

EXECUTIVE SESSION

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SEPTEMBER 25, 1979

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United States Senate,  
Committee on Finance,  
Washington, D. C.

The Committee met, pursuant to notice, at 10:20 a.m. in room 2221, Dirksen Senate Office Building, Hon. Russell B. Long, Chairman of the Committee, presiding.

Present: Senators Long, Talmadge, Ribicoff, Byrd, Gravel, Bentsen, Matsunaga, Baucus, Boren, Bradley, Dole, Packwood, Roth, Danforth, Chafee, Heinz, Wallop, Durenberger.

The Chairman: The Committee will come to order, please. The first order of business today will be the debt limit bill.

Mr. Shapiro, suppose you tell us what the situation is with the debt limit. It is still in the House right now, is it not?

Mr. Shapiro: Yes, it is.

The present debt limit is at \$830 billion. That consists of a permanent level of \$400 billion and a temporary limit of \$430 billion, which includes the \$830 billion total. However, the temporary limit expires on September 30, 1979. That reverts it to the permanent level of \$400 billion.

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1 The House tried last week, in the bill reported to the  
 2 Ways and Means Committee to carry the debt ceiling through  
 3 1981, May 31, 1981, a \$99 billion increase on the House floor  
 4 that was reduced to a lower level, \$885 billion, through July  
 5 31st. However, the House Floor defeated that bill by 200 to  
 6 215. It was defeated.

7 So the Ways and Means Committee had to go to Committee  
 8 yesterday and reported out a second debt-ceiling bill, this  
 9 one raising it by \$49 billion, up to \$879 billion, so it is a  
 10 \$49 billion increase, taking the temporary level from \$430  
 11 billion to \$479 billion, and that would go to May 31, 1980.

12 So what the Ways and Means Committee reported yesterday  
 13 was a \$49 billion increase, up to \$879 billion through May 31,  
 14 1980.

15 The second item in the Ways and Means Committee bill is an  
 16 increase in the amount of the authority that the Treasury can  
 17 issue longterm bonds above the 4-1/4 percent ceiling interest  
 18 rate and that is by an additional \$10 billion.

19 Presently, the Treasury has the authority to issue \$40  
 20 billion above that ceiling. These long-term bonds in the Ways  
 21 and Means Committee would give them an additional \$10 billion.  
 22 Originally the administration asked for \$15 billion additional  
 23 authority through September of 1980. However, when the Ways  
 24 and Means Committee reduced that date to May 31st, as I  
 25 understand it, the administration feels that the \$10 billion

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1 is sufficient for its purposes through May 31st.

2 The third item in the House bill is a major change in  
3 House procedure in dealing with the debt process. As you  
4 know, for the last several years, the House has had a  
5 difficulty in passing debt-ceiling bills. Therefore, what  
6 they are trying to do is not to have a vote on the debt  
7 ceiling as such, but to have a process in which when the  
8 Budget Resolution is dealt with, they vote on the Budget  
9 Resolution, and it would be treated as a vote on the debt  
10 ceiling.

11 This is a change in the House rules only, as I understand  
12 it, it does not affect any procedures or practices in the  
13 Senate. The only difference is that when the Senate deals  
14 with the debt ceiling, you will be dealing with a Joint  
15 Resolution rather than an H.R. bill number.

16 The way the procedure would work, when the House deals  
17 with the Budget Resolution and adopts it, it has the effect of  
18 having passed the debt ceiling.

19 In the Budget Resolution, as you know, the increase in the  
20 debt ceiling, if there is a deficit in the budget it would  
21 increase the debt ceiling in the Budget Resolution. It would  
22 instruct the enrolling clerk to put into a Joint Resolution  
23 the amount of the debt ceiling and treat that as having passed  
24 by the House by the same vote as the House-passed Budget  
25 Resolution and send that to the Senate.

1 That is a change in the House rule only. It is not a  
2 change in the Senate rules.

3 When that resolution comes to the Senate, it is dealt with  
4 in the same legislative action that would be dealt with by an  
5 H.R. bill that would come to the Finance Committee. You would  
6 report out a bill; you would report out any amendments that  
7 you would have. It would be debated on the Senate Floor. If  
8 it is different than the House bill, you would have a  
9 conference.

10 The House figure, that is. You would have a conference on  
11 it. Ultimately the House may have to vote on it again, if you  
12 have a conference, or a difference.

13 The only change in this, the first time the House takes up  
14 the debt ceiling it would not vote on the debt ceiling, as  
15 such. It would vote on the debt ceiling in the Budget  
16 Resolution.

17 Once again, this is not a change in anything in the Senate  
18 rules, but only in the House rules. I have discussed the  
19 matter with the Senate Parliamentarian, because I wanted to be  
20 sure it s clear. From his point of view, this does not affect  
21 any prerogative of the Senate, or the Finance Committee.

22 He has assured me that that is the case.

23 There is one question, however. The House bill used the  
24 word "enrollment" as well as "engrossment." He is concerned  
25 about the word "enrollment" so the Senate Parliamentarian and

1 House Parliamentarian are discussing the issue right now,  
2 whether the word "enrollment" may be taken out in the House,  
3 or there will be legislative history in the House to make it  
4 clear what the House means when they use the word  
5 "enrollment."

6 Other than that one issue, the Senate Parliamentarian has  
7 indicated that he feels there is no change of anything in the  
8 House proposal here that would affect the Senate.

9 I think it might be appropriate to have that, possibly in  
10 writing. I know that Senator Byrd has discussed this matter  
11 with the Senate Parliamentarian, and it is his subcommittee  
12 involved with the debt bill and I think Senator Byrd would  
13 like to have something in writing to confirm what I understand  
14 the Senate Parliamentarian has indicated to me orally, and to  
15 Senator Byrd.

16 The Chairman: How much time will we have to act on this  
17 bill responsibly by the time it gets to us. This is far from  
18 the course. It is the story of our lives here.

