Valentic, Marsha

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Sent: Tuesday, January 08, 2002 4:00 PM
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Subject: Who Wants Tax Increases?

----------------------- Forwarded by Edward Ingle/WHO/EOC on 01/08/2002 03:59 PM -----------------------

James R. Wilkinson
01/08/2002 03:38:58 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Subject: Who Wants Tax Increases?

List of helpful quotes in case you get asked about Sen. Daschle's recent comments on tax relief:

(See attached file: EIC -- Division on Tax Increases.doc)
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The War on Terrorism -- Weekend Message

James R. Wilkinson
01/04/2002 05:51:11 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: The War on Terrorism -- Weekend Message

Have a great weekend.

(See attached file: CIC -- Weekend Daily.doc)

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Weekend Schedule (EST)

**Saturday**
Prime Minister Blair delivers remarks in Bangalore, India.
President Bush travels to the west coast where he holds a town hall meeting in Ontario, California; tours the Northeast Portland (OR) One-Stop Career Center and Youth Opportunity Center, and delivers remarks to families, workers and business leaders in Portland, OR.

**Sunday**
9:00a EST  Larry Lindsey to appear on Fox News Sunday
10:30a EST  Secretary O’Neill to appear on Meet the Press.
10:30a EST  Larry Lindsey to appear on Face the Nation.
11:30a EST  Secretary Evans to appear on This Week.
12:00p EST  Secretary Evans to appear on Late Edition.

Recent Key Quotes & Developments

- The Wall Street Journal (12/31/01) reported that anti-Taliban forces in Afghanistan confiscated a computer containing, among other things, the elements of a “plan to developed a ‘home-brew nerve gas,’” and the text of a letter saying that “hitting the Americans and Jews is a target of great value and has its rewards in this life and, God willing, the afterlife.”

- "The first magazine for women in nearly 10 years has hit the shelves of the war-ravaged country. Seerat (Attitude) does not look like a standard glossy magazine. [It is] crudely churned out on an old-fashioned printing machine. Three women [journalists] are funding the weekly magazine out of their own pockets. 500 copies of Seerat, which costs 2,000 Afghans (10 cents), are being distributed by its authors to colleges, bookshops and other institutions. All they have asked is that the ministry, which reads it for censorship, does not change any of the articles. We are a long way behind the technology that other newspapers have used for a long time. Please send us magazines. Any help and all ideas are welcome," [say the journalists.]" (AFP, 12/25/01)

Message

Osama bin Laden is a coward who murders innocents, including women and children and Muslims.

We are a long way from finished in Afghanistan. Much difficult and dangerous work is yet to come. Many terrorists are still hiding in heavily fortified bunkers in rugged territory. They are said to be prepared for a long stay underground. But they are in for a sudden change of plans — because one by one, we are going to find them. Piece by piece, we will destroy their network of terror.

The U.S. is leading a global coalition that has made great progress in the war on terrorism:

- Began to destroy al-Qaeda’s grip on Afghanistan by driving the Taliban from power.
- Disrupted al-Qaeda’s global operations and terrorist financing networks.
- Helped the innocent people of Afghanistan recover from the Taliban’s reign of terror.
- Helped Afghans put aside long-standing differences to form a new interim government that represents all Afghans — including women.

In Case You Missed It...

- "We’ve disrupted any number of training camps, and it does take training to become a polished, successful murderer or mass murderer. You just don’t walk out of grade school with that kind of knowledge, you need to practice and be taught by experts.” (Defense Secretary Donald Rumsfeld, 1/3/02)

Facts of the Day

- The U.S. government has already spent more than $32 million in fiscal year 2002 to help assist Afghani refugees return to their homes in Afghanistan.
- President Bush’s call for American kids to send $1 to America’s Fund for Afghan Children has helped raise nearly $2 million, which has been spent on hats, socks, coats, tents, school supplies and other important humanitarian items that have been shipped to Afghanistan.
Facsimile Transmittal

to: Jonathan Gruber
fax #: (202) 622-2633
re: Electricity Restructuring
date: September 29, 1997
pages: 27, including this cover sheet.

We would appreciate your comments and edits by close of business on Wednesday. If you have any questions, please feel free to call me at 456-5385. Thanks for your help.

From the desk of...
Marc Silverman
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FOR INTERNAL USE ONLY – CONTAINS MARKET SENSITIVE INFORMATION

SUBJECT: Electricity Industry Restructuring

ACTION FORCING EVENT

Several Members of Congress have introduced bills to bring competition and consumer choice to the electricity industry. The bills vary in form from proposals that completely restructure the electric industry by ordering the states to adopt legislation opening the industry to competition to stand-alone bills that repeal legislation that has governed for decades but is now regarded as an obstacle to competition that needs to be removed.

Eight states including California and Pennsylvania are implementing their own versions of retail competition, and dozens more are considering legislative proposals. However, since electricity markets are increasingly regional in nature, federal legislation is necessary to address issues arising from interstate commerce.

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The NEC established an interagency working group to consider the policy issues over the past several months and to begin the process of making recommendations to the President. Two deputies meetings have been convened. The Department of Energy is the lead agency, and has worked closely with other agencies and Cabinet departments to refine the issues. Extensive briefing materials have been developed and distributed in this process, and we urge you to consult with your agency's representative to the NEC group for materials that will be helpful to you in addition to what is provided here.

This memorandum outlines the working group’s and Deputies’ views and provides options for action on some key issues.

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INTRODUCTION

What does “restructuring” mean?
Restructuring means opening up parts of the electricity industry -- distribution and transmission facilities -- to competition. Under the resulting new system, called “retail competition,” consumers would be allowed to choose their own electricity suppliers much like they now choose their long-distance telephone service provider. Electricity policy is moving in this direction because of demands by customers that they be allowed to choose their own suppliers instead of being captive to the local utility. Proponents of competition believe it will lead to increased efficiency in the industry and reduced costs to consumers. There is some data that attempts to quantify these predicted benefits, these data are discussed below.

Under electricity restructuring, competition would replace regulation as the primary mechanism to set electricity generation prices. Utilities would be required to open their distribution and transmission wires to all qualified sellers. The transmission and distribution of electricity would continue to be regulated because they will remain monopolies for the foreseeable future. Thus, the system would be restructured, not completely deregulated.

How does the current system work?
Generally, under State law, electric utilities are monopolies that have both an exclusive right and responsibility to serve all consumers in a particular area. Most utilities are vertically integrated suppliers of generation and distribution services to the end customer. The vast majority of states regulate utility prices through a process known as cost-of-service or rate-of-return regulation. State regulators set the rates that utilities may charge based on the full cost of generating, transmitting and distributing electricity plus a fair rate of return on the invested capital.

[(b)(5)]
Competition in the electricity sector at the wholesale level, which was mandated by the Congress in the Energy Policy Act of 1992, was projected by the Federal Energy Regulatory Commission (FERC) in 1996 to save between $3 and $5 billion per year.

Some homeowners in Eastern Washington State pay as little as 2 cents per kilowatt hour (kWh), while the people of Long Island pay 800 percent more -- as much as 16 cents per kWh.

LEGISLATIVE PROPOSALS

In the 105th Congress, a number of legislative proposals for Federal legislation with respect to electricity regulation reforms have been introduced. These include bills narrowly targeted at particular issues, such as repeal of the Public Utility Holding Company Act of 1935 (PUHCA) and the establishment of a federal matching fund for State public purpose programs. There are also several more comprehensive proposals, each of which would make substantial amendments to the principal relevant Federal statutes. A chart attached to this memorandum summarizes the major bills.

The major issues addressed are:
1. Whether to mandate retail competition and how to treat stranded costs;
2. Whether to mandate states adopt a Public Benefits Matching Fund. This fund would provide funding for universal service, low-income assistance, research and development and renewable energy supplies that are now funded by regulated utilities but may disappear in a competitive environment;
3. Whether to include air quality issues in the restructuring debate and subsequent bill or keep it separate either in a related bill or under the current regulatory regime.

competition.

The proposals also differ in their respective approaches to stranded cost recovery. Sen. Bumpers’ proposal would allow utilities to fully recover fully stranded costs, Rep. DeLay’s bill would prohibit any stranded cost recovery, while other bills leave the decision entirely to the States.

Many of the bills call for the repeal of The Public Utility Holding Company Act of 1935 (PUHCA). This Act, passed during the Depression, is the piece of legislation which still governs the electricity industry. It mandated regulated utilities be vertical monopolies. In its place, FERC and the States would be given additional access to corporate books and records. Several of the legislative proposals give FERC additional authority to address affiliate transactions, mergers and market power.

Many of the bills repeal the mandatory purchase requirement of section 210 of the Public Utility Regulatory Policies Act (PURPA) which sought to reform the vertically integrated electric utility monopolies by making it possible for non utility electricity generators to sell power wholesale to electric utilities. Rep. Markey’s bill would condition the repeal of PUHCA and section 210 of PURPA on a State’s adoption of retail competition.

While a number of the legislative proposals make clear that States have the authority to provide support for public benefits, several of the proposals have included specific provisions providing support for public benefits. Bills offered by Rep. DeFazio and Sen. Jeffords include provisions establishing a federal matching fund to support low-income customers, renewable resources, energy efficiency, and research and development. Sen. Jeffords, Sen. Bumpers, Rep. Markey and Rep. Schakowsky have included provisions establishing a renewable portfolio standard.

Some of the proposals contain provisions addressing utility air emissions regulation. Sen. Bumpers’ bill would require EPA to prepare a report on the effect of differing emissions standards on competition; Rep. Markey and Sen. Jeffords would give EPA broad authority to set emissions caps for a number of pollutants and to provide for a cap and trade system for these pollutants.

Many of the bills also address a broad range of other issues, including clarification of jurisdictional boundaries between federal government and states, reliability, consumer disclosure, and universal service.

ISSUES

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Stranded Costs.  [(b)(5)]  

Stranded costs are costs that were incurred by utilities to serve their customers with the understanding that state regulatory commissions would allow the costs to be recovered through electric rates.

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APPENDIX

DISCUSSION

A Brief History of Regulation, Monopoly and Competition in the Electric Industry

Phase 1: State and Local Regulation of Monopolies
The electric utility industry long has been viewed as a natural monopoly. Initially, electric utilities were primarily regulated by local governments through the grant of a monopoly franchise. As the industry grew, State regulation of franchises and utility rates was established in the early 1900s to replace or supplant local regulation. During this phase the federal role in regulating the industry was very limited.

During the 1920's electric utility holding companies began accumulating most of the control of the industry. By the late 1920's the 16 largest electric utility holding companies controlled more than 75% of all U.S. generation. Many of these holding companies engaged in self-dealing and other abuses that eluded state regulators because the holding companies' activities were interstate. With the onset of the Depression, many of these holding companies collapsed.

Phase 2: The New Deal – Federal Regulation and Market Participation
The failure of many of the electric utility holding companies and other factors provided the impetus for the creation of a federal electricity regulatory structure and direct federal participation in the electricity sector. These Depression-era statutes, including the Federal Power Act Amendments of 1935, the Public Utility Holding Company Act of 1935, the Tennessee Valley Authority Act of 1933, the Rural Electrification Act of 1936 and the Bonneville Project Act of 1937, have evolved considerably over the past 60 years, but their basic underpinnings have remained unchanged. These statutes, in combination with state utility regulation of retail electric sales, remain the basic regulatory framework for the electricity industry.

Title I of the Public Utilities Act of 1935, the Public Utility Holding Company Act of 1935 (PUHCA) gave the Securities and Exchange Commission (SEC) power to regulate holding companies. Under the Act, the SEC was given the power to break up large interstate utility holding companies by requiring them to divest their holdings until each company became a single consolidated system serving a circumscribed geographic area. Furthermore, holding companies were only allowed to engage in business that was essential and appropriate for the operation of a single integrated electric utility. For all intents and purposes this eliminated the participation of nonutilities in the wholesale electric power industry. Under PUHCA, multi-state holding companies must register with the SEC. By 1950 the reorganization under PUHCA was virtually complete and created the vertical electric utility system that exists today.

Title II of the Public Utilities Act (The Federal Power Act) empowered the Federal Power Commission (FPC), which previously had regulated only hydroelectricity generation, to oversee
the interstate transmission and wholesale marketing of power. In 1977, the FPC became the Federal Energy Regulatory Commission (FERC).

The other facet of the New Deal effort to combat monopoly power and the other problems in the electricity industry, such as the failure to serve many rural areas, was direct federal participation in the electricity market through the enactment of the Tennessee Valley Authority Act of 1933, the Rural Electrification Act of 1936 and the Bonneville Project Act of 1937. The results of these efforts are still evident today as the federal government produces about 10 percent of the electricity consumed in the United States and also has over $30 billion in outstanding loans to rural electric cooperatives.

