needed beyond the FMC's current, Congress-mandated review of how well the 1984 Shipping Act is working, he said.

"The FMC is half of the equation," Koch related. In addition to the regulatory arena, there is the area of merchant marine promotion. Both types of functions, he said, are interrelated.

Koch observed that some sizable shippers are lobbying for a further weakening of the conference system.



Christopher L. Koch

A question could be raised whether doing this would benefit the general shipping community, he said.

"A lot of shippers feel the present environment is not all that bad," Koch pointed out.

COSCO, Southeast Asia
Shipping — see page 32



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When The FMC Gets Tough, Unfair Foreign Trade Practices Wither

Recent changes to the controversial so-called Japan Harbor Management Fund (see *Washington Letter*, June 3) have prompted the Federal Maritime Commission (FMC) to discontinue an ongoing investigation developed to end certain unfair foreign shipping practices in the U.S.-Japan trade. The FMC on June 13 unanimously decided to end their investigation "due to an agreement that substantially changes the fund and because of the Japanese Minister of Transport's assurances to U.S. carriers that the fund will not be renewed." The FMC had been investigating a fee paid by U.S.-flag and other carriers into the Harbor Fund, established by the Japan Harbor Transportation Association in October 1989, which allegedly was used for non-maritime-related activities. Under the Omnibus Trade Act of 1988, the FMC has the authority to investigate and combat practices by foreign governments which create unfair trade situations for U.S.-flag carriers.

The FMC granted a joint request filed by U.S.-flag carriers (American President Lines, Ltd. and Sea-Land Services, Inc.) and Japanese-flag carriers stating that a "new, modified agreement" had been reached. This modified agreement, according to the FMC, makes three significant changes: "empty, shifted and transshipped containers are exempted from coverage; the proceeds of the fund will be used only for maritime labor purposes, and not to build import distribution centers, as previously stated; and, the fund is renewed for a limited one-year duration."

The changes, noted FMC Chairman Christopher L. Koch, "substantially reduce the economic burden on U.S. carriers. The Commission, however, will require regular quarterly reports [to be submitted by the carriers involved in the U.S.-Japan trade] to monitor the modified fund to be certain that the benefits to our carriers are realized and that the commitments are fulfilled....The Commission is discontinuing the proceeding at this time without prejudice to reinstituting a new investigation if the anticipated progress and liberalization is not achieved."



AMERICAN MARITIME CONGRESS WASHINGTON LETTER

Hall of the States Building
444 North Capitol Street, Suite 801
Washington, DC 20001-1512

J. P. Walters, Executive Director
Becky Aukofer Hawryluk, Editor



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FRIDAY, JUNE 28, 1991

Japan Confirms It Will End Controversial Harbor Tax

By A.E. CULLISON
Journal of Commerce Staff

TOKYO — Japan will discontinue enforcement of the controversial harbor management fund special tax at the end of March 1992 due to vehement protests lodged by U.S. and European shipping companies, government officials said Thursday.

The harbor tax already had been scaled back last month, and the minister of transport had told U.S. officials that the program would be allowed to expire next year. Those moves led the U.S. Federal Maritime Commission to drop its investigation of the tax, a proceeding that could have resulted in the FMC imposing sanctions against Japanese carriers.

Officials of the Ministry of Transport said Thursday the tax, created by the non-profit Japan Harbor Transportation Association in October 1989, was intended to be used to assist in securing a stable labor supply and to improve port facilities.

The tax was collected by Japanese warehouse companies on cargoes entering the country's ports. The association reported it had collected a total of around \$65.2 million from Japanese and foreign shipping companies as of the close of fiscal 1990, a term ending in March this year, and had paid the money into the Japan Harbor Management Fund. However, the fund evidently was used to provide low-interest loans to finance improvements of import cargo-handling facilities.

For the past two years, U.S. and European shipping lines have denounced the tax as an unfair obligation that worked in restraint of trade. They also insisted that it was not possible for foreign shipowners to obtain direct commercial benefits from the payments and that, in any event, they had to pay more into the fund than their Japanese competitors.

In documents filed with the FMC, American President Lines Ltd., Oakland, Calif., said it had paid more than \$2 million into the fund.

Sea-Land Service Inc., Edison, N.J., said it had paid nearly \$600,000.

It was only in May that an agreement among executives of the Japan Harbor Transportation Association, the Japan Shipowners' Port Council and the Japan Foreign Steamship Association brought about a reduction in fund charges.

As a result, the decrease in payments to the special fund this fiscal year is expected to amount to around \$7.4 million. This will mean that overall contributions in fiscal 1991 will be reduced to about \$37 million.

The Journal of Commerce

and Commercial

MONDAY, JUNE 17, 1991

US Ship Agency Ends Investigation Of Japan Harbor Fee

By WILLIAM DIBENEDETTO
Journal of Commerce Staff

WASHINGTON — Following the recommendations of U.S. and Japanese carriers and its own staff, the Federal Maritime Commission scrapped a probe of a harbor fee assessed on carriers using ports in Japan.

Its unanimous decision Thursday was based on recent changes in the fee's structure and application and the Japanese Minister of Transport's assurances that the so-called harbor management fund will not be renewed next year.

Christopher L. Koch, commission chairman, warned that discontinuing the probe, which could have resulted in stiff sanctions on Japanese carriers, comes "without prejudice to reinstituting a new investigation if anticipated progress and liberalization is not achieved."

He said the commission is requiring "quarterly reports to monitor the modified fund to be certain that the benefits to our carriers are realized and that the commitments made are fulfilled."

The harbor fee was established in 1969 by the Japan Harbor Transportation Association. The charges were assessed on cargo movements through Japanese ports, with receipts earmarked for import distribution centers and to ensure a stable labor supply.

When it began its probe of the fee earlier this year, the commission said it appeared to impose large costs on U.S. carriers with no related maritime benefit.

The commission has authority, under a 1988 law, to attack unfair shipping practices by suspending tariffs or agreements of foreign carriers, denying them access to U.S. ports or imposing fees of up to \$1 million a voyage.

The modified fee agreement ex-

The commission is requiring 'quarterly reports to monitor the modified fund to be certain that the benefits to our carriers are realized and that the commitments made are fulfilled.'

— Christopher L. Koch, Chairman
Federal Maritime Commission

empts empty, shifted and transshipped containers from the fee and uses fund proceeds only for maritime labor purposes.

Mr. Koch said those are "obviously positive changes and substantially reduce the economic burden on U.S. carriers."

In their joint motion, U.S. and Japanese carriers said the "material changes in circumstances" ended the need for further action by the commission, and they urged the agency to end its investigation promptly.

American President Lines Ltd., Sea-Land Service Inc., Kawasaki Kisen Kaisha Ltd., Mitsui O.S.K. Lines Ltd., Nippon Liner System Ltd. and Nippon Yusen Kaisha said the changes "represent major concessions."

The commission's Bureau of Hearing Counsel, which had recommended sanctions prior to the revisions to the fee agreement, said it still has some concerns, but "on balance the material changes in the new contract, and the personal advice of the minister of transport are significant and reflect good faith efforts" to remove the unfair conditions in the agreement.

Congressional Information Bureau

**JAPAN HARBOR MANAGEMENT FUND CHANGE RESULT IN FMC
DISCONTINUING PROBE - NEW ACCORD REACHED**

The Federal Maritime Commission announced yesterday (6/13) that it has voted unanimously to discontinue its investigation of the Japan Harbor Management Fund (JHMF) due to a new agreement that substantially changes the Fund and because of the Japanese Minister of Transport's assurances to U.S. carriers that the Fund will not be renewed.

The Commission granted a joint request filed by U.S. and Japanese carriers stating that a new, modified agreement has been reached with the Japan Harbor Transport Association (JHTA). The petition was also supported by the Commission's Bureau of Hearing Counsel which also recommended that the carriers submit regular quarterly reports concerning the operation of the restructured Fund.

The modified agreement, reached between the JHTA with the Japan Shipowners Ports Council and the Japan Foreign Shipowners Association, makes three significant changes to the Fund:

- empty, shifted and transshipped containers are exempted from coverage;
- the proceeds of the Fund will be used only for maritime labor purposes, and not to build import distribution centers as previously stated; and
- the Fund is renewed for a limited one-year duration.

Chairman Christopher L. Koch said, "the Commission also placed great reliance on the assurances made by the Japanese Minister of Transportation that the Fund would not be renewed at the end of the one-year limited extension" in reaching its decision.

One of the Commission's top priorities has been its efforts to end policies and practices of foreign governments that put U.S.-flag carriers at a competitive disadvantage. Chairman Koch stated, "We are very pleased by this successful conclusion of the Commission's investigation of the Japan Harbor Management Fund. These changes to the Fund, together with the Japanese government's commitment to U.S. carriers that the Fund will not be continued after this extension, are obviously positive changes and substantially reduce the economic burden on U.S. carriers. The Commission, however, will require regular quarterly reports to monitor the modified Fund to be certain that the benefits to our carriers are realized and that the commitments made are fulfilled."

The Commission initiated its investigation of the Fund under authority contained in the Foreign Shipping Practices Act of 1988 on April 15, 1991. The order of investigation alleged that the charges leveled upon U.S.-flag and other carriers serving ports in Japan were used to promote and finance projects which provided no benefit to U.S. carriers.

In the joint motion to discontinue the investigation, SeaLand Service, Inc., characterized the new agreement as a "positive result" and stated in its submission to the Commission that as a result of the U.S. government's "persistent efforts, there were several recent changes in the nature of the Fund, which diminishes its adverse impact on U.S. carriers." American President Lines stated in its submission that, if the terms of the recently executed extension of the Fund were adhered to, it anticipated "no ongoing adverse effect to U.S. carriers." The respondent Japanese-flag carriers--Kawasaki Kisen Kaisha, Ltd., Mitsui O.S.K. Lines, Ltd., Nippon Liner System, Ltd., and Nippon Yusen Kaisha--stated that the changes in the new agreement represent "major concessions."

In an affidavit filed with the Commission, George Hayashi, President of American President Lines, stated that the Minister of Transport of the government of Japan, Mr. Kanezo Muraoka, stated that "the Fund would be discontinued after the current extension year ending March 31, 1992."

The Bureau of Hearing Counsel's report noted that "the new agreements and other understandings resolve major issues being investigated by the Commission."

The Commission, in granting the carriers' joint motion to discontinue the investigation, is requiring periodic reporting by the U.S. and Japanese carriers so that the Commission will be assured that the anticipated changes are implemented.

The Journal of Commerce

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FRIDAY, JUNE 28, 1991

164TH YEAR

Chinese Ship Lines May Face US Fines

By WILLIAM DiBENEDETTO

Journal of Commerce Staff

WASHINGTON — The Federal Maritime Commission is starting a formal investigation of shipping practices in the U.S.-China trade that could lead to hefty penalties against Chinese carriers.

Thursday's announcement followed a unanimous vote by the five-member commission during a closed meeting the previous day.

The action reflected an informal information-gathering probe the agency began in January.

The investigation will focus on "doing business" restrictions in China that prevent U.S. carriers from operating branch offices, collecting their own tariffs and conducting intermodal operations such as feeder services between China and Hong Kong.

Under the 1988 Foreign Shipping Practices Act, if the commission finds that unfavorable conditions affecting U.S.-flag operators exist, it can impose sanctions on Chinese carriers that include tariff or agreement suspensions, denial of access to U.S. ports, or fees of up to \$1 million a voyage.

In a prepared comment, commission Chairman Christopher L. Koch said the information collected by the agency "indicates that U.S. carriers may have significant obstacles imposed on them as a condition for operating in (China) that Chinese carriers do not face in this country."

During the agency's earlier information-gathering phase, China Ocean Shipping Co., known as Cosco,

told the commission that no Chinese laws or policies adversely affect operations of U.S.-flag carriers.

Cosco also said action by the commission would violate the 1988 U.S.-China Maritime Agreement and fall outside the dispute resolution provisions of that agreement.

On Thursday a Cosco representative, who asked not to be identified, said: "We're disappointed. We have cooperated with the investigation and have provided a great deal of information, while U.S.-flag carriers continue to make secret allegations that are difficult to rebut."

He said Cosco will continue to cooperate and will "show that U.S.-flag carriers are not disadvantaged by what are Chinese domestic laws."

Another Chinese carrier, China National Foreign Trade Transportation Corp., or Sinotrans, also could be affected by the commission's investigation and proposed sanctions.

The commission's announcement noted that despite the U.S.-China bilateral maritime pact, "numerous government-to-government negotiations have failed to resolve (the) issues."

"The bilateral agreement does not preclude us from using the tools given us under the 1988 law," Mr. Koch said in a phone interview.

He said the probe "will provide the opportunity for the U.S.-flag carriers and the (Chinese) flag carriers to fully address the allegations and their implications."

He anticipated a final commission decision in the case by late fall.

NEWS LOG

China, others target of FMC

by Bruce Johnson

The Federal Maritime Commission intends to "aggressively" examine allegations that not only China but certain other countries are unfairly restricting the operations of U.S.-flag carriers, the FMC's chairman asserted last month in Seattle.

Investigating such allegations is "a very serious part of our agenda," Chris Koch, a former Seattle attorney and U.S. Senate staff specialist on maritime affairs, said in an interview with Marine Digest.

As part of its regulatory mission, the FMC is charged with determining whether American-flag carriers are able to compete on "a level playing field" with foreign-flag carriers, he said. Providing that authority is the Foreign Shipping Practices Act of 1988 and older legislation.

"We're not singling out PRC," Koch said regarding the FMC's current look at whether the People's Republic of China is unfairly preventing Sea-Land Service and American President Lines from making agency, rail, trucking and other arrangements in China.

He noted that the FMC is launching an investigation concerning whether Japan's Harbor Management Fund that collects vessel fees is discriminatory and has any relationship to services provided carriers. He said the FMC also is looking at alleged trucking and rail restrictions in Korea and various alleged business restrictions in Taiwan.

Koch observed that the state-controlled China Ocean Shipping Co. (COSCO), which has a fast-growing intermodal westbound business through Seattle, is able to make double-stack container rail arrangements with the Burlington Northern.

"Our carriers can't negotiate with rail over there" in China, said Koch, who was appointed FMC chairman last fall. ■

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More on Koch — page 16

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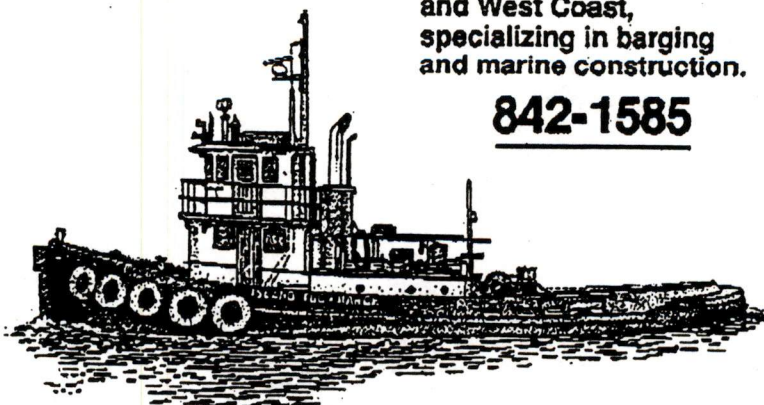
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Ship Tariff Access Fee Advances In House

By WILLIAM DiBENEDETTO

Journal of Commerce Staff

WASHINGTON — A House committee approved a bill Wednesday that would cost the maritime industry \$750 million over the next five years to obtain tariff information from the Federal Maritime Commission.

In order to offset projected revenues lost when it scrapped recreational boating fees, the House Merchant Marine and Fisheries Committee unanimously approved legislation that will impose a fee of 35 cents for each minute the commission's new electronic tariff data base is accessed or used.

No similar legislation has been introduced yet in the Senate.

According to the Congressional Budget Office, the tariff user fees would raise \$750 million through fiscal year 1995.

That money would be placed in a new "strategic sealift fund" to provide revenue for U.S. manpower and military sealift requirements.

Access to tariff information at the commission currently is free. The agency's computerized tariff system is scheduled to go on-line early next year.

"Any individual who has access to the information by computer would be required to pay," said the bill's sponsor, Rep. Robert Davis, R-Mich.

"The amendment also allows purchases of the entire database of information in the automated tariff system from the FMC," said Mr. Davis, the panel's ranking minority member.

Under the committee's plan, carriers, shippers and private vendors will have much greater access to tariff information and to whatever data enhancements the agency makes available, but at 35 cents a minute.

The move took many by surprise, including FMC Chairman Christopher Koch. "We'll be worth a lot of dough, huh?" he said when told about the projected revenue total.

"I need to take a close look at it," he added.

A Senate source said "it's the

House Panel Seeks User Fee To Access FMC Tariff Data

CONTINUED FROM PAGE 1A

first I've heard of it. It's interesting, but just a House idea at this point."

Sen. John Breaux, D-La., recently introduced legislation to repeal the boat fee but did not propose a revenue offset.

Tariff vendors, such as Transax Data, a division of The Journal of Commerce located in Bridgewater, N.J., could be hit hard by the plan, which now goes to the House floor.

Peter Cass, president of Transax, said the estimate of revenue collections under the legislation is off base by a factor of about 200. If applied to Transax's operations, he said, the fees will generate only a little over \$1 million.

Other sources questioned the scope of the fees and whether the government now will own the information and whether carriers will have to pay to access their own tariffs.

Several years ago vendors lobbied successfully for restrictions on individual access to the system, such as time limits and logging-on to one tariff at a time. They also received Congressional assurances that they would not have to compete with the commission in supplying enhanced tariff services.

The committee reversed itself on those points.

Rep. Davis explained that when

information "is resold or otherwise disseminated, the 35 cents per minute charge applies for each individual use."

That means vendors likely will have to pay more for the information and charge more for their value-added services, and the commission itself could become a cheaper alternative for enhanced tariff services.

Doug Mitchell, Washington branch manager of the Pacific Coast Tariff Bureau, a tariff service, said, "We sort of knew they would have user fees eventually, but this is quite a shock. This is a real blow to some. I'm not sure how it will impact the services we offer."

Rep. Davis said "great business opportunities" for firms to enhance tariff data for resale will remain. "The limited enhancements provided by the (commission) will not interfere with these opportunities."

"Free trade and healthy competition in the marketplace require fast, easy access to information of this type. To allow privatization concerns to stand in the way of computer modernization and free access to information is shortsighted and anti-competitive."

An attorney for a major ocean carrier, who asked to remain anonymous, said the Congressional Budget Office's estimate of \$750 million in revenue might be too high.

Congressional Information Bureau

**HOUSE UNIT OKAYS ATFI USER FEE TO REPLACE REPEALED RECREATIONAL
BOAT TAX**

The House Merchant Marine and Fisheries Committee has voted unanimously to repeal the controversial recreational boat tax which would have grossed the U.S. Treasury Department some \$718 million by December 1995. In its place, however, the committee approved an amendment to H.R. 534 (recreational boat tax repeal) -- a mechanism whereby the Federal Maritime Commission will be required make tariff data and information in their new Automated Tariff and Information System available by computer at a rate of 35 cents per minute of computer. The Congressional Budget Office estimates that the fees collected by FMC beginning in February of next year will total \$750 million at the end of Fiscal Year 1995.

The amendment, offered by Representative Robert W. Davis (R-Mich) requires that any individual who has access to the information by computer be required to pay. It also allows purchases of the entire database of information in the Automated Tariff System from FMC. When that information is resold or otherwise disseminated, the 35 cents per minute charge applies for each individual use.

Individuals who use the tariff information include employees of the carriers who quote rates to shippers interested in the cost of transportation of goods, and other carrier employees who read bills of lading and book cargo for transportation. Also, shippers who are interested in exporting goods would be interested in access to this information. Other individuals or companies in the transportation business also need access to this information.

The amendment allows FMC to retain the amounts of fees collected to carry out the requirements of this section (see below). The rest of the fees collected will be deposited into a Strategic Sealift Fund to support the manpower and sustain needs of the United States.

THE FEDERAL PAGE

Government Information as Revenue Source

House Panel Would Add Boat Tax, Substitute Fee for Computer Access to Maritime Data

By Brent Mitchell
Washington Post Staff Writer

Access to government documents is an issue that draws a specialized crowd on Capitol Hill. For a decade, opposing camps of librarians, academics and information companies have debated philosophy while trying to influence the distribution of thousands of computer files and databases the federal government creates every year.

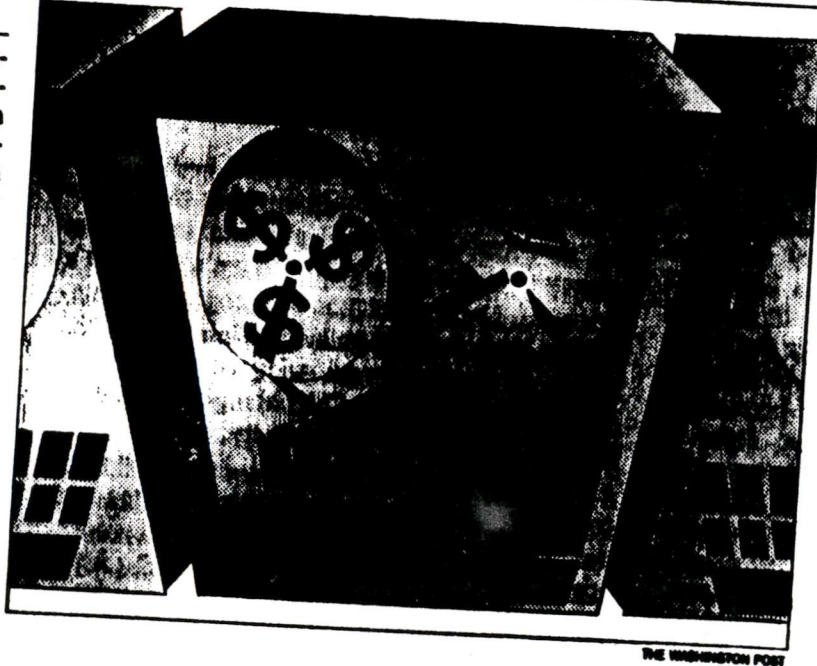
But this year their narrow world was swept up into the bigger issue of taxes and the deficit. As part of Congress's never-ending search for revenue, the House Merchant Marine and Fisheries Committee earlier this month unanimously approved a new \$21-an-hour charge for use of a new maritime computer database of information currently available, only on paper, for free.

The fees for using the Automated Tariff Filing and Information System (ATFI), a collection of shipping rates and data essential to U.S. commercial shippers, are designed to replace an estimated \$718 million the government expects would be collected over the next five years from taxes on pleasure boats. That tax would be repealed.

The pleasure boat fee, enacted last year at a rate of \$25 to \$100 per boat, was widely unpopular. And under the rules of last year's

budget agreement, no revenue source can be canceled without another created in its place.

Thus the proposed new charge—or "user fee," in the current anti-tax vernacular—for information. In response, industry and public interest groups have set aside some of their traditional differences to fight what they say is a new government royalty that will restrict access to public information.



THE WASHINGTON POST



REP. LEON E. PANETTA
... said to accept delay of tax repeal

The American Library Association sees free access to government-produced information as a basic democratic right—the data citizens need to participate in their nation's decisions. The Information Industry Association sees it as the raw material for the for-profit information industry.

But both are afraid the committee proposal will create a precedent in

using provision of public information as a source of government revenue.

"If congressional committees are searching for funds to supplant or replace pet peeves that they have, then information is going to be a really easy target," said Ronald L. Plessner, who represents the Information Industry Association. "If this is successful, it will fundamentally

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THE WASHINGTON POST

change the nature of government information."

User fees—charges that theoretically cover government expenses—are commonly attached to documents or databases. But Plesser and others object to the 35 cents per minute of computer time the committee proposes to charge, because charges would not be limited to the primary user of the information.

Shippers currently receive such information by buying it from the information industry, which takes the on-paper data provided free by the government, processes it and distributes it in database form. The information companies also collect tariff information from the shippers and file it with the government for a fee.

Under the proposed system, anyone could have access to the computerized material by paying the fee. But any secondary user of that information—someone who gets access to the data through a private company or library—would also have to pay the government 35 cents per minute, and critics say that amounts to copyrighting the information.

"The long-term ramification is that you could have to pay for a wide variety of government information," said Patricia Glass Schuman, president-elect of the American Library Association. "It means that unless people can afford to pay, they don't have the right to know. . . . We believe that is the basic democratic principle."

George Pence, minority staff director for the Merchant Marine Committee, said the committee had no special interest in taxing the tariff database, but felt it was the best way to replace the money that would be lost from pleasure boaters.

The committee sees the ATFI charges as similar to fees charged for access to information like the census. The bill, proposed by Rep. Robert W. Davis (R-Mich.), opens access to any computer owner, and Pence said the database will still be available free, on paper, in the Federal Maritime Commission office.