19 I am not criticizing the Ways and Means Committee in this  
20 respect. It is not their fault they have to take two or three  
21 falls before they can get that debt limit bill through the  
22 House.

23 How much time will we have to act responsibly before the  
24 government starts paying the price for delay in passing this  
25 debt limit bill?

1 Mr. Shapiro: The earliest that the bill would be passed  
2 by the House is Wednesday. It may not be that it is not  
3 passed until Thursday. It will not be dealt with on the House  
4 Floor today. As we understand the schedule set, the earliest  
5 possible time would be tomorrow.

6 That is not set yet. I am saying it could be tomorrow.  
7 You could expect it either here Wednesday or Thursday.

8 The Chairman: All right, now. The debt limit expires  
9 October 1, is that right?

10 Mr. Shapiro: The debt limit expires September 30th, and  
11 what the Treasury tells us is that they could possibly carry  
12 through next Thursday. That is about October 4th. That is as  
13 far as they go, without causing financial management problems.

14 The Chairman: Treasury could hold out until October 4;  
15 after that, they are in trouble.

16 Mr. Shapiro: That is right.

17 The House has also a scheduled recess next week, as I  
18 understand it. It is tentative depending on other legislative  
19 acts that have not been passed. They do have a scheduled  
20 recess starting at the end of this week.

21 Senator Packwood: On a tangentially related subject, if  
22 they are taking a recess next week, what are they planning to  
23 do with the Budget Resolution?

24 Mr. Shapiro: As I understand it, they would like to pass  
25 the Budget Resolution next week. They intend to bring it

1 tomorrow.

2 The Budget Resolution, the debt ceiling, the Panama Canal,  
3 the legislative appropriations, the four bills the Speaker has  
4 indicated must be passed before they have their recess.

5 Senator Packwood: Further, do they plan to take the  
6 recess even if there is no budget conference that has reached  
7 any kind of harmony and the budget will be put off for ten  
8 days while they are gone?

9 Mr. Shapiro: It may very well be that they will have  
10 their recess. What they have done in the past, the conferees  
11 have met even though the House has been in recess. I do not  
12 know their present plans on that in regard to the budget,  
13 however.

14 The Chairman: Could we have a statement from the Treasury  
15 about what is the potential cost if this thing is delayed for  
16 a few days over there? Suppose you cannot get the bill  
17 through by October 4th?

18 Can you give us some ideas what problems and what the cost  
19 of it would be to delay passing it further after that date?

20 Mr. Blum: Well, Mr. Chairman we would run into problems  
21 that would be serious beginning with October 1, because we  
22 have two securities that are maturing on September 30 in the  
23 amount of \$5.3 million, which normally we would refinance on  
24 October 1, September 30th being on a Sunday.

25 We would be unable to do that.





1 it. It is difficult to understand why they act as they do.  
2 Maybe, if you served over there, you can understand it better.  
3 I have only visited a few times.

4 From the point of view of a Senator, it is hard to  
5 understand how they do business over there.

6 Senator Dole: They have the same view of us.

7 The Chairman: In any event, this is something we cannot  
8 act on until they send the bill to us because the time will be  
9 so short when it gets here, when the bill, if we have the bill  
10 go to the Committee, then we report out, we are then  
11 confronted with that three-day layover rule and a single  
12 person can object to waiving it.

13 It is in the interest of the nation that we decide what we  
14 want to do about it at the earliest moment and we try to move  
15 as expeditiously as possible, because that is the responsible  
16 thing to do.

17 I would like to suggest to the Senators that we stop the  
18 bill at the desk as has been done on other occasions and we  
19 will be meeting this week to talk about the other legislation,  
20 but we can talk about debt limit whenever the bill is over  
21 here. Then we will see what it is and we can propose any  
22 suggestions that we want, reserving everyone his right to  
23 offer his own version of the debt limit bill, or whatever  
24 amendments he wants to.

25 That will then maybe save a day or two in acting on this

1 bill and we will be acting under pressure as is often the case  
2 on this type of bill.

3 How does that strike you, Senator Byrd?

4 Senator Byrd: I think we would want to expedite this bill  
5 as much as we reasonably can. I want to certainly work with  
6 the Chairman in that regard.

7 Could we delay this momentarily while I confer briefly  
8 with the Chairman and Senator Dole?

9 The Chairman: Yes, sir.

10 (A brief recess was taken.)

11 The Chairman: I would suggest that Senator Byrd tell us  
12 what he was telling me, and Senator Dole, so we know what he  
13 had in mind.

14 Senator Byrd: There are two aspects of this, one that I  
15 discussed a moment ago with the Chairman and the Ranking  
16 Republican Member and the second one I will discuss later.

17 The first one is many members of this committee,  
18 particularly Senator Dole and the Senator from Virginia, have  
19 considered offering as an amendment to this debt-increase  
20 legislation the repeal of the carryover basis provision of the  
21 estate tax law.

22 That is something that has to be done. The existing  
23 legislation providing for carryover basis in the tax law now  
24 is unworkable. It cannot be administered, it cannot be  
25 complied with, so it must be repealed.

1       There has been a great deal of interest on the part of  
2 many in presenting that proposal as an amendment to the debt  
3 limit legislation. However, in talking to the Chairman and  
4 others, Senator Dole and I are willing to withhold presenting  
5 a carryover basis repeal amendment to this bill and instead  
6 will offer it in committee as an amendment to the windfall  
7 profits tax bill if that would meet with approval, as to  
8 procedure, with the Chairman of the Committee.

9       The Chairman: Let me just explain this. Any Senator can  
10 offer any amendment he wants to, any revenue amendment he  
11 wants to certainly, to any tax bill that is in this committee.