Through the 1950's and 1960's the electric industry functioned through regulated natural monopolies: prices remained low and consumers were generally satisfied with service provided by the utilities. However, beginning in 1965 with the blackout in the northeast, the Arab oil embargo of 1973 (from October 1973 until March 1974 with prices increasing threefold) and the Three Mile Island nuclear accident, confidence in the electricity industry, operating as it was, began to erode.

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STAKEHOLDER VIEWS ON ELECTRICITY RESTRUCTURING

The following is a summary of the views of key stakeholders in the electricity restructuring debate. The associations and others named in parentheses are included for illustrative purposes and are not comprehensively listed.

Investor-owned utilities (IOUs) are split on restructuring which has led to creation of splinter groups within the industry. Many high-cost utilities want to go slow, oppose federal competition mandates, and would like Congress to ensure 100% recovery of stranded costs (Edison Electric Institute). They tend to support narrow legislation that repeals federal statutes that are burdensome to them such as the Public Utility Holding Company Act (PUHCA) and the Public Utility Regulatory Policies Act (PURPA). Some support privatization of the federal power marketing administrations (PMAs).

Low-cost utilities want to move quickly, support a federal mandate on retail competition, and are less concerned about recovery of stranded costs. (Partnership for Customer Choice) Utilities in States that are implementing retail competition such as California, Pennsylvania and Massachusetts, support a federal mandate on competition because they believe it is unfair that their markets are open to other sellers while other utilities service territories remain monopolies (Alliance for Competitive Electricity). Most electric utilities oppose proposals to address utility air emissions in the context of restructuring.

Independent Power Producers (Electric Generation Association, AES, US Generating) strongly favor federal restructuring legislation, including a federal mandate for retail competition. They also support stranded cost recovery, particularly costs incurred under PURPA independent power projects. Some independent producers support the inclusion of air quality measures in restructuring legislation due to a concern that they will be at a competitive disadvantage in a restructured market because they are generally subject to far more stringent air quality requirements than many utilities.

Power Marketers (Enron) strongly support rapid enactment of federal restructuring legislation which mandates the implementation of competition in all 50 States.

Municipal utilities (American Public Power Association) have diverse views on restructuring but generally tend to favor a go slow approach. However, they strongly support federal legislation to modify current tax law “private use” restrictions which make it difficult for municipal utilities to function in a competitive environment. They also support federal measures to curb market power in a competitive markets. In addition, they strongly oppose proposals to privatize the federal PMAs which sell relatively low-cost power primarily to municipalities and rural electric cooperatives.

Rural Electric Cooperatives (National Rural Electric Cooperative Association) generally tend to favor a go slow approach. Their national association has been one of the most outspoken critics
of retail competition. The coops strongly oppose proposals to privatize the PMAs or curtail Rural Utility Service assistance.

Industrial consumers (Electricity Consumers Resource Council, Chemical Manufacturers Association, American Petroleum Institute) and Commercial consumers (National Retail Federation, National Restaurant Association) want rapid restructuring, mandated retail competition, and oppose recovery of utilities stranded costs.

Consumer groups (Consumer Federation of America, American Association of Retired Persons) are concerned that most benefits from restructuring will go to large industrial and commercial customers, with few gains -- and possible adverse impacts -- for small consumers. They tend to oppose stranded cost recovery and favor state-level decision making on retail competition. They strongly support labeling requirements and measures intended to preserve public benefits currently provided by monopoly utilities such as public benefit or universal service funds.

Environmental groups (Natural Resources Defense Council, Sierra Club, Environmental Defense Fund) and Renewable Energy Producers (Solar Energy Industries Association, American Wind Energy Association) are generally willing to support electricity restructuring if their concerns about potential air quality impacts and investments in energy efficiency and renewable technology are addressed. They support provisions on air quality, particularly those focused on Midwest coal-fired generation that is subject to less stringent regulation, a renewable portfolio standard, public benefit fund and green labeling.

Labor Unions (International Brotherhood of Electric Workers, United Mine Workers) are very concerned about the impact of restructuring on workers, particularly the likelihood that efforts to increase the efficiency of electricity utilities could lead to extensive job losses. They oppose federal competition mandates, preferring that if restructuring occurs issues be resolved at the State level. They are also concerned that restructuring could lead to diminished reliability as utilities cut back on spending for transmission and distribution operation and maintenance. They believe that workers that lose their jobs due to restructuring should be treated as a "stranded investment."

Public Interest Consumer Groups (Public Citizen, U.S. PIRG) strongly oppose stranded cost recovery and support environmental/sustainable energy measures such as the Renewable Portfolio Standard, Public Benefit Fund, and further restrictions on electricity generation air emissions.

State regulators (National Association of Regulatory Utility Commissioners) as a group tend to support the move to retail competition and are implementing it many States. Their primary concern is to protect state regulatory authority. They oppose a Federal mandate for retail competition. Many state regulators support a federal public benefits matching fund.
ISSUES

Market Power. DOE recommendations included a number of policies and reforms designed to ensure that the move toward restructuring the generation sector of the electricity market does not lead to adverse consumer impacts as a result of the exercise of market power by market participants. In particular, two types of potential market power concerns have arisen. First, where the same company or affiliated companies own both transmission facilities and generation facilities, there is concern that the available regulatory mechanisms are inadequate to ensure that owners of transmission facilities allow other generators access on comparable terms. The staff group supported modifications to the Federal Power Act to enable FERC to require transmission owning utilities to turn over operational control of transmission facilities to independent system operators (ISOs). These ISOs are designed to ensure that system operation decisions are made in a non-discriminatory manner, but do not require divestiture of ownership. FERC’s new authority would enable it to require the creation of ISOs, require transmission owners to turn over operational control of their transmission facilities to a preexisting ISO, and regulate the operations of these ISOs.

There is also concern that, independent of any competitive advantage gained by ownership of transmission, owners of generation in some markets may control such a large fraction of the generation available in that market as to possess market power. The interagency group agreed that FERC should be authorized to remedy wholesale market power if it finds that the owner of a generator possesses such power. Moreover, FERC would be authorized, upon petition from a state, to remedy market power in retail markets if the state is implementing retail competition, finds market power, and has insufficient authority to remedy the market power itself. In these circumstances, FERC would be authorized to require generators with market power to submit a plan to mitigate their market power, which FERC could approve with or without modification. FERC would be explicitly authorized to order divestiture to the extent necessary to mitigate any market power.

Finally, at the suggestion of the Department of Justice, it was agreed that a provision in the federal policy on retail cost recovery be added that provides that any stranded cost recovery mechanism should operate in a manner that is competitively neutral — i.e., that minimizes to the maximum extent possible any effect of the stranded cost recovery mechanism on the choice of supplier or product offering by purchasers of electricity.

Tennessee Valley Authority. The Tennessee Valley Authority is one of the largest electric power systems in the United States. The TVA system is the supplier of electric power in a region containing 7.5 million people located in parts of seven states: Tennessee, Kentucky, Mississippi, Alabama, Georgia, North Carolina, and Virginia. Eighty-five percent of TVA’s power is sold at wholesale to 160 municipal or cooperative local distribution systems. Power is also sold directly to about 67 industries with large or unusual loads and some Federal agencies. TVA is a wholly owned corporate agency and instrumentality of the United States established by the Tennessee
Valley Authority Act of 1933, as amended, primarily to develop and manage the resources of the Tennessee Valley region.

TVA’s electric system operations are required to be self-supporting and are financially separate from TVA’s nonpower activities. The power system is financed entirely from its revenues, which were about $5.7 billion in fiscal year 1996, and bonds backed exclusively by those revenues. TVA is administered by a Board of Directors which is composed of three persons appointed by the President and confirmed by the Senate. Currently, two of the three Board members were appointed by President Clinton. The Board has sole authority for determining the rates which TVA charges for power, and approves the retail rates charged by TVA’s wholesale distributors.

Statutory Limitations. The sale of TVA power, both wholesale and retail, is expressly limited by a 1959 amendment to the TVA Act which provides that, unless specifically authorized by the Congress, TVA can make no contract for the sale or delivery of power which would have the effect of making it or its distributors, directly or indirectly, a source of power supply outside the area for which TVA or its distributors were the primary source of power supply on July 1, 1957. This provision, commonly known as the “Fence,” does provide, however, that TVA can, when economically feasible, make exchange power arrangements with other power-generating organizations with which TVA had such arrangements on July 1, 1957.

TVA is subject to the wholesale open access provisions enacted by Congress in Sections 211 and 212 of the Federal Power Act. These provisions grant FERC the authority to order TVA to provide wholesale transmission services to others across its transmission lines and to establish the wholesale wheeling rate if TVA and the person requesting the wheeling cannot agree. However, the statute also contains an “anti-cherry picking” provision which prohibits FERC (with one exception) from issuing a wheeling order under Section 211 to order power wheeled into the TVA area so long as TVA is restricted by the Fence from reciprocal competition.

DOE/TVA Regional Consensus Process. Generally, TVA is affected in greater or lesser degree by each of the issues now being examined as part of the present consideration of the restructuring of the electric utility industry. However, because of its unique statutory responsibilities and restrictions, as well as its size and geographic location, TVA also presents additional issues which must be fully addressed in any comprehensive analysis of the future role of the utility industry in this country. TVA has expressed the desire to address each of these issues in a full and complete manner, and the Department of Energy has agreed to facilitate this effort. TVA and DOE are currently formulating a joint regional consensus process which will solicit input from each of the stakeholder groups whose views will be important and instructive to the proper resolution of these issues. Currently, plans are being considered to involve and solicit the views of TVA’s power distributors, its directly served retail customers, the surrounding regional utilities, various power marketers, and IPPs, as well as appropriate State legislative and executive officials. The process will involve continuing meetings with distributors and direct served
customers, industry meetings and public meetings throughout the valley; as well as meetings with and briefings of congressional members and staff. It is now planned that this process will be complete within six months with a report to the NEC at that time.
Politics of Electricity Restructuring

I. Introduction

[(b)(5)]

Scores of Congressional hearings have been held and 12 restructuring bills have been introduced.

[(b)(5)]
[(b)(5)]
Senate Banking Committee:

This committee has jurisdiction over PUHCA and reported a PUHCA repeal bill out of Committee earlier this year. Chairman D'Amato and Senator Dodd are the leading supporters of the bill and will likely continue to push for floor consideration of stand-alone PUHCA repeal. In both 1996 and 1997 the Department sent letters to Chairman D'Amato indicating the Administration's opposition to stand-alone PUHCA legislation and support for reforming PUHCA in the context of comprehensive restructuring legislation.
The flexible competition mandate would require all utilities to offer consumers the ability to choose their own supplier by January 1, 2003 but provide States the ability to opt-out of this requirement if they find that consumers in the State would be better served by another policy.

This position places the Administration firmly in the middle of the road of the retail competition debate. At one end of the spectrum is legislation that mandates retail access for all utility customers by a “date certain” notwithstanding State policies to the contrary.

[(b)(5)]

On the other end of the spectrum is legislation that does not mandate retail competition but instead removes various federal law impediments to both full wholesale competition and retail competition. Legislation introduced by Senator Thomas (S. 722) and Senator Bingaman (S. 1276) takes this approach. Congressman Markey’s legislation (H.R. 1660) provides incentives to utilities to provide for retail competition but does not mandate that such competition occur.

[(b)(5)]

4. Renewable Portfolio Standard (RPS)

Presently, the proposal sets the portfolio requirement at 4.5% for non-hydro renewables in 2010. The Schaefer bill also applies to non-hydro renewables and requires that a 4% threshold be met in 2010. Markey has a 10% non-hydro renewable requirement in 2010. Jeffords establishes a 20% RPS requirement in 2020. Bumpers/Gorton includes an RPS and defines hydroelectricity.
as a renewable eligible to meet the standard.

5. Public Benefit Fund (PBF)

[(b)(5)] $1.4 billion Public Benefit Fund to provide matching funds to States for low-income assistance, energy efficiency programs, consumer education, and emerging renewable energy technologies. The PBF would be funded through a generation or transmission fee of up to 0.5 mills per kilowatt hour, which would amount to about 25 cents per month for a typical household.

None of the comprehensive restructuring bills include a PBF. However both the Jeffords and DeFazio bills include large PBFs funded by a fee of up to 2 mills per kWh, for a total fund size of about $6 billion.

6. Air Quality

[(b)(5)]

The Markey bill provides EPA with additional authority to regulate carbon dioxide, sulfur dioxide and nitrogen oxide, including the ability to institute cap and trade systems. Bumpers/Gorton includes an air quality study. The Jeffords and Pallone bills also provide EPA with broad additional authority to regulate air quality. The other restructuring bills do not address air quality.

[(b)(5)]

IV. Stakeholder Views

What follows is a description of the views of various stakeholder and predictions as to their likely reaction to the Administration proposal. These predictions are based upon the presumption that we will have the opportunity to consult with stakeholders prior to release of our proposal.