"You usually think of copyrighted information as [what] a person gets paid for . . . but the copyright also gives you control over who can print it and who they can sell it to," Pence said. "None of that transfers with this [bill]. This specifically says that anyone can get this without limitation," as long as the government collects its fee.

Michael G. Sciuella, vice president of BOAT/US, an Alexandria-based organization of boaters, said the tariff database charge is justifiable because people who pay will receive a service in return. He said he told his 390,000 members to write Congress because the boat tax, officially a Coast Guard user fee when it was created by the House-Senate conference committee on the budget last year, was levied on 4.1 million boaters when only 49,000 annually need assistance.

The Davis bill will be considered next by the full House unless another

committee asks to examine it. Plesser, of the Information Industry Association, said the Davis proposal may violate the Copyright Act and said that even with higher rates, the private companies that now distribute tariff information would not raise the \$750 million in five years that the Congressional Budget Office projects.

Budget Committee Chairman Leon E. Panetta (D-Calif.), who had opposed the bill because its revenue would not fully replace the boat tax for two years, has accepted a subsequent committee proposal to delay repeal of the boat fees until 1993, according to his spokesman.

The American Library Association has led a coalition trying to give citizens greater access to all government computer documents, and Schuman said she supports the portion of the Davis bill that allows open access to the database.

Taxpayer Assets Project Director James P. Love testified in April against the constraints on ATFI. "What we are talking about is essentially the product that is at the bottom of the food chain," Love said last week. "These are just the facts and documents that everyone needs to analyze government policies and practices."

THE SUN

TUESDAY, JUNE 25, 1991

IN THE

NATION

WASHINGTON STATE

EPA reports cleanup of industrialized bay

The nation's first Superfund cleanup of marine sediments has

been completed on Washington state's Commencement Bay — a shoreline once so polluted that no fish survived, the U.S. Environmental Protection Agency said yesterday.

The agency also announced an

agreement to clean up other spots on the industrialized bay by having polluters pay not just for damages but for restoring fish and wildlife habitat.

The 12-party agreement was signed yesterday in U.S. District Court after five months of negotiations, and 10 years after the St. Paul Waterway and other Commencement Bay sites were added to the federal toxic waste cleanup program.

FMC Extends Probe Of Rate Activities In North Atlantic

By WILLIAM DIBENEDETTO

Journal of Commerce Staff

WASHINGTON — Federal Maritime Commission interest in rate activities in the volatile trans-Atlantic trades is still going strong after two decades.

The agency last week extended an informal, information-gathering probe of illegal rate practices in the trades for another year, and agency officials recently met with carriers in the trade who are members of a compliance agreement that provides for policing of their rates and tariffs by a neutral party.

But this flurry of commission activity does not portend any major new developments or settlements. Christopher Koch, commission chairman, said Thursday.

"It's a continuation of our monitoring of the Atlantic trade to make sure there is compliance with the 1984 (Shipping) Act," he said.

Under the compliance agreement, carrier members meet annually with commission officials to discuss the competitive conditions of the trades and the effectiveness of the self-policing program.

Following the most recent meeting, the 13 carriers involved in the agreement said the policing program has had generally positive effects, but urged continued monitoring of the trade by the commission.

The 13 carriers involved in a compliance agreement said the self-policing program has had generally positive effects.

Hal Levy, counsel for the compliance agreement, said there have been three such meetings with the commission, and "all have been constructive."

The agency's fact-finding investigation into illegal rate discounts, known as rebates, and other rate malpractices in the trade began in 1987.

But its attention dates back to the 1970s, when seven ship lines and their executives pleaded no contest to federal charges that they conspired to fix rates between the United States and Europe. The indictments covered activities from 1971 through 1975. The lines paid over \$6 million to settle the antitrust violations.

Shortly after the no-contest pleas were accepted by a federal district court, the commission began its own formal investigation in August 1979, but it discontinued it five years later.

Status of NVOCCs Remains in Flux

There could still be some "fine tuning" of the bonding and tariff requirements.

Federal Maritime Commission chairman Christopher Koch warned some 100 shipping-community members at a dinner May 22 sponsored by the San Francisco Customs Brokers & Freight Forwarders Association in Burlingame, Calif., to expect change.

Having granted a two-month extension on the bond-posting deadline for NVOCCs, the majority of commissioners felt it unwise to delay it further, Koch said.

Still, he said, the future of the bonding and tariff-filing requirements for NVOCCs is by no means cast in concrete.

The bonding deadline extension issue was a contentious one among the commissioners themselves, Quartel dissenting strongly from the majority's decision.

Questioned on the matter during the press-interview session, Koch said the commission majority felt it was time to implement the law, which Congress had passed and President Bush had signed.

Reiterating what he had said during his speech, Koch added that NVOCCs by and large seemed able to overcome their initial difficulties in meeting the bonding mandate.

Also during his speech, he said it was possible that the bonding regulations would undergo some "fine-tuning."

Perhaps, he said, NVOCCs will be given the option of some other type(s) of financial-security mechanism.

The FMC chairman expressed reservations on exempting NVOCCs from tariff-filing requirements without doing the same for vessel operators.

If this were done, he said, a likely upshot would be that carriers would skirt the requirements by forming NVOCC subsidiaries.

Also difficult, he continued, would be how to determine what constituted valid NVOCC status for filing-exemption purposes—"the true LCL consolidator versus the NVOCC that ships 10,000 boxes a year."

If any such differentiation were made, he said, shipping lines could still get around the filing requirements by limiting the size of their NVOCC subsidiaries; they could always form multiple NVOCC arms if necessary.

Pacific Compliance Pact. It is possible that the FMC and transpacific vessel operators will reach a compliance agree-

ment, concerning rate practices, by year end, Koch said.

The carriers are cooperating in efforts to eliminate or at least reduce the incidence of secret rebatings and other rate malpractices.

Some specific cases have ended with carriers, shippers, NVOCCs and/or other parties paying fines without admitting guilt.

Koch told reporters he did not know if the compliance pact would involve the carriers' establishing a self-policing agency, "but that's the objective."

Tiffs with Quartel. Acknowledging that he and other commissioners have butted

heads with Quartel, Koch asserted that personal relationships on the commission are good.

When asked about an exchange of seemingly acerbic letters between himself and Quartel, Koch described his own missive as "tongue-in-cheek."

(Details appear in last month's *American Shipper*, page 4.)

The real message in his own letter, Koch said, was that while Quartel's differences of opinion with other commissioners were legitimate, Quartel should perhaps "temper" his remarks.

"Rob is a good guy. We get along very well," Koch said.

What is more, he said, Quartel's dissensions from majority opinions serve as a thought-provoking mechanism. ■

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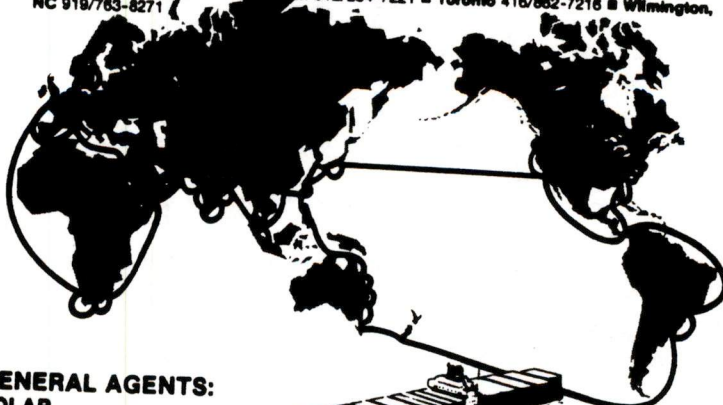
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COMMISSIONER SEES 'LITTLE CAUSE FOR ALARM' ABOUT EXISTING REGIME

FMC Probe Finds No Reason to Hike Cap on Cruise Lines' Surety

BY BILL POLING

■ WASHINGTON — A seven-month fact-finding probe at the Federal Maritime Commission has found no evidence to justify raising the \$15 million maximum surety required for cruise lines, because "the industry has an almost impeccable record" of dealing with cancellations and missed sailings.

Commissioner Francis Ivancie, who headed the inquiry, concluded that "25 years of industry and commission experience . . . shows that there is little cause for alarm" about the surety regime.

Nevertheless, the report outlined a number of possible reforms that the FMC could pursue, including seeking authority from Congress to extend the surety coverage to

the air and land portions of cruise packages or to cruises from foreign ports that are sold in the U.S.

But Ivancie stopped short of endorsing broad reforms that would require new power from Congress, posing them merely as options the FMC "might consider."

On a more modest scale, he suggested a "fine-tuning of our regulations" to give cruise

lines "more realistic alternatives" to satisfy the financial responsibility requirement, such as increased availability of a little-used self-insurance option.

The commission has not taken any official action on Ivancie's report and has no fixed timetable to follow, an FMC spokesman said.

Eventually, he said, the commissioners will "assess

the information and decide what to do," but he also noted that the commission does not necessarily have to do anything.

Ivancie's review was triggered by an FMC decision last year to increase from \$10 million to \$15 million the ceiling on the surety that cruise lines must file as evidence of financial responsibility.

Under FMC rules, the surety must cover 110% of "unearned revenue" or deposits received for future sailings.

The \$10 million limit had been in effect since 1980 and the FMC felt that it might be inadequate in view of inflation and the growth of the cruise market.

An operation as big as Carnival, for example, can have as much as \$200 million in advance deposits outstanding at any one time, far more than the \$15 million ceiling.

The FMC originally proposed to eliminate the ceiling altogether but ordered a \$5 million increase, and the fact-finding probe, after cruise lines strenuously argued that removing the ceiling would unnecessarily raise their costs.

Ivancie agreed, concluding, "The record is devoid of any compelling evidence that warrants an increase of our current \$15 million ceiling."

He noted that since the financial responsibility rule was established 25 years ago, "there have been relatively few cruise operator bankruptcies, and . . . in each case, the existing evidence of financial responsibility was more than adequate."

He added that "should the commission feel that some type of coverage above the current \$15 million ceiling is necessary, an equitable compromise would be to allow for self-insurance above the current ceiling."

To make this option feasible, however, the FMC

would have to change some technicalities in its rules.

One change might include a net worth requirement that excludes assets located outside the U.S.

A number of cruise lines have said that self-insurance would be an attractive option if they were not barred from using it by the technical terms of the net worth test.

He also suggested that the FMC consider a sliding scale to reduce the burden on smaller lines that have to cover the full 110% of their unearned income.

Because larger lines have to cover only \$15 million worth, their smaller rivals are at a disadvantage.

Ivancie said the FMC could take other factors into account in devising any sliding scale, such as the line's performance history.

The FMC also could use past performance and other factors to adjust the basic \$15 million ceiling, he said.

Ivancie noted that vessel redeployment or seasonal variations can affect a line's coverage.

Under the existing regime,

a cruise line's coverage is based on its maximum level of unearned income during the previous two years.

lines to maintain adequate protection at a lower cost.

He also said that a line's performance history could be

The seven-month report concluded that the cruise industry has an 'almost impeccable' record of dealing with cancellations and missed sailings.

That means one big spike in occupancy can affect a line's surety costs for a long time, whereas quarterly adjustments might enable the cruise

made a factor.

"Our present system is inflexible in the sense that a good record is not rewarded," he said.

Finally, he noted that while the FMC recognizes insurance, escrow accounts, self insurance or surety bonds as evidence of financial responsibility, "the industry is not taking advantage" of this variety, relying for the most part on guaranties from the international insurance pools called Protection and Indemnity Clubs.

He said the FMC "might consider whether the current regulatory requirements discourage the industry from using all of the options available."

FMC Clout Helps Newcomer

Total Ocean Marine Service is as much entitled to Sec. 19 relief as established U.S.-flag carriers.

The most potent weapon in the federal arsenal of tactics to protect U.S. companies from maritime trade practices of other nations is the authority to cancel tariffs of foreign shipping lines, thereby denying the right to do business in U.S. ports.

The authority is granted the Federal Maritime Commission in Sec. 19 of the 1920 Merchant Marine Act. An FMC decision to invoke Sec. 19 can be set aside by the White House, but the threat of being frozen out of the American trade usually gets the attention of even the most recalcitrant foreign government.

In May, FMC broke new ground in the field of policy by starting a Sec. 19 action in support of a steamship line which is not yet in operation, has no ships, and plans to charter foreign-flag ships rather than use American vessels.

FMC does not intend to use its Sec. 19 clout to help just anyone, but said Total Ocean Marine Service's plea for help entering the U.S./Venezuela trade is a bona fide request from a firm capable of operating a viable service.

FMC made a point of noting that Total Ocean Marine plans to serve a variety of shippers—a fact which distinguishes its application from two Sec. 19 relief petitions denied by FMC in 1979.

Total Ocean Marine has its eye on about 175,000 tons of cargo it hopes to carry. Its appeal to FMC was supported by several large shippers, the State Department, Council of European and Japanese National Shipowners' Association (CENSA), and Shippers for Competitive Ocean Transportation (SCOT). All are united in an effort to break down Venezuela's cargo reservation laws designed to direct most U.S./Venezuela cargo to national flag carriers at the expense of third-flag operators. The very fact that Total Ocean is not a typical operator insofar as it has no fleet in place presented the commission an opportunity to venture into new policy areas.

Total Ocean Marine Services' long-standing problems in setting up a service with chartered third-flag vessels and apparent resistance from the Venezuelan government sparked an FMC investigation that in turn brought about the agency's decision to move forward under its tough Section 19 sanction authority.

Barring a diplomatic resolution, Venezuelan carriers could face fines of up to

\$100,000 per voyage. And, if the carriers refuse to pay, they could be shut out of the U.S. trade altogether.

FMC Breaks New Ground. The nature of Total Ocean's petition presented a chance for FMC to break new policy ground in unfair trade practices cases.

Perhaps the biggest breakthrough is represented by FMC's rejection of arguments posed by Venezuelan maritime interests who claim that Total Marine does not warrant Section 19 relief because the company does not have an established fleet serving the trade. Opposing carriers also questioned whether the U.S.-based company has the necessary experience and overall wherewithal to serve the trade.

While FMC agreed that Total Marine is not the typical company with vessels in hand, this fact does not disqualify Total Marine from Section 19 relief. To the contrary, FMC sent out a message that the agency will act to protect the interests of firms which show the potential to compete.

"Having in place an existing service is not a prerequisite to Section 19 relief," FMC ruled. Furthermore, Total Ocean appears to have shown a "serious commitment" to serve the trade since it has filed a tariff with FMC and has spent considerable sums in legal fees (both in the U.S. and in Venezuela) to gain entry into the trade, the commission indicated. "Certainly, Section 19 relief is available to protect enterprising companies or individuals who might seek to start up new services and bring greater competition to U.S. trades," FMC declared.

Furthermore, the argument that Total Ocean's bid to serve the trade is an "isolated case" that fails to rise to the level of relief under the commission's authority did not wash with FMC.

King Ocean Lines, an opponent of the Total Ocean's petition, argued that in two previous cases FMC turned down Section 19 petitions. These involved petitions by ACE Lines, which in 1979 claimed to be shut out of the wool trade by the New Zealand Wool Board, and by Refrigerated Express Lines, which said it was shut out of the refrigerated meat trade by the Australian Meat and Livestock Corp.

In those cases, single commodities rather than a wide range of cargo were at issue, FMC noted. The circumstances "are different" in the case at hand, the commission

continued. "Total Ocean would be excluded from the carriage of at least 50 percent of all general cargo in both (the) import and export trade, not just a single commodity in a single trade," FMC said.

FMC also would not buy the argument that adequacy of service in the trade negates the need for FMC's intervention. "Adequacy of service is not a defense to allegations of unfavorable shipping conditions," the commission declared. Moreover, shippers supporting Total Ocean's case claim that service is not adequate in the trade, FMC noted.

The commission further rejected pleas for non-intervention on grounds that two U.S.-Venezuelan agreements have been in place since 1983. Opponents of the petition argued that the trade has run smoothly under the agreements and therefore should not be disturbed by Sec. 19 action.

The commission deferred to the U.S. Department of State, which advised FMC that in each of the bilateral agreements both governments acknowledged the desirability of continued active presence of third-flag carriers in the trade. Furthermore, FMC noted that the State Department does not view the agreements "as freezing third-flag entrants to some historical point, but rather (as) intending to encourage their participation in the trade."

CENSA noted that Venezuela invoked the UNCTAD liner code in the 1983 agreement with the U.S. and claimed that the liner code did not apply to the trade. CENSA further urged FMC to protect all carriers from Venezuelan government restrictions.

SCOT claimed that the trade is non-competitive and is characterized by high shipping rates and unsatisfactory service.

A shipper, Continental Materials, claimed that the lack of competition in the trade has produced a 40 percent increase in freight costs over the past year.

Venezuelan carriers facing possible FMC sanctions include: Naviera Pacifico C.A.; Compania Anonima Venezolana de Navegacion (Venezuelan Line); Maritima Aragua, S.A.; C.A. Maritima Oceanica Granelera; Naviera Naviprobo; Naviera Lavinel C.A.; Naviera Transpapel, C.A.; Vencaribe C.A.; Naviera Caribana C.A.; and Zade, C.A.

Members of the U.S. Atlantic and Gulf/Venezuela Steamship Conference also face possible sanctions.

Replies to FMC's proposed sanctions order are due at the commission by July 1. Unlike actions under the 1988 Trade Act, which carries a 120-day FMC action deadline, there is no set deadline for final FMC action under Section 19.

For additional information, contact FMC's general counsel Robert D. Bourgoine at (202) 523-5740. ■

FMC gets its answer:

Roll Surcharges Into Rates

Wine and spirits shippers call for elimination of myriad of surcharges related to handling costs and currency fluctuations. Shippers want surcharges limited to "quantifiable" and "unexpected" costs stemming from unforeseen events.

By Tony Beargie

Over 350 members of the Wine and Spirits Shippers Association would rather have ocean carriers increase basic shipping rates than deal with a myriad of confusing surcharges which they view as a revenue-generating gimmick.

WSSA members, who are principally importers of beverages, have been affected by mounting surcharges "in virtually all (ocean) trade lanes," according to the association's managing director Geoffrey N. Giovanetti.

"Surcharges of all types abound, and tend to be sold to the shipping public" by ocean carriers as "pass-throughs" of carrier costs, Giovanetti said. And while currency fluctuations and port handling costs exist, they should be viewed as normal business factors inherent in the world of international shipping and "hedged by ship owners as a normal business risk."

However, there may be cases when surcharges are legitimate, the WSSA official said. In these cases, they should be permit-

ted "only to cover a quantifiable but unexpected cost relating to an incident which is temporary and unforeseen in nature," Giovanetti said in comments filed with the Federal Maritime Commission.

The shipper spokesman, who conducted a poll of his members before filing comments with the FMC on the surcharge issue, called for a change in policy under which legitimate surcharges are shared equally by ocean carriers and shippers. (Under current practices, shippers bear the full costs of all surcharges.)

All other costs such as terminal handling surcharges, husbanding, stevedoring, loading and unloading costs should be covered in the basic freight rate, Giovanetti said. He noted that his association has succeeded in winning service contracts that contain lump sum rates which are not subject to changing surcharges.

"Currency, terminal, container yard, and other such surcharges have no place in our view," Giovanetti declared. "If a normal cost of business increases beyond anticipated parameters, the carriers have good

reason for requesting greater revenue through a general rate increase."

Furthermore, the 1984 Shipping Act gives liner conferences *carte blanche* to set prices, the shippers' association executive said, noting that the 1984 law removed the longstanding "public interest" test.

If the FMC decides changes need to be made in the way surcharges are treated, he hopes that carriers will be required to document unanticipated costs which could justify surcharges, Giovanetti said.

Shippers Answer FMC's Questions.

WSSA's views on the surcharge issue were filed in response to an FMC request for answers to 14 questions.

The shippers' association's answers to those questions were put down on paper and filed with the FMC after the Reston, Virginia-based shippers' group polled its 350-plus members.

Other major groups are expected to respond to the FMC's query after June 21.

FMC's questions (printed in italics) and WSSA's replies are:

1. Do carriers or conferences actually represent to shippers that surcharges are strictly "pass-throughs" of carrier expenses?

Eighty percent of the respondents to the shippers' group poll answered "yes," stating that carriers either directly or indirectly attributed surcharges to a strict pass-through of carrier expenses. One respondent, described by WSSA as "frustrated," said that carriers' explanations have been "a scam since day one" and that they offer "no proof of what they say." The WSSA member said that carrier formulas associated with the surcharges "are a joke."

2. Does the breaking out of transportation costs into freight rates and surcharges obscure the ultimate costs? If so, how?

Seventy-three percent of the WSSA respondents answered "yes" to this question. Generally, the shippers complained of the multi-

tude of charges being so great as to make it impossible to track and that the charges were in constant flux at the "carriers' whim."

3. Will the Commission's automated tariff filing and information system alleviate any problems of hidden or difficult-to-compute charges?

This question earned only a 50 percent response from WSSA members. Of those responding, 63 percent felt that tariff automation may help sort out the confusion surrounding surcharges, but that they could not properly answer the question until the new system is working. Those that did not see automation helping (37 percent) said much of their cargo is moving under contract, thus making automated tariffs "irrelevant." Furthermore, there was a feeling among some shippers that despite automation, liner conferences and carriers will find a way to keep the surcharge changes

"obscure."

4. Does the breaking out of transportation costs into freight rates and surcharges result in higher costs than if all the charges were lumped into the line-haul rate? If so, how?

Sixty-two percent answered "yes" and 38 percent "no" to the above question. Those answering "no" feel that specific details on bills of lading make it easier to audit and evaluate component charges. Those answering "yes" prefer lump sum charges for comparison purposes. They also said that it is costly to research the validity of each charge. Many replied that officially ended surcharges found their way into the carrier's basic rate. Some also noted the possibility of mis-applying surcharges.

5. In what way are terminal handling charges different from other types of surcharges, and what costs and/or services do THC's represent?

Virtually all respondents to the shippers' association's survey said terminal handling fees were part of the ocean carrier's basic freight rate. The WSSA members are of the opinion that the charges are "ambiguous as to costs and services represented."

One commentator suggested that the use of terminal-handling charges is analogous to practices in the retail trade where low prices are offered to customers "subject to shipping and handling." These costs "bear no relationship to costs incurred at U.S. ports," the WSSA members said.

These charges first surfaced in 1980 on shipments from Europe to the U.S. Gulf and amounted to only \$2 per 1000 kilograms. Under protests, they were quickly cut to \$1, which came to approximately \$20 per 40-foot container, it was noted. Today, these charges run between \$500 and \$600 per 40-foot container, which represents a 3,000 percent increase, it was noted. "It is extremely unlikely that any port costs have increased 3000 percent over the last 10 years," the WSSA members said.

6. Do THC's vary by destination port or other variables which do not affect actual costs to carriers?

The costs do indeed vary by tradeline. The responding shippers, however, offered no explanation for the variance.

7. Is the use of surcharges peculiar to U.S. foreign ocean commerce and tariffs filed with the FMC, or are they prevalent in the foreign-to-foreign trades?

While only 13 percent replied to this question, they all felt the surcharges were peculiar to the U.S. trades. However, it was noted that currency, fuel, labor disruptions, war risk and other surcharges are prevalent in many cross trades.

8. Does the use of surcharges result in an undue or discriminatory burden on U.S. exporters or importers?

All respondents replied "yes" to the above question. The shippers indicated that the repeal of the public interest (known as SVENSKA) test in 1984, when Congress passed the Shipping Act, has taken away an FMC tool to determine the reasonableness of surcharges. Also, the FMC's complaint procedure does not work because U.S. shippers are not organized to speak collectively. The cost of one shipper to fight a surcharge would be disproportionate to his eventual savings, the FMC was told.

9. Does the use of surcharges undermine the purpose and effectiveness of the tariff system?

An overwhelming majority of respondents said "yes," noting

that surcharges are in a constant state of flux. "Most importantly, members acknowledged that it was difficult to pass additional, unanticipated costs to their customers."

10. Are surcharges calculated to include profit margins?

Eighty-two percent replied "yes." Here, "skepticism prevailed," the shippers' association said. "We believe there is good reason for this skepticism."

For example, in the trade from North Europe to the U.S., a fuel adjustment factor remained at \$40 per TEU during 1988, 1989 and 1990. In view of the fact that many carriers transported 3,500 TEUs or larger, the return to the shipping lien would be close to \$100,000 per voyage, which is far above the incremental rise in fuel costs during that time, the shippers' group said. Under pressure from the European Shippers Councils, the surcharge was rolled into the rate in September of 1990. However, "rolling-in" does not mean that the surcharges went away, since the basic freight rate was hiked by the same amount.

11. Which types of surcharges are based solely on pass-throughs and which include other pricing factors? What are those factors?