12       I would hope that the committee would limit itself to  
13 germaneness in dealing with the windfall tax issue.

14       It has been well understood for months now that at some  
15 point the Senator from Virginia, the Senator from Kansas or  
16 both, are going to offer an amendment to repeal the carryover  
17 basis rule, the carryforward basis rule. We have an agreement  
18 out there on the Senate Floor when such a measure is proposed  
19 that there will be a limitation of debate on both the bill and  
20 the amendment so that the matter could be voted upon.

21       Now, I would think that if this matter is offered on the  
22 windfall bill, we should not insist on that unanimous consent  
23 agreement because I think that some people might feel that  
24 while it was agreed that there was no limit on what bill the  
25 amendment could be offered to, some could say that we did not

1 anticipate that it would be offered on this bill unless anyone  
2 feels that he was not there to protect his rights, or  
3 something. I think that the amendment should simply be viewed  
4 as any other committee amendment, if it is agreed to by the  
5 Committee, and I suspect that it will be, and we could simply  
6 let the Senate work its will.

7 We may have to vote cloture anyway to pass this bill, if  
8 that is the case, if the amendment is on that bill when it  
9 emerges. Of course, it would be a part of what the Committee  
10 would vote on when that occurred.

11 I have tried to make it clear to people who discuss  
12 matters with me that my impression was that the Senators from  
13 Virginia and Kansas were planning to bring this issue to a  
14 head in connection with the windfall profits tax. I hope that  
15 no one will be taken by surprise. I have done what I could to  
16 inform them that that is going to happen.

17 Mr. Dole?

18 Senator Dole: Well, I share the views expressed by both  
19 Senators. I think that, for the record, it was our intent  
20 about six months ago to offer this as a countervailing duty  
21 measure. We were persuaded not to do that by the eloquence of  
22 the then-Ambassador Strauss.

23 We have not been pressing, or trying to frustrate,  
24 legislation. We would not want to do that with the debt  
25 ceiling.

1 We are also faced with another problem, based on the  
2 discussions on the Floor last week in relation to the Budget  
3 Resolution which might be subject to a point of order. So it  
4 seems to me that we have a right to offer the amendment to the  
5 windfall profits tax, a fair-sized horse to carry a small,  
6 insignificant rider.

7 A repeal of the carryover basis, we could forego offering  
8 it in lieu of the debt ceiling.

9 There are 240 House members, 30 Senators, that advocate  
10 repeal, with some minor change in the amendment to take care  
11 of the election question.

12 I would certainly be willing, as Senator Byrd has  
13 indicated, to offer it at an appropriate time when the  
14 so-called windfall profits tax comes.

15 Senator Byrd: Mr. Chairman?

16 The Chairman: Yes, sir.

17 Senator Byrd: I think you raised a good point. If this  
18 amendment is offered by Senator Dole and myself -- and we do  
19 plan to offer it in Committee on the windfall profits tax bill  
20 -- that it should not be used as a means of preventing Floor  
21 debate on the windfall profits tax bill. That would not be  
22 the purpose of it at all.

23 I would join with the Chairman, and I am sure that Senator  
24 Dole would, in changing the unanimous consent agreement that  
25 now exists which puts the time limitation on the debate of

1 that particular bill on which this amendment might be  
2 attached. I think that should be changed if -- and I hope the  
3 Committee will put it on the windfall profits tax. I will  
4 join with you in recommending that change.

5 The purpose was not, as I recall, to put a limitation on  
6 the bill itself but the agreement provided as a result of not  
7 presenting the measure at that time, the agreement provided  
8 that the repeal of the amendment repealing the carryover basis  
9 would not be subject to a filibuster or to other amendments.  
10 That was the purpose, not to put a limitation on the bill  
11 itself.

12 The Chairman: We had better leave that unanimous consent  
13 agreement stand until we can get an agreement in place.

14 There is a problem involved here. Once the Budget  
15 Resolution is passed, the way I construe it, there will be  
16 precious few bills to which that carryforward basis, could be  
17 offered. It would reduce the revenues and it would have to be  
18 a bill that raises revenue and it would have to be offered in  
19 committee.

20 So the Senators could be very easily shut out by the  
21 Parliamentary situation plus the Budget Resolution if they are  
22 not careful in protecting their rights. The last thing I want  
23 to do is deny any Senator the right to offer his amendment and  
24 have a vote on it.

25 Then, with that understanding, if there is no objection

1 from any member of the Committee, I will undertake to stop the  
2 debt limit bill at the desk and I will ask the Committee what  
3 it wants to do about the bill at the first meeting thereafter,  
4 so we can talk about what amendments that the Senators might  
5 want to offer and if the Committee wants to agree on a  
6 Committee amendment, or a series of committee amendments, that  
7 will be the Committee's privilege.

8 The only difference would be that we would simply save  
9 some time by calling the bill up on the calendar.

10 That being the case, we would not have a Committee report  
11 as such, a printed Committee report. We would offer a  
12 Committee amendment and an explanation in the record to  
13 support the Committee amendment.

14 Senator Byrd: Mr. Chairman, I think the Committee  
15 probably today ought to give a little more consideration at  
16 this point to a fundamental change which is being proposed by  
17 the so-called Gephardt amendment to the debt limit proposal.

18 Mr. Shapiro has touched on that. Let me ask, if I may,  
19 several questions, Mr. Chairman.

20 In reading the sheet here that says, summary of Gephardt  
21 proposal on new house debt limit procedure, the third  
22 paragraph says, the enrolled Joint Resolution shall be signed  
23 by the Speaker and sent to the Senate for final legislative  
24 action. After a final passage by both Houses, the enrolled  
25 Joint Resolution shall be submitted to the President for his

1 signature.

2 Now, does that in any way involve the Budget Committee in  
3 the process of dealing with the debt limit legislation in so  
4 far as the Senate is concerned?

5 Mr. Shapiro: Senator, what happens, you have an earlier  
6 version of our summary. There is a new version that does not  
7 have the word "enrolled" in it. The bill was changed since  
8 the first summary came to take care of part of that problem.