High-Cost Investor-Owned Utilities (IOUs) generally want to go slow, oppose federal competition mandates, and would like Congress to ensure 100% recovery of stranded costs
(Edison Electric Institute). They tend to support narrow legislation that repeals federal statutes that are burdensome to them such as the Public Utility Holding Company Act (PUHCA) and the Public Utility Regulatory Policies Act (PURPA). A second tier issue for some are privatization of the federal power marketing administrations (PMAs) and a requirement that municipal utilities refinance existing tax-exempt debt with taxable debt. Most oppose proposals to address utility air emissions except for Northeastern utilities that are concerned about competition from lower-cost Midwestern utilities subject to less stringent air regulation.

Likely Reaction:

[(b)(5)]

Political Clout:

[(b)(5)]

*Low-cost IOUs* want to move fast, support a federal mandate on retail competition, and are less concerned about recovery of stranded costs. (Partnership for Customer Choice). Most oppose proposals to address utility air emissions in the context of restructuring unless this can be done in manner that does not slow progress on a restructuring bill.

Likely Reaction:

[(b)(5)]

Political Clout:

[(b)(5)]

*IOUs in Retail Choice States* such as California, Pennsylvania, and Illinois generally support comprehensive federal restructuring legislation because they believe it is unfair for their formerly exclusive home markets to be open to utilities from other States that retain the benefits of State-sanctioned monopolies. They also strongly support a federal “grandfather” of State retail competition statutes so they do not have to rehash issues, such as stranded cost recovery, worked out at the State level.

Likely Reaction:

[(b)(5)]

Political Clout:

[(b)(5)]

*Independent Power Producers* (AES, US Generating) strongly favor federal restructuring legislation, including a federal mandate for retail competition. They also support stranded cost recovery, particularly costs incurred under PURPA independent power projects. Some
independent producers support the inclusion of air quality measures in restructuring legislation due to a concern that they will be at a competitive disadvantage in a restructured market because they are generally subject to far more stringent air quality requirements than many utilities.

Likely reaction: [(b)(5)]

Political Clout: [(b)(5)]

*Power Marketers* (Enron, LG&E) strongly support rapid enactment of federal restructuring legislation that mandates the implementation of competition in all 50 States. They tend not to support restructuring provisions that they believe will slow the restructuring process.

Likely Reaction: [(b)(5)]

Political Clout: [(b)(5)]

*Municipal utilities* (American Public Power Association) have diverse views on restructuring but generally tend to favor a go-slow approach. However, they strongly support federal legislation to modify current tax law "private use" restrictions, which make it difficult for municipal utilities to function in a competitive environment. They also support federal measures to curb market power in a competitive markets. In addition, they strongly oppose proposals to privatize the federal PMAs which sell relatively low-cost power primarily to municipalities and rural electric cooperatives.

Likely Reaction: [(b)(5)]

Political Clout: [(b)(5)]

*Rural Electric Cooperatives* (National Rural Electric Cooperative Association) generally tend to favor a go-slow approach. Their national association has been one of the most outspoken critics of retail competition, although at the State level cooperatives have tended to agree to support retail choice legislation if it addresses their concerns. They are concerned about universal service issues and are interested in proposals to create Universal Service funds to lower rates in rural areas. The coops strongly oppose proposals to privatize the PMAs or curtail Rural Utility Service (RUS) assistance.

Likely Reaction: [(b)(5)]
[[(b)(5)]]

Political Clout: [[(b)(5)]]

**Industrial consumers** (Electricity Consumers Resource Council, Chemical Manufacturers Association, American Petroleum Institute) and **Commercial consumers** (National Retail Federation, National Restaurant Association) want rapid restructuring, mandated retail competition, and oppose recovery of stranded costs.

Likely Reaction: [[(b)(5)]]

Political Clout: [[(b)(5)]]

**Consumer groups** (Consumer Federation of America, American Association of Retired Persons) are concerned that most benefits from restructuring will go to large industrial and commercial customers, with few gains -- and possible adverse impacts -- for small consumers. They tend to oppose stranded cost recovery and favor state-level decision making on retail competition. They strongly support labeling requirements and measures to intended to preserve public benefits currently provided by monopoly utilities through public benefit or universal service funds. They are also concerned about potential market power in the newly competitive industry.

Likely reaction: [[(b)(5)]]

Political Clout: [[(b)(5)]]

**Renewable Energy Industry** (Solar Energy Industries Association, American Wind Energy Association) strongly supports provisions such as the Renewable Portfolio Standard, Public Benefit Fund, consumer disclosure requirements to facilitate green marketing and net metering.

Likely Reaction: [[(b)(5)]]

Political Clout: [[(b)(5)]]

**Environmental groups** (Natural Resources Defense Council, Sierra Club, Environmental Defense Fund) are generally willing to support electricity restructuring if their concerns about potential air quality impacts and investments in energy efficiency and renewable technology are addressed. They support provisions on air quality, particularly those focused on Midwest coal-fired

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generation that is subject to less stringent regulation, a renewables portfolio standard, public benefit fund and green labeling. Recently, NRDC and others have renewed their push for a carbon cap and trade provision in the bill in light of the climate agreement reached in Kyoto.

Likely Reaction: [(b)(5)]

Political Clout: [(b)(5)]

Public Interest groups (Public Citizen, U.S. PIRG) have views that are similar to those of environmentalists but strongly oppose stranded cost recovery.

Likely Reaction: [(b)(5)]

Political Clout: [(b)(5)]

Labor Unions (International Brotherhood of Electric Workers, United Mine Workers) are very concerned about the impact of restructuring on workers, particularly the likelihood that efforts to increase the efficiency of electricity utilities could lead to extensive job losses. They oppose federal competition mandates, preferring that if restructuring occurs issues be resolved at the State level. They are also concerned that restructuring could lead to diminished reliability as utilities cut back on spending for transmission and distribution operation and maintenance. Broad new air quality authority for EPA will likely generate the same union opposition as the Administration’s climate change initiative.

In an early effort to address labor’s concerns we proposed that displaced utility workers be eligible for assistance from the Public Benefit Fund. In response, labor demurred because they believe that this policy could undercut their position that workers that lose their jobs due to restructuring should be treated as a “stranded investment.”

Likely Reaction: [(b)(5)]

Political Clout: [(b)(5)]

States (National Governors Association, National Association of Regulatory Utility Commissioners) as a group tend to support the move to retail competition and are implementing it in many States. Their primary concern is to protect state regulatory authority. They oppose a
Federal mandate for retail competition. Many state regulators support a federal public benefit fund. Regulators in States that have enacted retail competition legislation often support a Federal mandate but want existing State retail competition programs to be "grandfathered" in such legislation. 10 States have enacted such legislation, including California, Illinois, Maine, Massachusetts, Montana, Nevada, New Hampshire, Oklahoma, Pennsylvania, and Rhode Island.

Likely reaction: [(b)(5)]

Political Clout: [(b)(5)]
<table>
<thead>
<tr>
<th>Sponsor (Bill)</th>
<th>Retail/Competition/Stranded Cost Recovery</th>
<th>Public Benefits Funding</th>
<th>Renewable Portfolio Standard</th>
<th>Air Emissions Regulation</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rep. Schaefer (H.R.655)</td>
<td>Mandates retail choice by 12/1/00. States must consider whether to allow stranded cost recovery.</td>
<td></td>
<td>Generator must have renewable credits of 2% of generation in 2001, 3% in 2005, and 4% in 2010.</td>
<td>States and nonregulated utilities must consider terms and conditions to enhance reliability.</td>
<td></td>
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<tr>
<td>Rep. Markey (H.R.1960)</td>
<td>States must consider retail competition. Utilities subject to retail competition exempt from PURPA and PUHCA.</td>
<td></td>
<td>Generator must have renewable credits of 3% of its sales in 1998, increasing to 10% by 2010.</td>
<td>EPA authorized to set emissions cap for SO2, CO2, and NOx and to provide for cap and trade.</td>
<td></td>
</tr>
<tr>
<td>Rep. DeLay (H.R. 1239)</td>
<td>Retail choice mandated by 1/1/99. No stranded cost recovery permitted.</td>
<td></td>
<td></td>
<td>Every utility shall elect the role of reliability council, which shall establish reliability rules. FERC shall oversee the council.</td>
<td></td>
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<tr>
<td>Sen. Bumpers/Owens (S.1401)</td>
<td>Retail choice mandated by 1/1/02. Utilities entitled to full recovery of retail stranded costs; if State fails to determine costs, FERC will determine such costs.</td>
<td></td>
<td>Each supplier must have renewable credits of 3% in 2003, 5% in 2008, and 12% in 2013; 1% credit for hydro and 2 credits for new facilities.</td>
<td>EPA must prepare report on implications of differing emission standards for competition.</td>
<td></td>
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<tr>
<td>Sen. Jeffords (S.687)</td>
<td>Matching funds available to States for renewable, conservation, R&amp;D, low income, and wires charge up to 2 mills.</td>
<td></td>
<td>Non-hydro generator must have renewable credits of 2.5% of generation in 2000 up to 20% in 2020.</td>
<td>Establishes emission limits and cap and trade for NOx, SO2, and CO2; EPA authorized to regulate other pollutants.</td>
<td></td>
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<tr>
<td>Rep. DeFazio (H.R.1359)</td>
<td>Matching funds available to States for renewable, conservation, R&amp;D, low income, and wires charge of up to 2 mills.</td>
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<tr>
<td>Sen. Thomas (S. 722)</td>
<td>State has authority to impose stranded cost charge.</td>
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<tr>
<td>Sponsor (Bill)</td>
<td>Retail Competition/Stranded Cost Recovery</td>
<td>Public Benefits Funding</td>
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<td>Sen. D'Amato (S. 521)</td>
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<tr>
<td>Sen. Bingaman (S. 1276)</td>
<td>No state may bar a utility from recovering costs of QF power.</td>
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<tr>
<td>Rep. Pellone (H.R. 2529)</td>
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<td></td>
<td></td>
<td>FERC shall establish and enforce reliability standards and may designate regional councils and one national council.</td>
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<tr>
<td>Sen. Markowski (S. 1483)</td>
<td></td>
<td></td>
<td></td>
<td>Establishes generation performance standards for NOx and fine particulate matter. Owner or operator of a unit is allocated allowances based on standard and must surrender allowances equal to total tonnage emitted.</td>
<td></td>
</tr>
</tbody>
</table>
TO: Economic Leaders

It is not too late to get the bipartisan Economic Relief package to the Senate floor. Remember, 55 Senators have signed onto this bill. It is the only bipartisan bill, and the only bill with a majority of the Senate supporting it. Please let me know how you are helping.

Thanks.

(See attached file: Economic Recovery Package Summary.doc) (See attached file: Economic Talkers 12-14.doc)

Bush Pushes Stimulus Plan

By DAVID ESPO, AP Special Correspondent
WASHINGTON (AP) - President Bush journeyed to the Capitol on Wednesday to lobby for legislation to help victims of the recession, but Senate Majority Leader Tom Daschle said Republicans "refused to negotiate seriously" over health care for the unemployed.

With Bush's blessing, House GOP leaders readied a new economic stimulus bill for a vote, including an additional 13 weeks of unemployment benefits and health insurance subsidies for recession victims as well as tax breaks for individuals and businesses. The cost was $216 billion over three years.

House passage was assured, given the GOP majority, although Democrats dismissed the bill in advance as a political gesture that could not reach Bush's desk.

In the Democratic-controlled Senate, there appeared to be more than 50 votes for the measure, and Republicans were discussing fresh concessions to win more converts. But the GOP was unable to count the 60 votes needed to force final approval over the opposition of Daschle and other members of his party.

In an unusual working visit to the Capitol, Bush met privately with moderate House Democrats as well as a bipartisan group of senators, three Democrats among them, who support the GOP measure. In brief remarks to reporters, Bush did not mention Daschle by name, but his reference was unmistakable.

"This bill will pass the House. It's got enough votes to pass the Senate," he said. "And therefore, I look forward to working with both bodies (House and Senate) in any way I can to convince those who are reluctant to get a bill done, that this makes sense for America."

His spokesman, Ari Fleischer, was more direct. "The president would be delighted if Sen. Daschle were to sign on" to the deal with moderate Democrats, he said. "The president would be delighted if Sen. Daschle would let it come to a vote.... Why block progress?"

Daschle, D-S.D., attacked regularly by Republicans as an obstructionist, saw it differently.

"We have come more than half way in meeting our Republican colleagues on an
array of tax questions that they have said were important to them.... But to
date they have been unwilling to accept even a modicum of change, even some
degree of limited help for these unemployed workers in both unemployment
compensation as well as health care."

Daschle also said, "We regret very much that our Republican colleagues, at
least so far, have refused to come to the table to negotiate seriously on health
and unemployment benefits in spite of the fact that millions of people are
unemployed today."