Respondents noted that they lack knowledge of carriers' pricing and profit structures. However, they questioned carriers' assertions that surcharges are pass-throughs, since a true pass-through would produce both positive and negative effects. The surcharges do not fall when warranted, the shippers said.

For example, currency adjustment factors are still based on a 1985 weighted average dollar index established by the Federal Reserve Board, which is the highest level in 30 years. And, although there is a formula for negative currency surcharges, it has never been implemented, the shippers said.

However, in one trade between the U.S. and Australia, the CAF has been both positive and negative over recent years, FMC was told.

12. Which types of surcharges are based on estimates and projections rather than immediately quantifiable expenses?

A majority of respondents feel fuel surcharges are based on estimates and projections. Due to the FMC's tariff-filing rules, 30 days' notice is required on any increase, while reductions may be handed down on the same day. This caused carriers to file "extremely high fuel surcharges" during the fall and winter of last year in anticipation of high fuel costs stemming from the Persian Gulf war. However, under pressure from shippers, most carriers reduced these charges, the shippers' group said.

13. Are surcharges ever the subject of rate and service contract negotiations with shippers?

Members were split 57 percent "yes" and 43 percent "no" on this issue. But for general tariff rates, surcharges were never up for negotiation, it was noted. WSSA has succeeded in all negotiations in gaining lump sum, all-inclusive port-to-port rates, the FMC was told.

14. Are surcharges ever the subject of independent actions by conference member carriers?

Members were split 40 percent "yes" and 60 percent "no" on this issue. "The only independent action on eliminating or reducing surcharges of which we are aware has been to reduce freight costs to meet competitive rates, rather than a carrier dissatisfaction with the appropriateness of a given surcharge," the FMC was told. ■

Can FMC De-Bug the Shipping Act?

Shipper, carrier, forwarder representatives at public hearing in New Orleans indicate it is possible.

By Joseph Bonney

While some shippers are urging Congress to rewrite the 1984 Shipping Act, carriers suggest that a number of criticisms of the law could be handled administratively.

Carriers—and some shippers—are nervous about what might emerge if Congress were to reopen the 1984 act. They say any fine-tuning is best left to regulatory agencies such as the Federal Maritime Commission.

For example, the carriers say, the FMC could allow service contracts in which a shipper agrees to give a carrier a specific percentage of his business, subject to a minimum volume.

The FMC also should take a more active role in supervising activities of shippers' associations and non-vessel-operating common carriers, the carriers say.

Those proposals were included in a carrier position paper that K.E. Moller Nielsen, senior vice president of A.P. Moller-Maersk Line, included with his testimony to a presidential advisory commission on the 1984 act.

The paper said carriers "would support a rule permitting service contracts that couple a numerical volume commitment with a percentage minimum, applying whichever is greater; in effect, the shipper could commit to a specific percentage, subject to a certain numerical floor amount."

The paper was issued two years ago by a group of 27 carriers, most of whom are members of what is now known as the Ocean Common Carrier Coalition, which opposes changes in the 1984 act. Carriers, however, say they still support the paper's positions.

First Hearing. At the presidential commission's first field hearing June 3 in New Orleans, the panel heard a wide range of testimony from carriers, shippers, freight forwarders, port representatives and others.

Deputy Transportation Secretary Elaine Chao, the commission's vice chairman, presided over the session.

Nielsen and other carrier spokesmen urged the commission to reject proposals to reopen the act to amendments.

They argued that small shippers would be hurt if confidential service contracts were allowed, and that destructive rate wars

would ensue if antitrust immunity for conferences were eliminated.

"The withdrawal of antitrust immunity and the consequent demise of conferences would lead, through rate wars and boom/bust cycles, to elimination of carriers and commercial competition," he said.

"There is, in recent memory, a good example of what happens if there are no conferences," he said, referring to the plunging rates that accompanied the breakup of the transpacific conferences in the early 1980s.

Supply, Demand. Nielsen said that except in national emergencies, "demand for liner shipping ... is highly inelastic and reductions in price do not increase trade flows, which are determined (except at the margins) not by shipping costs but by inter-

"Confidential contracts and ocean common carriage with published tariffs can co-exist."

—David R. Fischer

national trade patterns and political events.

"In periods of oversupply, carriers are necessarily driven to incremental pricing to survive. The oversupply caused by worldwide overtonnaging and the oversupply caused by imbalances between outward and inward legs tilts the supply/demand ratio towards ever lower and lower prices," he said.

Nielsen also said that the current antitrust immunity for conferences is accompanied by "a list of prohibitions ... against harmful conduct which is backed by regulatory oversight and severe penalties for violations."

He added that while the U.S. has the sovereign authority to impose its antitrust authority in international shipping, "it lacks the means to enforce those antitrust laws evenhandedly, and such actions would place the United States at odds with the international shipping community."

IAs Called Necessary. Although most carriers dislike IAs and some favor elimination of mandatory IA, "most carriers are generally amenable to suffering along with mandatory IA in turn for preservation of other valued elements of the 1984 act," said the position paper submitted by Nielsen.

In his testimony to the commission, Nielsen said a good argument can be made "that in the absence of IAs, the conferences might have collapsed." He said that would produce rate wars.

"When it is recognized that the independents always price just below the conference level, the importance of the conference to overall trade is evident," Nielsen said.

Shipper witnesses at the New Orleans hearing disagreed about the desirability of the conference system.

M.A. Crane, director of logistics for Ethyl Corporation in Baton Rouge, said conferences haven't worked for the shipper.

"What you're dealing with here is a cartel," Crane said. "They fix prices, they fix services, they fix everything."

Contracts, Common Carriage. David R. Fischer, manager, international transportation and customs, for Chrysler Corporation, said the 1984 act should be modified to allow confidential service contracts.

"Confidential contracts and ocean common carriage with published tariffs can co-exist," he said. "There is no practical reason a carrier cannot simultaneously be both a contract and common carrier. The U.S. rail and truck industries successfully use this concept today."

Fischer also said conferences should be required to allow member carriers to sign individual service contracts. He said requiring all service contracts to be negotiated through conferences results in a "one size fits all" mentality."

The New York Foreign Freight Forwarders and Brokers Association told the commission that it supports conferences and IAs for service contracts.

The NYFFFBFA said it would allow IAs to be taken on one day's notice instead of the existing 10-day waiting period.

The NYFFFBFA said IAs have benefited shippers by giving them "the ability to trigger market forces which would not otherwise have an impact on a conference body."

Keep It Public. The NYFFFBFA said tariffs and essential terms of service contracts should remain public. The organization said rates should be made even more accessible by, for example, requiring surcharges to be incorporated within rates or dropped within three months.

The forwarders also urged that ancillary fees such as terminal handling charges correspond to actual services and costs or be incorporated into rates.

The NYFFFBFA also called for shipper associations be required to file tariffs or use the services of licensed ocean forwarders when their activities include forwarders' traditional functions.



The Free Market Myth

In case you have forgotten, the United States fought a war within the past year to prevent the consequences of an unfettered free market in oil.

It was not love for Kuwait that prompted such forceful American action but knowledge of the consequences if Iraq got away with its conquest of Kuwait and followed up with conquests of other nations on the Arabian Peninsula and a second move against Iran.

In other words, free market economies are just great—up to a point.

For centuries past, nations (including the U.S.) have fought wars over economic issues. In almost all cases, the underlying reason was to obtain, or prevent, the unfettered exercise of free market principles. In almost all cases, merchant shipping is involved—not as a so-called "fourth arm of defense" but, in reality, a fourth arm of economics: Industry, Agriculture, Trade and Shipping.

People tend to forget these facts when things are going their way. Matter of fact, they encourage others to forget them.

There are always a few who remember, however, and in this issue we learn about two individuals willing to rise above peer pressure and speak up on matters they consider of fundamental importance. Each of these individuals is a proponent of free market economics. But each seems to recognize the danger of blind faith in the popular ideology without careful consideration of all the consequences. They seem to understand why antitrust laws are enacted in free societies as a damper to unfettered free market actions, and why wars are fought between nations for the same reasons.

Gay Estes (page 50) and Christopher Koch (page 48) are speaking out. Estes sees a threat to her clients; Koch sees a threat to his country.

I never heard of Gay Estes until a few weeks ago when she telephoned Richard Knee in our San Francisco office and got involved in a conversation which eventually led to the interview reported in this issue. A traffic consultant, Ms. Estes works for a variety of clients, some small, some large, the majority

medium-sized. In May, she attended a meeting at which FMC Chairman Christopher Koch was present and impressed him with a carefully thought out, articulate discussion of the Shipping Act and its effect on American exporters and importers.

She will probably be heard from more often as the year moves along. Her boldness in speaking up will encourage others to do likewise. She may lack the Washington lobby expertise and clout of the shippers branded the "Big 22" by the Ocean Common Carrier Coalition, but there is strength in numbers when sufficient numbers of small to medium shippers make their views known to members of Congress.

I expect you will also hear more from Chairman Koch, who is taking a more open position in support of the U.S. merchant marine than any of his predecessors with possible exception of Joseph P. Kennedy (first chairman of FMC) and Helen Delich Bentley (Nixon administration).

Unlike fellow commissioner Rob Quartel, who seems not to care a whit for the U.S. merchant marine, Koch is very much aware of the fact a healthy American merchant marine is necessary to guarantee American shippers access to overseas markets and sources of supply on an equitable basis.

Koch does not accept the old cliché that the merchant marine is "the fourth arm of defense," but his actions indicate that he may subscribe to a belief the merchant marine is "the fourth arm of economics."

Convincing Quartel and the American business community of this fact may be quite difficult, however, unless Koch can persuade them to re-study history and see how all the world's great economic powers always coordinate the power of their Industry, Agriculture, Trade and Shipping to develop and maintain global business interests.

INSTRUMENT FLYING

AC HAS SEEN
AERIAL PHOTOGRAPHY
STUDENT AND CHARTER FLIGHTS

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9 May 1991

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Andy Card
President George Bush
The White House
Washington, DC 20500

Dear Sir:

I would like to take this opportunity to extend the use of a twin engine airplane and crew to provide transportation for you to the Berkshires. My pilots have flown in and around the District of Columbia area many times in the past and will have no difficulty finding their way back home. Perhaps you could have your Air Force crew follow us so they could find the Berkshires on their own in the future.

Cordially,

Walter Koladza
Walter Koladza

THE WHITE HOUSE

7-8-91

Dear Father Kelly-

Thank you for your note. I am glad the CYO group enjoyed their visit to Washington.

I especially like to share some of the excitement of the White House with folks from my home town.

Please give my greetings to all at St. Joe's. Sincerely, Andy Card

Andy Card
THE WHITE HOUSE
WASHINGTON

Father John Kelly
St. Joseph's Rectory
153 South Franklin Street
Hollbrook, Massachusetts
02343

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JUL - 3 1991

ST. JOSEPH'S RECTORY

153 SOUTH FRANKLIN STREET
HOLBROOK, MASS. 02343

617-767-0605

29 June 1991

Dear Andy,

Please accept my - and our C/O -
group/personal "thanks" for the
time you took with us and
the experiences you spoke
of last Wednesday.

Your kindness was the
highlight of a wonderful trip
from which we returned
- exhausted - last evening!

I'm impressed by your love
of and commitment to your

job - there aren't many guys
left who really like what
we do !!

Thanks again - and
perhaps we'll meet in
Halifax!

To John Kelf

THE WHITE HOUSE

June 25, 1991

Dear Dick -

Thank you for your letter informing me of the OA Lodge 164 reunion at Camp Child. I hope I can join you on July 13th.

There is a good chance that I will be in Maine with the President on the 13th. If so, I will make every effort to drive to Manomet for the gathering.

My memories of Camp Child, OA and my friends in Scouting rank among the best.

Yours in WW -
Andy

Andrew H. Card Jr.
THE WHITE HOUSE
WASHINGTON



Richard L. Keough
431 Nahua St., Apt. 203
Honolulu, HI
96815-2915

AC HAS SEEN ✓

Andy,

I've made note of this on
your calendar and kept a
copy of the letter as well.

Will you write to or call
Keogh?

lc

Document Originally
Attached to
Following Page

Rec'd
JUN 24 1991

RICHARD J. KEOGH
431 NAHUA ST., APT. 203
HONOLULU, HI 96815-2915
808-923-2283

AC HAS SEEN

20 June 91 I'll try to make it!
Andy

Hi Andy:
The Order of the Arrow is having a 52nd
Anniversary Reunion of Lodge 164 at Camp Child on
13 July 91. An all day affair is planned - from
10 AM to Campfire.

A lot of your old and good friends will be there,
and we hope you can make it. I realize
your time is not really your own, but maybe
you can fit in this reunion. If it is a last
minute decision you can contact John McCann
Lodge advisor at 508-384-2846 or call me at my
Medway house - 508-533-8379.

Warmest Best Wishes -
Dick.

BOSMOSCO

AC HAS SEEN

No Action
just file

AKC

RECEIVED

JUL 12 1991

July 8, 1991

Mr. Andrew H. Card, Jr.
Assistant to the President
and Deputy to the Chief of Staff
The White House
Washington, DC

Dear Andrew:

Thank you very much for bringing the activities of our company to the President's attention. His letter of encouragement is attached.

In the few months interval since we opened the American store in Moscow, we have been asked to consider opening stores in a score of other Soviet cities. As you will see from reading the attached letter, we will be opening five stores in August.

I will be returning to Moscow on July 12, 1991, for twelve days. During that time I will be traveling to Leningrad and Riga to open those two stores. Our President, Henry Quinlin, will be opening the others.

We are looking forward to meeting our new Ambassador Robert Strauss, when he is confirmed. At the appropriate time we could meet either in Washington or Moscow. I would appreciate your suggestions, Andrew, as to how to approach this situation. We would like the ambassador to meet our Soviet partners and to visit the American store in Moscow. Also, we would like to ask his advice on our future Soviet plans.

I enjoy catching glimpses of you on the nightly news. It's fun to see someone you know on television.

Sincerely,

Charles

Charles J. Kelley Ph.d.
Director

BOSTON OFFICE:

131 Beverly Street
Boston, MA 02114 USA
Tel. 617-248-3988
Fax. 617-248-3885

NEW YORK OFFICE:

3 W. 51st Street
New York, NY 10019 USA
Tel. 212-247-8757
Fax. 212-247-8759

EUROPEAN COMMUNITY
OFFICE:

12 Sycamore Avenue
The Park, Cabinteely, Dublin 18
Ireland
Tel. 01-840-256
Fax. 01-768-043

MOSCOW OFFICE:

84 Profsoyuznaya Street
Moscow 117810 USSR
Tel. 095-333-23-13
Fax. 095-333-64-66

THE WHITE HOUSE

WASHINGTON

May 15, 1991

On behalf of all Americans, I am pleased to extend warm greetings to our friends in the USSR and to all those visiting the American Store in Moscow.

This showcase of affordable, high-quality consumer goods offers an impressive display of American industry and ingenuity at their finest. Established as a cooperative project between more than 100 U.S. retailers and BOSMOSCO, this market also demonstrates private initiative and free-market principles at work.

Ventures in private enterprise point the way to expanded trade and investment between the United States and the Soviet Union, and I congratulate all those who have made this special store possible. Its managers and patrons have my best wishes for a successful and prosperous future.

God bless you.

A handwritten signature in dark ink, appearing to read "G. Bush". The signature is fluid and cursive, with a large initial "G" and a stylized "Bush".

Boston/Moscow Joint Venture BOSMOSCO

July 3, 1991

131 Beverly Street
Boston, MA 02114
617-248-3988
FAX 617-248-3885

Chistoprudniy bulevard, 8
Moscow 101854, U.S.S.R.
921-0735
FAX 925-4274

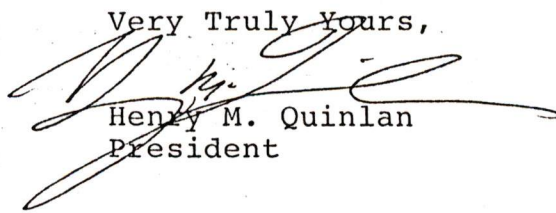
Dear American Store Tenant:

I just returned from the Soviet Union after a two week stay. While at The American Store, contracts were signed for sales of \$4.8 million. Most Soviet enterprises are awaiting July 1st when the newly elected President of Russia, Boris Yeltsin, will announce new laws to ease export and import of goods. President Yeltsin's election was greeted with great enthusiasm by most Russian citizens. Anticipating these new laws, The American Store will open branches in the following cities: Leningrad, Kemerovo, Donetsk, Riga, and Kaliningrad. Each of these stores will carry samples and catalogs. All orders will be processed through The American Store in Moscow, and there will be no charge to the tenants of The American Store I. The Soviets whom we are dealing with are anxiously awaiting the opening of the stores in their area. It is anticipated that they will open in August 1991. Your Sales Rep will contact you with further details.

We launched the selling of booths in The Soviet Store in Boston, and over 50 booths were sold in the first week. Eighty percent of the Soviet tenants do not want money for their goods but rather they will be setting up credit accounts to spend in The American Store. There is a wide variety of Soviet goods to be offered ranging from crystal, sporting rifles, lacquer boxes, clothing, hockey sticks, industrial products and natural resources. I think a lot of Americans will be surprised at the quality of some of the products.

BOSMOSCO signed an agreement with the 2nd Medical Institute to open a Medical products showroom in September. The Institute, being renamed The Russian Medical University, is one of the largest medical schools in the U.S.S.R. with 7200 students. This was accomplished through the efforts of Sidney Braman, M.D.; a professor of medicine at Brown University, and a partner in BOSMOSCO.

Very Truly Yours,


Henry M. Quinlan
President

BOSMOSCO

May 28, 1991

Dear Tenant of The American Store:

I just returned from a ten day visit to the Soviet Union. The highlight of the trip was the signing of the first contract for the purchase of goods from The American Store; the size of the contract was for 7.5 million dollars. The purchaser Pansib is an enterprise located in Siberia and is part of a consortium of defense and aerospace Enterprises. There are five other contracts being put together and will be signed within the next two weeks.

There is a steady stream of buyers going through The American Store everyday and when I left there was backlog of 129 appointments, with more appointments being set up each day. The buying process is being slowed down by the great variety of goods available in The American Store. At times, the Soviets are overwhelmed by the selection that is available. It has not been uncommon for Soviet buyers to make three or four trips to the American Store. Most of the buying decisions are group decisions and therefore there must be a lot of discussion as to how to spend their money. This process is time consuming however I do not see any way of speeding it up. I do not see this changing in the near future therefore I ask that you continue to be patient.

We have had many offers to open "satellite stores" in all parts of the Soviet Union, some offers include free rent. We are studying these proposals and will keep you informed. The desire and enthusiasm for American products remain high.

The American Store will benefit from Soviet tax law. Currently, Soviet enterprises who export and receive hard currency face a 60% tax on the hard currency. To avoid this tax, the enterprises are talking to us about selling their products and raw materials and setting up an account with us

BOSTON OFFICE:

131 Beverly Street
Boston, MA 02114 USA
Tel. 617-248-3988
Fax. 617-248-3885

NEW YORK OFFICE:

3 W. 51st Street
New York, NY 10019 USA
Tel. 212-247-8757
Fax. 212-247-8759

**EUROPEAN COMMUNITY
OFFICE:**

12 Sycamore Avenue
The Park, Cabinteely, Dublin 18
Ireland
Tel. 01-840-256
Fax. 01-768-043

MOSCOW OFFICE:

84 Profsoyuznaya Street
Moscow 117810 USSR
Tel. 095-333-23-13
Fax. 095-333-64-66

in Boston which they can use for purchases from The American Store and thus avoid the taxes. We have already underway discussions with several large exporters to set up this system. Among the enterprises we have started these discussions with are a gold and silver refinery, oil enterprises and defense enterprises.

While in the Soviet Union, BOSMOSCO announced the opening this fall of the Soviet Store - a merchandise mart of the U.S.S.R. - in Boston. It will be a mirror of The American Store. The reception was very strong as we leased 48 booths in the first three days. The operation of The Soviet Store should turn into sales for The American Store because of the above mentioned tax situation. I think Americans will be surprised at the quality and attractiveness of some of The Soviet Store products.

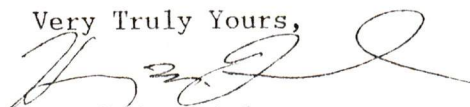
I remain bullish on the prospects for the economy of the Soviet Union and BOSMOSCO will announce this week the opening this fall of Phase II of The American Store as well as the opening of The Medical Center and The High Tech Center. Doing Business in the Soviet Union is not without its difficulties and frustrations but it has its compensating rewards as well.

During the trip, I went to Sverdlovsk, an industrial city 1,200 miles from Moscow in the Ural Mountains where I visited various manufacturing plants, one of which, a pipe factory had 120,000 employees. I was impressed by the cleanliness and operation of some of the plants. I found the managers eager to do business with the West.

I discovered an interesting statistic while on the trip, prior to April 1991 there were 147 American firms doing business in the U.S.S.R. The American Store bought an additional 129 American firms into the Soviet Union in the past four months. The Soviets have responded positively to this statement by American companies about the economic future of the U.S.S.R.

I hope this letter has shed some light on the goings on both in the American Store and in the U.S.S.R. As always, should you have any questions or thoughts I encourage you to call me personally in our Boston office, I will keep you abreast of any changes in the U.S.S.R.

Very Truly Yours,



Henry M. Quinlan
President

Boston/Moscow Joint Venture BOSMOSCO

131 Beverly Street
Boston, MA 02114
617-248-3988
FAX 617-248-3885

Chistoprudniy bulevard, 8
Moscow 101854, U.S.S.R.
921-0735
FAX 925-4274

In August, BOSMOSCO will open 5 branch stores in Leningrad, Riga, Donetsk, Kemerovo, and Kaliningrad. This move is prompted by recent political events, the easing of trade restrictions this summer, and the anticipated internal convertibility of the ruble which will take place in January 1992. All of the stores will be operated with branches of Gossnab except the store in Kemerovo which will be a joint venture between BOSMOSCO and the Mayor and City Council of Kemerovo. We have had many requests to open branches but we feel that at this time the chosen cities offer the best potential for sales due to the availability of hard currency and raw materials for barter.

The cities are more fully described:

Leningrad, the second largest city in the U.S.S.R., is a port city on the Gulf of Finland with a population of 5 million people. Legislation has been proposed to make this a free trade zone.

Donetsk is a city of 1.2 million people located in the eastern half of the Ukraine. The Ukraine Republic has a population of 55 million people. Dovetsk is one of the most industrial cities in the U.S.S.R. and also lies within the Donbass Region which is one of the centers of coal and iron ore mining.

Kaliningrad, a port city on the Baltic Sea, has a population of 600,000. It lies between Lithuania and Poland. It also has been approved to be a free trade zone in January 1992.

Riga, the capital city of Latvia, is a port city on the Gulf of Riga. It has a population of 700,000 and is one of the most progressive business cities in the U.S.S.R.

Kemerovo, a city located in Siberia, is our first Asian city. It has a population of 500,000 and is an area of rich mining deposits of many minerals. It is situated along the Trans-Siberian Railway which eases delivery to the area.

LEHMAN BROTHERS

AC HAS SEEN

JOHN F. KENDRICK
SENIOR VICE PRESIDENT

RECEIVED

SEP 12 1991

September 9, 1991

Mr. Andrew H. Card, Jr.
Assistant to the President
& Deputy Chief of Staff
The White House
Washington, D.C. 20500

Dear Andy:

I would like to take this opportunity to thank you very much for the letter and photograph you sent in honor of Chief George Simard's retirement banquet. It was attended by many of his colleagues and friends and your testimonial was much appreciated. George will treasure it always.

I also would like to thank your assistant, Chris[?] Colley, for all her help. She kept me apprised as to what I could expect and followed through to completion. It was a pleasure working with her on such an important occasion.

Again, my thanks to both of you for all your help.

Sincerely,



John F. Kendrick
Senior Vice President

LEHMAN BROTHERS DIVISION

SHEARSON LEHMAN BROTHERS INC. AN AMERICAN EXPRESS COMPANY

260 FRANKLIN STREET 14TH FLOOR BOSTON, MA 02110 617 330 5848 FAX 617 330 5833

THE WHITE HOUSE

9-16-91

Dear Bill-

When I was in Massachusetts this past weekend, I mentioned your situation to Rep. Bob Marshall and Vic Gatto. Vic said he would follow up with Sec. Taylor.

Today I spoke with Lt. Gov. Cellucci.
Keep your chin up!

Sincerely,

Andy Card

Andy Card
THE WHITE HOUSE
WASHINGTON

William S. Kuttner
21 Soley Street
Charlestown, MA

02129

WILLIAM S. KUTTNER
21 Soley Street
Charlestown, Massachusetts 02129

9/5/91

Andy,

Thank you again for your help and advice.