9 Therefore, we revised the summary, the new summary before  
10 you. However, there is still a potential problem, even though  
11 when it was introduced, again, to deal with the problem you  
12 are touching upon, the Senator Parliamentarian still takes the  
13 view that a technical and literal interpretation may give the  
14 impression that when an enrolled bill comes from the House,  
15 the Senate has no choice but to either agree with that bill or  
16 not agree with it, but to not make changes.

17 That was not the intent of the House. The House and  
18 Senate Parliamentarians discussed the matter and there are one  
19 or two course of action to clear up this question that was  
20 raised by the Senate Parliamentarian that you are referring  
21 to.

22 One is to have legislative history on the House Floor that  
23 clearly amplifies --

24 Senator Byrd: I think it should be in the legislation.  
25 If the House does not intend to do that, why does not the



1 legislation say so?

2 Mr. Shapiro: I discussed that with the House  
3 Parliamentarian yesterday. He is taking it under advisement.  
4 He is talking to the Senate Parliamentarian.

5 I have taken the position as a staff member in this regard  
6 to let the Parliamentarians decide as to what the  
7 Parliamentary procedure is.

8 I have not done any more than understand their concern.

9 Senator Talmadge: If the gentleman would yield at that  
10 point, do I understand you to say that the bill would be  
11 enrolled and the Senate can vote it up or down, but cannot  
12 amend it?

13 Mr. Shapiro: That is a concern that the Senate  
14 Parliamentarian has taken. The House indicates that is not  
15 their view. They are sending over an engrossed bill and an  
16 enrolled bill. The engrossed bill is what will be acted on.  
17 The enrolled bill means that after the end, it would be  
18 enrolled.

19 However, the concern that Senator Byrd is raising is a  
20 question raised was raised by the Senate Parliamentarian and  
21 one that the House Parliamentarian is reviewing.

22 The last that I talked to him last night, he wanted to  
23 take it under advisement during the evening.

24 Senator Talmadge: If that is true, it would change  
25 completely the Senate Finance Committee's procedure dealing

1 with the debt limit. We could not amend, we could only vote  
2 up or down. There would be no conference committee to adjust  
3 differences, or anything else.

4 Mr. Shapiro: You will actually get an engrossed bill.  
5 What they are saying, an engrossment that the language causes  
6 the concern. It is one that is being discussed right now,  
7 Senator Byrd, and the point you are making, Senator Talmadge,  
8 is appropriate. It is being discussed, as to how this  
9 language is interpreted.

10 The two Parliamentarians are going to deal with it either  
11 by having the word "enrollment" taken out of this bill or  
12 revise in the way it comes up, or have it clarified in the  
13 language on the House Floor that the Senate Parliamentarian  
14 agrees in.

15 Senator Byrd: It seems to me that the Senate Finance  
16 Committee would be very foolish to agree to any such proposal  
17 as indicated here. We might as well do away with the Budget  
18 Committee as invading the prerogatives of the Finance  
19 Committee pretty much anyway. This would be another invasion,  
20 not only another invasion by the House on the prerogatives and  
21 the responsibilities, more than the prerogatives of the  
22 Finance Committee.

23 The Chairman: As I understand the matter, what the House  
24 seeks to do here involves a change of their rules and they  
25 have a right to do that independently without sending the bill

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1 I can see Senator Byrd's position. The last thing I would  
2 want to agree to is something that would deny this Committee,  
3 or deny the Senate the right, to amend the House-passed bill.

4 Mr. Shapiro: The point is, the House is saying that is  
5 not what it intends. The literal language of the words could  
6 have that interpretation, although the House Parliamentarian  
7 says it is stretching the interpretation.

8 He is looking at the House point of view, and the Senate  
9 Parliamentarian is looking at it from the Senate point of  
10 view.

11 Senator Byrd: If it is not their intent, why can they not  
12 write it in the bill?

13 Mr. Shapiro: That is being discussed. That issue came up  
14 just yesterday. I discussed it with Congressman Gephardt. He  
15 is willing to make any changes going through the Ways and  
16 Means committee once the two Parliamentarians have worked it  
17 out, and I have relayed the concern of this committee that I  
18 gave last night.

19 It is my interpretation if the House does not change it,  
20 the Senate will change it. If that is the case, we are  
21 talking about House rules. The House should change its own  
22 rules rather than having the Senate to do it to protect the  
23 Senate in that regard.

24 I anticipate that by the time the Finance Committee deals  
25 with this issue when the House has passed it, this will be

1 clarified in the legislation.

2 The Chairman: Well, I certainly hope so. Is there any  
3 further discussion on that issue?

4 Senator Byrd: Mr. Chairman, if the bill is kept at the  
5 desk, could this be done? Agree to the Chairman's proposal to  
6 hold the bill at the desk unless this issue is not adequately  
7 taken care of prior to that time?

8 I assume from what Bob says that it can be worked out, but  
9 if it is not worked out, it seems to me we might want to have  
10 it come to this committee so that we can deal with it more  
11 appropriately.

12 The Chairman: Yes, that is fine.

13 If some situation should arise that would require us to  
14 discuss the bill further in Committee, I would be willing to  
15 have it referred.

16 I think we probably could be doing it without having it in  
17 committee by offering the Committee amendment. We could  
18 achieve exactly the same effect, the only difference is you  
19 would not have a committee report lying out there printed on  
20 the Senator's desk.

21 With that exception, you could still have the committee  
22 that Senator Byrd conducted and any additional hearings  
23 someone may want to hold on that subject so we can get the  
24 information and make it available at the Senate.

25 If there is no objection, we will proceed on the basis of

1 stopping the bill with the proviso suggested by Senator Byrd  
2 that, for some reason, he or other members, feels that  
3 something has arisen or the way the thing has developed, it  
4 requires that the bill be referred to the Committee and we  
5 will reconsider that decision and do what the Committee wants  
6 to do about it. All right.