The House bill approves 13 additional weeks of unemployment benefits for those
laid off since the March onset of the recession, money for health insurance
subsidies for the unemployed and rebates of up to $600 for lower-wage earners
who did not qualify for this summer's checks.

The bill also would cut the current 27 percent income tax rate to 25 percent
effective Jan. 1, four years earlier than planned. Beginning in 2002, that rate
applies to taxable income between $27,950 and $67,700 for individuals, and
between $46,700 and $112,850 for married couples.

In addition, the bill would let businesses write off 30 percent annually of the
cost of new investment for the next three years, and ease a corporate minimum
tax that can boost corporations' tax bills even in unprofitable years.

The main stumbling block concerned health insurance benefits for the unemployed.

The House GOP bill provides laid-off workers with a tax credit equal to 60
percent of the cost of a health insurance policy, money they could use to
purchase their own coverage if they wished.

Democrats want a direct 75 percent subsidy for job-related health insurance
coverage that many workers are eligible to keep after losing their jobs.

The money would go to the employer, rather than to the individual as Republicans
want. For laid-off workers who did not have health insurance on the job,
Democrats proposed expanded coverage under Medicaid, the federal-state program
that provides health care for the poor.

The House bill was crafted to incorporate many concessions that Republicans have
made in several weeks of bargaining with the Democrats, since the GOP muscled
through legislation on a party-line vote several weeks ago.

That bill did not include the additional 13 weeks of unemployment benefits, and
had a repeal of the alternative minimum tax that would have given billions of
dollars to large corporations, Enron and IBM among them.

Democrats opposed it overwhelmingly, and quickly launched radio commercials
against three GOP lawmakers who voted for it.

Daschle cited concessions Democrats made in the discussions, saying he had
agreed to GOP proposals for business tax relief, and he had been willing to
"look at rates," the GOP proposals for accelerated tax cuts.
KEY ISSUES

[(b)(5)]

ATTACHMENTS:

Tab A: OPIC Summary of Dabhol Power Company Situation (OPIC)
Tab B: Suggested guidance on Enron (National Security Council)
Tab C: Economic Overview (G. Rao)
Tab D: Selected Economic Indicators (G. Rao)
Tab E: India Tax Treaty Issues (M. Mundaca, M. Feinberg, D. Suringa)
TAB A

OPIC Summary of Dabhol Power Company Situation
(Prepared by OPIC for the June 21 NSC Meeting)

[(b)(5)]
### National Security Council Interagency Guidance on Enron and WTO Issues

*(Prepared for the June 21 NSC Meeting)*

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TAB C

INDIA: ECONOMIC OVERVIEW, IFI and USG RELATIONS
June 2001

[(b)(5)]
[(b)(5)]
TABLE

INDIA TAX TREATY ISSUES

For Use on an If Asked Basis Only

[(b)(5)]

Prepared by: D. Suringa, M. Mundaca, and M. Feinberg (Tax Policy)
Rao, Geetha

From: Rao, Geetha
Sent: Wednesday, July 18, 2001 4:02 PM
To: 'Laurent_D._Charbonnet@nsc.eop.gov'
Subject: FW: TALKING POINTS FOR US EMBASSY- INDIA

Importance: High

---Original Message---
From: Rao, Geetha
Sent: Wednesday, July 18, 2001 9:32 AM
To: Rao, Geetha; Grewe, Maureen; Sampliner, Gary; McDonald, Larry; Christopoulos, Greg
Cc: Mills, Marshall; Sills, Gay; Resnick, Bonnie
Subject: RE: TALKING POINTS FOR US EMBASSY- INDIA
Importance: High

Attached are the final points for the OPIC/Enron demarche to the GOI ... please send any comments you have to me by NOON TODAY, and I will get back to Laurent. Thanks.

---Original Message---
From: Laurent_D._Charbonnet@nsc.eop.gov
Sent: Tuesday, July 17, 2001 4:59 PM
To: jaldo@opiec.gov; pwatson@opiec.gov; Farah_Naim@ita.doc.gov; Maureen.grewe@do.treas.gov; CampDA2@state.gov; bryan_elena@ustr.gov.treas.gov; SpeckJG@state.gov; Greg.christopoulos@do.treas.gov; usreygr@state.gov
Cc: Harry_K._Thomas@nsc.eop.gov
Subject: NSC revision of Dabhol points for demarche

(See attached file: TP - Dabhol rev2 nsc.doc)

Folks, please take a look at the attached draft talking points. I believe that we have addressed everybody’s concerns. Please also ensure that all
relevant people within your agency get a copy of this -- not sure whether addresssees above capture everybody. If there are major issues remaining, call me at 456-9247 or email, by 3 pm Wednesday (7/18). Please, only one representation per agency, so coordinate internally first.

Let's consider this closed by COB tomorrow. I'll coordinate with State, who'll send the demarche cable.

Thanks, everybody. Laurent
TALKING POINTS FOR US EMBASSY- INDIA

Re: Meeting with Ministries of Finance and Power and Dabhol Lenders’ Steering Committee

[Follow-up to meeting between Principal Secretary and National Security Advisor Mishra and OPIC President Watson in Washington]

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• [(b)(5)]

• [(b)(5)]

• [(b)(5)]

• [(b)(5)]

• [(b)(5)]

• [(b)(5)]

• [(b)(5)]
pls call me... i just left a message on your machine.
i just called you back -- I'm sorry if I shouldn't have emailed, but I didn't want to get into a game of all day phone tag! I'll keep trying you.

-----Original Message-----
From: Lawrence_A._Fleischer@who.eop.gov
[mailto:Lawrence_A._Fleischer@who.eop.gov]
Sent: Thursday, January 10, 2002 1:31 PM
To: Michele.Davis@do.treas.gov
Subject: Re: enron and O'Neill

pls call me...i just left a message on your machine.
reply. Tag, you're it. Just left a message on your machine. Is there another number with a live body?
622-2920 -- she'll get me off the phone for you!

-----Original Message-----
From: Lawrence_A_Fleischer@who.eop.gov
[mailto:Lawrence_A_Fleischer@who.eop.gov]
Sent: Thursday, January 10, 2002 2:12 PM
To: Michele.Davis@do.treas.gov
Subject: RE: enron and O'Neill

reply. tag, you're it. just left a message on your machine. is there another number with a live body?
yes, those are the right dates. One was a sunday.

-----Original Message-----
From: Lawrence_A._Fleischer@who.eop.gov
[mailto:Lawrence_A._Fleischer@who.eop.gov]
Sent: Thursday, January 10, 2002 3:01 PM
To: Michele.Davis@do.treas.gov
Subject: AP - White House: Enron Official Phoned

are the dates in the ap story correct? were the calls on October 28 and Nov 8th?
------------------------ Forwarded by Lawrence A. Fleischer/WHO/EOP on 01/10/2002
03:00 PM ------------------------

Brian Brave
01/10/2002 01:45:00 PM

Record Type: Record

To:

cc:
Subject: AP - White House: Enron Official Phoned

White House: Enron Official Phoned

By KAREN GULLO, Associated Press Writer
WASHINGTON (AP) - Enron Chairman Kenneth L. Lay reached out to two of President
Bush's Cabinet officers when the energy company was collapsing, the White House
disclosed Thursday as the Justice Department opened a criminal investigation of
Enron's bankruptcy.
Bush, who received significant campaign contributions from Lay and other Enron
executives, said he himself has never discussed Enron's financial problems with
its embattled corporate chairman. The president said he last saw Lay in Texas at
spring fundraiser for former first lady Barbara Bush's literacy foundation.
Lay also was among a group of some 20 business leaders who came to the White
House early in the Bush administration to discuss the state of the economy, Bush
said.
Many Enron employees lost their life savings when the company filed for
bankruptcy Dec. 2.
'What anybody's going to find out is that this administration will fully
investigate issues such as the Enron bankruptcy, to make sure we can learn from
the past and make sure workers are protected,' Bush said.
But Lay did seek the ear of other top-level administration officials last fall.
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The spokesman had said Wednesday he did not know of anyone in the White House who discussed Enron's financial situation.

Fleischer also brushed aside talk of any conflict in the Justice Department investigation and said there was no reason to turn the probe over to a special counsel.

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"We want to get to the bottom of this too," said Robert Bennett, a Washington attorney representing the Houston-based company. "A lot of decent and honorable people work at Enron and we should wait until the facts are out."

Bush ordered a separate review Thursday of pension and corporate disclosure rules that could jeopardize workers' savings. "There has been a wave of bankruptcies that have caused many workers to lose their pensions and that is deeply troubling to me," Bush said.

The Justice Department is forming a national task force to look into the company's dealings. The group will be headed by lawyers at the department's criminal division and include prosecutors in Houston, San Francisco, New York and several other cities, said a Justice Department official, speaking on condition of anonymity.

The official declined to say when the investigation began. Enron faces civil investigations by the Labor Department and the Securities and Exchange Commission and subpoenas from congressional committees.

All are looking into the energy trading company's collapse, the largest bankruptcy filing in U.S. history.

The failure hit employees and investors hard. Workers were prohibited from selling company stock from their Enron-heavy 401(k) retirement accounts as the company's stock plummeted. Many lost their life's savings.

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Just a year ago, stock of Enron, the nation's largest buyer and seller of natural gas, traded at $85 per share. Today it is less than $1.

Lay has close ties to Bush and his father, the former president. Lay was a top contributor to the younger Bush's 2000 presidential campaign.

The company played a key role earlier this year when a White House task force met with business executives and other interests to fashion a national energy policy. The task force was headed by Vice President Dick Cheney.
we traded phone calls for a while, but we finally connected about 30 minutes ago.

-----Original Message-----
From: Lawrence A. Fleischer@who.eop.gov
Sent: Thursday, January 10, 2002 4:36 PM
To: Michele.Davis@do.treas.gov
Subject: RE: AP - White House: Enron Official Phoned

can you call mary crawford at commerce? she told me she was trying to get you earlier.
President Promotes Economic Security & Worker Assistance

TODAY'S PRESIDENTIAL ACTION

- President Bush visits Operation Paycheck – a job training center in Orlando, Florida – to emphasize his concern and his plans to help workers who lost their jobs in the wake of the September 11 attacks. The President also leads a town hall meeting with local citizens from a community adversely impacted by the September 11 attacks to discuss economic concerns and America's efforts in the war on terrorism.

- The attacks of September 11 were also an attack on our economy. President Bush continues to urge Congress to act on an economic security package to help America's workers.

BACKGROUND ON THE PRESIDENT'S VISIT

- The President visits the newest Operation Paycheck One-Stop Center in Orlando. Operation Paycheck is a program of the State of Florida’s Agency for Workforce Innovation that helps laid-off workers obtain the skills they need to quickly transition into a new job. A significant number of the workers in the Operation Paycheck program are from the service sector, including the tourism and aviation industries.

- The One-Stop Center is an example of how an effective state-federal partnership can quickly get assistance to the displaced workers who need it. Florida is implementing the Operation Paycheck program with $10 million in existing dislocated worker funds from the Department of Labor. The program will further benefit from a portion of the $3.4 million in new National Emergency Grant funds that the Department of Labor approved for Florida this week. With these funds, qualifying employees are eligible for income support and job training.

THE PRESIDENT'S AGENDA FOR ECONOMIC SECURITY & WORKER RELIEF

- President Bush has urged Congress to act on an economic security package to jumpstart the economy and directly help workers who have lost their jobs in the wake of the September 11 attacks.

- The President proposed a Back to Work Relief Package on October 4 to provide help to those workers hardest hit by the economic impact of the attacks. This package would:

  - Extend unemployment benefits by 13 weeks for workers in the states hardest hit by the events of September 11;
  - Provide $3 billion in special National Emergency Grants to help displaced workers maintain health coverage, supplement their income and receive job training;
  - Make $11 billion available to states to help low-income workers obtain health insurance; and
  - Encourage affected workers to take advantage of more than $6 billion in existing federal job search, training and placement programs.

- The President initially urged Congress on October 5 to enact an economic security package that focuses on:

  - **Accelerating Marginal Tax Rate Reductions:** Gives consumers more to spend and invest, and gives businesses and entrepreneurs more resources to help them retain or create more jobs.
  - **Partial Expensing:** Encourages businesses to invest in new equipment and resources by allowing them to partially expense capital expenditures, allowing them to make purchases they might not otherwise have been able to afford.
  - **Eliminating the Corporate AMT:** Promotes new investment by businesses by eliminating the corporate alternative minimum tax, which imposes job-killing higher taxes on corporations and small businesses.
  - **Tax Relief for Low- and Moderate-Income Workers:** Reduces taxes for low- and moderate-income households beyond relief already approved by Congress, ensuring that the most vulnerable workers will have more money in their pockets.