I think frequently about your story about your grandmother. I am discovering that part of public service is pushing your way in so you can perform public service. But if you believe you will be valuable to the public, then the effort of pushing oneself in is truly a public service!

Thanks again.

yours,
Bill

WILLIAM S. KUTTNER
21 Soley Street
Charlestown, Massachusetts 02129
(617) 241-9383 (home)
(617) 451-9438 (office)

September 5, 1991

Lt. Governor Paul Cellucci
The Statehouse
Boston, MA 02133

Paul:

As Andy Card may have told you, my quest to find a productive niche in the new Administration is slowly making progress. Asst. Sec. Durlacher at the Central Artery Project says that the FHWA will be funding a new mitigation position at Bechtel in about three months. He wants me in that position and feels that I have the qualifications and he has the clout to get me hired.

Sec. Durlacher and Rich Johnston, whom I worked with on the Charles River Bridge Design Review Committee and who submitted my name to the Transition Team, have both encouraged me to continue pressing my candidacy with the MBTA. While we all agree that I would be valuable at the Artery in mitigation, they also realize that three months is a long time to wait and that I could provide valuable service at the MBTA if given an opportunity.

Therein lies the problem. John Moffitt's plan was that Deputy Sec. Paul Anderson was to bring a select group of resumes (including mine) to the new MBTA General Manager's attention, and these names would form the nucleus of a Republican "farm team" that could get hands-on experience in the administration of a state agency. Unfortunately, this plan seems to have been contingent upon John Flynn being appointed General Manager. Anderson says that he will not be able to provide access to John Haley, which may owe partly to his vigorous campaigning for Flynn.

Presumably, Haley would be receptive to resumes brought to him by Taylor, and I am trying to have my resume in place waiting for Haley when he gets here later this month. I spoke with Haley at an Advisory Board meeting and believe he's an excellent choice and I would be honored to work under him.

I do not know how the MBTA fits with the Weld/Cellucci transportation and personnel policies at this time, but I'm confident that I can be an important link binding the three. If you agree, I would appreciate it greatly if you would bring my resume to Sec. Taylor's attention regarding the MBTA (he knows I'm a candidate at the Artery - he sent me there!).

Thank you for your time and interest. I look forward to continuing to serve the Administration. hopefully before too long as a member.

Sincerely,

William S. Kuttner

cc: Andy Card

National Committee On PUBLIC EMPLOYEE PENSION SYSTEMS (PEPS)

1221 Connecticut Avenue, N.W. • Washington, D.C. 20036 • 202/293-3960

July 23, 1991

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Suzanne Woolsey

Charles Zwick

The Honorable Andy Card
Assistant to the President and
Deputy to the Chief of Staff
The White House
Washington, DC 20500

Dear Andy,

Here's a copy of the editorial that appeared in Sunday's Standard Times. I think you will find it of interest.

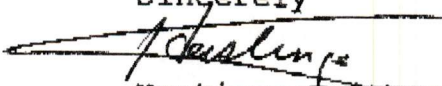
I don't know whether or not the President's "lobbyists" were working the Hill - advising the Senate and their staffs as to what the White House position on the Senate pay raise might be.

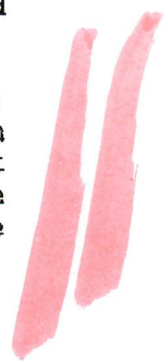
We had hoped that, through some "networking", the leadership on both sides of the aisle - and those in the Administration familiar with the budgetary possibilities - might have been interested in the several hundred billions of dollars of future liabilities that could be saved by the introduction of the PEPS COLA Cap. In so doing, the Senators could have had their pay raise but great quantities of future COLAs would be foregone. The money saved would make possible either cuts in the deficit or an enhancement of our ability to cope with other programs - with other parts of the "Domestic Agenda".

Am I correct in assuming from the various stories preceding the vote that both Mitchell and Dole had been advised that should the bill reach the President's desk in the form the Senate passed it, he would sign it?

We (two or three members of our Committee) would very much like to meet with you and John Sununu. We hope that you will call us soon so that we can discuss in some detail the factors that have to be taken into consideration in determining where we go from here.

Sincerely


Hastings Keith
Co-Chairman


Hastings Keith 11-22-15
John Erlenborn 2-8-27

Senate joins House in pay hike guaranteed to last a lifetime

The U.S. Senate, the one we elected, holds us in contempt. And members of Congress, along with the legions of federal employees and retirees, civilian and military, are holding us hostage.

The issue is pay (and pensions). Wednesday night, when almost nobody was looking and when it was too late for anyone to report on it that day, the Senate voted itself a pay increase. In exchange for a ban on those payoffs known as "honoraria," the senators voted for a raise of \$23,200, which will put their pay in line with the House, at \$125,100 a year. (For your files: Sen. Edward Kennedy voted for it, Sen. John Kerry voted against it.)

Senators are tired of the American people fussing about pay raises for elected officials. The Board of Directors of the Biggest Institution in the World is too important to be paid in five figures, they figure. It compounds the insult to see House members making more.

But those noisy constituents are always barking about how congressmen don't deserve the raise, how they're not earning it, and on and on. The time had come for decisive action, a quick blow to the head of the constituency. No debate, no announcement. A fast vote, and the deed is done. Lie low a few days, and before long people will find something new to complain about. Senators are big boys who can take a few days of heat.

But this wasn't just a pay raise. It was a pension increase, a big one. Former congressman Hastings Keith, who once represented New Bedford and now tilts against the federal pension windmill as a reformer/lobbyist, did some calculations. If the average member of Congress retires in 1994 after 24 years, and lives 30 more years, this pay raise is worth a total of almost \$1 million.

There are two reasons. First, the raise will increase the base pension of each retiring member. But then, annual cost-of-living adjustments are made on the entire amount of every pension. So the annual increases will be compounded again and again. Life is good on a congressional pension.

Now, let's face it. We are never going to end the argument about how much members of Congress ought to be paid. If we listen to those who claim that their pay ought to be based on their performance, we'll never find a formula

say that their election results are the best report card, and base raises on them, but that will never happen.

We went the blue-ribbon commission route, only to find out how easily that so-called "independent" process is stacked with sycophants from private industry who haven't seen a salary as small as six figures in years, and don't comprehend the matter.

We also went the full-debate route, only to make people madder and madder. So the Senate on Wednesday took the cowardly way out, and blind-sided everybody by taking the raise while the entire nation was preoccupied with getting through a recession.

So what now? Perhaps Congress could begin to redeem itself by taking seriously Mr. Keith's idea that it is wasteful nonsense to ladle one increase after another on the entire sum of already generous federal pensions.

It will invite the wrath of pensioners across the land, but we could stop much of the bleeding of the Treasury by limiting cost-of-living increases to just a portion of the pension — say, the amount that a Social Security recipient would receive. Thus, the increase would cover the cost of living, not the cost of luxury, for a federal retiree, especially a member of Congress.

It can be argued that attracting people to Congress who aren't already wealthy requires us to pay them reasonably well. But Congress is supposedly public service, and the public should not be expected to pay those people in perpetuity once they leave service. In fact, there's a good argument to be made that no elected official of any kind should be paid a government pension. We will never see that day dawn; but when we pay \$60 billion a year in civilian and military federal pensions, and COLAs account for half of it, something's got to give.

As Mr. Keith points out, Massachusetts reformed its own pension system because of this very problem, capping COLAs at first, then stopping them in the last three years when the budget crunch came. The federal government is even worse off; there's every reason to demand the same restraint and reforms on the people it

Linda Casey

A-
He wants to meet
w/ you & Gov.
7/15 I'm all for a meeting
and ~~the~~ will recommend
attending. What
about Darman?
Andy

Document Originally
Attached to
Following Page

National Committee On PUBLIC EMPLOYEE PENSION SYSTEMS (PEPS)

1221 Connecticut Avenue, N.W. • Washington, D.C. 20036 • 202/293-3960

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July 9, 1991

The Honorable Andy Card
Assistant to the President and
Deputy to the Chief of Staff
The White House
Washington, DC 20500

Dear Andy,

I hope that you will read this personal letter to the President - and that you will be able to confirm the facts about the politics - particularly as they relate to pensions and COLAs in the state of Massachusetts.

It seems to me that the retired civil and military lobbies have really done a job on the President's proposals for curtailing COLAs which were, as I assume you know, very much on the table at the budget conferences held at Andrews Air Force base; and if you review the situation as it developed at Andrews you will have a better idea about how those forces were activated.

The July 3rd Wall Street Journal talked about the President's future plans for coping with the escalating costs of Medicare and Social Security. I believe that if the public's attention was instead focused on the federal retiree's COLAs - civil and military - that is most probable that they would support the President if he exercised the same leadership he showed in Desert Storm.

I think it was about 7 or 8 years ago - perhaps more - that Yankolevich and Scully found in a survey that the majority of Americans felt that federal pensions needed to be reformed.

We don't suggest reducing pensions we suggest reforming the COLA provision.

The President wrote me sometime ago that he was of the opinion that the new Federal Employees Retirement System (FERS) was a good start toward correcting some of the abuses - but the facts are that FERS addresses only those hired after 1984. It is those eligible to retirement under the old Civil Service Retirement System as well as the

1.5 million already retired under that old system that we are concerned about.

*

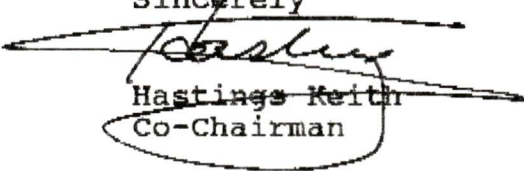
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I would very much like to talk with you and your chief, John Sununu, about this issue - and I would be happy to have our Committee members John Erlenborn and Barber Conable join us in that discussion. It can be informal and off the record.

I would hope that we could do this as soon as possible, before the Senate proceeds too quickly with its pay raise.

Sincerely



Hastings Keith
Co-Chairman

National Committee On PUBLIC EMPLOYEE PENSION SYSTEMS (PEPS)

1221 Connecticut Avenue, N.W. • Washington, D.C. 20036 • 202/293-3960

July 8, 1991

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Sid Taylor

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Nancy Wilson

Suzanne Woolsey

Charles Zwick

The Honorable George Bush
President of the United States
The White House
Washington, DC

Dear Mr. President,

You will recall that in 1975 - on the occasion of Bland's retirement from the C.I.A. - that the three of us had a discussion about the foolishness of the federal retirement system; (the one into which Bland would be entering, at the age of 46, after her 25 years in the C.I.A.)

I expressed my concern as a former Congressman that my pension had gone up, because of cost of living adjustments (COLAs) from \$1,560 a month to \$2,200 a month in the three years since my retirement. Bland's pension could conceivably have had a similar configuration. I feared that - compound interest being compound interest - the country would eventually "go broke" if it continued to provide full COLAs on all federal pension income. You observed that if "I ever need to know more about the pension problem I know where to turn".

And so - After your election as Vice President in November of 1980 - I again wrote you about COLAs - my federal pension income, thanks to a "double dip" into a military pension and COLAs on both the civil service and military pensions, had reached \$49,000 a year. You responded saying that after you took office you would have somebody look into the federal pension question.

In a January 30, 1989 Newsweek story - your first interview since taking office as President - you were asked about a pending Congressional pay raise. You responded "I've got to figure out what I'm going to say. It's causing a firestorm that thing." And then you added that you were "a little appalled to read in the Washington Times about the retirement [cost] implications of all this." (You may have noted in the Washington Times article that the data about these "pension

(cost) implications" came from the National Committee for Public Employee Pension Systems [PEPS]).

Well, it seems - what goes around goes around!

Now, according to the Washington Times, the Senate is again about to make another try for an increase in pay. The raise is to be included in a "spending" bill for the legislative branch (it seems that the staffs on the Senate side want a pay raise to enable them to meet the salaries of the senior staffers on the House side. Some of the House staffers are getting even more than the sitting members of the Senate) - and of course the Senators too want to get pay comparable to that of the House members.

I would hope you will be more than "a little appalled" to learn about the pension cost implications of all this. This time I want to give you the facts before you see them in the newspaper. (An AP story about the Legislative spending bill ran nation-wide on Friday and there was no reference to its pension implications)

These staffers, who probably have been needling their bosses about the better pay of the House staff compared to that of the Senate, will get an even better deal than their bosses. They, the staffers, can quit at age fifty after twenty years of service and immediately draw a pension of 50% of pay; and under current practices they can get COLAs on top of COLAs. This permits them to go to work teaching, for example, Budget Policy and Practice at one of the many Washington educational institutions. Their pension could be more than \$50,000 a year and with a life expectancy of about 30 more years they would receive without COLAs \$1,500,000.

But under present practices these retiring old hands on the Hill - will be getting COLAs added to their pensions each year for the duration of their life expectancy. The COLAs will be added into the pension base so that at the end of the 30 year period the total pension will be, at a 5% rate of inflation, over \$3 million (this 5% is the actuarial assumption that has been agreed upon by G.A.O. and O.M.B. as a reasonable long range forecast of the future inflation rate).

The three million does not reflect the benefits that a retiree's surviving spouse would get. For purposes of this exercise if the spouse survives five years after the death of the federal retiree who had lived out his or her 30 year life expectancy the benefits without any COLAs would be another \$137,500; and with COLAs the survivor benefit would total about \$650,000 (I would imagine that most of the staffers have done the kind of arithmetic that I have presented here - but I doubt any of them have thought about the long term perspective for the country such as an economist or sociologist or statesmen might do. That after all is the job of the members of Congress and of

the Administration. The Senate staffers often are prejudiced by their built in self interest.

You have demonstrated in the past that you comprehended the long range consequences pensions and COLAs - and you chose to try to do something about these consequences at the Budget Conference at Andrews Air Force Base where Darman (probably) proposed a COLA quite like the PEPS proposal. PEPS would like to encourage you to continue your efforts.

We believe that there is a politically saleable solution to the growing federal pension problem. PEPS proposes a cap be placed on the amount of federal pension income that receives a COLA. The PEPS cap goes into effect when a federal retiree's federal pension income, from whatever federal source exceeds the maximum Social Security amount paid to one who retires upon reaching age 62 or older. This is currently about \$1,000 a month for single beneficiaries and \$1,500 a month for married couples. This cap is designed to effect only those receiving multiple pensions or one large pension. It would not in any way affect those receiving pensions totalling less than \$1,000 a month. Of course those beneficiaries with large pensions, or with several pensions would continue to get their full pension, the cap would just limit the amount of their COLAs above the cap.

PEPS believes this cap is the fair compromise between a complete COLA freeze and the current practice of awarding full COLAs on an unlimited amount of federal pension income.

These COLAs have already cost the country hundreds of billions of dollars. Actuaries tell us that full COLAs are responsible for about half the cost of a federal pension thus COLAs alone are costing us more than 30 billion dollars this year - about the same amount of money as our allies will be contributing towards the final cost of Operations Desert Storm and Shield.

*

*

*

Several years ago Massachusetts, recognizing that the cities and towns were incapable of paying COLAs to the beneficiaries of the state's several pension systems - municipal employees, teachers, etc. agreed to assume the responsibility for their COLAs. But the State limited their liabilities to the cost of living portion of an individual's pension - they were dependent upon the amount of inflation - and COLAs were paid on only the first 7, 8, or 9,000 dollars of an individual's pension income and only on a rate of 3 or 4%. It's my recollection that the last one to be paid was on \$9,000 at a 3% rate of interest - \$360 a year or \$30 a month. This \$30 was considered enough to cover the increases in food, clothing, and modest shelter for those with modest retirement incomes.

When the downturn developed in the Massachusetts economy a

few years ago the State in order to balance its budget (as mandated by law) had to stop the practice of paying COLAs to any or all of its state public retirees; there have been no COLAs for the last three years - and very little, if any, concern has been expressed for the state employee/retiree.

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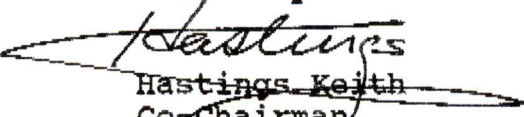
The federal budget was last balanced in 1970 and in that year total pension payments for civil and military pensions were 5.3 billion dollars. In 1990 these pensions paid out 60 billion dollars - and about half of these pensions benefits are directly attributable to the cost of living adjustments (COLAS). They are paid by direct levies on the Treasury and it can be said that they are being paid with borrowed money and these loans, which have been rolled over at an average rate of about 8% since 1970, are responsible for more than 300 billion dollars of our national debt.

Should the federal government not adopt COLA reform now before our national problem dwarfs that of Massachusetts? Massachusetts had to abandon all cost of living adjustments, our committee's solution will prevent the little guy from suffering this fate? Use it to act. Use it to lead. The public will again follow.

We believe that, properly explained, most everybody in the country would recognize the fairness of this proposition - and to illustrate the logic of that belief, I have enclosed an editorial from the Cape Cod Times which describes the situation as their editor saw it. I point out that the biggest issue in Studds' campaign was that he voted for the Congressional pay raise, which my former constituents translated into a pension increase. Next time Studds will lose if we again stress federal pensions as the issue.

If you were to compute the total retirement income you will receive from the federal government - as in the Time magazine article - and use yourself as a horrible example - your total pension income would probably be in excess of what Mike Mansfield and I are getting - You'd be even more popular (with the rank and file of American) two years from now than you are today!

Sincerely



Hastings Keith

Co-Chairman

Committee on Public Employee
Pension Systems (PEPS)

WASHINGTON TIMES JULY 26 '91

Senate weighs raising its pay

By Major Garrett
THE WASHINGTON TIMES

The Senate leadership is quietly considering a plan to trade a ban on honorariums for a \$23,200 pay raise that would bring Senate salaries in line with the House.

Democratic and Republican leaders are trying to see if a majority will support the 25 percent salary increase next month during debate on a 1992 legislative branch spending bill.

An informal agreement among the Senate leadership requires majorities in both parties to support a pay raise before any measure will be brought to the floor. Talks are under way to cultivate the majorities in each party, several lawmakers said yesterday.

"We have our half [of the votes]," Senate Minority Leader Bob Dole, Kansas Republican, said. "But I can't speak for them [the Democrats]."

Majority Leader George Mitchell, Maine Democrat, said he favors banning honorariums but would not say if he supported a pay raise or if a majority of Democrats would.

Building a coalition for a pay raise is tricky. Many senators fear inciting the wrath of voters who already seem unhappy with Congress. A move to raise Senate salaries would likely galvanize those sentiments.

"It's never easy to vote to raise your own pay," said Sen. Ted Stevens, Alaska Republican and primary advocate of increasing Senate salaries. Mr. Stevens said he would offer an amendment to raise salaries "as soon as I think I have 51 votes."

Sen. Patrick Leahy, Vermont Democrat, also said yesterday he would offer a pay raise amendment to the legislative funding bill to ban honorariums.

"We're not talking about a pay raise, we're talking about equality," said Mr. Dole, a four-term incumbent and former presidential candidate. Senators, he said, resent being paid

RAISE

From page A1

less than first-term congressmen.

"It's been six or seven or eight months now [since the House got its raise]. It seems to me we ought to be able to get this done," Mr. Dole said. "The longer we wait, the harder it is because you've got an election coming up."

Senators currently earn \$101,900 a year, with the exception of those holding leadership positions. Mr. Mitchell and Mr. Dole earn \$113,400. All senators receive cost-of-living allowances of no more than 5 percent.

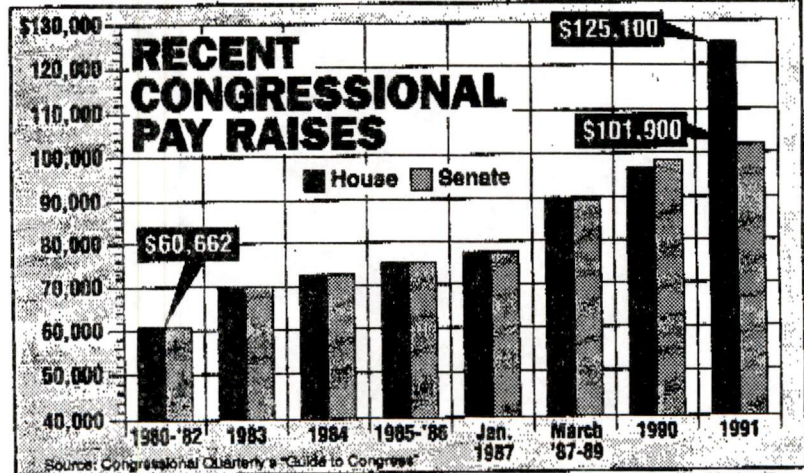
House members earn \$125,100 a year and receive the same cost-of-living allowances as senators.

House Speaker Thomas S. Foley of Washington earns \$160,600. House Majority Leader Richard Gephardt of Missouri and House Minority Leader Robert Michel earn \$138,900. At least 66 House staffers also earn more than senators.

Senators can supplement their income with \$23,837 in honorariums, the fees lawmakers collect for giving speeches or writing articles.

The Senate voted 72-24 in May to ban honorariums. But the vote was on an amendment to a campaign finance bill President Bush has promised to veto.

According to the public interest group Common Cause, 30 Democrats and 10 Republicans in the Senate have either stopped accepting honorariums or have adopted a pol-



HIGH ON THE HILL

Some of the highest paid staffers in the Senate and the House. Some Senate staffers have received a raise since the figures were released in 1990, but their salaries cannot exceed \$97,250.

Name	Title	Annual salary
House		
James Robert Blynn	Press secretary to Speaker Thomas S. Foley	\$115,092
Edward Sylvester	Staff director, District of Columbia Committee	\$115,092
Patricia Rissler	Staff director, Education and Labor Committee	\$112,534
Charles Telfer	Deputy General Counsel, Office of the Clerk	\$108,937
Jon Warren Plabon	Staff director to Majority Whip William Gray	\$97,962
Senate		
Howard O. Greene Jr.	Aide to Minority Leader Robert Dole	\$90,400
E. Aaron Sanford	Aide to Majority Leader George Mitchell	\$90,400
Samuel E. Anderson	Senate finance clerk	\$89,782
Arnold L. Pomeroy	Staff director, Armed Services Committee	\$89,782
Murray S. Flander	Majority Whip and Conference's press secretary	\$87,928

SOURCE: SECRETARY OF THE SENATE'S 1991 YEAR-END REPORT, 1991, AND THE CLERK OF THE HOUSE.

The Washington Times

honorariums or have adopted a policy of not accepting them in the future.

As an institution, the Senate prides itself on being the "upper chamber" and members are increasingly frustrated by being paid less than House members. What's more, language in the spending bill would allow senior Senate staffers to earn more than senators themselves.

Also, an honorarium ban seems sure to pass and be signed into law since the White House has no objection to the legislative spending bill. Thus a pay raise tacked onto the bill would seem to be a sure thing.

In 1989, Senate Democrats and Republicans tried to cobble together majorities in favor of the 25 percent raise. Opposition from wealthy Democrats who did not need the

raise and preferred to sidestep the political brambles apparently prevented a deal.

The Senate leadership hopes to pass a pay raise this year to get the political heat over with in a non-election year.

The House passed a 25 percent pay raise in 1989, but only after rejecting a 50 percent pay raise recommended by President Reagan after it was endorsed by the independent Commission on Executive, Legislative and Judicial Salaries.

The commission, first convened in 1968, made recommendations on salaries for Congress, federal employees and the judiciary every four

years. It was replaced by the Citizens Commission on Public Service and Compensation in 1989. The commission will meet again in 1993.

The House traded a ban on honorariums for the higher salary, a compromise that angered the public but proved to have minimal effect in the 1990 midterm elections. The Senate rejected the trade, opting for a 9 percent salary increase and smaller honorarium receipts.

Many senators now wish they had followed the House lead in 1989.

"We've already been blamed for getting a raise," said Sen. Trent Lott, Mississippi Republican. "If we're going to get the blame, we ought to get the pay."

July 8, 1991

This is the little known "inside story" telling how federal retirees beat back a tentative agreement that had been reached by the budgeteers meeting behind closed doors at Andrews Air Force Base (Just outside Washington) in October of 1990.

BACKGROUND: Currently there are about 180,000 federal civil servants who retired at or before age 57.) Most of them are double dipping into Social Security which means that they (and their surviving spouses) will during their lifetime get more than \$1 million in federal pension income, including Social Security. About half of this is attributable to COLAs.

As of 1988 there were 44,000 civil service retirees who received more in retirement than the average Congressman gets in retirement, i.e. (\$3,000 a month or more) their average pension would be approaching \$4,000 a month, and like the retired Congressmen, most of them are also getting Social Security.

*

*

*

The article below was excerpted from the December 1990 Retirement Life, (a magazine published by the National Association of Retired Federal Employees) is typical of the stories which appeared in numerous "After Battle Reports" published by federal retiree lobbying organizations.