7 Now, I suggest that we proceed to discuss the crude oil  
8 tax. Let me just suggest to Senator Packwood, because he is  
9 interested and wants to vote on other matters that he  
10 submitted to us previously that I would like to meet with the  
11 Senator and discuss his amendments with him and also some of  
12 the cost factors before we vote further on it, if it is all  
13 right with the Senator. We will return to his amendment,  
14 perhaps tomorrow morning, or perhaps after it is voted.

15 Senator Packwood: Mr. Chairman, I would be happy to  
16 arrange a time to meet with you this afternoon. I have a  
17 list of priorities even within the business credits, some  
18 better than others. Cogeneration is as good as any single  
19 credit involved.

20 On every one of these I realize that there is going to  
21 have to be a reconciliation -- I have to use that word in  
22 terms of the Budget Committee concept -- there is going to  
23 have to be some consideration of how much money the crude oil  
24 windfall profits tax will raise, and how much do the credits  
25 and production subsidies cost.

1 I do not foresee we are going to have a tax as high as all  
2 of the production credits and other credits. There is going  
3 to have to be a reconciliation.

4 I will meet with you. Some of the business ones I feel  
5 more strongly about. I hope we can consider them tomorrow, or  
6 no later than Thursday.

7 The Chairman: I would like to ask the Committee to  
8 consider joining me in requesting that the Committee might  
9 meet during the session of the Senate tomorrow and on  
10 Thursday, hoping, if need be, we might make more progress and  
11 expedite the consideration of this bill.

12 Mr. Stern: Mr. Chairman, the case tomorrow afternoon, you  
13 have set a hearing on Senator Bradley's proposal. It is true  
14 there is also a hearing that Senator Bentsen is going to be  
15 chairing on the meat quota. Both hearings are for tomorrow  
16 afternoon. Perhaps we could make it for Thursday afternoon.

17 The Chairman: Let's talk about it Thursday, if we can.  
18 Tomorrow would not be appropriate.

19 Senator Wallop: Mr. Chairman, I have no objection at all  
20 to the process. Senator Bradley and I and Senator Matsunaga  
21 both sit on the Energy Committee. That is meeting at the same  
22 time and would like to be protected in matters of personal  
23 interest during those afternoon sessions.

24 I would not try in any way to delay it, but if attendance  
25 is necessary in both cases, if it is understood we could come



1 back and make our own case.

2 The Chairman: Yes, sir.

3 Senator Dole; We can protect your interests in those two.

4 The Chairman: We will try to protect everybody.

5 The Committee has been very considerate of one another up  
6 to now.

7 Last, we were on the subject of the tax and Senator Dole  
8 had an amendment pending. He was in the process of offering  
9 an amendment. I think I will recognize the Senator, if he  
10 would like to offer his amendment.

11 Senator Dole: I cannot remember precisely when it was the  
12 first day we met on the mark-up. We talked about the  
13 exemption of newly-discovered oil and I have since discussed  
14 this with Senator Bentsen and others who have an interest in  
15 that, based on the agreement that Senator Packwood -- you sy  
16 agreement, discussions he will have with Senator Long, because  
17 in our regular morning meetings with Republicans we were under  
18 the impression if we just finished the tax credits on the  
19 business side, if the prime mover has no objection, then I  
20 would like to return to my amendment on the exemption of  
21 newly-discovered oil and I would also like to address the need  
22 to change the definition.

23 There are two options in changing definitions. The fact  
24 that the original rationale for that exemption, it is pretty  
25 hard to say. There is a windfall profits tax on something

1 that has not been discovered. The cost is not particularly  
2 high and it does underscore the need and emphasize production.

3 We have been addressing the conservation side through  
4 credits and the production side through the Talmadge-Danforth  
5 tax credit, but this would be the first effort to really  
6 address the production side with reference to new production  
7 and it would seem to me that it would be one of the first  
8 signals that we would want to go forth from this committee  
9 that we had acted favorably on that exemption.

10 I discussed this morning with Senator Bentsen. I am  
11 certain he has some additional comments.

12 The Chairman: Senator Bentsen?

13 Senator Bentsen: Thank you very much, Mr. Chairman.  
14 Actually, as the Senator said, we are talking about one of  
15 those items that costs less than some of the other items,  
16 substantially less. What we are trying to do is not put  
17 **any** disincentives on the production of new oil, or the  
18 finding of new oil in this country. We are trying to have  
19 every incentive that we can.

20 We should not be trying to deter it.

21 If you put the windfall profits tax on discovery of new  
22 oil, that means you are just going to pass up that much of  
23 those reservoirs that are small, that are not profitable to  
24 that extent. It means that you will drill that fewer of deep  
25 wells that have to be drilled to bring on production in this

1 country if we are going to bring about this balance of trade,  
2 and try to take care of the further devaluation of the dollar.

3 I just left the chairing of the Joint Economic Committee  
4 on the CPI which says now the dollar is further devalued and  
5 inflation now is up at an annualized rate of 14 percent, 13  
6 percent less now, 14 percent. That means that the dollar in  
7 1969 was worth a dollar's worth and that the dollar is worth  
8 45 cents now. In another ten years it will be worth a quarter  
9 of that.

10 Part of that is our balance of trade. It just does not  
11 make any sense at all to discourage the finding of new oil in  
12 this country.

13 We ought to do everything we can to not impede it but to  
14 try to assist it and to pass a windfall profits tax on oil  
15 that has not yet been found.

16 I frankly fail to see the logic in it and I very strongly  
17 join in and cosponsor with my distinguished friend from Kansas  
18 on this particular amendment of his.

19 The Chairman: Any discussion?

20 Senator Chafee: I support the Senator's amendment. I  
21 have a bill, 731, that does the same thing.

22 Does he change the definition? What do you use for a  
23 definition?

24 Senator Dole: I want to discuss that with staff. I think  
25 there should be changes in the definition. There are a couple

1 of options.