For more information on the President’s initiatives please visit www.whitehouse.gov
Outside of Scope

-----Original Message-----
From: James_R_Wilkinson@who.eop.gov
[mailto:James_R_Wilkinson@who.eop.gov]
Sent: Wednesday, November 07, 2001 7:02 AM
To: Daniel_J_Bartlett@who.eop.gov; Karen_Hughes@who.eop.gov;
  Anne_Nomack@who.eop.gov; Lawrence_A_FleiScher@who.eop.gov;
  Gregory_L_Schulte@ncsc.eop.gov; JIll_L_Angelo@who.eop.gov;
  Christina_D_Roberts@who.eop.gov; Scott_McClellan@who.eop.gov;
  acampbell@no10.x.gsi.gov.uk; torie.clarke@od.mil; bouchezra@state.gov;
  Catherine_J_Martin@ncsc.eop.gov; Allison_Barbare@who.eop.gov;
  Faddy_Feney@who.eop.gov; Karl_C_Rove@who.eop.gov;
  Stephen_J_Hadley@ncsc.eop.gov; Susan_B_Ralston@who.eop.gov;
  Phasstt@no10.x.gsi.gov.uk; cbears@pd.state.gov; ddejban@pd.state.gov;
  Tucker_A_Eskow@who.eop.gov; Claire_E_Buchan@who.eop.gov;
  cross@pd.state.gov; Sean_I_McCormack@ncsc.eop.gov;
  Joseph_R_Wood@who.eop.gov; rruth@pd.state.gov;
  allan.percival@fco.gov.uk; sarah.hayward@fco.gov.uk;
  Deborah_Hermer@who.eop.gov; Shannon_Burkhart@who.eop.gov;
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  peter.elder@fco2.demon.co.uk; mark.laitnya@fco2.demon.co.uk;
  lisa.mackenzie@fco2.demon.co.uk; lee.mccleney@fco2.demon.co.uk;
  david.chuter@fco2.demon.co.uk; jon.chorley@fco2.demon.co.uk;
  lisa.brett@fco2.demon.co.uk; carl.shobban@fco2.demon.co.uk;
  chris.ncshane@fco2.demon.co.uk; doug.williams@fco2.demon.co.uk;
  rurr.k.marsen@fco2.demon.co.uk; gerrard.russell@fco2.demon.co.uk;
  jim.poston@fco2.demon.co.uk; reza.afshar@fco2.demon.co.uk;
  andy.gillman@fco2.demon.co.uk; Kathryn_Hutton@fco2.demon.co.uk;
  catherine.colloms@fco2.demon.co.uk; lucy.mcneill@fco2.demon.co.uk;
  iain.doble@fco2.demon.co.uk; david.gilbert@fco2.demon.co.uk;
  alan.schofield@fco2.demon.co.uk; Nicolee_Devenish@who.eop.gov;
  Kenneth_Hill@who.eop.gov; Paul_Ashdown@who.eop.gov;
  Noelia_Rodriguez@who.eop.gov; Tracey_L_Schmit@who.eop.gov;
  Sallie_Randall@who.eop.gov; Gregory_Goss@who.eop.gov;
  Tuckers_Turner@who.eop.gov; Jeanie_S_Mamo@who.eop.gov;
  Kenneth_A_Lissi@aol.com; Nicolee_Devenish@who.eop.gov;
  SECAC@who.eop.gov; Joshua_B_Bolten@who.eop.gov;
  Joel_D_Kaplan@who.eop.gov; Joseph_W_Raquin@who.eop.gov;
  Marcus_H_Mollmann@who.eop.gov; Logan_M_Walters@who.eop.gov;
  Scott_N_Sforza@who.eop.gov; Michael_J_Gerson@who.eop.gov;
  Krista_L_Ritacco@who.eop.gov; Peter_H_Wehner@who.eop.gov;
  Matthew_C_Scully@who.eop.gov; David_Frum@who.eop.gov;
  agibson@spt.eop.gov; John_D_Gibson@ncsc.eop.gov;
  Edmund_A_Walsh@who.eop.gov; Karl_Doenges@oa.eop.gov;
  William_T_Griffin@who.eop.gov; Taylor_S_Gross@who.eop.gov;
  Kenneth_A_Lissi@who.eop.gov; Jeanie_S_Mamo@who.eop.gov;
  Wendy_L_Nipper@who.eop.gov; Christopher_J_Orc@who.eop.gov;
  Scott_Stanzel@who.eop.gov; Vickie_A_McQuade@who.eop.gov;
  Jennifer_K_Miller@who.eop.gov; Anne_Womack@who.eop.gov;
  Brian_Bravo@who.eop.gov; Candida_P_Wolff@spt.eop.gov;
  Harry_W_Wolff@spt.eop.gov; Rachael_L_Sunbarger@who.eop.gov;
  Reed_Dickens@who.eop.gov; Nicholas_L_Calio@who.eop.gov;
  John_W_Howard@oa.eop.gov; Virginia_T_Gregory@who.eop.gov;
  David_W_Hobbs@who.eop.gov; Chrystal_R_Nest@who.eop.gov;
  Peter_M_Rowan@who.eop.gov; Ziad_S_Ojajli@who.eop.gov;
  Christine_Ciccone@who.eop.gov; Townsend_L_McNitt@oa.eop.gov;

00800000000142
Forward to your lists immediately.

(See attached file: CIC -- Daily November 7.doc)
Outside of scope

-----Original Message-----
From: James R. Wilkinson@who.eop.gov
To: Michele Davis
Subject: RE: HSC Meeting Talking Points

Outside of scope
[See attached file: HSC Meeting Talkpoints.doc]
reply. tag, you're it. just left a message on your machine. is there another number with a live body?
are the dates in the ap story correct? were the calls on october 28 and nov 8th?
----------------------------- forwarded by lawrence a. fleischer/who/eop on 01/10/2002 03:00 pm -----------------------------

brian bravo
01/10/2002 01:45:00 pm

record type: record

to:

cc:

subject: ap - white house: enron official phoned

white house: enron official phoned

by xaren gulio, associated press writer
washington (ap) - enron chairman kenneth l. lay reached out to two of president
bush's cabinet officers when the energy company was collapsing, the white house
disclosed thursday as the justice department opened a criminal investigation
of enron's bankruptcy.
bush, who received significant campaign contributions from lay and other enron
executives, said he himself has never discussed enron's financial problems with
its embattled corporate chairman. the president said he last saw lay in texas at
spring fund-raiser for former first lady barbara bush's literacy foundation.
lay also was among a group of some 20 business leaders who came to the white
house early in the bush administration to discuss the state of the economy, bush
said.
many enron employees lost their life savings when the company filed for
bankruptcy dec. 2.
"what anybody's going to find out is that this administration will fully
investigate issues such as the enron bankruptcy, to make sure we can learn from
the past and make sure workers are protected," bush said.
but lay did seek the ear of other top-level administration officials last fall.
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can you call mary crawford at commerce? she told me she was trying to get you earlier.
Here's what Ari said. Full text of briefing below.

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---

Tracy Young 12/05/2001 03:10:28 PM

Record Type: Record

To: All CIC-DC Users

cc: 

Subject: PRESS BRIEFING BY ARI FLEISCHER

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(Embedded image moved to file: pic18066.pcx) Rachael L. Sunbarger 12/05/2001 02:12:45 PM

Record Type: Record

To: 

cc: 

Subject: PRESS BRIEFING BY ARI FLEISCHER

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release December 5, 2001

PRESS BRIEFING BY
ARI FLEISCHER

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release December 5, 2001

PRESS BRIEFING BY
ARI FLEISCHER

The James S. Brady Briefing Room

12:05 P.M. EST

MR. FLEISCHER: Good afternoon. Let me walk you a little bit through the schedule, and I'll be happy to take questions.

The President this morning had breakfast with a bipartisan congressional leadership to discuss the remaining issues that Congress has on its plate for the rest of the year. He urged the Congress to continue to work together so that the economic stimulus package could be approved by the Congress, be signed this year, he hopes, so that we can help America's unemployment workers.

Following the breakfast, the President met with the CIA for his intelligence briefing; met with the FBI for an update on the domestic front. And then he convened a meeting of the National Security Council.
Throughout the afternoon, the President will meet with members of Congress on trade promotion authority. The House of Representatives is scheduled to take a very important vote tomorrow on whether or not President Bush will have the authority to enter into trade agreements around the world. The President urges members of Congress to vote for that. It will be a very interesting vote, to see whether or not Congress or the House will go along.

The President also early this afternoon will have an event in the Oval Office, where he will announce a new Chairman of the Republican National Committee. And the President will meet with the Prime Minister of Norway this afternoon to discuss cooperation on the war on terrorism.

One update. As a result of the action the President took yesterday in the fight against international terrorism on the financial front, I want to report to you this morning that over $5 billion has been blocked in assets belonging to the Holy Land Foundation. And as a result of the freezes and blocking orders the President has implemented on the financial front worldwide against the war on terrorism, more than $61 million has been either frozen or blocked around the world.

Q Ari, what makes the President -- I'm taking note of his wide-swinging threats in speeches recently. What makes him think that he has the right to go into a sovereign country and bomb the people?

MR. FLEISCHER: His threats?

Q Any country. Yes, he's --

MR. FLEISCHER: Would you like to be more specific?

Q Does he think he can go beyond Afghanistan or anywhere else?

MR. FLEISCHER: The President has made it clear to the American people that the United States, in the wake of an attack on our country, will defend itself. And as a result of defending ourselves, you can see what is happening in Afghanistan. The President has said that this is a war against terrorism because terrorists continue to pose a threat to the United States and to others around the world, and that he is involved in phase one of defending this country against terrorists, and he will continue to do so.

Q What gives him the authority to go into other countries and bomb them, which is what he is threatening to do?

MR. FLEISCHER: The right as the Commander-in-Chief to protect and defend the American people.

Q Ari, what's the White House reaction to the agreement signed in Bonn by the parties who have been negotiating a future for the Afghan government? Does it meet the standards that the White House has set out -- broad-based, ethnically diverse, women involved?

MR. FLEISCHER: The President is very pleased with the agreement that's been reached on Bonn concerning the future of the Afghan government. He believes it is a positive agreement that bodes well for the people of Afghanistan. This vote will allow the people of Afghanistan to take -- this development will allow the people of Afghanistan to take their country back, and the President is very pleased by that. He's pleased by the multiethnic nature of the agreement. He's pleased by the role that women will play in the future government of Afghanistan. He wants to express his congratulations and praise to Secretary General Annan, as well as to Ambassador Brahimi, for their hard work in delivering this accord.

But much more work remains ahead. This is an important development in the future of Afghanistan, but it's only, in many ways, the beginning. A lot of hard work remains for Afghanistan now to have a stable government that represents and respects the people of Afghanistan. It still will be difficult because Afghanistan is still a nation that is the middle of a war.
Ari, on the Middle East, since last weekend's suicide bombings, has Mr. Arafat done anything to impress the President that, in fact, he is making a commitment to peace and to rooting out terrorists?

MR. FLEISCHER: I think if you listen to what the President said yesterday -- now, it's about 16 hours after what he said -- it's too soon to say. The President will keep a very close eye on the events in the Middle East and on the actions that Chairman Arafat takes, to make certain that Chairman Arafat is dedicated to the cause of peace and to making sure that he takes action against the terrorists who are challenging not only the security of Israel, but the authority of Chairman Arafat.

Q But what's the timetable here? Because, I mean, day after day, the President keeps calling on him to do something. I'm wondering when the timetable, when the deadline is for Yasser Arafat.

MR. FLEISCHER: The President has not established it in such a manner. I think that, as always, the President wants to allow events to develop over time in a way that he hopes will be fruitful to convincing the parties in the Middle East that their best interest is to work together, Chairman Arafat and Israel, to forge meaningful peace. And one of the best tests of that will be to see whether Chairman Arafat will take meaningful, long-term, enduring action against the terrorists who are operating out of Palestinian territory.

Q But for now the peace process is dead, is it not, in the President's mind?

MR. FLEISCHER: I think you heard the President address that yesterday, when he said that he has a dream that peace will be achieved in the Middle East. And as I indicated earlier, the Middle East has historically been a cycle between violence and hope. And even in the midst of the violence, the President has not given up hope and he will remain committed to achieving peace.

Q What has President Bush been told about the death of the two Americans in Afghanistan under friendly fire this morning and how it happened?

MR. FLEISCHER: Upon his arrival into the White House, shortly before 7:00 a.m. this morning, the President was informed about the deaths of the Americans and the injuries in Afghanistan that affected people of Afghanistan, as well. And the President offers his condolences to the families and the loved ones of those who have been killed, and he regrets the loss of life very much and also wishes that the injured will have a full and speedy recovery.

Q And what caused it? Does he know anything about what went wrong?

MR. FLEISCHER: The Department of Defense will have more information about any of the specifics, and I'll refer you over to DOD on it.

Q What do you think your chances are in the trade vote tomorrow?