NARFE Bombards Capitol Hill With Western Union Messages

"As soon as word leaked out that the budget summitters had federal retiree COLAs on the table, a battle cry rang out from Louisville, Kentucky, that was immediately heard on Capitol Hill.

"In September, nearly 3,000 NARFE members were in the convention hall at the Galt House East when the announcement was made. Springing into action, members began calling their Representatives and Senators from the hotel in Louisville.

"Augmenting that initial grass roots effort, NARFE headquarters began negotiating with Western Union to set up a 24-hour Hotline that would allow NARFE's 500,000 members the option of sending electronic messages to their Members of Congress.

"Between September 18, when the Hotline went into action, until the end of October, approximately 13,100 members availed themselves of the service, sending some 39,306 messages to Congress."

This 13,000 together with several other thousands (who read similar federal retiree publications) cowed the Congress' and the Administration's negotiators. Had the budgeteers, instead of completely eliminating COLAs, agreed upon the PEPS' proposal referred to in the enclosed Barber Conable editorial as "A Formula With A Future" those federal retirees over age 62 would have received, in future years, full COLAs on the first \$1,000 a month of federal pension income (\$1,500 a month for a qualified couple). They would of course continue to get their full

PEPS believes that its proposal is politically saleable in that the cap would only effect those with one large pension or multiple pensions - it would not effect those federal retirees with modest pension income.

See the reverse side for the U.S. News and World Report editorial by our Committee member, former Congressman and President of the World Bank, Barber Conable.



Editorial Page

A Formula With a Future

By Barber Conable

Any social system that pays people more generously for not working than for working is bound to be unsuccessful. I am not talking about welfare, but about public employees' pensions where the effect is uniform, blatant and, in the case of those who retired some time ago, excessive.

Shortly before he stepped down, David Stockman vented his frustration on military pensions. He was dead right on the facts, but not in impugning the patriotism of retired military personnel. It's not their fault that their pensions have grown so large. Blame Congress.

But, to avoid any extension of Stockman's gaffe, let's talk just about federal civil-service pensions. In 1983, there were 1.3 million such pensioners getting an average of \$1,076 per month. By comparison, the average Social Security benefit was then \$404 per month, and about a quarter of the Social Security recipients also received payments from private pension plans. Interestingly, about 70 percent of federal retirees had qualified as well for Social Security, which is generally nontaxable.

Those high federal pension benefits, now higher still, resulted from cumulative cost-of-living adjustments (COLA's) starting for government workers who could retire earlier than their counterparts in industry. Although such pensioners used to get more than their cost-of-living increments in semiannual adjustments, they remain, even after changes, fully COLAed, some having increased their pensions to levels approaching \$100,000. More than 325,000 pensioners are now getting pensions bigger than the wages they once earned. Nice for them, but remember that most private and public workers do not get automatic COLA's. And President Reagan has announced he will freeze current federal employees' wages this year.

The problem with civil-service pensions, as in other government programs, is the implied contract. Like Social Security recipients, retired federal workers feel they have "earned" their benefits and the government can't change their good deal without being unfair. In 1983, the Social Security law was changed prospectively—

to force Social Security coverage on only those federal workers hired after Jan. 1, 1984. This change would permit a new pension system based on Social Security with its later retirement age, supplemented by the same sort of increment that private pension plans give to lucky industrial workers. In response to pressure from public employees' unions that don't want a new system even for new employees, the necessary committees of Congress haven't acted as was expected from the 1983 legislation. Congress must be encouraged to act because the old system, if not phased out, will bankrupt us. This year alone, for instance, of the 39.4 billion dollars received by the civil-service retirement system to fund future benefits, 55 percent came from the taxpayers, 12 percent from employees and 33 percent from income earned on the fund's investment.

Because the obligation is clear and the numbers of people affected manageable, we have the golden opportunity to lay down a pattern for slowing the disastrous growth of entitlements. Why not apply the COLA's of the future to just the portion of an entitlement that relates to subsistence; say, on only the first \$10,000 of benefits rather than on the annual total? Assuming a 5 percent inflation rate, the Office of Personnel Management says this cap would save 165 billion dollars of otherwise obligated civil-service pension entitlements. PEPS, a national committee of concerned federal beneficiaries, says that we would still have "the largest and most generous pension plan in the world."

Unless some reasonable limit is imposed on growth of the federal pension system, its excesses will not only exacerbate our deficit problem but will eventually bring about a popular reaction punitive to the interests of retired public employees. It would be reassuring if this group would, by its leadership or acquiescence, point the way toward a responsible entitlement formula for the future.

Barber Conable served in Congress 20 years and was ranking Republican on the House Ways and Means Committee.

PUBLIC SERVICE

The Golden Rocking Chair

Thanks to fat pensions, many retired officials make more than those still on the job

By HAYS GOREY WASHINGTON

Though many Americans are worried that their poorly invested pension funds might go bust and leave them penniless in retirement, one class of employees has no such concerns: top federal officials. It's not just that their benefits are guaranteed by the U.S. Treasury and thus protected from the economic shocks that have wrecked some company plans. Thanks to a generous cost of living index scheme that would be extremely rare in private industry—a plan that the U.S. Congress designed mainly for its own benefit—

many former federal officeholders actually make more for not working than they ever did on the job. Some even outearn incumbents in the offices they once held. "Congressional pensions are typically two to three times more generous than those in the private sector," says David Keating, who heads a watchdog group called the National Taxpayers Union. Much the same could be said of presidential pensions. This year, for instance, former President Gerald Ford will receive \$20,000 more in his golf-oriented retirement than George Bush will draw as leader of the free world. Some examples of lavish retirement benefits:

EX-PRESIDENTS



Richard Nixon, 78, resigned the presidency in 1974 after serving four years in the House, two in the Senate, eight as Vice President and 5½ in the White House.

Salary last year in office: \$200,000
 Presidential pension: \$138,900
 Congressional-military pension: \$38,615



Gerald Ford, 77, retired in 1977 after 25 years in the House, 10 months as Vice President and almost 2½ years as President.

Salary last year in office: \$200,000
 Presidential pension: \$138,900
 Congressional-military pension: \$81,216

EX-SENATORS



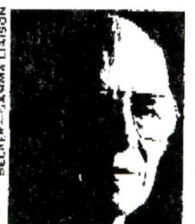
Mike Mansfield, 88, retired in 1988 after 10 years in the House, 24 years in the Senate (16 as majority leader) and 11 years as ambassador to Japan.

Salary last year in Congress: \$52,000
 Total government pension: \$150,090



Margaret Chase Smith, 93, retired in 1973 after nine years in the House and 24 years in the Senate.

Salary last year in office: \$42,500
 Congressional pension: \$92,975



Albert Gore Sr., 83, was defeated for reelection in 1970 after 13 years in the House and 18 in the Senate.

Salary last year in office: \$42,500
 Congressional pension: \$93,346



William Fulbright, 86, retired in 1974 after two years in the House and 29 years in the Senate. He was chairman of the Senate Foreign Relations Committee for 15 years.

Salary last year in office: \$42,500
 Congressional pension: \$83,282

EX-CONGRESSMEN



Carl Albert, 83, retired in 1977 after 30 years in the House, including six as Speaker.

Salary last year in office: \$65,600
 Congressional pension: \$110,138



Tip O'Neill, 78, retired in 1987 after 34 years in the House, including 10 as Speaker.

Salary last year in office: \$97,900
 Congressional pension: \$72,436

October 14, 1990

Barnstable, Massachusetts

CAPE COD TIMES

PADDED PENSIONS

If the United States Congress is serious about reducing the national deficit, there is one area where cuts can be made without causing hardship on anyone - although it might make some ex-congressmen less wealthy in the long run.

The area is the overly generous federal pension system.

For years, former U.S. Representative Hastings Keith has been trying to stir up the public over what he considers "exorbitant government pensions." Keith ought to know. He - as he is quick to point out - is on the receiving end of some of these government funded golden parachutes. His federal pension benefits currently amount to slightly more than \$90,000 annually.

Now in his mid-70s, Keith began his career in the military. At one time he worked for NOAA, the National Oceanic and Atmospheric Administration. In 1958 he was elected to Congress from the old 12th Congressional District, which included much of Southeastern Massachusetts, Cape Cod and the islands. He retired in 1972 when he was only 57 years old.

Because of cost-of-living adjustments - Keith calls it "cost of luxury" - his civil service pension deriving from his 14 years in Congress, several years in NOAA and several in military service, is up to \$55,260 a year. Added to that is a separate military pension of \$14,520, Social Security at \$12,432, and an \$8,196 survivor benefit from his late wife's work in the civil service. And he will tell you that's a moderate take compared to others who go as high as former Senate majority leader Mike Mansfield of Montana, who gets \$136,000 annually in pension payments.

Keith founded the National Committee on Public Employee Pension Systems in his effort to bring to the attention of the Congress and the public the serious financial implications and basic unfairness of the federal pension system. Pensions from private industry sources don't begin to compare in most instances.

Keith's attack is not on the basic pensions themselves, but on the constant cost-of-living increases built into them. COLAs, as these increases are dubbed, now account for almost half the cost of the federal pension system. He warns that unless something is done about the increases, taxpayers soon will be bailing out the federal pension system, just as we're now struggling with the savings & loan bailout.

We find his proposal both altruistic and reasonable enough, and he estimates it would save as much as \$4.3 billion over 3 years and up to \$400 billion in the long term. He wants to stop the COLA increases on pensions above the maximum Social Security payments - currently \$11,700 for individuals at age 65 and \$17,500 for a couple.

It's tough to convince anyone to cut off his or her own benefits. It's tough to resist the powerful lobbying efforts of well-organized federal retirees. But there is an issue of fairness here that congressmen - who are, after all, supposed to be the protectors of the public's interests before their own - need to consider seriously.

This is a long term cut that will have significant impact on the national deficit - \$400 billion is a lot of savings. Simply stopping the increases on pensions that already are adequate is much more fair and equitable than any of the short-term slashings of human service programs that are going to occur - and are going to hurt a lot - under the sweeping scythe of Gramm-Rudman.

COLA increases never were intended to make federal pensioners rich. They were meant to focus on people who needed anti-inflation protection, and that is all they should do.

Keith has been a voice crying in the wilderness on this issue for 15 years. It was easy for the Congress to ignore his call when federal money seemed to be flowing like an endless stream and the pensioners were so happy - albeit, like Keith, occasionally suffering a pang of sensible guilt.

Senator Kennedy, Senator Kerry, Congressman Studds - are you listening? Let's hear your voices, loudly and clearly, on the COLA issue.

Is Hastings Keith a broken record, carrying on incessantly about his forlorn cause? Or is he offering us a timely, sensible, fair, significant means of cutting federal spending?

Speak up, please. We can't hear you.

THE WHITE HOUSE
WASHINGTON

Date: July 26, 1991

TO: Meg Brackney

FROM: LINDA CASEY
x2533

Meg, Andy wonders whether Mr. Darman would be interested in meeting with Hastings Keith, et al. Andy will probably meet with them if Mr. Darman cares to sit in on the meeting.

Thanks.

THE WHITE HOUSE

July 28, 1991

Dear Mr. Kenneally -

Thank you very much for sending me a copy of your letter to Boston Globe reporter Walter Robinson regarding Judge Clarence Thomas. I will share your correspondence with others here so that more people will know of Judge Thomas role in working with the College of the Holy Cross to eradicate anti-Semitism.

Keep in touch.

Sincerely, Andy Card

Andrew H. Card, Jr.
THE WHITE HOUSE
WASHINGTON

Mr. Kevin G. Kenneally
Burns & Levinson
125 Summer Street
Boston, Massachusetts
02110-1624

Make copies for
me to take to
Deberstein meeting
on Monday

Document Originally
Attached to
Following Page

AC HAS SEEN

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BURNS & LEVINSON
COUNSELLORS AT LAW

125 SUMMER STREET
BOSTON, MASSACHUSETTS 02110-1624

(617) 345-3000
FACSIMILE (617) 345-3299

SOUTH SHORE OFFICE:
1001 HINGHAM STREET
ROCKLAND, MASSACHUSETTS 02370
(617) 982-4100

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DIANA H. WECHSLER

* LEAVE OF ABSENCE
FOR GOVERNMENT SERVICE

July 17, 1991

Walter V. Robinson
Boston Globe
Washington Bureau
2000 Pennsylvania Avenue, N.W.
Suite 3800
Washington, D.C. 20006

Re: Honorable Clarence Thomas

Dear Mr. Robinson:

Recent troubling news reports about Judge Clarence Thomas have implied that the Supreme Court nominee might have endorsed the anti-Semitism of a certain black extremist.

Judge Thomas is a longtime Trustee of the College of the Holy Cross, which, during his tenure, instituted a permanent program for the study of the Holocaust. Indeed, the expansion of the Dinand Library is dedicated to the memory of Holocaust victims.

Last year, Holy Cross and Brandeis University established a joint faculty position in comparative religious studies to promote increased understanding and respect between the Catholic and Jewish faiths. As an overseer of the College, Judge Thomas deserves much of the praise which should accompany the efforts of Holy Cross to eradicate anti-Semitism.

Judge Thomas has been unfairly characterized as narrow-minded by his foes and the especially noxious charge of anti-Semitism should not remain unanswered. You may want to contact

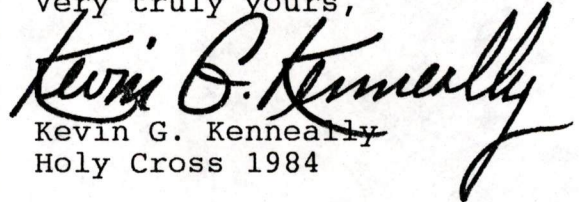
KARL GREENMAN
EDMUND J. O'BRIEN
ALAN S. PERLIN
WARREN E. TOLMAN
OFF COUNSEL

BURNS & LEVINSON

Walter V. Robinson
July 17, 1991
Page 2

Holy Cross President Father John Brooks, S.J. for more
information regarding the important programs mentioned above.

Very truly yours,


Kevin G. Kenneally
Holy Cross 1984

KGK/kac

cc: Rev. John E. Brooks, S.J.
Mr. Andrew Card 
Honorable John F. Kerry

KREBS & ASSOCIATES

2329 DUNWOODY CROSSING • SUITE C • ATLANTA, GA 30338 • (404) 458-3064

RECEIVED

JUL - 2 1991

July 1, 1991

Mr. Andrew H. Card
Assistant To The President &
Deputy Chief of Staff
WHITE HOUSE
Washington, DC 20500

KREBS
and Associates

Executive Search Consultants

KEN KREBS

Suite C
2329 Dunwoody Crossing
Atlanta, Georgia 30338

(404) 458-3064

Dear Andy:

Persuant to our phone conversation of Saturday, 6/29/91, I'm forwarding the resume of Dr. James B. Holderman.

As we discussed, I would appreciate a Letter of Recommendation on his behalf from you.

It can be addressed as: "To Whom It May Concern". It should be signed by The President or whom you think is appropriate.

This recommendation letter will be presented to high level C.O.B.'s; i.e.

1. Atlanta Committee Olympic Games (A.C.O.G.)
2. Coca-Cola International
3. Et. All - Others Confidential!

I hope your golf game went well with The President. My game today, went rather badly, as my partner "duck hooked", and in search of his ball, stepped into a hole and broke his ankle, on hole #10! Meanwhile, I'm shooting a 38! We had to get him to the hospital. Game over, and one of my best!! Nuts!

Please follow through with Dr. Jim's resume and recommendation letter.

Thank you so much Andy.

Best Regards,

Ken

Ken Krebs

cc: KK/gma

Enclosure

*AC met
w/ Holderman
7/10/91*

*Re I spoke w/
Ken 7/7/91 and
said "no" letter signed
by the President and "no"
"To whom it may concern"
from me.
Andy
7/8/91*

GO GAMECOCKS!!

Executive Search Consultants

For Additional Information
Please Contact:
Kenneth J. Krebs
404-458-3064

Determined NOT to be
National Security Classified Marking
By PAC (NLGB) on 03/27/25

~~CONFIDENTIAL~~ RESUME

DR. JAMES B. HOLDERMAN
501 QUAIL POINTE LANE
PONTE VEDRA, FL 32082
904-273-9803

Education

Bachelor of Arts, Government, Cum Laude,
Denison University, 1958.

Doctor of Philosophy, Political Science,
Northwestern University, 1961.

Personal

Born January 29, 1936, in Morris, IL.
Married Carolyn Meadors, 1959.

Mrs. Holderman is a 1959,
Phi Beta Kappa graduate of the University of Illinois.

Three daughters, all graduates with honors of
the University of South Carolina.

Professional Experience

ORGANIZATION	POSITION	TIME OF SERVICE
Koger Properties, Inc. & Koger Equity, Inc.	Vice Chairman	9/1/90- present
University of South Carolina	President	1977-90
University of South Carolina, Dept. of Government and International Studies	Professor	1977-92; on leave since 1990
Academy for Educational Development, Inc.	Senior Vice President and Director, Public Policy Programs	1976-77

Professional Experience (continued)

ORGANIZATION	POSITION	TIME OF SERVICE
Lilly Endowment, Inc.	Vice President for Education	1973-76
Illinois Board of Higher Education	Executive Director	1969-73
University of Illinois at Chicago Circle	Vice Chancellor; Associate Professor of Political Science	1968-69
University of Illinois at Chicago Circle	Assistant to the Chancellor; Assistant Professor of Political Science	1966-67
State of Illinois	Assistant Superintendent of Public Instruction; Director of Social Studies Program	1963-65
University of Illinois, Urbana, Institute of Government and Public Affairs	Assistant Professor of Government and Public Affairs	1961-63
Ford Foundation	Program Director, Illinois General Assembly Legislative Staff Internship Program	1961-64

Professional Activities

ORGANIZATION	POSITION	TIME OF SERVICE
National Endowment for Democracy	Board of Directors	1990-present
National Science Board Committee: "Europe in 1992: Implications for U.S. Science and Technology."	Chairman	1989-present

Professional Activities (continued)

ORGANIZATION	POSITION	TIME OF SERVICE
National Science Board	Member	1986-present
Council on Foreign Relations	Member	1985-present
Southern Bell	Board of Directors	1984-present
American British Cowdray Hospital	Board of Directors	1984-89
U.S. Delegation to the UNESCO World Conference on Culture	Vice Chairman; Ambassador	1982
U.S. Delegation to the International Conference of the Red Cross Quadrennial Conference	Head	1981
American Council on Education	Member, Commission on International Education	1988-90
Denison University	Board of Trustees	1973-74
North Central College	Board of Trustees	1973-74
Education Commission of the States	Task Force on Coordinating Governance and Structure of Post-Secondary Education	1972-76
National Council of Independent Colleges	Task Force on the Financing of Higher Education	1972-75
State of Illinois	Governor's Task Force on Health Planning	1970-73
Education Commission of the States	Task Force on Statewide Planning	1969-70
Elmhurst School Board	President; Member	1971-73; 1967-71

Honorary Degrees

SCHOOL	DEGREE	YEAR
University of South Carolina	Doctor of Education	1990
Universidad Catholica Madre Y Maestra, Santo Domingo, Dominican Republic	Doctor of Humane Letters	1985
Denison University	Doctor of Humane Letters	1984
Columbia College, Columbia, SC	Doctor of Laws	1978
McKendree College	Doctor of Laws	1976
St. Joseph's College	Doctor of Philanthropy	1975
Marian College	Doctor of Laws	1974
Warner Pacific College	Doctor of Civil Laws	1974
Illinois College	Doctor of Laws	1973
Columbia College, Chicago, IL	Doctor of Humane Letters	1973
Monmouth College	Doctor of Laws	1973
College of Saint Francis	Doctor of Laws	1973
DePaul University	Doctor of Humane Letters	1971
Elmhurst College	Doctor of Laws	1971

Professional Awards

ORGANIZATION	AWARD	YEAR
University of South Carolina	Distinguished President Emeritus	1990
Delta Upsilon Fraternity	Distinguished Alumni Award	1989
Columbia Music Festival Association	James V. Perry Lyre Award	1988
Bowling Green University national study team	One of the 100 most effective college presidents in the U.S.	1986
NBC Affiliate WIS Radio and Television	South Carolinian of the Year	1985
Dominican Republic	Order of Merit of Duarte, Sánchez and Mella at the rank of Commander	1985
Greater Columbia Chamber of Commerce	Ambassador of the Year	1984
Delta Upsilon Fraternity	Silver Delta Award	1983
Federal Republic of Germany	Commander's Cross of the Order of Merit Award	1983
Columbia Urban League, Inc.	Community Service Award	1981
USC Inter-Fraternity Council	Administrator of the Year	1979
USC Alumni Association	Honorary Life Member	1978
Ford Foundation	Grant to complete a study on experiences in Illinois	1973
Chicago Junior Association of Commerce and Industry	Chicagoan of the Year in Government and Political Science	1967
Ford Foundation, Citizenship Clearing House	Fellow in State Government	1960

Selected Recent Professional Presentations

North and South Carolina County Coalition, Greenville, SC. "Ambition as a Tool of Regional Planning." April, 1990.

The Columbia Rotary Club, Columbia, SC. "The Power of a Dream in Large Organizations." April, 1990.

United States Information Agency, Washington, DC. "International Education in the 1990s." April, 1990.

The Midlands Summit, Columbia, SC. "Breaking Down the Walls Between the University and the Community." March, 1990.

The National Black Family Summit, Columbia, SC. "The University's Role in the Life of the Black Family." March, 1990.

The Kosmos Club, Columbia, SC. "The University President -- Captive of Numbers." March, 1990.

Academy Industry Council of the National Research Council, Conference on the Science and Technology Challenges of European Economic Unification in 1992. Washington, DC. "We Are Not Ready." March, 1990.

South Carolina State College, Columbia, SC. "The Challenge for Higher Education in the 1990s." February, 1990.

Shandon Presbyterian Church, Columbia, SC. "We Are All One Family." January, 1990.

Ron McNair Scholarship Campaign, Sumter, SC. "Where Inspiration Lies." October, 1989.

The Columbia Rotary Club, Columbia, SC. "Victories: South Carolina's Response to Hurricane Hugo." October, 1989.

Bethel A.M.E. Church, Columbia, SC. "The University and the Community: A Family Growing Together." September, 1989.

Greenville County Bar Association, Greenville, SC. "Taking the Risks to Progress." September, 1989.

Midlands Technical College, Columbia, SC. "The Future of Manufacturing Technology in the Midlands." September, 1989.

South Carolina Arts Commission Annual Conference, Columbia, SC. "Why a University 'Year of the Arts?'" September, 1989.

Selected Recent Professional Presentations (continued)

Columbia Chamber of Commerce Economic Summit. "USC's Role in South Carolina's Economic Development." November, 1988.

Southern College Placement Association Conference, Atlanta, GA. "Career Planning During University Education." November, 1988.

Symposium on Cooperating and Competing in a Globally Interdependent World, Inaugural Symposium on Visions for the Future: Creating New Institutional Relationships, University of South Florida, Tampa. Keynote: "The Common Needs of the World and of the University." October, 1988.

American Marketing Association, Columbia, SC. "Internationalization of the Business School." September, 1988.

The United Way of the Midlands, Columbia, SC. "Successful Fund-Raising: How and Why?" September, 1988.

Pusan National University, Korea. "The World is One." July, 1988.

National Association of Foreign Student Affairs, Washington, DC.
"International Communications in 2001." May, 1988.

Leadership South Carolina, Columbia, SC. "The International Perspective." March, 1988.

South Carolina Home Builders Association, Columbia, SC. "Building a Home and Building USC." February, 1988.

The Forest Acres Rotary Club, Forest Acres, SC. "International Understanding and USC." February, 1988.

American Council on Education Panel on International Education, Washington, DC. "International Education for a Competitive America." January, 1988.

American Association of College Schools of Business Conference, Miami, FL.
"Creating an International Environment in Business Schools: Strategies for the 1990s." January, 1988.

The Columbia Rotary Club, Columbia, SC. "The Caribbean into the 21st Century: Human Resource Development." October, 1987.

Joint Meeting of the Southeastern U.S.-Japan Association and the Japan-Southeastern U.S. Association, Tokyo. "America, Business, and World Trade." October, 1987.

"A Continuing Caribbean-North American Dialogue," Caribbean, November, 1986.

Selected Recent Professional Presentations (continued)

Foundation for the Cohesion of the West Conference, Washington, DC. Co-Chairman with Lawrence Eagleburger. Opening remarks. September, 1986.

Greater Florence Chamber of Commerce, Florence, SC. "Inspiration in Education." September, 1986.

South Carolina Christian Action Council, Columbia, SC. "The Challenge of the Future." September, 1986.

The Association of Afro-American Students, Columbia, SC. "The Minority Student at USC: What the Future Holds." September, 1986.