2 One would be to conform the definition of the pricing  
3 regulations. It seems it ought to have different definitions.  
4 That would simplify the bill.

5 Another one would expand the definition, take the  
6 definition used in the natural gas policy act for on-shore  
7 production wells. That particular definition, as I understand  
8 it, is the production-oriented definition, one that the  
9 Senator from Wyoming is familiar with and has more knowledge  
10 about that particular definition.

11 Again, it is putting the emphasis on getting people to go  
12 out and look for new production.

13 And I would hope that we could broaden the definition in  
14 one of those two ways.

15 Senator Wallop indicated a moment ago that he might have  
16 some information on that.

17 Senator Wallop: Mr. Chairman, as the Senator from Kansas  
18 said, the broadened definition that would include the  
19 reopening definition. There is a very compelling argument to  
20 be made for it, in terms of production.

21 Again, I think that the cost of it, if we are going to  
22 exempt it at all, is miniscule and the benefit of it is  
23 enormous.

24 Mr. Shapiro: Mr. Chairman, we have distributed to each of  
25 the Senators a series of outlines on the six categories of

1 oil. Category 3, newly-discovered oil.

2 The packet of information you have has the various points.  
3 After each one is a table on the revenues that shows various  
4 options you may have. The newly-discovered oil is  
5  
6 point number three in the materials that you have. It shows  
7 the definition that the House has on newly-discovered oil.

8 First of all, let me start off by saying what the  
9 definition is under the regulations, under price decontrol.

10 The definition is a very simple one that DOE has, a  
11 property in which there is no commercial production in 1978.  
12 Literally it means that if you had production in '77, it was  
13 okay, as long as you had no production in '78.

14 The Ways and Means Committee was concerned about the  
15 potential problems. They were not sure of it. As a result of  
16 their concern they revised their definition, that is, the  
17 definition that is on your outline here, that says, "oil  
18 produced on a property that did not produce between 1969 and  
19 the end of 1978 except behind the piped oil."

20 Senator Ribicoff: Would you please explain what you mean?

21 Mr. Shapiro: Where you have a reservoir, if you penetrate  
22 that reservoir, you have had the well drilled through that  
23 reservoir, produce commercial quantities from oil that could  
24 have been produced in that reservoir that is behind the pipe.  
25 The pipe goes right through that reservoir to another  
reservoir. If you could have produced from the reservoir the

1 House says that would not be included as newly-discovered oil.

2 So the House essentially made two changes. One, instead  
3 of saying what the administration did, that you get a  
4 decontrol price on newly-discovered oil, as long as you had no  
5 production in 1978, the House extended that to say no  
6 production between '69 and '78.

7 Second, the House said, even if you went through our  
8 reservoir, and you could have produced from that, that is not  
9 treated as newly-discovered oil because you went to another  
10 reservoir.

11 I should point out for simplicity purposes, having the  
12 same definition for price control and the windfall profits tax  
13 does share some of the concern you have and some of the  
14 Senators are expressing their view on that.

15 They would like to have the same definition for price  
16 control purposes as for the windfall profits tax purposes.

17 Senator Dole: We are not talking about any great deal of  
18 revenue there.

19 Mr. Shapiro: Our understanding is we are not. The House  
20 made the changes because they were not sure if there were any  
21 holdbacks, if you had productions in '77 and 1976 and you did  
22 not do anything in '78. Therefore, newly-discovered oil on  
23 which you really had some production earlier.

24 There is no information. DOE did not have any information  
25 during the Ways and Means mark-up as to whether that was a

1 potential loophole of the definition. The Ways and Means  
2 committee, when they looked at it, were trying to cover a  
3 potential conserve, and therefore excluded from the definition  
4 any property on which there was production between '69 and  
5 '78.

6 Since the Ways and Means Committee acted, we have not been  
7 made aware that there is any particular loophole there that  
8 would have a significant amount of oil.

9 I think DOE may want to respond as to whether they have  
10 information they do not have. If that is the case, it may be  
11 appropriate for simplicity that the Committee may want to do  
12 what the Senators have been indicating, have the same  
13 definition for both purposes.

14 Maybe DOE wants to respond to whether or not there is any  
15 additional oil there that we have not been made aware of.

16 The Chairman: Let us hear from the administration  
17 spokesmen on that.

18 Mr. Lubick, do you want to respond?

19 Mr. Lubick: I might say ---then I would like Mr. Smith to  
20 get into some of the more technical aspects.

21 Basically our concern in the definition of  
22 newly-discovered oil is to preserve a definition that gives  
23 any special incentive to that which has not been discovered.  
24 If we already know that the oil is there, that it is there to  
25 be extracted, there is no need to give that special incentive.

1 But one has to take into account the problems of  
2 administration in this area, and our original definition was  
3 somewhat more liberal than that included in the House bill.  
4 On the other hand, we agree with the rationale of the House in  
5 adopting the provision that it did in trying to confine that  
6 which is newly discovered to preserve the incentive to that  
7 which is not known to exist.

8 I would like Mr. Smith to talk about some of the history  
9 of this.

10 Mr. Smith: As has been pointed out, the administration,  
11 in regard as to whether a property produced in the past,  
12 proposing a simple cut-off date, if it did not produce in  
13 1978, it would be eligible for newly-discovered oil. The  
14 House Committee was obviously concerned that there might be  
15 some properties that were arbitrarily shut down in 1978 that  
16 were perfectly capable of producing, were known, and therefore  
17 those should not be, by virtue of those having started up  
18 again in 1979, eligible for an exemption -- I mean, for the  
19 newly-discovered treatment.

20 In my judgment, I do not think that there are a great  
21 number of properties that were not producing in '78 and did  
22 produce in '77.