MR. FLEISCHER: Well, I think it's risky business, always, to predict what a congressional vote will be. It has historically been an uphill fight, at least over the last some 10 years, for the President to be given this authority. But the President thinks it is crucial that he be given the authority to enter into trade agreements around the world, one, to help protect the economy long-term; but, two, to help other nations around the world so they have opportunities to grow and prosper.

Q With the people he's meeting today, are they leaners or how do you see them?

MR. FLEISCHER: They fall into a variety of categories. Clearly, he won't meet with people whose minds are already made up and there's no use talking to them. So the President is going to meet with people where he thinks it can make a difference.
I can report to you that the President has held, prior to today and not including yesterday's flight, six meetings with members of Congress, exclusively on the topic of trade promotion authority. He's met with 41 members of the House, 8 members of the Senate, 19 Republicans and 30 Democrats.

Are those large meetings, or one-on-one, or --

MR. FLEISCHER: A variety of forums.

Is this over recent, Ari, or --

Has he been on the phone with them also?

MR. FLEISCHER: The President may be making some phone calls.

Spread over the last six months?

MR. FLEISCHER: Yes, if you recall, in anticipation of this, because the President is such a dedicated believer in the importance of free trade, the President over the summer started having meetings with members of Congress to talk about trade promotion authority. He had a few additional ones, and now, of course, on the eve of a major vote, the efforts are accelerated.

This is over that whole period?

MR. FLEISCHER: That's correct.

Has the President talked to Sharon or Admiral Zinni? What has been the President's activity in terms of the Mideast?

MR. FLEISCHER: Well, as you know, the President met directly with Prime Minister Sharon here at the White House on Sunday. No, to my knowledge, the President has not had any additional conversations.

Has the President had a chance to look at this new proposal by Chairman Thomas that provides additional assistance to workers who lose their jobs?

MR. FLEISCHER: TIA? The President is aware of the proposal by Chairman Thomas and the President is hopeful that as a result of a series of conversations that are taking place, that members of Congress will agree to grant the President the authority to enter into trade agreements around the world.

Does he support the Thomas proposal?

MR. FLEISCHER: Well, the President does believe in TIA, the program of trade adjustment assistance. He thinks it is a very helpful way to help people who in individual sectors might lose their jobs as a result of trade agreements. Having said that, the President, as you know, believes that trade agreements create a net increase in jobs. But the President supports the program. The President hopes that in negotiations and discussions they will be successful.

Chairman Arafat is saying that he can't get to General Zinni to return any calls to him. Are you aware of that? Has that been a directive to General Zinni?

MR. FLEISCHER: I'd refer you to the State Department.

Ari, in light of the Army's decision to reverse itself on Captain Burlingham, can you tell us how and when the President was advised of that situation? Also, the President's thoughts on that?

MR. FLEISCHER: Yes. As I indicated this morning, this is a matter for the Department of Defense, the Department of Army, specifically. And I don't have anything beyond that.
Q Do you know if the President was at least aware of it?

MR. FLEISCHER: As I say, I don't have anything beyond that.

Q Ari, why do we have to be referred to the State Department on that? I mean why can't we -- can't we know if the administration is having conversations with Yasser Arafat?

MR. FLEISCHER: Because I think you'll get -- well, if you ask me about the President, I can report to you the President has not. If you ask about Ambassador Zinni --

Q -- the Security Council? I mean, obviously, everybody around here knows, don't they?

MR. FLEISCHER: Well, I don't have a phone list of everything that Zinni is doing. He's in the Mideast --

Q That's not the issue. Are there -- do you know of any contacts with Yasser Arafat?

MR. FLEISCHER: His direct report is to the State Department, which is why I said refer you to the State Department.

Q But everybody reports to the President, don't they? I'm asking you as the President's spokesman why you can't comment on whether the administration has contact with Yasser Arafat when they're in the middle of war over there.

MR. FLEISCHER: Well, if you ask me about the President, I'll give you that answer.

Q Ari, following up on this situation at Arlington, we just spoke with the spokesman for the Army Secretary who says there has been no reversal, that they can bury this man in an existing family plot, but not in a separate grave as his family has requested. What are the prospects that the President might get involved and overrule this?

MR. FLEISCHER: Well, again, I said this is a matter for the Department of Defense, the Department of Army. If there's anything further to be added to it, you will know from the White House.

But these are always very sensitive and difficult matters. Arlington National Cemetery is the final resting place where countless numbers of Americans want to be buried. Arlington National Cemetery is also a place that is running out of space. It makes for some of the most difficult emotional issues for the families of loved ones who have been lost in any type of military or any other type of action, having served in the military, also with a nation that wants to honor its promises to people who will be able to be buried into Arlington in the future.

It is always a very emotional and difficult issue, and the military has very stringent rules that they try to comply with, because it makes it easier for everybody to understand what the criteria are. So that's why the Department of the Army is the one who is charged with this. They worked very hard at it, and they understand the sensitivities involved.

Q So are we to take the initial part of your response as an indication that the President might get involved? You said --

MR. FLEISCHER: No, I just said to you -- you asked me and I told you, you know where it stands, that the Department of the Army made the announcement made this morning, and that's where it stands.

Q To follow up on Ken's question and the point he was making on the Middle East, why can't you tell us as the White House spokesman, what, if any, contacts White House officials -- Card, Karl Rove -- has had on this issue with the Department of the Army?
MR. FLEISCHER: Oh, I thought you were asking about, again, Zinni and Arafat. The Department of the Army?

Q Well, again, I'm asking you to tell us what contact --

MR. FLEISCHER: Ron, I'm not aware of any. If I had something to report, I would report it.

Q Can you check to see whether or not there has been any contact or if the White House is involved in this?

MR. FLEISCHER: I raised it this morning, and I had nothing to advise you of. If I had something to advise you of involving the President or the White House's involvement in this case at Arlington, I would advise you of it.

Q So you're saying the White House hasn't been involved as far as you know?

MR. FLEISCHER: There is nothing that I've been made aware of.

Q Ari, two things, real quick. On Ann's question, is the President planning, or has he talked to the families of those soldiers who were killed?

MR. FLEISCHER: I'll try to let you know. And as you know, the President's habit has been to send notes to the families. But if there is anything, I'll let you know.

Q And a second question, quickly. The President, since September the 11th, has showed extreme patriotism, brandishing his flag, talking about this country, the love of this country. What are his thoughts about the American who has fought for the Taliban and his patriotism?

MR. FLEISCHER: Well, the President's first thought is that we need to collect the facts about what has taken place. But I think until then, the President hasn't really entered into the realm of conjecture. I think that -- I would just leave it right there, until the facts can be ascertained about if it's all true what we've read, and why somebody may have done this. But beyond that, I don't think it's fair to speculate.

Q From the initial facts, is it treason?

MR. FLEISCHER: I think Secretary Rumsfeld was asked that question yesterday, and I'm not going to go beyond what he said.

Q I'm asking you, the White House.

MR. FLEISCHER: This is a matter for the people who were involved to ask the appropriate questions, to gather the appropriate information. It's not a time for people in the government to guess or to speculate. These are important matters.

Q But he's fighting against the American government, basically --

MR. FLEISCHER: I understand.

Q Ari, after the breakfast, Speaker Hastert and Leader Gephardt both said that they believe Congress is right to engage in a broad investigation of Enron. And both said that they were open to the idea of having some remedial legislation drafted to protect shareholders, such as those of Enron's, who were affected when their 401(k)s were frozen as the stock value of the company plummeted.

Question one, does the White House support any kind of inquiry into legislation like that? And, two, Mr. Gephardt said the entire Enron situation raises questions anew about the President's ideas about privatizing, even partially, Social Security, because assets held in those funds are subject to
all sorts of market pressures, they could disappear overnight. And the Enron situation adds more evidence, the Democrats complain, you just simply cannot and should not privatize Social Security. Your reaction?

MR. FLEISCHER: Okay. On the two points -- on the first point, as you know, right from the beginning I announced that the Department of Treasury and other government agencies are monitoring the events in the wake of the announcement about Enron. And since I said that, Enron has, of course, filed for bankruptcy.

You may want to talk to the Department of Labor. The Department of Labor has jurisdiction over pension issues. It is not uncommon for the Department of Labor, in a time like this, to keep a watchful eye over people's pensions to make sure that all consequences are fairly and adequately dealt with. So they are the agency that would be involved. They have their own criteria to determine whether or not they will have any type of investigation. But the President wants to make certain that all agencies are monitoring events and will take action as their criteria warrant.

On the second point about markets, you know, one of the things about our country is that unfortunately, we can be a land of haves and have-nots. And one of the things that distinguishes the have-nots and the have is that the have-nots have access to ownership of stocks and mutual funds. And, therefore, they have a little piece of a rock that can grow and allow them to enjoy more wealth and a better life.

There are many people in society who would like to have access to markets, so that way they can accumulate wealth. And often, they can't. Social Security is one of the reasons they can't. Young people have all this money taken out of their paychecks, and often they do not receive any return on it, specifically people who are young today pay taxes for a system that is scheduled to go broke before they have any return.

So one of the ways the President sees as helping workers who have a low income is to allow them to have the same market access that upper-income and middle-income people have, so they, too, can accumulate wealth.

Q That doesn't do anything for the Enron 401K.

Q Yesterday, the President and Secretary O'Neill went out of their way to talk about Hamas as a terrorist group with global reach. Is that the first time that that definition has been applied to a Palestinian group? And secondly, this was the first time the President had acted against a group not associated with al Qaeda. What significance should we attach to that?

MR. FLEISCHER: On the first point, I couldn't tell you if that's the first time. I think you would have to take a review of that and see what you -- I can't tell you from everybody in every government -- branch of the government if people have ever used such language. But as you know, Hamas was added to the executive order that the President issued on November 2, allowing the United States to block or to freeze the assets of groups.

The announcement yesterday was on top of that. It was built on the foundation of his November 2 announcement. And I think it shows the world that the President is sincere and will act when he ways that this is a multi-front war and financing of terrorist organizations is one of the fronts at which the United States and others will actively engage.

Q When he first began the war on terrorism, they used terrorist groups with a global reach to apply specifically to al Qaeda. And as part of the rationale for going after these groups, militarily if necessary, should we apply the same criteria to what is now happening in the Middle East? Would the U.S., for instance, consider military action against Middle Eastern terrorist groups?

MR. FLEISCHER: Again, as you know, the President has repeatedly said he's focused on phase one on the war against terrorism, and that's where I think I'll leave it.
Q Ari, two questions on Afghanistan. As part of the agreement today, there was discussion of having some kind of a U.N. force in Kabul, at least for a while. How long -- I know the President has expressed reluctance to have American forces there for long. What kind of contribution is he willing to make, and what range of time parameters? And, secondly, in order to reach this agreement, were there any American commitments made on aid?

MR. FLEISCHER: The principal contribution the United States is making is creating an environment in which peace can take place in Afghanistan. And if there are to be any international security forces put into Afghanistan, it will only be as a result of winning a war against al Qaeda and the destruction of the Taliban. So I think events are still somewhat fluid involving what type of steps will come next with any international security force. You know, the President is unchanged in what he has always said, that the American military should be used for the purpose of fighting and winning wars, and the President has not changed his opinion on that.

Q On the aid issue?

MR. FLEISCHER: On the which one?

Q On the aid issue, were there any further commitments of American aid for Afghanistan made as part of this agreement?

MR. FLEISCHER: Nothing that I'm aware of, David.

Q Democrats are still, as far as I know, trying to add $15 billion in spending on homeland security to the defense bill. As I understand it, Republicans, in order to stop that, may end up involving stalling the defense appropriations bill. Does the President think it's worth it to end up doing that in order to keep this money, extra money, off of the bill?

MR. FLEISCHER: In the meeting with the members of Congress this morning, the President made it as plain as day that if the Senate were to send the President a bill that complicates our nation's defense needs, he will veto it. And by "complicate," he means if they try to attach extra spending beyond what has already been promised and agreed to by the Congress to a Defense Department appropriation bill at a time of war, the President will immediately veto it, send it back so Congress can back to work on something that can indeed be done.

There is also a letter that is now circulating up on Capitol Hill, and Senator Lott's office is distributing, that has a sufficient number of senators to sustain any presidential veto. So why on Earth would the Senate go through this exercise when it clearly won't go anywhere, other than to delay America's national defense needs.

America is at war and the war should not be fought on last year's budget. And that's why the President feels so strongly that Congress should send him a defense appropriation bill that has the funding increases for the Pentagon to fight a war and that that bill should not get bogged down by other issues beyond what has already been agreed to by the Congress.

Q Do you want Republicans to vote against that bill?

MR. FLEISCHER: Well, it has yet to be attached on the floor. It passed in the committee with the extraneous spending that the President has said goes beyond how much is necessary to immediately take care of the needs we have on the homeland. And so let's see what happens on the Senate floor.