World Conference on Education and Technology, Philippines. "The Relationship Between the Producers and the Consumers of Technology." July, 1986.

Commission on the Future of the South: Committee on Technology and Innovation, Columbia, SC. "Improving the Transfer of Technology to Industry." May, 1986.

Southeastern Conference of the Fulbright Alumni Association, Hilton Head, SC. "International Education's Role in International Understanding." March, 1986.

The American Council on Education, the University of Georgia, and the University of SC Conference: A Partnership for Human Development and Economic Growth, Atlanta, GA. "University and State Develop Together." December, 1985.

Greater Columbia Chamber of Commerce Board of Directors; Midlands Board of Economic Development; and, South Carolina Economic Development Council, Columbia, SC. "The Challenge of the Future -- Toward 2001." November, 1985.

Tulsa Council for International Visitors, Tulsa, OK. "How to Develop International Trade." September, 1985.

South Carolina Textile Manufacturers Association 23rd Conference, Sea Island, GA. "What Should We Sell in the Far East?" May, 1985.

National Conference: The Future of and Funding Prospects for Business-Related International Programs, University of Massachusetts at Amherst. "The Training of and U.S. Business' Needs for International Specialists." April, 1985.

South Carolina Association of National Honor Societies Convention, Columbia, SC. "Why Not Education?" March, 1985.

Selected Recent Professional Presentations (continued)

Morris Honors Awards, Morris, IL. "Why Small Town Values Endure." March, 1985.

WHRO Public Television and Radio Spotlight on American Higher Education II, Norfolk, VA. "Critical Needs in International Education: Recommendations for Action." October, 1984.

Council for Advance and Support of Education National Presidents' Colloquium on Institutional Advancement, Charleston, SC. "The Role of the University President in the Fund-Raising Campaign." September, 1984.

National Council for International Visitors, Orlando, FL. "How a University Can Contribute to the International Exchange Process." September, 1984.

Southern Association of College Student Affairs National Conference: Theories and Techniques: Fusing Ideas and Practices, Winston-Salem, NC. Keynote: "The President's Role in Student Life." April, 1984.

Forum for the Humanities, Hilton Head, SC. "The Value of Humanities to the Student." March, 1984.

Capitol Hill Conference on Foreign Language and International Studies, Washington, DC. "Foreign Language Instruction in the U.S." March, 1984.

International Affairs Committee Meeting of NASULGC, Washington, DC. "Recommendations for Promoting International Education and Foreign Language Instruction." November, 1983.

International Conference: Higher Education's Response to the Need for an International Perspective, North Carolina State University, Raleigh. "Higher Education's Response to the Need for an International Perspective." January, 1983.

Selected Publications

"We Are One Family." From September, 1989, speech to Bethel A.M.E. Church.
South Carolinian. November, 1989: pp. 7-.

"We Are Not Ready." From speech to Academy Industry Council of the National Research Council, Conference on the Science and Technology Challenges of European Economic Unification in 1992. Published with conference proceedings.

"The Training of and U.S. Business' Needs for International Specialists." From April, 1985, speech to National Conference: The Future of and Funding Prospects for Business-Related International Programs. University of Massachusetts at Amherst. Published in conference proceedings.

"Gaining International Understanding," Carolina View, Vol. 1, Spring, 1985.

"Critical Needs in International Education: Recommendations for Action. A Report to the United States Secretary of Education by the National Advisory Board on International Education Programs." December, 1983.

"State Coordination and Student Support," in Money, Marbles, or Chalk, Southern Illinois University Press, 1975.

"Perspectives of a One-Time Coordinator: Evaluating Statewide Boards," in New Directions for Institutional Research, Spring, 1975.

Co-author with Goodall and Nowlan: "Legislature and University: The Uneasy Partners," in Educational Record, American Council on Education, Washington, DC, Winter, 1971.

A Master Plan - Phase II for Higher Education in Illinois, An Integrated State System, Illinois Board of Higher Education, 1971.

"The University and the Community," published by the Association of College Unions, International Conference Proceedings, Denver, CO, March 26, 1969.

"The Modern Governor: Limits of Effectiveness," in The Office of the Governor - University of Illinois Bulletin, Vol. 60, No. 86, May, 1963.

"Rebuilding the Republican Party in Illinois," Illinois Government, No. 16, Institute of Government and Public Affairs, January, 1963.

Professional Memberships

American Association for the Advancement of Science

American Political Science Association

Association of State Higher Education Executive Officers

Blue Key

Mortar Board

Omicron Delta Kappa

Phi Alpha Theta

Phi Beta Kappa

Phi Sigma Alpha

Who's Who in the World

Who's Who in America

Who's Who in the South and Southwest

5,000 Personalities of the World

THE UNIVERSITY OF SOUTH CAROLINA
TENURE OF PRESIDENT JAMES B. HOLDERMAN
1977-1990

The University of South Carolina
Tenure of President James B. Holderman
1977-1990

Dr. James B. Holderman was named the twenty-fifth president of the University of South Carolina on June 30, 1977. He came to the University at a serious juncture in its history, for it had grown largely unplanned during the decades prior to Dr. Holderman's arrival and had experienced steadily decreasing levels of state support in the 1970s. By 1977, this combination had brought the oldest state-supported public university in the United States troublesome organizational and financial exigencies. Dr. Holderman was convinced, however, that through a far-reaching vision of itself, incorporating specific, long-range goals, the University could overcome the challenges time and under-financing had brought it. Such steps, he felt, would enable the University to use its resources more effectively to achieve each of its priorities in order. Besides, ambition, he had long believed, is essential to energizing large institutions.

But Dr. Holderman recognized that great ambition would be meaningless if USC remained the disparate system of nine barely connected campuses it had become. It consisted of the campus in Columbia and campuses statewide that included three four-year campuses offering primarily baccalaureate degrees and five two-year campuses offering primarily associate degrees. Dr. Holderman's challenge was to weave these campuses together around a new and common optimistic vision that would both unite them and propel them.

Unity Through a Common Vision

Dr. Holderman put his ideas to work and faced this challenge immediately, envisioning a University that would one day be among the finest in public higher education. Among the goals the University began incorporating into this dream were new commitments to improving South Carolina's intellectual, economic and cultural life; record-breaking increases in private support; and, world prominence in international education.

With these guiding aims, Dr. Holderman helped produce The Carolina Plan: 1978-1983, the beginning of an ongoing effort designed to lead the University toward the next century. The Carolina Plan II: 1979-1984 quickly followed, setting the course for the University through the early 1980s. Later came the University's most significant planning document, The Vision for 2001, consisting of twenty-one broad objectives designed to bring the University into the ranks of America's finest public institutions of higher education by its two hundredth birthday in 2001.

Unity Through Action

Dr. Holderman re-enforced and further stimulated the unity in spirit that these planning documents produced by taking specific steps to link the system in fact: He asked key administrators to support the system as one; encouraged faculty exchange programs between campuses; recruited renowned scholars to teach at every campus; developed a committee of students, faculty, and administrators from every campus to advise the administration; and, created mechanisms to share library materials, artists, and computer technology system-wide.

The Results of Unity

The University adapted such actions and ideas to its needs and potential over the years, and it grew and prospered. The campus in Columbia became the flagship campus, with a new attention to world-class research; graduate degree programs were added at the four-year campuses; baccalaureate degrees were implemented at the two-year campuses, where off-campus programs also were introduced to expand the state's access to higher education; growth on campuses other than USC-Columbia nearly doubled; system enrollment grew to over 41,000; full-time faculty reached over 1500; alumni involvement increased five-fold; the budget grew 200 percent, to over \$300 million; and, finally, spirit and fact joined as the system took on the shared name, "The USC."

By the end of the 1980s The USC was united enough to undergo the first re-accreditation of a system institution as one unit in the history of the Southern Association of Colleges and Schools.

Developing Capital Resources

As the system grew, and grew together, Dr. Holderman advanced numerous capital projects to keep pace. He oversaw nearly \$200 million in capital projects system-wide, including eighteen buildings either built, renovated, or put under construction outside Columbia. Most importantly, he enabled the system to unite for unique capital dividends: For the first time, the system made funding for one building within the system a priority. As a result, the Craig E. Wall building at USC-Coastal Carolina College became the only project over \$5 million funded in its entirety in the state legislature's 1988 bond bill.

Increasing Private Support

Legislative support for the University did not always produce such financial commitment, however, and Dr. Holderman's fund-raising skills were crucial to enabling USC to prosper despite severe constraints in state financing. He led the University toward record levels of private support that have provided it with lasting resources. Relative figures show the difference Dr. Holderman made: In the ten years before 1979, the University raised less than \$20 million in private support; from 1979 to 1989, the University raised over \$130 million. Private support for the University increased over 1740 percent from 1977 to 1990, perhaps the highest such increase in the country during a period when private support nationally increased 154 percent, according to the Council for Financial Aid to Education (CFAE).

Such increases in private support provided crucial resources to students. Through greater private revenues, the University was able to give \$3.2 million in merit-based scholarships to over 2800 students in 1989; in 1977, it annually gave less than 300 such scholarships. In 1989 alone, contributions to academic scholarships and fellowships enabled USC to increase the number of such scholarships by 63 percent.

Dr. Holderman's fund-raising also brought University endowment from under \$5 million to over \$50 million, putting USC into the top 5 percent of endowment values from among all colleges and universities in the United States. Endowment growth was so substantial that by 1990 the University was making more interest on its endowment than it had in endowment in 1977. Such endowment growth also produced more endowed chairs -- from 19 in 1977 to 109 in 1990.

The Home of First-Class Research

Dr. Holderman's commitment to generating resources that would be permanently available to the University also led him to commit to two special projects that built upon distinct ambitions of the University -- to excel in research and to become a world-class center for the arts.

In 1987, the University reaped a significant reward of this commitment with the construction of the John E. Swearingen Engineering Center, a state-of-the-art facility featuring over 100 high-tech labs. In its inaugural year of operation, the Swearingen Center helped bring in over \$6 million in new research funding to the College of Engineering alone. It re-invigorated the record funding for sponsored programs and research USC experienced during the 1980s, which included eight consecutive years of major increases.

The Swearingen Center also enabled South Carolina to get the Southeast Manufacturing Technology Center (SMTTC), the first federally funded center in the state, where it assists over 1,250 small- to medium-sized industrial firms. On March 5, 1990, Secretary of Commerce Robert Mosbacher visited the University and said of the SMTTC, "Without question, this is the finest operation of its kind in the nation."

Such comments reflect the Swearingen Center's contribution to the University's prestige and to South Carolina's economy. During the late 1980s, funding of USC's research grew over 15 percent each year, double the national average. Higher funding became so common that by 1990 USC commanded annual research funding that was almost as high as the combined funding from the first three years of Dr. Holderman's tenure. USC was on the verge of becoming one of the top 100 universities in the nation in the level of funded research.

The Renaissance of the Arts

The University wanted to become not only the home to the finest research opportunities, but also to contribute much more to the quality of life in South Carolina. Dr. Holderman believed a major arts center was vital to this dream. Thus was borne the Ira and Nancy Koger Center for the Arts, a world-class center for the performing arts that was inaugurated in January, 1989, with performances by the London Philharmonic. Vladimir Ashkenazy, the Vienna Choir Boys, the Tokyo String Quartet, and many others followed, and eighteen months after opening night, nearly 200,000 people already had been entertained at the Koger by some of world's greatest performers. The Koger soon was known as one of the finest performing arts centers in the nation.

Just as Swearingen led to the Southeast Manufacturing Technology Center, enticed distinguished international scientists to teach and to do research at USC, and brought new levels of research dollars into South Carolina, so did the Koger Center highlight improvements in other projects. It became the crowning jewel in the renaissance of the arts Dr. Holderman helped engineer at USC. This renaissance included the cooperative program Dr. Holderman arranged with the Folger Shakespeare Library and Theatre in Washington, DC; USC is the only university in the world to enjoy such an affiliation. The program has brought guest artists and teachers from the Folger to Columbia and enabled USC's students to study and apprentice in Washington with America's best classical actors, directors and designers.

The renaissance in the arts also included renovations of USC's three major performance spaces, which featured state-of-the-art design by America's finest theatre architect, George Izenour. Dr. Holderman led these efforts in

encouraging the improvement of the Department of Theatre, Speech, and Dance.

When he became president, Theatre, Speech, and Dance was a fairly new department, primarily undergraduate. Today, it offers the Master of Fine Arts degree, so essential to a program of national prominence, as USC's has become; is a major resource for the eight active community theaters in the Greater Columbia area; and, brings Tony-award-winning writers and directors to the university.

Finally, Dr. Holderman's commitment to the arts produced the National Advisory Council on the Arts, an advisory board including state and national performers such as Helen Hayes, Kitty Carlisle Hart, Robby Benson, Michael York, Jimmy Stewart, and John Williams. These and other council members regularly visited USC as speakers, artists-in-residence, and to meet bi-annually to explore how USC could improve South Carolina's cultural life.

Perhaps most importantly, Koger, like Swearingen, generated these and other benefits without draining taxpayers: When the University foundations paid off the Koger Center early, they saved the state \$5.2 million in future lease payments; when they did the same for the Swearingen Center, they saved South Carolina \$4.3 million.

In the Koger and the Swearingen centers, Dr. Holderman had produced a major arts center and a major engineering center -- together worth nearly \$40 million -- for a cost to the state of South Carolina of just \$4.5 million.

Academics

Cultural and scientific improvements spurred by Swearingen and Koger were matched by the rise in the University's academic reputation. Dr. Holderman's

support for international programs helped make the University's Master of International Business Program, from the College of Business, the number-one-ranked program in the country according to two separate 1990 national surveys.

Dr. Holderman's tenure also produced significant improvements in the Departments of Chemistry, Biological Sciences, Computer Science, Geological Sciences, and Theatre, Speech, and Dance, and the Colleges of Business and Journalism and Mass Communications; and dramatic improvement in the Schools of Music and Medicine.

Meanwhile, undergraduates who once might have attended Harvard, Dartmouth, or Brown found a home at South Carolina College, an honors college established at USC-Columbia in 1977 that admitted only those students with SATS above 1200 who were in the top 10 percent of their high school graduating classes. The New York Times raved that it was a school built on "Ivy League standards." Today it competes effectively for students with the finest universities in the world. Most importantly, nine out of ten students of the seven hundred enrolled in SCC are from in-state. South Carolina can now keep its finest young people at home.

Diversifying the Campus

As the finest students came to USC in record numbers, so did more of the finest minority students. By 1989 over fourteen percent of students across the system were minorities, including the flagship campus in Columbia -- the highest such percentages in the country among historically white colleges and universities. At the same time, the prestige of the Swearingen Center and the improvement of the science and mathematics programs attracted record numbers

of minorities into the College of Engineering. By 1989, this college was fifteen percent minority, over double the national average.

International Programs

Perhaps no area of the University of South Carolina changed more during Dr. Holderman's tenure, however, than its international involvement. For while record numbers of minority students diversified USC's campuses, so did students from around the world, and so did hosts of international dignitaries the likes of which few universities could boast during the 1980s.

Dr. Holderman came to USC believing it could become a "window to the world" -- in education, in international diplomacy, and in international understanding -- a community of learners where students from any culture were welcome, and where renowned leaders could find a forum for their ideas. There was great reason for this faith, for South Carolina depended heavily on international trade and had burgeoning port cities; with a first-class, active international university at the hub, much more international activity would beckon. As a member of the National Science Board, the Council on Foreign Relations, and as Chairman of the National Advisory Board on International Education Programs, Dr. Holderman helped open the window wide to making that possible. Under his leadership the University enticed numerous foreign corporations to set up offices and factories in South Carolina. This provided an economic stimulus to the state even as the University's other international efforts responded to the humanitarian challenge to advance world understanding and peace that the National Advisory Board had posed while he was chairman.

These activities all began with Dr. Holderman's belief that the "window

to the world" would begin opening as soon as USC found more ways for its students to discover the world, and then for the world to discover America through USC. The discoveries made at USC during Dr. Holderman's tenure were numerous.

One of his first initiatives in international involvement was to make the University the headquarters for the prestigious International Studies Association, a group of more than 3,000 scholars, government officials, and private citizens from more than 60 countries. Rapid expansion of international activity followed, leading to the establishment of the James F. Byrnes International Center, specifically designed to support and encourage international and public policy programs.

Dr. Holderman also pulled together the Byrnes International Center Advisory Board, a group of world leaders who promote international opportunities for faculty members, advance exchange programs, and help USC improve its international education opportunities. One result: Exchange programs with over 45 countries are now in place -- three times the number in 1977. And while USC students were finding the world, the world was also finding USC.

When Dr. Holderman arrived at USC, 40 countries sent their students to the University. By 1990 this had nearly tripled to 113 countries, putting USC among the top ten universities in the nation in the diversity of countries represented in its population. Such progress occurred as more international visitors came to USC, for they brought along the attention of students worldwide as they spoke to USC's faculty, students, and community leaders, as they taught classes as visiting professors, and as they participated in

international conferences covered in media around the globe.

Dr. Holderman organized many significant conferences at USC, including "Implications of Transferring Western Technology to Eastern Europe and the Soviet Union"; "Religion, Public Values, and Human Responsibility"; "Congress into the 21st Century: Would the Framers Approve?"; "The Security of the Democratic World"; "A Critical Assessment of U.S. Participation in UNESCO"; and "Meeting of the Caribbean Heads of Government," featuring the first meeting of the heads of government from 12 Caribbean countries as well as President Reagan, Acting Secretary of State Kenneth Dam, and U.S. Trade Representative William Brock, III.

Distinguished visitors like these began coming regularly to the University largely because Dr. Holderman had led it toward a more visible and active role in promoting international dialogue and understanding. Before long, visitors to the University included heads of government from West Germany to Australia to Jamaica; Foreign Ministers from Mexico to Britain to Japan; the Ambassadors from China to Egypt and Canada to Yugoslavia; and, the Secretary-General of the United Nations.

Visits to the University by such international leaders as these became so frequent at USC that by 1985, Vice President George Bush, attending another conference Dr. Holderman had organized at USC, on "The Future of the Western Community," could state in his opening address, "The University has made Columbia a center of pilgrimages by statesmen."

And the Vice President said this before Dr. Holderman organized "Project 1992," a series of eight conferences focusing on how European Economic Unification would affect American business, featuring Henry Kissinger, John

Marous (Chairman and CEO of Westinghouse), and Peter Sutherland (former European Commissioner), and before the visit of Pope John Paul II in 1987 for a historic ecumenical summit featuring leaders from nearly every Christian religion and the only visit a Pope has ever made to an American public university.

Mr. Bush also had offered his praise before he himself returned as President of the United States, to join Mrs. Bush, Michael Eisner (CEO of Walt Disney), and Andrew Lloyd Webber (Composer of "Cats," "Evita," "The Phantom of the Opera"), at the University's May, 1990, commencement exercises, an event covered by media around the world.

USC had become a "window to the world" under Dr. Holderman, and the world was watching.

Before and After

Before Dr. Holderman's arrival, the University of South Carolina had been named one of the top ten party schools in the nation by Playboy, an unenviable moniker for a school with a once-proud tradition of academic excellence.

But Dr. Holderman's tenure led the University in great strides toward re-achieving the greatness of those years long past. In uniting and growing as a system, in fund-raising, in capital resources, in scientific and artistic development, in international education, and in academic excellence and opportunities, the University had improved. As Lisa Birnbach wrote in her 1990 New and Improved College Guide, a handbook for college-bound students:

Under the leadership of James Holderman ... this public university in Columbia, South Carolina, has begun to take its educational mission very seriously indeed.... Students say, 'academic quality improves on a daily basis,' and they mean it....

[he] has increased the university's private endowment (substantially, even incredibly), raised enrollment standards, increased research and research grants, and improved the quality of the faculty.

In 1986 an editorial in The New York Times had perhaps foreshadowed why students later would tell Birnbach they were so proud to be at USC once again:

Some colleges distinguish themselves from the pack by purchasing good football and basketball teams. Some pay exorbitant salaries to attract outstanding researchers from the elite universities. Some give scholarships to talented students. Some hire superstars as lecturers. The University of South Carolina does it all.... The University has come a long way in a tough environment for higher education.

The University did come a long way during Dr. Holderman's thirteen years. Under his leadership, USC moved rapidly toward its ambitious goals for the future and toward the excellence it sought. By 1990 Dr. Holderman could rightly conclude in his final remarks to the Board of Trustees on June 30, 1990:

Before the Civil War, this was a University proud to be a nationally distinguished center of higher learning. My administration has above all else sought to nurture pride and distinction and the willingness to embrace new challenges.... Regardless of circumstances, background, handicaps, level of secondary preparation, our students have earned degrees whose value is far greater today than it was 20, 50, 100 years ago.

Our dreams were not modest. But neither were the results.

DISTINGUISHED VISITORS TO THE UNIVERSITY OF SOUTH CAROLINA
1977-1990

DISTINGUISHED VISITORS TO THE UNIVERSITY OF SOUTH CAROLINA*
1977-1990

Anguilla

The Right Honorable Emile Gumbs, Chief Minister (1984)

Antigua and Barbuda

The Honorable Lester Bird, Deputy Prime Minister (1984)

Australia

The Right Honorable Malcolm Fraser, C.H., Prime Minister (1981 and other)

His Excellency Sir Nicholas Parkinson, Ambassador to the U.S. (1981)

Barbados

The Right Honorable Tom Adams, Prime Minister (deceased) (1985)

The Honorable Billie Miller, Minister of Education (1985)

The Honorable Louis Tull, Minister of Foreign Affairs (1984 and other)

Belgium

The Honorable Henri Simonet, former Foreign Minister (1987)

British Virgin Islands

The Right Honorable Cyril B. Romney, Chief Minister (1984)

Canada

His Excellency Alan Gotlieb, Ambassador to the U.S. (1984)

China

His Excellency Zhang Wenjin, Ambassador to the U.S. (1983)

His Excellency Han Xu, Ambassador to the U.S. (1986)

His Excellency Chai Zemin, Ambassador to the U.S. (1980 and other)

Dominica

The Right Honorable Eugenia Charles, Prime Minister (1985 and other)

Dominican Republic

The Right Honorable Salvador Jorge Blanco, President (1984 and other)

His Excellency Carlos Despradel, Ambassador to the U.S. (1984)

Ecuador

His Excellency Ricardo Crespo, Ambassador to the U.S. (1985)

Mr. Corles Julio Emmanuel, Governor Central Bank of Ecuador (1985)

Egypt

The Honorable Omar Ashraf Ghorbal, Ambassador to the U.S. (Distinguished Visiting Professor 1983-84, and other)

Ambassador A. Esmat Meguid, Permanent Representative of Egypt to the United Nations (1983); subsequently Foreign Minister

Madam Jihan el-Sadat, wife of President Anwar Sadat (1981 and Distinguished Visiting Professor 1983-84)

France

His Excellency Jean André François-Poncet, Foreign Minister (1982)

His Excellency François de Laboulaye, Ambassador to the U.S. (1984)

Mr. François Michelin, Chief Executive Officer of Michelin Corporation (1982)

His Excellency Bernard Vernier-Palliez, former Ambassador to the U.S. (1986 and other)

Great Britain

His Excellency Sir Antony Acland, Ambassador to the U.S. (1987)

Great Britain (continued)

The Right Honorable Lord Carrington, Chairman of Christies; former Secretary of State for Foreign and Commonwealth Affairs; former Secretary General of NATO (1983 and other)

The Right Honorable John Gilbert, MP, former Deputy Secretary of Defense (frequent)

His Excellency Sir Nicholas Henderson, Ambassador to the U.S. (1982 and other)

Sir Michael Palliser, Permanent Under Secretary and Head of the Diplomatic Service (1981)

The Right Honorable Lord Prior, Secretary of State for Northern Ireland; Chairman of British General Electric Co.; former British Cabinet Officer (Distinguished Visiting Professor 1986 and 1987, and other)

Sir Ivor Richard, Commissioner, European Community (1982)

The Most Reverend Robert Alexander Runcie, Archbishop of Canterbury (1987)

Sir Oliver Wright, former Ambassador to the U.S. (Distinguished Visiting Professor 1985, and other)

Grenada

The Right Honorable Nicholas Brathwaite, Chairman of the Advisory Council; Head of the Interim Government (1984)

Haiti

His Excellency Serge Charles, Ambassador to the U.S. (1984)

Italy

Mr. Gian Carlo Menotti, Composer and Co-founder of Spoleto, USA (1982)

Jamaica

His Excellency Keith Johnson, Ambassador to the U.S. (1983 and 1984)

The Right Honorable Edward P. Seaga, Prime Minister (1983 and other)

Japan

Mr. Shintaro Abe, Minister of International Trade and Industry (1982);
subsequently Foreign Minister

His Excellency Nobuo Matsunaga, Ambassador to the U.S. (1986)