23 I think for the most part, once the property does go into  
24 production, people tend to keep it in production. There may  
25 have been a few that were abandoned in '77 and thus did not



1 produce in '78 that would get the benefit of this exemption,  
2 but where there was an abandonment, it generally was for  
3 economic grounds and one could argue that that could qualify it  
4 as newly-discovered.

5 The Chairman: Is this not the case, Mr. Smith, if you are  
6 producing -- assuming you have the ordinary situation where  
7 someone gets the lease, is not drilling on his own property.  
8 He gets a lease from the government if it is offshore; he gets  
9 a lease from an individual for property onshore. He drills  
10 and he produces.

11 When he ceases to produce -- I see you nodding. You are  
12 familiar with my point.

13 When he ceases to produce, he loses his lease. He is out  
14 of business.

15 Somebody might want to go in and take over and see if he  
16 could get some more oil out of there. He might lease it to  
17 somebody else.

18 Generally speaking, it is not to a person's advantage to  
19 cease to produce as long as there is oil down there in  
20 commercial quantities because he loses his lease. That is a  
21 typical situation.

22 I think that is how it would be, 99 times out of 100. He  
23 has got to produce as long as there is something down there of  
24 commercial value that he can make a profit on.

25 Mr. Smith: That is correct, sir.

1 To restate my position, I do not think there is a great  
2 deal of revenue or oil, either way.

3 Senator Wallop: The reason it was put up in the Natural  
4 Gas Act, the Long amendment that we are talkig about, was to  
5 produce gas. The same can be said of this.

6 As Mr. Smith suggests, I do not think we are running a  
7 substantial risk for a variety of reasons that the Chairman  
8 pointed out in terms of losing leases, and other things.

9 The other complication is what happens if that oil is not  
10 taxed as newly discovered or not treated as newly discovered?  
11 What tax treatment would it get?

12 This would simplify the whole thing on the basis that we  
13 are trying to get at.

14 Mr. Smith: My comments related to the 1978 or 1969  
15 through 1978 nonproduction period to qualify for  
16 newly-discovered oil. I have not spoken yet to the amendment  
17 suggested by Senator Dole in relation to broadening the  
18 definition of newly-discovered oil to include onshore  
19 production oils as in the Natural Gas bill.

20 if I could just discuss the behind-the-pipe thing very  
21 briefly, as Mr. Lubick pointed out, the rationale of the  
22 House, that was derived from the Natural Gas Policy Act  
23 history that the, newly-discovered category should not go to  
24 those reservoirs, or those areas, or at least that could have  
25 been produced from an existing well, even though there may

1 have been a delay in production because you want to produce  
2 your lower reservoirs first.

3 Again, I do not think that there is any evidence that  
4 there is a great amount of oil involved either way behind the  
5 pipe exclusion. I think it is more commonly a problem with  
6 respect to gas than it is oil. It is oil that has been  
7 discovered that, by definition, could have been commercially  
8 produced through that particular well.

9 That is the rationale that the House relied upon.

10 The Chairman: Let me ask you this. If it is primarily a  
11 problem with regard to gas that the issue has been decided in  
12 favor of the producer where the big problem exists, that is,  
13 with regard to gas.

14 If that is the case, would not logic compel that we  
15 provide the same answer with regard to oil that we provide  
16 with regard to gas?

17 Mr. Smith: It has been decided, I guess adversely for the  
18 producer, I guess, that the gas bill in the House bill  
19 narrowed the definition of newly-discovered oil to exclude the  
20 behind-the-pipe category.

21 Senator Dole: What about the provision in the Natural Gas  
22 Act? If we are talking about production, why not the same  
23 definition of newly-discovered oil as we have for  
24 newly-discovered gas in the Natural Gas Act?

25 Mr. Smith: For the newly-discovered gas, that which gets

1 the highest treatment, I think the gas bill is more narrowly  
2 defined in its overall definitional impact than the proposals  
3 that the House adopted. Newly-discovered gas basically has to  
4 be a new reservoir under the gas bill, a newly-discovered  
5 reservoir, whereas under the administration proposal in the  
6 House bill, all it needs to be in the case of oil is oil from  
7 a property that has not produced, so it can be the same  
8 reservoir.

9 Senator Dole: I am talking about the definition for  
10 onshore production, definition of new onshore production oil  
11 as is the purpose of this section, a new onshore production  
12 well, any new well other than on the offshore continental  
13 shelf begun after January 1, 1979.

14 Mr. Smith: That is correct.

15 That is the definition of the new oil production category  
16 that does not receive the new natural gas price under the  
17 natural gas price act. It receives an intermediate price of  
18 \$1.75 plus inflation.

19 Senator Wallop: It is a little bit apples and oranges.

20 The Chairman: I would just as soon leave that out and  
21 vote on it subsequently. That way there cannot be any  
22 confusion as to what we think. I know how a person goes about  
23 deciding whether to shut a well down, or an abandoned one.

24 Senator Wallop: If there is money, you shut it down.

25 The Chairman: If you have never been involved in it, I

1 can explain it to you. When somebody wants to go in there and  
 2 rework that well, let us assume there has been enough sand and  
 3 paraffin accumulating in the pipe so it is no longer  
 4 producing. You have to clean the thing out to make it  
 5 produce. So before you do that, if it is one of these  
 6 marginal wells, go out there and see what it will cost you to  
 7 rework that well.

8 Let's assume it costs \$5,000 to go in there and rework  
 9 that well and then you take a look and see how much oil you  
 10 have got out of it since the last time you have reworked it.  
 11 If all you have got out of it was \$4,000, you have lost \$1,000  
 12 by reworking the well last time.

13 There is less oil down there now than there was then, so  
 14 that is a good time to abandon for some concrete in the bottom  
 15 of the hole and forget about it. You are losing money on it.

16 As I understand it, is this not true. Even under the  
 17 House-passed bill where you have an old abandoned field, they  
 18 would get the deregulated price?