It's unclear yet whether or not this proposal will actually make it through the Senate floor. But the President has sent Congress as direct a message as you can about the need to pass a defense bill that can get quickly signed into law so our troops can have the resources they need.

Q Ari, in front of the Senate Judiciary Committee yesterday, Senator Hatch said that he saw an element of partisanship in the oversight hearings that
are taking place over the way the Justice Department is carrying out its investigation. Does the White House share that view that partisanship is creeping into the Congress's oversight role on the investigation?

MR. FLEISCHER: Well, the President understands very clearly and welcomes Congress's legitimate oversight of all the activities that the Executive Branch engages in. That is how our Constitution is built, and the President is keenly respectful of it. And I don't think it should surprise anybody that the Senate will exercise that review. But I think the President has also noted that there have been some positive statements by many Democrats about the actions that the President has taken on the home front, military tribunals, et cetera, to fight and to win the war on terrorism.

Now, clearly, the American people are overwhelmingly with the President on this. But there very well may be people who represent a small minority and they have that right to do so.

Q Just to follow up. Do you think that there are people that are trying to score political points against the Attorney General or against the President in their criticism of his handling of the situation?

MR. FLEISCHER: You know, there very well may be. But I think that doesn't bother the President. The President understands that -- he came to Washington from a very different background than many people who have been here for a while. The President came from a state government where you'll see -- not only in Austin, Texas, but throughout many of the states -- less partisanship, less strife. And that's the spirit that the President has been trying to bring to the Congress. I think many people accept that new spirit that has come to Washington. There may be some who won't.

Q Going back to Holy Land Funding, there are many other groups who are raising funds from this country and sending overseas, including many groups in Kashmir and funding terrorists' activities. Do you think the President is going to go now after all those groups who are raising funds from this land?

MR. FLEISCHER: Well, yesterday's announcement was one announcement in a series of announcements the President has made on the financial front in the war on terrorism. And I really urge you to look at this as a front in a war. And given that fact -- and that's the President's approach to it and that's the message that he has given the Secretary of Treasury and the government investigators and the law enforcement community -- you need to look at this as an ongoing series of events designed to protect this country by drying up the money that's available to those who would do us harm or engage in terrorism around the world. So, as the President has always said, there very well may be more actions to be taken.

Q Just to follow, because the Prime Minister of India when he was here at the White House and met with the President, and also, the Foreign Minister of India, they all said that there are groups here who are funding terrorist groups in Kashmir. And they urged the President and this administration to take action on this --

MR. FLEISCHER: And I think the President is putting groups on notice that no one is going to be safe, no one is going to be immune; if they practice terrorism, the war will be brought to them on a number of fronts.

Q Ari, despite philosophical differences between Democrats and Republicans on the economic stimulus package, it's already December 5th. Does the President feel he will get an agreement?

MR. FLEISCHER: He just doesn't know. No one can say what Congress will do. It's up to Congress, finally. The President will continue to be helpful, but obviously, the Senate was not even able to pass a bill. Unlike the House of Representatives, which was able to pass a stimulus bill, the Senate could not. Now the administration is going -- taking the extra step of working with the Senate in a way that really is unprecedented, it's not common that one branch of the Congress passes a bill -- or one House in the Congress passes a bill, the other doesn't. But the President thinks it's so important to help the economy
that a new -- an entirely new procedure has been put in place to help the Senate to complete its work.

Q Let me ask you about fast track authority, which, as you said, is an uphill fight, hasn't been approved for a President since 1994. Dick Gephardt is the leader of the House, a Democrat. He opposed it then, he hasn't stopped opposing it. What makes the President believe that this time he'll get the votes? He needs at least 30 Democratic votes.

MR. FLEISCHER: Well, that's why I make no predictions about how votes will go. It has been in modern times a very difficult issue. But because the President believes in it so strongly, because of the points I made earlier about its ability to create jobs on the home front and give the President the authority he needs when he meets with heads of state and others to negotiate trade agreements, the President is hopeful that the power of reason and the principle behind free trade will convince enough members of Congress to put it over the top. We'll see.

Q Ari?

MR. FLEISCHER: Lester?

Q All nine Republican members of the Senate Judiciary Committee have charged that Chairman Patrick Leahy has used what they termed, quote, "misleading statistics," to try to defend what they charge is a disgraceful effort to block President Bush's judicial nominees. And my question: Does the President agree with these nine fellow Republicans, and what does he think of Leahy's objections to military tribunals?

MR. FLEISCHER: You're asking two questions, one on judicial nominees and the other on tribunals.

Q Make it one. (Laughter.) Does he agree with the other Republicans?

MR. FLEISCHER: I'm not sure how to make that one. Well, military tribunals, I think you've heard that directly from the President himself, and as I said earlier, the President is respectful of those who represent the minority point of view, but that is their right. The President clearly disagrees.

Q He disagrees with Leahy, doesn't he, and he agrees with the nine Republicans?

MR. FLEISCHER: I would ask you for further amplification. Mischievous two-part, one question.

Q U.S. Attorney for the southern district of New York, Mary Jo White, was assigned the criminal investigation of last January's Clinton pardons. But she is now retiring, and there has not been even a report after 11 months. And my question: Can you assure us, Ari, that the President is neither considering a Jerry Ford-type pardon for the presidential predecessor, nor planning that this criminal investigation, so long out of the news, will just expire and kind of let bygones be bygones?

MR. FLEISCHER: Lester, I have no information for you on any presidential pardons. And anything dealing with a matter that's under investigation by the Department of Justice needs to be ---

Q Will it continue? Who is going to continue it? She's leaving.

MR. FLEISCHER: Anything involving investigations with the Department of Justice are sensitive matters that need to be addressed to the Department of Justice.

Q On trade promotion, as the President meets with members of the House who are on the fence, is he prepared to do some horse trading?

MR. FLEISCHER: Well, again, as I indicated, the President believes that
trade is right on principle and that is the -- in all the meetings that I have been in, that has been the argument that he's been making with members of Congress, about the need to address trade because on principle, he thinks it helps create jobs.

Having said that, there are certain elements of trade that are always up for discussion; that there are valid points that members can make that typically do get discussed. And there is a lot of consultation that goes on in the trade process; many members of Congress, in exchange for giving up their right to amend an agreement that is submitted to them, seek an additional role in the negotiations. And so that is not an uncommon request from members of Congress. So the President will continue to act on principle as he works with members of Congress and listens to their ideas.

Q Ari, the President is going to be announcing a new Party Chairman this afternoon. How active is the President going to be in next year's campaigns?

MR. FLEISCHER: Well, I think that the President will make his determination about that. But politics, elections are an ongoing part of a democracy, even a democracy that's at war. So I think as the President sees fit, he will increasingly play a role as the election year rolls around and we'll duly report that.

Q Ari, can I follow on that? Some Democrats are raising the question if Governor Racicot will continue in his role as a lobbyist next year, as he heads the Republican Party. What is the President's position? Does he believe that the Governor should no longer be a lobbyist next year as he heads the Party?

MR. FLEISCHER: Well, again, I think the President has made no such announcement yet. So I think until an announcement is made, it's a premature discussion. But there has been an ample history on both the Democrat and Republican side of chairmen being involved in other lobbying or having outside sources of income; that's not an uncommon practice for both parties.

Q Ari, on the principles the President outlined in the stimulus package back on October 5th, it seems there is progress being made on all of them, except accelerating individual tax rates. You said this morning that you consider that one of the more stimulative aspects of a package. Does that mean that the President will not sign a package if it does not contain individual acceleration rates?

MR. FLEISCHER: Well, the President has been very clear about what he thinks Congress needs to do. And one of the centerpieces of what Congress needs to do is accelerate the tax cuts so that it can have an impact on the economy, so people have more money to spend and so that the economy can get the boost that it needs. That is a core component of what the President has proposed.

Q But is it a deal-breaker?

MR. FLEISCHER: No, the President is right now in the middle of discussions with members of Congress about how to reach agreement, not how to reach disagreement. So he'll focus on that.

Q What can you tell us about the EPA decision to force GE to engage in, I think, a $500 million cleanup of the Hudson River?

MR. FLEISCHER: Let me take another one, then I'll come right back to that.

Q Ari, does the President believe Osama bin Laden has been making a dirty bomb? And, if so, does he think it has been smuggled into the United States? Defense Secretary Rumsfeld is not sure.

MR. FLEISCHER: As you know, the President, himself, several weeks ago raised this very issue. And he said that Osama bin Laden has said it's a religious duty of his adherents to develop such weaponry and to use it if they can. So it is something that the President is concerned about and takes seriously and every precaution is being in place. And that's one of the reasons
it's so important to fight and to win this war against the terrorists. So it's a source of concern.

On your question about the Hudson River, EPA Administrator Whitman and the EPA are moving forward on this cleanup of the Hudson River. The Administrator has made it clear the EPA will continue to have an open process that involves all the interested parties, including the people in the affected communities. So that's really the only information I have on it. You may want to talk to EPA. But they are moving forward.

Q: She has not said yet, she is waiting to hear from those who are protesting?

MR. FLEISCHER: She's listening to the various parties as she moves forward, and you may want to get more specific information from her.

Thank you.
TO: Trade Leaders

Bush Renews Push for Expanded Trade

By SCOTT LINDBLAD, Associated Press Writer

EAST MOLINE, Ill. (AP) - President Bush renewed his push Monday for expanded trade as a cure for recession, undeterred by a fainting incident that left him with a scraped cheek and bruised lip. He vowed anew to oppose repeal or delay of the tax cuts enacted last year.

Bush opened the two-day, three-state push with a series of jokes about the fainting spell he suffered Sunday after a pretzel went down the wrong way while he was watching television in the White House. He told 1,500 workers and supporters at a John Deere plant that he expected to receive a pretzel from union workers - "those kind that are easy to chew."

"What this nation needs is to level the playing field and have trade that'll create jobs all across America," he said.

Congress last year passed Bush's long-term tax cut but some Democrats now say that in the face of budget deficits, some of those cuts should be deferred.

Monday, Bush pledged to fight any such effort. "If you have more money in your pocket, you buy more things, which encourages more production," he said. "I've made up my mind - the tax relief plan we passed, which you're now beginning to feel the effects of, is going to be permanent."

Bush left the White House with a bruised lip and a half-dollar-sized abrasion on his cheek after his fainting spell.

During the flight from Washington, Bush made light of his fainting spell by sending a large bag of pretzels to the press cabin with a scribbled warning to "chew slowly." Later, touring a John Deere plant here, Bush said of a welder's mask, "I need this all the time around the pretzels."

"I feel great," Bush told reporters as he left the White House. Spokesman Ari Fleischer said the president, fighting a head cold, reported having a runny nose but was otherwise fine.

During the flight, Bush called Crown Prince Abdullah of Saudi Arabia and President Bashar Assad of Syria to talk about peace efforts in the Middle East and the anti-terrorism campaign.

The president's itinerary had him tracing the flow of farm goods south through the Midwest en route to overseas markets.

After East Moline, he was to visit a feed mill in Aurora, Mo., and on Tuesday the Port of New Orleans, the last stop for many agricultural goods destined for export markets.

The president badly wants authority to negotiate "fast-track" trade agreements, which Congress could reject but not change.
The Republican-controlled House passed such trade promotion authority by a deeply partisan 215-214 vote last month after the White House and Republican leaders persuaded GOP holdouts to change sides. The Democratic-controlled Senate is due to vote early this year.

On agricultural business, the Senate was unable to agree on a Democratic plan to reauthorize farm programs through 2006. Most of the money in that bill would continue to go to grain, cotton and soybean farms but also offer new subsidies for a variety of additional commodities, including milk, honey and lentils. It also would double spending on conservation.

The administration criticized both that bill and one passed by the House in October and urged Congress to delay finishing work on them until this year. It said both measures risk exceeding levels set in an international trade agreement and provide too much money to big farms that least need the assistance.

Bush focused on the economy at a time his administration's contacts with now-bankrupt Enron Corp. are under intense scrutiny, and as the war on terrorism continues.

"The economy is a concern for all Americans, especially for those out of work," the president said in his weekly radio address Saturday. He outlined his plan to extend unemployment and health benefits for Americans who have lost their jobs.
thnx

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-----Original Message-----
From: Paul_Ashin@who.eop.gov [mailto:Paul_Ashin@who.eop.gov]
Sent: Monday, November 19, 2001 6:00 PM
To: Robert.Nichols@do.treas.gov
Subject: Winning the War on Terrorist Finances

-------------------- Forwarded by Paul Ashin/WHO/EOP on 11/19/2001 05:04 PM
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James R. Wilkinson
11/14/2001 08:14:46 AM
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To: See the distribution list at the bottom of this message

cc: Subject: Winning the War on Terrorist Finances

Courtesy of the CIC's Treasury/Terrorist Finances Desk, attached is a one-pager that outlines a few success stories in the battle to seize terrorist finances.