His Excellency Yoshio Okawara, Ambassador to the U.S. (Distinguished Visiting
Professor 1987, and other)

His Excellency Hisashi Owada, former Ambassador to OECD; former Director
General of Treaties Bureau (1985); subsequently Under Secretary, MFA

Korea

Mr. Kim Bok-Dong, Advocate of Cultural and Educational Change; Korean Military
Officer (1989)

Mr. Jae-Hoon Choi, President of Pusan National University (1987)

Mr. Jushil Suh, President of Pusan National University (1990)

Mexico

His Excellency Bernardo Sepulveda, Mexican Ambassador to the U.S. (1982);
subsequently Foreign Minister

The Netherlands

The Honorable Andreas Van Agt, former Prime Minister; Head of Mission of the
European Economic Community to the U.S. (1980 and other)

Netherlands Antilles

The Right Honorable Don Martina, Minister-President (1984)

Philippines

Ms. Lourdes Reynes Quisumbing, Secretary of Education, Culture and Sports
(1987)

Puerto Rico

Mr. Fernando E. Agrait, President of the University of Puerto Rico (1988)

Mr. Rafael Hernandez, Governor (1988)

The Honorable Carlos Quiros, Secretary of State (1984)

Senegal

Mr. Amadou Mohtar M'Bow, Director General, UNESCO (1983)

Somalia

Ambassador Mohamud Haji Nr (1985)

Spain

The Honorable Gabriel Manueco, Spanish Ambassador to the U.S. (1985)

St. Christopher-Nevis

The Right Honorable Dr. Kennedy A. Simmonds, Prime Minister (1984)

St. Lucia

The Honorable John G. H. Compton, Prime Minister (1984)

Turks and Caicos Islands

The Honorable Norman B. Saunders, Chief Minister (1984)

United States Virgin Islands

The Honorable Juan Luis, Governor (1984)

West Germany

Mr. Peter Corterier, Secretary General, North Atlantic Assembly (1985)

His Excellency Peter Hermes, Ambassador to the U.S. (1982-84)

West Germany (continued)

His Excellency Helmut Schmidt, Chancellor (1979)

His Excellency Berndt von Staden, Ambassador to the U.S. (1979)

His Excellency Günther Van Well, Ambassador to the U.S. (1986 and other)

Yugoslavia

His Excellency Budimir Loncar, Ambassador to the U.S. (1983 and other);
subsequently Foreign Minister

United States

Mr. Edward Legare Addison, Chief Executive Officer and President, The Southern
Company (1989)

Mr. Arthur Ashe, Tennis Professional (1988)

Ms. Pearl Bailey, Actress, U.S. Delegate to the United Nations (1987)
(deceased)

The Honorable Howard Baker, Senator from Tennessee (1980 and 1985)

Mr. John M. Belk, Chairman of the Board, Belk Store Services, Inc. of
Charlotte, NC (frequent)

The Honorable Terrell (Ted) Bell, former U.S. Secretary of Education (1981)

Mr. Robby Benson, Actor (Visiting Professor 1989-90)

His Eminence Joseph Cardinal Bernardin, Archbishop of Chicago (1980, 1990);
(Chairman of the USC National Advisory Council)

Mr. Eric Bloch, Director, National Science Foundation (1988)

Colonel Charles F. Bolden, Astronaut (1984)

Dr. Daniel J. Boorstin, Retired Librarian of Congress, Historian (1983, 1985)

Mr. James Brady, Press Secretary to President Reagan (1986)

The Honorable William E. Brock, former U.S. Trade Representative; former U.S.
Senator; former U.S. Secretary of Labor (Distinguished Visiting Professor
1985, and other) (Chairman of the USC Byrnes Center International Advisory
Board)

United States (continued)

Dr. Urie Bronfenbrenner, Family Psychology Expert (1989 and other)

Mr. Harold Brown, Secretary of Defense (1979)

Mr. William F. Buckley, Columnist (1985 and other)

The Honorable Warren Burger, former Chief Justice of the U.S. (1987)

Mrs. Barbara Pierce Bush, First Lady (1985 and 1990)

The Honorable George Bush, President (1990); Vice President (1985)

Mr. MacDonald Carey, Actor (1988)

Mr. John L. Clendenin, Chairman and Chief Executive Officer, Bell South;
President of the U.S. Chamber of Commerce (1989)

Dr. William H. Cosby, Entertainer and Educator (1986 and 1989)

Captain Robert (Bob) L. Crippen, U.S. Navy, Astronaut (1981)

Mr. Walter Cronkite, CBS News (1983)

Dr. Patricia (Pat) K. Cross, Distinguished Professor of Higher Education,
University of California at Berkeley; President, American Associates of
Higher Education (1987)

Dr. Charles H. Dallara, Assistant Secretary of the Treasury for International
Monetary Affairs (frequent)

The Honorable Kenneth W. Dam, Deputy Secretary of State (1984)

Sir Roy Denman, Head of the Delegation of the Commission of the European
Communities (frequent)

Mr. Stanley Donen, Film Producer/Director (1989 and other)

Ms. Therese K. Dozier, National Teacher of the Year (1985 and other)

Retired Brigadier General Charles M. Duke, Jr., Astronaut (1981)

Mr. Paul Duke, Moderator, *Washington Week in Review* (PBS) (1990)

Mr. Lawrence (Larry) S. Eagleburger (1985 and other); subsequently Deputy
Secretary of State

Dr. Marion Wright Edelman, President of the Children's Defense Fund (1988)

United States (continued)

Mr. Michael Dammann Eisner, Chairman and Chief Executive Officer, Walt Disney Corporation (1990)

Mr. Jaime Escalante, Educator/Mathematician (1989)

The Honorable Gerald R. Ford, former President of the United States (1978)

The Honorable William Fulbright, former Senator from Arkansas (1986)

Ambassador Jean Gerard, U.S. Permanent Representative to UNESCO (1983)

Mr. Dizzie Gillespie, Jazz Composer and Musician (1980)

Dr. Mary L. Good, Chairman of the National Science Board; Senior Vice President for Research, Allied-Signal, Inc. (1989)

The Reverend Dr. Billy Graham (1980 and other)

The Honorable William H. Gray, III, House Majority Whip (1990)

Mr. Alex Haley, Author and Historian (1986)

The Reverend Dr. Richard Halverson, Chaplain of the United States Senate (1986)

Dr. Armand Hammer, Chairman and Chief Executive Officer of Occidental Petroleum Corporation (1982) (deceased)

The Honorable Lloyd Hand, former Ambassador, Chief of Protocol, U.S. State Department (1989)

Ms. Kitty Carlisle Hart, Actor/Soloist (frequent) (Chairman of the USC National Advisory Council on the Arts)

The Honorable Mark O. Hatfield, U.S. Senator from Oregon (1981 and other)

Ms. Helen Hayes, Actress (1979 and other)

Mr. Edward L. Hennessy, Jr., Chairman and Chief Executive Officer, Allied Corporation (1981 and other)

Mr. Francis B. Henry, Senior Vice President of the Mennen Company (frequent)

The Reverend Theodore Hesburgh, President Emeritus of the University of Notre Dame (1978)

Mr. James Hoagland, Chief European Correspondent, The Washington Post (1983)

United States (continued)

Dr. Jerome Holland, Chairman of The American Red Cross (frequent)

His Excellency Archbishop Iakovos, Greek Orthodox Archbishop of the
Archdiocese of North and South America (frequent)

Father Edmond Joyce, Retired Executive Vice President Emeritus of the
University of Notre Dame (frequent)

Mr. Danny Kaye, Actor and Humanitarian (1985) (deceased)

The Right Reverend William Keeler, Bishop of Harrisburg, PA, President of the
Americian Council of Bishops (1987)

Mr. Joseph Lane Kirkland, President of AFL-CIO (1985)

Dr. Henry Kissinger, former Secretary of State (Distinguished Visiting
Professor 1984-85, and other)

Mr. Ira Koger, Chairman of Koger Properties, Inc., Philanthropist (frequent)

Mr. Ted Koppel, ABC News (1982)

Dr. Juanita Kreps, Vice President of Duke University, former Secretary of
Commerce (1983)

Mr. Jacques de Larosiere, Managing Director, International Monetary Fund
(1985)

Mr. James (Jim) C. Lehrer, The MacNeil-Lehrer NewsHour (Distinguished Visiting
Professor 1985, and other)

Mr. Robin B. MacNeil, The MacNeil-Lehrer NewsHour (Distinguished Visiting
Professor 1985, and other)

Mr. John C. Marous, Jr., Chairman and Chief Executive Officer of the
Westinghouse Electric Corporation (1988 and other)

Dr. Ronald E. McNair, Astronaut (1984) (deceased)

Mr. Edwin Meese, III, Attorney General of the U.S. (1985 and 1986)

The Honorable J. William Middendorf, II, U.S. Permanent Representative to the
Organization of American States (1984)

The Honorable Walter Mondale, Vice President (1981)

Mr. Robert Morley, Actor and Playwright (1983)

United States (continued)

Mr. Richard M. Morrow, Chairman and Chief Executive Officer, AMOCO (1986)

Mr. Carlos DuAc Moseley, Director of The New York City Philharmonic Orchestra (1989)

The Honorable Edmund S. Muskie, Senator from Maine (1980)

Mr. John Naisbitt, Author of Megatrends (1986)

Mr. Edwin Newman, former Network Anchor, NBC News (1988 and other)

The Honorable Sandra Day O'Connor, Supreme Court Justice (1984)

Mr. George Plimpton, Author (1986)

The Honorable Lewis Powell, Jr., Retired Associate Justice of the Supreme Court (1977)

The Honorable Ronald Reagan, President of the United States (1983 and 1984)

Dr. W. Anne Reynolds, Chancellor of the City University of New York (1988)

Mr. John Richardson, Chairman, National Endowment for Democracy (1985)

The Honorable Joseph Patrick Riley, Jr., Lawyer; Chairman, U.S. Council of Mayors; Mayor of Charleston, South Carolina (1989 and other)

The Reverend Dr. Fred Rogers, Television Personality (1985)

The Honorable Dean Rusk, former Secretary of State (1981)

Dr. Carl Edward Sagan, American Educator, Author and Astronomer (1984 and 1985)

Mr. Gale Sayers, NFL Hall of Fame (frequent)

Dr. Roland W. Schmitt, President Rensselaer Polytechnic Institute; former Chairman of the National Science Board (1988)

General Brent Scowcroft (1985); subsequently National Security Advisor to President Bush

The Honorable Paul Simon, Senator from Illinois (1989)

Mr. William Reece Smith, Jr., President of the International Bar Association; former President of the ABA (frequent)

United States (continued)

Mr. Denis Carothers Stanfill, President of Twentieth-Century Fox (1980)
The Honorable Harold Stevens, New York Supreme Court Justice (1987)
Mr. James (Jimmy) Stewart, Actor (1988)
Mr. John E. Swearingen, Chairman and Chief Executive Officer of AMOCO and of
Continental Illinois National Bank (1987 and other)
Mr. David B. Swoap, Under Secretary of Health and Human Services (frequent)
Mr. Richard Thomas, Actor (Visiting Lecturer, 1988 and other)
Ms. Cicely Tyson, Actress (1989 and other)
The Honorable William Verity, former Secretary of Commerce (frequent)
Dr. Herman B Wells, Chancellor of Indiana University; former President of
Indiana University (1980)
Mr. Charles Z. Wick, Director, U.S. Information Agency (1984 and 1986)
Mr. John T. Williams, Conductor of the Boston Pops Orchestra; Composer (1981
and other)
Mr. Michael York, Actor (1988 and other)
Captain John Young, Chief American Astronaut (1981 and other)

**Years indicate the year of their visit to the University; titles are
their titles at that time. Those who visited more than twice are noted by one
year of visit and then "other," or by "frequent."*

Andrew H. Card, Jr.
THE WHITE HOUSE
WASHINGTON

Mr. Patrick J. Keleher, Jr.
President, TEACH America
Suite 2003
151 North Michigan Avenue
Chicago, Illinois
60601

THE WHITE HOUSE

June 27, 1991

Dear Mr. Keleher -

Thank you for the letter you FAXed
on June 25, 1991, regarding parental choice
in education. I will make sure all here
know of your concern.

Keep in touch. Your support of
the President's initiatives on education.

Sincerely, Andy Card

THE WHITE HOUSE
WASHINGTON

Date: 6/28/91

TO: Roger Porter

FROM: ANDY CARD

- ☐ Action
- ☐ Your Comment
- ☐ Let's Talk
- ☒ FYI

TEACH America

Taxpayers for Educational Accountability and Choice

151 North Michigan Avenue • Suite 2003 • Chicago, Illinois 60601
Phone: (312) 861-0180 • Fax: (312) 565-6755

-----IMPORTANT-----

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Please HAND DELIVER TO: Mr. Andy Carol

(FAX No.: (202) 456-2397)

From: PATRICK J. KELEHER, JR.
President
TEACH America
151 N. Michigan Avenue
Suite 2003
Chicago, Illinois 60601

FAX No. (312) 565-6755
Phone (312) 861-0180 or (312) 565-6500

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UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for Travel and Tourism
Washington, D.C. 20230

May 20, 1991

*Had lunch
together 6/19
Rec'd
MAY 22 1991*

The Honorable Andy Card
Assistant to the President and
Deputy to the Chief of Staff
The White House
Washington, DC 20500

AC HAS SEEN

Dear Andy,

At long last, and to your credit, I have just been confirmed by the Senate as Under Secretary of Commerce for Travel and Tourism ... wow! Of course, I am honored to have the support of the President as well as the Senate for undertaking the leadership of the U.S. Travel and Tourism Administration (USTTA) at the Commerce Department.

I am going to be taking on a very aggressive awareness campaign to sensitize all sectors of the government and all parts of the private sector as to the importance of tourism to the economic, cultural and social well-being of this country.

Travel and tourism is the second largest retail sales industry in the United States and has become America's largest export. In fact, in 1990, 40 million tourists visited America, spending \$51 billion dollars; this generated a trade surplus of \$3 billion. Clearly, tourism means significant economic growth and development for every state in the union.

I will try not to become a pest, and I promise to go through channels, but I recognize the President's love for the great outdoors and recreation as a major plus for the travel and tourism industry. I value your guidance and good counsel, so please call at any time. Thank you again.

Sincerely,

John G. Keller, Jr.
Under Secretary for
Travel and Tourism

*Thank you for
everything!*

*I'll call Linda to set up
lunch*

*America.
Yours to
Discover.*



ABOARD AIR FORCE ONE

June 17, 1991
enroute to D.C.

Dear Mary Alice -

Thank you for your letter of June 10th. The Paul Selters article in the Brockton Enterprise was well deserved. Peter Forman's address to the graduating class at Plymouth North was excellent. I'm glad Paul highlighted it in his column.

Peter Forman is proving to be a first class leader who leads in the right direction!

Ned's brush with the ACF LP people is not unlike what the President faces as he addresses groups around the country. Ned has my empathy.

Keep in touch. My best to all in the Bay State.

Sincerely, Andy

FROM
THE WHITE HOUSE
WASHINGTON, D.C.

Mrs. Mary Alice Kirby
379 Harvard Street
Whitman, Massachusetts 02382

June 10 '91

Dear Andy and Ron, . . . Paul Sallters

I thought this article on Peter Farman might be of interest. Peter is very, very much in the news, on TV talk magazines and talk radio. He also is pretty much of a spokesman for the GOP, the source of much reported opinion. He created waves when he said a prayer at the Plymouth High School graduation. At the end, all but six students stood and cheered. I'll send you a copy of his speech. He referred (not by name) to Ned, who also has been the focus of some flap. We've had loads of calls supporting Ned, very few negative. Ned "muttered" while some ACT-UP people were trying to point the finger of guilt at the government ^{for AIDS}, by doing a bizarre demonstration at the State House. Ned, while watching it, muttered "They brought it on themselves!" and some gay activist got it into the paper. The homosexuals seem to have taken over the Republican Party to a great extent in Massachusetts. They howled to have Weld, Cellucci and Lombardi "censure" Ned. ^{these leaders} ~~they~~ wouldn't. At a regular Republican caucus, ^{the muttering,} ~~that~~ 2 senators brought up Ned's saying ^{that}. Then someone in the caucus told the reporters that the caucus "censured" Ned and the Democrats think it was a special caucus called to censure Ned. The Globe ran an article Sunday calling Ned an "Old Fashioned Senator" and pointed out all the things Ned has done to help AIDS research, plus his other very fine Senate record. My point in telling you all of this is to let you know that the homosexuals are a tender box. Weld is trying to contain them and reach out to them. But now the "Steve Peirce"

(over)

style Republicans in our area are disgusted with the
GOP. But you can see that these "stodgy old"
Republicans are a minority, or not a great power,
or Steve Pierce would have made it. Ned and I
ran door to door in Westfield, warning people that this
very thing could happen: that Steve needed every
vote and to get out and bring others. Every
time I think of just 1920 votes, I want to weep.
I know you would have had the district covered,
Andy and Ron! You see, at the last minute this
NARL group came and put ads out that Steve wanted
to take the homes of the elderly before medicare
could pick it up. It was a lie. But we confronted
it just in our door-to-door sweep of three neighborhoods.
The elderly were mad. Now people are writing about
Steve as dead meat. I do think it is true that
the Plymouth County "Old Colony" area is the last
stronghold of the "Steve Pierce Republican" types.
Ned has gotten very little grass roots flak over his
remark. It has been the Boston gays who have
been hysterical over it. People here are calling and congratulating.

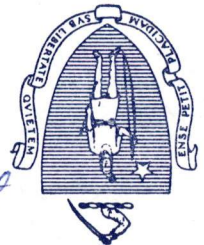
Here are some clips. The big fat one on Ted
Kennedy shows the pandering they will do to "Kennedy
~~Tragedy~~ ^{Tragedy}". Ted will, I predict go into treatment, and people
will fight each other to vote for him. On the other hand,
is there some scandal brewing re: National Health insurance
that shows it is benefitting Kennedy money? I heard
some hint of that on a talk show.

COMMITTEES ON:
CRIMINAL JUSTICE
ELECTION LAWS
PUBLIC SAFETY
PUBLIC SERVICE

State Senate
Committee on Ways and Means
ROOM 520, STATE HOUSE
BOSTON 02133

TELEPHONE (617) 722-1330

SENATOR EDWARD P. KIRBY
SECOND PLYMOUTH DISTRICT



They quoted the National Review. Maybe I heard it
wrong. Anyway... all best, Mary Alice

LOTTERY
PAGE 3

Volume 239
Number 160
\$1.50
* *

Boston Sunday Globe

FORE SAIL SIGH

Sunday: *Sunny, 70s*
Monday: *Sunny, about 80*
Details, Page 48

SUNDAY, JUNE 9, 1991



GLOBE STAFF FILE PHOTO

SEN. EDWARD M. KENNEDY
Plans to seek seventh Senate term in 1994

Kennedy says lifestyle will change

By John Aloysius Farrell
GLOBE STAFF

WASHINGTON - Sen. Edward M. Kennedy, weary of the scrutiny his rakish lifestyle has commanded, says he will curb his carousing and temper his drinking, in hopes that the state's voters will send him to the Senate for a seventh term.

"You can't go through an experience like this and not make up your mind you are going to have to be a little more attentive to behavior," said Kennedy, referring to the public inquisition he has faced in the Palm Beach rape

case of his nephew, William Smith.

Although promising a new moderation, Kennedy rejects the notion - a notion held by some of his closest friends - that he needs help for a drinking problem.

"I appreciate the good sense and feeling that people have," he said Thursday, taking a break for lunch from the pitched legislative battles he was waging on abortion rights, civil rights and health care that day, "but I have never felt I had a problem and I don't feel it now."

"That doesn't mean that I am not going to be more attentive to it," the senator said, referring to his consumption of alcohol. "But no, that is not in my ... that's not where I'm at. I

'One is going to make mistakes along the way. And hopefully as you go through life you make fewer.'

SEN. KENNEDY

don't feel I've got a problem."

Dousing speculation that the Palm Beach affair will persuade him to retire, Kennedy said he will be a candidate for reelection in 1994.

Some of his oldest friends, however, while expressing faith that Kennedy will profit from the lessons of Palm Beach, are worried about him and show a new willingness to prod him about his behavior.

"Taking his son and nephew to that nightclub was a real mistake. I think it was a mistake from all points of view," said John Douglas, a close friend of almost 30 years. "Howev-

KENNEDY, Page 26

Kennedy says he will change his lifestyle

■ KENNEDY

Continued from Page 1

er, in a larger sense, the guy is a very sensible politician, and one has to expect that the old aphorism will apply: that once burnt, twice shy."

Perhaps, perhaps not. Said Kennedy, stubbornly, of such gentle critics: "I don't know what they're driving at."

Other friends, aides and former aides, insisting on anonymity, are not so gentle. They say Kennedy's inability to recognize an alcohol dependence is part of his problem. And they describe a kind of recurring personal crisis: that of a man saddled with the burden of the Kennedy mythology, saddened by loss, racked by pain from a decades-old back injury and bedeviled by the demands upon his life — a man who sometimes seeks relief in liquor-soaked binges and playboy sprees.

"He's a sick man," said one former senior adviser to Kennedy. "This needs to be discussed openly."

He and others fear that Kennedy's career, perhaps even his life, could end in a front-page denouement: busted by a zealous police officer, or with his car wrapped around a tree. "His life is a true tragedy, and true tragedies end tragically," the former aide said.

Beyond the image

The lingering image of the Palm Beach case is that of a 59-year-old US senator acting like a boisterous fraternity boy, rousting his son and nephew from bed for a round of ruinous late-night drinking.

Not mentioned is how the senator spent the preceding hours of Good Friday: sitting on a patio with his sister, Jean, and an old friend, Bill Barry — talking about old times, his late brother Robert, and Jean's husband, Steve Smith, who succumbed to cancer last summer.

When pressed in an interview Thursday, Kennedy reluctantly acknowledged that he interrupted the two younger men — his son Patrick, 23, and nephew Smith, 30 — as they retired from an earlier night on the town because, he says, he was upset by that conversation and felt the need for companionship.

As he stood in the wash of pulsing dance music and pretty people at Au Bar that night, grasping a glass of his usual Scotch whiskey, Kennedy says he told his son Patrick how the talk on the patio, of family tragedies both old and recent, had torn some emotional scar tissue.

"I was tired. I knew I didn't want to drink that evening," Patrick Kennedy told the Palm Beach authorities. "But I wanted to be out with my father. ... It was a very personal conversation."

Anyone who follows Kennedy's career knows of two or three times a year, usually at functions honoring his brothers, when his voice cracks, his eyes mist and he stares at the floor in pain. Sometimes, as at this year's Robert F. Kennedy human rights awards, he is able to compose himself and continue. At other times, he has had to flee the podium.

"There are certain emotions that are wasteful and destructive and energy-consuming, and one tries to spend one's time on emotions that are positive and contributive," said Kennedy, when asked how he deals with the sources of pain in his life. "Though you do that in an imperfect way, it doesn't stop you from trying."

And so he throws himself into impulse and action, at work or at play. "Ninety-five percent of the time he's working hard," said one loyal friend. "The other 5 percent of the time, he has a need to anesthetize the pain."

Kennedy is more than just another senator in Washington. In Capitol corridors his presence is sensed, long before he's seen, by the stir that goes through the crowd. Then the stentorian voice is heard; the easy laugh. Himself arrives: a rolling, gray-haired bull of a man with droopy eyes and a blotched face. Delicate hands, trembling slightly, slice the air in emphasis or tug absently at an ear lobe. He'll flash a smile at a constituent, his head cocked and back bent from the vertebrae that were crushed in an airplane crash in 1962. Next February he'll be 60. He's fourth in seniority; half his life has been spent in the Senate.

Tragedy's burden

A plane wreck like his, which killed the pilot and a close friend and immobilized him in a hospital for months, would be a defining moment in most lives. So might the death of a brother in war; the murder of another brother, and another; the death of a sister in yet another plane crash; the news that both your sons have cancers; a spouse's battle with alcoholism; or the death of a young woman in a car you were driving — a death for which you hold some responsibility. Kennedy has lived with all these.

The incident that has become known as Chappaquiddick lingers. Sen. Alan Simpson, a Wyoming Republican, has seen it haunt Kennedy. Simpson recalls that he had not been in Washington long before he saw an unknown woman walk up to the Massachusetts senator in the subway and say "something to the effect of, 'How do you feel about what you did up there at Chappaquiddick?'" And he said as steadily and calmly as I can ever imagine, "That's with me every day of my life."

"This is a human being," said Simpson.