(See attached file: CIC -- Treasury Successes.doc)

Message Sent To:

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kyle.downey@mail.house.gov @ inet
hi

can you resend me the one pager re the financial war on terrorism? i cant find my copy

Rob Nichols
Deputy Assistant Secretary for Public Affairs
Department of the Treasury
(202) 622-2910

-----Original Message-----
From: Paul.Ashin@who.eop.gov [mailto:Paul.Ashin@who.eop.gov]
Sent: Friday, November 16, 2001 9:28 AM
To: john.taylor@do.treas.gov; Anna.Corfield@do.treas.gov;
Bill.Murden@do.treas.gov; Meg.Donovan@do.treas.gov;
Robert.Nichols@do.treas.gov; Warren.Gorlick@do.treas.gov;
Tasia.Scolinos@do.treas.gov
Subject: The War on Terrorism -- November 16, 2001

---------------------- Forwarded by Paul Ashin/WHO/EOP on 11/16/2001 08:32 AM
----------------------

James R. Wilkinson
11/16/2001 06:24:56 AM

Record Type: Record

To: See the distribution list at the bottom of this message

CC:
Subject: The War on Terrorism -- November 16, 2001

Good morning. Nice sunrise out there. Have a great day.

(See attached file: CIC -- Daily November 16.doc)

Message Sent To:
Noelia Rodriguez/WHO/EOP/EOP
Erin E. Healy/WHO/EOP/EOP
Tracey L. Schmitt/WHO/EOP/EOP
Gail Rendall/WHO/EOP/EOP
Gregory Goss/WHO/EOP/EOP
[b](6)
[b)(6)]
Gary
FYI

Transmit #: ______
Initals: OAK
Date: 11/28/01
Total Pages Sent: ______

Office of Services, Investment and Intellectual Property

To: NAME.___
AGENCY: Treasury
PHONE: (202) 622-0391

From: David Katz
Phone: (202) 395-4510

Subject: Per our email attached is a request for meeting by Elice and they have requested Treasury's participation. Could you please check on interest in attending? Thank you. David.
November 27, 2001

David Katz
Director, Bilateral Investment Affairs
USTR
Washington, D.C.

Fax: (202) 395-3891

Dear David:

As we discussed last week, Azurix Corp., which is a subsidiary of Enron, is involved in a half a billion dollar investment dispute with the Province of Buenos Aires. Attached is a confidential briefing paper that provides a history of the dispute; our efforts to resolve it amicably; the lack of good will on the part of the Provincial authorities to find a resolution, and some suggestions to break the impasse to the benefit of all parties concerned.

John Garrison, President and CEO of Azurix Corp., and I would be available to be in Washington on either December 10 or 11 to meet with government officials who are handling U.S. foreign policy relations (State and NSC) with Argentina, as well as economic/investment relations (USTR and Treasury). I would like to take advantage of your kind offer to organize a meeting at USTR with the various offices that have various levels of involvement in this type of investment dispute. I'll give you a call to discuss how you want to proceed. Meanwhile, I can be reached on (713) 345-5956 or keith.miceli@enron.com.

Sincerely,

Keith L. Miceli
Senior Director
International Public Relations
Enron Corp
CONFIDENTIAL

HISTORY OF AZURIX BUENOS AIRES DISPUTE WITH THE PROVINCE OF BUENOS AIRES
NOVEMBER 20, 2001

BACKGROUND

[(b)(4)]
[(b)(4)]
Attached are the final points for the OFIC/Enron demarche to the GOI ... please send any comments you have to me by NOON TODAY, and I will get back to Laurent. Thanks.

----Original Message----
From: Laurent_D._Charbonnet@nsc.eop.gov
[mailto:Laurent_D._Charbonnet@nsc.eop.gov]
Sent: Tuesday, July 17, 2001 4:59 PM
To: jaldo@opic.gov; pwatson@opic.gov; Parshamaita.doc.gov;
Maureen.grewe@do.treas.gov; CampDA2@state.gov;
bryan_enlon@ustr.gov.treas.gov; SpeckJG@state.gov;
Greg.Christopulce@do.treas.gov; usreygs@state.gov
Cc: Harry_K._Thomas@nsc.eop.gov
Subject: NSC revision of Dabhol points for demarche

(See attached file: TP - Dabhol rev2 nsc.doc)

Folks, please take a look at the attached draft talking points. I believe that we have addressed everybody's concerns. Please also ensure that all relevant people within your agency get a copy of this -- not sure whether addressees above capture everybody. If there are major issues remaining, call me at 456-9247 or email, by 3 pm Wednesday (7/18). Please, only one representation per agency, so coordinate internally first.

Let's consider this closed by COB tomorrow. I'll coordinate with State, who'll send the demarche cable.

Thanks, everybody. Laurent
TALKING POINTS FOR US EMBASSY - INDIA

Re: Meeting with Ministries of Finance and Power and Dabhol Lenders' Steering Committee

[Follow-up to meeting between Principal Secretary and National Security Advisor Mishra and OPIC President Watson in Washington]

- [(b)(5)]
- [(b)(5)]
- [(b)(5)]
- [(b)(5)]
- [(b)(5)]
- [(b)(5)]
- [(b)(5)]
- [(b)(5)]
- [(b)(5)]
Thank you very much. I shared with Josh. Should I ask Carol to put you on his call list or do you want to call him?
I'll call him. Thanks

Sheila

-----Original Message-----
From: Kristen_Silverberg@who.eop.gov
[mailto:Kristen_Silverberg@who.eop.gov]
Sent: Thursday, January 10, 2002 9:30 AM
To: Sheila.Bair@do.treas.gov
Subject: Re: Enron

Thank you very much. I shared with Josh. Should I ask Carol to put you on his call list or do you want to call him?
From: Leslie_A_Mooney@opd.eop.gov
Sent: Tuesday, October 30, 2001 5:28 PM
To: Robert_O_McNally@opd.eop.gov; K_Philippa_Malmgren@opd.eop.gov; Rachel_L_Brand@who.eop.gov; Randall_S_Kroszner@cea.eop.gov; Peter_Fisher@do.treas.gov; D_Marcus_Sumerlin@opd.eop.gov; Kevin_ODonovan@eis.doe.gov
Cc: Lisa_D_Branch@cea.eop.gov; Marty_P_Smith@opd.eop.gov; anna.hart@do.treas.gov
Subject: Enron Conference Calls - Wednesday and Thursday

Follow Up Flag: Follow up
Flag Status: Flagged

I have set up Conference Calls at 5:00 on Wednesday and Thursday for further discussion on Enron.

Wednesday, 10/31 ((b)(2))
Thursday, 11/1

Thanks and let me know if you have any questions.

Leslie
456-5804
There will be no conference call today or Thursday. We will hold further calls as needed.

------------------------ Forwarded by Leslie A. Mooney/OPD/EOP on 10/31/2001 01:24
FM ------------------------

From: Leslie A. Mooney on 10/30/2001 06:23:09 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Lisa D. Branch/CEA/EOP/EOP, Marty P. Smith/OPD/EOP/EOP, anna.hart@do.treas.gov

Subject: Enron Conference Calls - Wednesday and Thursday

I have set up Conference Calls at 5:00 on Wednesday and Thursday for further discussion on Enron.

Wednesday, 10/31
Thursday, 11/1

[(b)(2)]

Thanks and let me know if you have any questions.

Leslie
456-5804

Message Sent To:

Robert C. McNally/OPD/EOP/EOP
K. Philippa Malmgren/OPD/EOP/EOP
Rachel L. Brand/WHO/EOP/EOP
Randall S. Kroszner/CEA/EOP/EOP
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D. Marcus Sumerlin/OPD/EOP/EOP
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Microsoft Word 4
(28 KB)

---------------------------- Forwarded by Edward Ingle/WHO/EOP on 01/07/2002 06:00 PM

James R. Wilkinson
01/07/2002 05:56:24 PM

Record Type: Record

To: See the distribution list at the bottom of this message

Cc: 

Subject: Talking Points -- The Economy

(See attached file: Econ Talkers.doc)

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Sydney R. Johnson/WHO/EOP@EOP
David Kuc/WHO/EOP@EOP
Robertas Shea/WHO/EOP@EOP
All CIC-WH Users
President Bush Pushes Economic Security Agenda to Create Jobs and Opportunity for America’s Workers

Today’s Presidential Action:

- As his first order of business upon returning to Washington, President Bush today met with his top economic advisors and Federal Reserve Board Chairman Alan Greenspan to discuss the economy and ways to ensure the recovery happens sooner rather than later. The President also announced that he will include his economic security package in the 2003 budget.

Economic Growth Is Needed Now To Help Workers:

- **The Senate Should Pass An Economic Security Plan Immediately:** Given the uncertain economic outlook, we need an economic security package to boost growth now and get people back to work. President Bush called on Congress to pass an economic security bill months ago. The House acted quickly but the Senate failed to act, despite support for a bipartisan compromise that a majority of Senators supported. In the meantime, more than 900,000 Americans have lost their jobs. And, without action by the Senate, more than 300,000 workers will not find work this year.

- **Economic Growth and Job Creation Boost Surpluses -- Not Tax Increases:** The federal government is not responsible for budget surpluses. America’s workers are the engines of economic growth that create surpluses. A strong economy and more jobs – not tax increases – are the keys to improving the daily lives of working families and creating budget surpluses for years to come.

President Bush - Providing Critical Leadership On The Economy:

- **The President’s Tax Relief Plan Will Help End the Recession Quicker:** The President’s tax cut was exactly the right medicine at the right time. It became law in May and workers began receiving checks in late August -- pumping $40 billion back into the economy and supporting consumer spending at a critical time. Had it not been for the September 11th attack, many economists believe our economy would have already recovered.

- **While Some Blame Tax Cuts for Recession, the Facts Tell a Different Story:** The recession began in March, two months before the tax cut even became law, and at least seven months before workers started receiving rebate checks. Despite Senator Daschle’s claims, it is impossible that tax cuts made the recession worse.

- **Democrats and Republicans Came Together Because the Tax Cut Was Needed:** Twelve Senate Democrats and 41 House Democrats voted for the tax cut bill. They knew that cutting taxes was the right thing to do for America’s future economic prosperity.
The War and Recession Drained the Budget Surplus:

- While some in Washington have attempted to blame the tax cut for the declining budget surplus, the facts tell a different story:
  - **The Recession Erased Two-Thirds of the Surplus:** The recession and declining tax revenues drained roughly two-thirds of the budget surplus between April 2000 and today.
  - **Homeland Security and War Spending Used 19% of the Surplus:** Immediately following the terrorist attacks, President Bush and Congress rightly passed significant spending increases for the war against terrorism, homeland security, airline security, and emergency response. This necessary spending accounted for approximately 19% of the surplus.
  - **The Tax Cut Only Used 15% of the Surplus:** Despite the claims of some in Washington, the tax cut used less than 15% of the surplus.

- **The events of September 11 weakened an already slowing economy:**
  - Unemployment rose by almost 1% after September 11.
  - The airport and airline industry was entirely shut down, costing thousands of jobs.
  - The tourism industry was especially hard-hit, costing even more jobs.
  - Wall Street closed for a week, investment dried up, and the markets dropped.
  - Anthrax attacks shut down large portions of commercial mail and shipping industries.

- **Despite the terrorist attacks and the slowing economy, the budget remains effectively in balance:** The miniscule shortfall in the budget represents less than 1% of GDP, meaning that the budget is effectively in balance.

- **While some in Washington use partisan politics as an excuse for inaction, President Bush will continue to work toward a real, effective economic security package for America's workers.**

For more information on the President's initiatives, please visit www.whitehouse.gov
FAX COVER SHEET

BOB McNALLY

NATIONAL ECONOMIC COUNCIL
THE WHITE HOUSE
WASHINGTON, DC 20502
PHONE: 202/456-2800 FAX: 202/456-2223

DATE: NOVEMBER 29, 2001 NUMBER OF PAGES (INCL. COVER): 2
TO: MR. PETER FISCHER

FAX: 202-622-0265

COMMENTS:

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November 28, 2001

TO: Frank Blake
CC: Bob McNally
FROM: Kevin O'Donovan
       Garrett Soden
RE: Enron

All three major credit rating agencies downgraded Enron's debt to junk status today over
liquidity concerns. Also, Dynegy announced that its takeover agreement with Enron was
terminated due to inadequate disclosure of Enron's total indebtedness. As a result, Enron
said it will temporarily suspend all payments other than those necessary to maintain its
core operations. Enron's online trading platform was shutdown this afternoon.

1) [(b)(4); (b)(5)]

2) [(b)(4); (b)(5)]

3) [(b)(4); (b)(5)]

4) [(b)(4); (b)(5)]

5) [(b)(4); (b)(5)]

6) [(b)(4); (b)(5)]