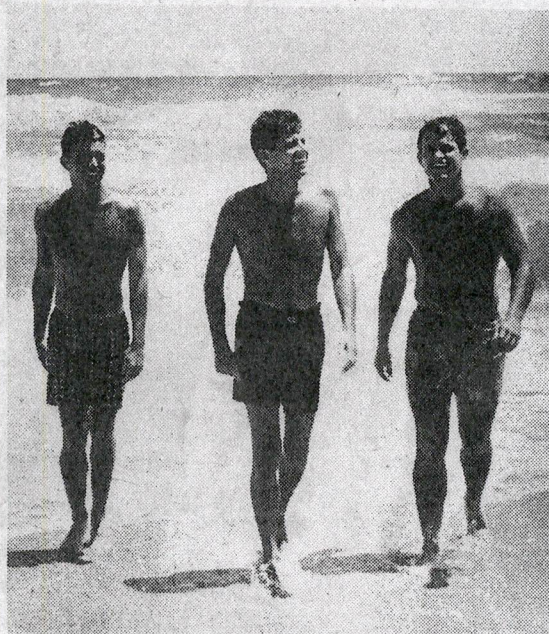


GLOBE FILE PHOTOS

WITH HIS WIFE, JOAN, AT HIS SIDE, KENNEDY ANNOUNCES IN 1979 THAT HE WILL RUN FOR PRESIDENT.



AT A MAYNARD PICNIC IN 1962, KENNEDY GREET'S THE VOTERS IN HIS FIRST SENATE CAMPAIGN.



HEADY DAYS OF HOPE AND GLORY:
ROBERT, JOHN AND TED KENNEDY AT THE BEACH



THE SENATOR ANGRILY DENIES INVOLVEMENT
IN THE ALLEGED RAPE AT PALM BEACH.

"He doesn't need all these self-appointed judges of his life."

Kennedy returned to Washington from his failed presidential quest in 1980 as a member of the minority party, on the wrong side of the Reagan Revolution. "I thought it was most important to spend the energy and effort at least holding the forces of reaction and retreat to as little gain as possible," he said. He focused his energy on something he'd always been good at: the Senate.

"This is far more than a dry statistical institution which responds just to roll-call votes. There is a lot of chemistry, emotion and feeling, both among members and in terms of timing of consideration of different issues," Kennedy said. "I think I have a better feel for it than I ever had."

"Once he got the anchor disengaged from around his neck about the presidency and the heritage and carrying the torch," Simpson said, "I think he really just immersed himself in his craft, which is legislating. He knows the game."

When the Democrats recaptured the Senate in 1986, Kennedy took over as chairman of the Labor and Human Resources Committee, as well as a Judiciary subcommittee. A stream of legislation began to flow through the Senate: immigration reform, refugee assistance, a billion-dollar attack on AIDS, education bills, health care legislation, a hike in the minimum wage, notice for plant closings, child care measures, a bill to provide parental leave, guarantees for civil liberties, civil rights legislation and more.

Against a conservative tide, Kennedy championed the needs of inner-city children and disabled Americans and victims of AIDS. "I've gone up and down in the polls," Kennedy said. "People feel strongly about me. I always felt that I wasn't doing my duty unless they did."

And when he has to, Kennedy can claw. Republican friends like Simpson still cannot forgive the partisan blitz he conducted against Supreme Court nominee Robert Bork - even as they speak admiringly of the ceaseless, savvy backroom campaign he orchestrated, calling on decades of experience and friendships, working the phones and rallying the opposition.

"He has a chance to be one of the all-time greats," said Sen. Orrin Hatch, a conservative Republican from Utah. But then came Palm Beach.

Destination: Au Bar

Kennedy's visit to Au Bar on Good Friday night was not the first time he had dropped by the now-infamous Palm Beach nightclub during Easter week.

Within hours after arriving Wednesday, he was drinking at the saloon with son Patrick and two friends, and picking up two young women who accompanied them back to the mansion and left separately in the early morning hours.

Though he has publicly promised to answer any question for law enforcement authorities in Palm Beach, Kennedy refused to discuss the women when asked by the district attorney - just as, over the years, he has always declined to answer questions about his private life.

Given a chance to offer his version of well-publicized episodes like the night in 1985 when he reportedly tossed a Washington waitress onto the lap of a colleague, or the afternoon in 1987 when he is said to have been entwined on the floor of a Capitol Hill restaurant with a blond lobbyist, Kennedy said that "I wish there was as much atten-

tion focused on the issues and the legislation as on the restaurants I might have gone to."

Kennedy did say that those tales are growing dated.

He boasted of his Lenten fasts, when he goes on the wagon and eats just salads or diet shakes to drop dozens of pounds: This year, he said, "I've gone 37 days without. Three years ago: 55 days or something. I lost the weight. I was hungry more than thirsty." And he bristled and answered, "No," when asked if he considered seeking counseling, attending Alcoholics Anonymous or had sought professional help in the past.

It's hard to gauge Kennedy's reliance on alcohol because his success on Capitol Hill frustrates the contention that his lifestyle has affected his performance. His most brutal critics can summon less than a handful of minor instances - a missed speech on South Africa, the time he voted the wrong way on a bill and berated an aide for his own mistake, a few conferences where he repeatedly called congressmen by the wrong first names - when his work appeared impaired.

Instead, the description is of a playboy who likes the nightlife; a divorced man who enjoys the company and pleasure of much younger women in relationships that last from mere hours to months; and a sometimes-troubled patriarch who, when pressures at work and in his family build to a breaking point a few times a year, will set off on a bender - sometimes with embarrassing results.

Kennedy's busy pace and accomplishments prove that those who allege a serious alcohol problem are wrong, argued Dr. Lawrence Horowitz, a physician who once served as the senator's administrative assistant.

"My definition of an alcoholic is someone who seems dependent and unable to function

unless alcohol is available," Horowitz said. "I don't see how, by any definition, that fits him. How ever could he function in that fish-bowl over that long a time? You cannot hide his public performance. He is at the center of the debate, performing a critical role and, even now, under all that strain and attention, doing a first-rate job."

Says former Democratic Party chairman Paul Kirk of his longtime friend: "The question of having a drink or two too many, well, I haven't seen any incident have a negative impact on what he is doing for the people he represents."

"We are all human and mortal, and my bet is that he is probably lonelier than you or I."

Kirk said of Kennedy's personal life: "What there is, he probably looks to enjoy it more, because there is less of it there."

Separating rumor, fact

Rumors complicate the matter. The Palm Beach police spent three days and interviewed half a dozen people chasing a false report that Kennedy got in a fight at the Colony Hotel on Good Friday and paid a valet \$50 to keep the matter quiet. A society columnist who spread salacious allegations of Kennedy's sex life on a Florida radio talk show was questioned by police and unabashedly admitted that she had no basis for her tales. It was all just "gossip and speculation ... with no factual backing," she said.

Two of Kennedy's physical afflictions are often cited as proof of excessive drinking. But Horowitz said that some of Kennedy's scars and blotches on his face are the result of basal cell skin cancer and its disfiguring medical treatment. The tremor in his hand, said Kennedy and Horowitz, is a "familial" nervous tic shared by his brothers - not evidence of disease or the delirium tremens of alcohol abuse.

Kennedy said he passed a recent physical with flying colors and agreed to release a doctor's appraisal of his health. But he changed his mind, his press spokesman said later, because of fears of what the tabloid press would do with such a personal document.

Still, even sympathetic biographers, such as James MacGregor Burns, have had no problem chronicling a series of episodes dating back to the 1960s when Kennedy's "reckless" appetite for liquor and womanizing tarnished his public image. Residents of Cape Cod joke about seaside mishaps and traffic incidents and how Kennedy often holds court at dockside restaurants, country-western lounges and out-of-the-way reggae joints.

In an oft-quoted Washington Monthly essay that discussed the politics of Kennedy's womanizing, writer Suzannah Lessard expressed a feminist view that his "skipping compulsively from girl to girl ... suggests a severe case of arrested development, a kind of narcissistic intemperance [and] an old-fashioned ... exploitative view of women as primarily objects of pleasure."

Loyalists scoff at such suggestions.

"He likes women. I've seen him with a lot of women. I've never seen him treat a woman disrespectfully," said Richard Goodwin, a Kennedy hand for three decades. "I mean, if they want to go to bed with a guy, why should they be deprived of that right? It's sort of antifeminist, actually, to not have that attitude because it implies that somehow women are helpless victims of Teddy. And as far as I know, they are all mature and what they are doing is voluntary and even desired."

"Does he drink? Sure. Teddy obviously drinks," says Goodwin. "Does he drink too much? For what? To keep himself from functioning? Well, he's functioning. To keep himself from being effective? Well, he seems to be as effective as can be in the Senate."

"All of a sudden everybody's worried about dying," Goodwin says. "People's attitudes change. They've learned some of these things are life-endangering. And they transform their fears into moral standards."

Simpson and Hatch said that it is not uncommon for Kennedy and other members of the Senate to have drinks with dinner and return to the Capitol for a late-night session with rosy cheeks and glints in their eyes.

"The only thing you'll notice about Ted is that he'll want to sit and tell you a pretty good story, and it's usually about his kids," said Simpson. "Maybe a little 'expansive' would be the word. But I've never seen him diminished."

"I think he goes through periods, like perhaps all of us who do take a drink now and then, where perhaps you finally say to yourself, 'I think I'll lay off for four weeks, or six weeks.' And you do that because maybe you feel that you might not, you know, may be handling it as well," Simpson said.

Said Kennedy: "I'd say it's been a full life. I recognize that my brothers left a very special legacy. And it's a legacy I'm proud of. And in so many areas their lives are idealized. And I understand that I get measured against both the reality of their lives as well as to much of the idealism."

"People have a great affection and love for them and members of the family and hold you to a high standard," he said. "And I understand that and respect and kind of welcome it. But I also understand that one is going to make mistakes along the way. And hopefully as you go through life you make fewer, and the positive aspects are more evident. You just have to deal with that reality."

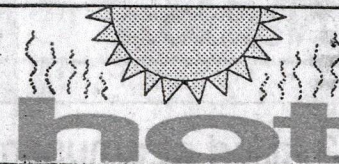
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Patriot Ledger

Monday, June 10, 1991

South Edition ★

GOP cautiously targets Kennedy

By Liz Kowalczyk
The Patriot Ledger

For the first time in years, the state's Republicans say they may be able to beat the unbeatable Sen. Edward Kennedy. The question is how far are they willing to go to defeat him?

The Kennedy family scandal at their Palm Beach vacation home may look like a GOP dream come true. But Republicans say it raises sticky questions for whoever challenges the Democratic senator in 1994 about whether to make the senator's sometimes carousing lifestyle a campaign issue.

Kennedy has indicated he will seek a seventh term in 1994.

State Rep. Peter Forman, R-Plymouth, the House minority leader, says the state Republican Party can win without focusing on Kennedy's indiscretions. Focusing on them would be a negative campaign strategy that could backfire with voters.

"With the right candidate, a Kennedy could be beaten, just like the Kennedys knocked out the Lodges decades ago," Forman said. "But it won't be because of his personal problems, and I don't think the party should run on that. The voters are

not interested in casting ballots based on someone's personal life."

Instead, the GOP should portray Kennedy as a "liberal dinosaur," Forman said. "There's been a dramatic shift in political thinking in the state. People may view Ted Kennedy as one who is still espousing sprawling government intervention."

But the new director of the state's Republican Party, Leon Lombardi of Easton, said Kennedy's personal troubles are fair game as a side issue to his record in Congress.

"When electing a person to high office, it is not

Please see KENNEDY — Page 10

To GOP, Kennedy may be easy but dangerous target

■ KENNEDY

Continued from Page 1

just for public service but as a role model for society," he said. "No one should make it the cornerstone of their campaign, but the issue of a role model should be touched on in some sense. He is going to face more scrutiny this time."

Lorna Archdeacon of Sharon, a 19-year-old college student, said she is torn about what approach Republicans should take. At 18, she was the youngest of 5,100 delegates to attend the Republican State Convention last year.

"It would be kind of rude to bring it up," she said. "But we do need to get a Republican in there. We'd have to see how the polls are going. It wouldn't be a good idea to come out of the gates yelling bloody murder about what he has done. But it might

be good for a last-ditch effort.

"He's a Kennedy; he's practically unbeatable," she said.

Democrats, of course, balk at the idea that Kennedy's future in the Senate is in jeopardy.

"Look at his record; look at what he has accomplished," said Steven Rudnick, a member of the Sharon Democratic Town Committee and an electrical engineer. "None of us is pure. To ask the people who represent us to be better than us is crazy.

"We have a state that has 10 percent unemployment and a public education system that is falling apart, and all anyone cares about is whether Teddy drinks. It's not important to me," he said.

Rudnick also questioned GOP statements that liberal Massachusetts is starting to lean to the right. He referred to former state Rep. Steven Pierce's defeat last week by

Democrat John Olver in the 1st District race for Congress — making the Massachusetts congressional delegation all Democrat for the first time since the Civil War.

William Mohan, a Sharon Middle School guidance counselor and Medfield resident, said he doubts the Republicans can produce a candidate strong enough — and liberal enough — to override the Kennedy legend. Mohan was Kennedy's Massachusetts campaign director during his failed 1980 bid for the presidency.

"He is an incumbent, he is a Kennedy and the issues-oriented electorate we have won't allow him to be beaten," Mohan said.

Lombardi said the GOP boasts a handful of politicians who may be powerful enough to unseat the senator, including Gov. William Weld, Lt. Gov. Paul Cellucci, state Treasurer Joseph Malone, former Holbrook

state representative Andrew Card, now White House deputy chief of staff, and U.S. Attorney Wayne Budd.

But both Republicans and Democrats agree anything can happen between now and 1994.

"Sen. Kennedy is now talking about changing his lifestyle and whether he checks into a rehabilitation clinic remains to be seen, but he might put the issue behind him with some exemplary conduct," Lombardi said.

Kennedy was at the family's Palm Beach seaside estate March 30 when a Jupiter, Fla., woman said she was raped. William Kennedy Smith, 30, nephew of the senator, has been charged in the case but has denied any wrongdoing.

Aside from the charges against Smith, investigators and witnesses painted an unflattering portrait of

the senator's behavior that night.

In an interview in the Boston Globe published yesterday, Kennedy promised future moderation but rejected the notion that he needs help for a drinking problem.

"That doesn't mean that I am not going to be more attentive to it," Kennedy said of his drinking habits.

However, if police charge Kennedy with obstruction of justice for not immediately talking to Palm Beach officers investigating the rape charge, the political picture could change completely, Forman said.

"A criminal cover-up, now that goes beyond personal problems. That's another story," he said.

Kennedy faced a similar allegation once before, in 1969, when he was involved in a fatal car accident on Chappaquiddick Island. He later pleaded guilty to leaving the scene of an accident.

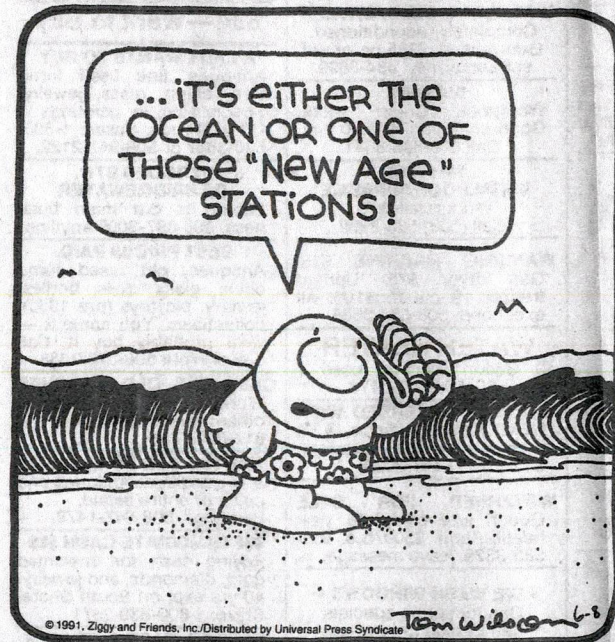
Rudnick said: "It's dangerous to even speculate about what will or will not happen 1½ years from now. The political memory of the American public is much more like the donkey than the elephant," he said.

Mohan said Kennedy may have to "tone it (his behavior) down a bit." But he said voters sympathize with his troubles.

"When he starts thinking about his family and everything . . . well, stronger people than the senator have cracked under things like that," he said.

Publicity surrounding the William Kennedy Smith rape case prompts consideration of change of venue for trial — Page 18.

ZIGGY®



Dear Abby

ABIGAIL VAN BUREN



Mom learns live-in lover was also molesting her son

UNIVERSAL PRESS SYNDICATE

DEAR ABBY: I am an intelligent 35-year-old professional woman. Trying to recover from

Forman mentions the unmentionable

GOOD for state Rep. Peter Forman! The agreeable House minority leader defied liberal orthodoxy by mentioning an unmentionable name during graduation ceremonies for Plymouth North High School last week, thus earning high praise from the vast majority of people, but bringing curses from the usual suspects.

Forman, a Plymouth Republican, had been invited to give the commencement address to the graduates, a ceremonial duty which words, while important, tend almost immediately to fade from memory. In more than four decades of listening or reading commencement addresses, only two in all those years remain fixed in memory: Winston Churchill's address in Missouri that created the term "iron curtain" and Gen. George Marshall's address to the graduates of Harvard announcing the Marshall plan to rebuild war-ravaged Europe.

In both cases, something important outside the content of the speech remained fixed in people's memories. Forman's speech may well provoke memory into the future for his heretical mention of the word, God.

The heresy, of course, was not against religion, but against current liberal wisdom and trendy thought. A Rhode Island federal appeals court judge has ruled that mention of God during commencement ceremonies is a violation of the separation of church and state clause of the Constitution — this despite the fact that schools have bent over backwards in recent years to provide clergy from all major religions at the exercises and to keep prayers non-denominational.

The loony left, however, upset that a witch or some similar creature was not similarly represented among the gathered clergy, remained unimpressed. Besides, they reasoned, what kind of affront is it to expect atheists to be harassed by these useless spiritual exercises? The American Civil Liberties Union quickly came to the rescue. The courts, winking and nodding, promptly shook hands with the grousers.

At the beginning of his speech, Forman obliquely made mention of these forces. "Many of you, I know,

Paul Salters



would also find it appropriate to acknowledge and thank a more distant and powerful force whose name, we are told, cannot be mentioned here today."

At the end of his speech, Forman took advantage of his First Amendment rights of free speech to dare mention the God word. "All of you have accomplished a great deal in 12 years ... you should be grateful ... grateful to your family and friends ... and thankful to God."

He then noted that while the federal judge ruled that the First Amendment prohibited clergy from offering prayers at public school commencements, the same protection of free speech offered him a chance (since he was neither clergy nor a school official) to say a small prayer.

After the brief prayer, the audience instantly erupted in loud applause and cheers. And why not. All that Forman did was to expose to the audience the legacy of cheap thought. Indeed, his speech dealt almost exclusively with cheap thought, focusing as it did on politically correct thinking, though that's not what Forman labeled it.

"You will find after graduation that there are enough people who want to control and limit what you think and say. You will confront many pressures to conform your opinions to those which are most socially fashionable and politically acceptable," he said.

Forman is right on target in his warning to the graduates, just as he was right on target in mentioning the unwelcomed name of God. Both acts are an affront to current liberal wisdom.

Despite the grip Republicans have held on the White House in all but four of the last 22 years, the Congress and the courts are still relentlessly leftist. Congress, ironically, is turning farther to the left now at just the time Britain's Labour Party is moving from the loony fringes of the far left to a comfortable center.

This left-liberal thrust of American politics constitutes the current orthodoxy. Deviation from the orthodox is met by stern penalties in the courts and by the fury it spews, especially on campus, over departures from acceptable thought.

That is why liberals are horrified by the uninterrupted flow of GOP presidents. Conservatives are being appointed to the federal courts in numbers that may strike down the orthodoxies touted by the left.

Such men as federal appeals court Judge Thomas Meskill may no longer be in a minority. Meskill was the lone dissenter in a case brought by the ACLU in Burlington, Vt., when a menorah went on Christmas display in a public park next to City Hall. The majority of the three-member panel ruled the display unconstitutional.

Judge Meskill disagreed that the menorah gave the impression that the display was publicly sponsored. It was not, but its proximity to City Hall persuaded the other judges of its unconstitutionality.

Judge Meskill had this to say: "Rather, the denial of permission to display the menorah would constitute unnecessary hostility to religion."

And that's what the I-hate-God crowd is really up to — to institutionalize hostility to religion.

At least Forman gave one class of kids a chance to thank their God on one of the important days of their young lives. And maybe they'll long remember hearing a word at a public function that the loony left loathes, and when they become politically active, they might even recognize who the real lovers of liberty are.

Paul Salters is a member of The Enterprise staff.

PLYMOUTH NORTH HIGH SCHOOL GRADUATION

JUNE 1, 1991

Congratulations. While you have every reason to be proud of today's accomplishments remember that you did not do it alone.

This is also a day of celebration for your families. And it should be a celebration OF your families. Your presence here today is as much a tribute to their work as to yours.

So on behalf of all of you let me congratulate and say thank you to the parents and relatives and invite you to stand and recognize them with a nice hand.

Many of you, I know, would also find it appropriate to acknowledge and thank a more distant and powerful force whose name, we are told, cannot be mentioned here today.

But, I'll have some thoughts on that in a few moments.

Graduations are partly a celebration of transition. For you it is the end of a 12 year journey and the start of many new ones.

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Many of you may be wondering what those 12 years were all about ? For most people, education does not bring vast wealth, nor great power, nor special status among peers, or spare you from any turmoil of life.

The odds are great that you will never remember, or need to know, most of the algebraic equations you studied, the foreign language phrases you struggled with, or the elements of a periodic chart.

If you do, then you should probably become a contestant on Jeopardy.

After twelve years of school you should be ready to think. You should be better prepared to understand how the world and people around you effect your lives and how you can change and control the forces that shape your lives.

In some countries those changes come about through force. In this country they happen because ideas move people -- and our government.

The most important protection of our Constitution is the freedom of thought as guaranteed by the First Amendment of The Bill of Rights.

"CONGRESS SHALL MAKE NO LAW RESPECTING AN ESTABLISHMENT OF RELIGION, OR PROHIBITING THE FREE EXERCISE THEREOF; OR ABRIDGING THE FREEDOM OF SPEECH, OR OF THE PRESS; OR THE RIGHT OF THE PEOPLE PEACEABLY TO ASSEMBLE, AND TO PETITION THE GOVERNMENT FOR A REDRESS OF GRIEVANCES."

While the Constitution prohibits Congress from restricting our rights of thought, I find that we, unfortunately, try to restrict one another.

Recently, our own state Senator was publicly attacked for voicing an opinion which offended some people.

On some college campuses, students are disciplined for making statements and using words that might be offensive to someone else -- not vulgar language but ideas and phrases which are not agreeable to the political and social sensitivities of some groups.

In federal Court a judge has ruled that it may be offensive to some students to hear a prayer of thanks to God and therefore the Constitution prohibits the expression of a religious thought at a graduation.

All around us there are assaults on the First Amendment's protection of thought.

Free thought and free speech can offend some people.

But that is their purpose -- to incite thought and thoughtful reaction. If we all agreed on the same ideas there would be no need to speak them and the freedom of speech would be unnecessary.

Without new ideas there would never be changes in our government's laws -- nor would there be any self examination of our own lives and how we can change the small corners of the world in which each of us lives.

In arguing that a graduation prayer is a government action imposing some religious values, the Judge said that graduation is the school's FINAL word to students and therefore a prayer would take on a special significance, thus violating the First Amendment.

The final word from a school should NOT be that ideas and values cannot be discussed.

You will find after graduation that there are enough people who want to control and limit what you think and say. You will confront many pressures to conform your opinions to those which are most socially fashionable and politically acceptable.

But what is socially fashionable and politically acceptable changes from year to year. It changes because enough people exercise their rights to think freely for themselves and in so doing they control their own lives rather than let others think for them.

That is the value of an education. To learn how to think for yourselves, to draw your own conclusions, and to dare to be a little bit different from everyone else.

All of you have accomplished a great deal in 12 years. You should be proud. And you should be grateful.

Grateful to your families and friends and, if you believe, you should be thankful to God. And you should be grateful that you live in a country that allows you to think and express your own thoughts.

The Federal Judge ruled that the First Amendment prohibits school officials from inviting clergy to graduation to offer a prayer. But the same Amendment's guarantee of speech allows me to offer some thoughts along those lines since I am neither clergy nor a school official.

So I would like to offer a small prayer for all of you
and if you so wish, I invite you to stand and join me.

O God, we ask your blessings upon these graduates, the
Class of 1991.

We thank you for their families, their teachers, and
all the helpers who have been an influence to them.

Be with them in all the years to come.

May they use their talents and energy to useful ends.

Keep them courageous, free, and grateful always.

AMEN.

Members of the Class of 1991, congratulations, good
luck, and above all -- God Bless you. Thank you.