19 Mr. Shapiro: Senator, the way that works, under the price  
 20 control, as long as there was no production in 1978, they would  
 21 get a deregulated price under the definition of the windfall  
 22 profits tax. If they have production in 1969, 1978, even if  
 23 it is abandoned today, as long as they have production between  
 24 '69 and '78, they would be subject to the windfall profits  
 25 tax.

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1 One of the problems that we have here is we are talking  
2 about a number of different things that it may be helpful if  
3 we at least isolated them, talking about them individually, or  
4 understanding them. The original point, the definition of the  
5 decontrol price, you have no production in 1978. That means  
6 that would include behind-the-pipe oil but would not include  
7 new wells on existing reservoirs.

8 That is where the problem is, where we start talking about  
9 gas. That is the definition of decontrol price.

10 The Ways and Means Committee has changed that definition  
11 for the windfall profits tax. They have made two changes. In  
12 addition to not having in 1978, what the Ways and Means  
13 Committee has done and what the House Floor has done, you have  
14 no production between 1969 and 1978.

15 In addition, they say the windfall profits tax does apply  
16 if you have behind-the-pipe oil. One of the suggestions is if  
17 you conform to the definition for decontrol price, go to the  
18 original administration proposal that says that you have no  
19 production in 1978, even if you had it between '69 and '78,  
20 even if you had behind-the-pipe oil.

21 Going back to the original administration proposal, we do  
22 not think there is much of a revenue effect or a change or  
23 anything and you would have simplicity by having the same  
24 definition for both the decontrol purposes and the windfall  
25 profits purposes.

1 When you go one step further than that --

2 Senator Dole: Stop there.

3 Senator Bentsen: I think Bobby has given us the proper  
4 approach to it. I frankly would like to support the original  
5 administration proposal. It is one on decontrol and one that  
6 they proposed on the windfall profits tax. That would mean  
7 you are talking about 1978.

8 They have owned the property. No oil was produced in  
9 1978. That becomes new oil in addition to that  
10 behind-the-pipe that always gets into a controversial subject,  
11 that behind-the-pipe oil remains as new oil in that kind of  
12 situation as long as it was not produced in 1978.

13 Mr. Shapiro: That is correct.

14 Senator Wallop: It would certainly relieve enormous  
15 administrative complications.

16 Senator Bentsen: As Bobby says, there is not much  
17 difference in revenues.

18 Mr. Shapiro: Very little.

19 Senator Bentsen: Virtually none, you would say?

20 Mr. Shapiro: We have no estimate, but it is our feeling  
21 there is there is very little.

22 Senator Bentsen: That is a lot cleaner approach, a lot  
23 simpler.

24 The Chairman: If that is the case, you should change the  
25 definition, talking about newly-produced oil, not talking

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1 about you had some situations where you knew the oil is there,  
2 but you were not getting it.

3 Let me give you an illustration that you have here.

4 When you drill down to find oil, let's assume that you  
5 start out. Most people know what they are trying to find.  
6 They either have a name for the sand, and a name for the sand  
7 they hope to produce. It is usually named after the area  
8 where they first discovered the petrochemicals in that sand.

9 For example, the Tuscaloosa sand must have been discovered  
10 somewhere around Tuscaloosa Alabama. That is where they first  
11 discovered that particular formation, because they usually  
12 name it after the location where they were when they  
13 discovered it. In Louisiana, we talk about the Cotton Valley  
14 sand. They discovered it in Cotton Valley. They drilled down  
15 whatever depth, 6,000, 7,000 feet and found a producing field.  
16 So they called that the Cotton Valley sand. That is a  
17 structure in that particular level that happened back in that  
18 eon of time in the formation of earth.

19 If you are drilling down in the Cotton Valley Sand, you  
20 think that is where you can make some money. On the way down  
21 there, you might find two or three other little things that  
22 will produce something. Maybe you have a foot of paydirt at  
23 3,000 feet and you have three feet further down and you get on  
24 down. You have 20 feet down in the Cotton Valley.

25 What you tend to do is to put your pipe down, shoot the

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1 holes in it where you've got the big pay, the Cotton Valley,  
2 but you have some other gas or oil at a shallower depth.

3 You can do a completer well. Your outside pipe is called  
4 the casing. You can put the casing down, produce in the  
5 casing, inside it, and shut off what is below it and you can  
6 produce from the tubing at one level and from the casing at  
7 another. I have never heard of a well being a  
8 triple-produced, or triple-complete, even though conceivably  
9 it might.

10 The way you could pretty well anticipate, if somebody  
11 knows that they have the potential of producing at a different  
12 level, ordinarily the level that he is shut off and not  
13 producing from, does not have much. It is the one he is  
14 producing, the one that has it will pay the best.

15 What he has got there, he is in a position to wait you  
16 out. He can hold his lease by producing from where he is  
17 right now and the probability is he will just sit there and  
18 just wait you out with this oil that they call behind-the-pipe  
19 oil, producing it from two different levels. He could produce  
20 from a third level. He will just sit there and wait you out  
21 on that one because usually it is a marginal well at best.  
22 The hell with it. He will just let it sit there.

23 Senator Wallop: Mr. Chairman, there is one additional  
24 thing, too. A lot of properties in Wyoming, other exploration  
25 has demonstrated deeper structures that people did not know

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1 existed on the same property. That is one of the reasons why  
2 the House definition is totally inappropriate on that  
3 instance. Even though you had production there, you would not  
4 be able to get newly-discovered treatment for something that  
5 was deeper, other exploration had discovered for you, even  
6 though it was on the same property.

7 Senator Dole: It seems to me the least we can do is to  
8 conform the definition to the pricing definition, the same  
9 thing Lloyd just suggested. We are still waiting on revenue  
10 definitions.

11 If we broaden new producer, no additional costs, we are  
12 talking about conformity. I am hoping we could pass the  
13 newly-produced oil with that change in definition.

14 I would make that motion, unless there is further  
15 discussion.

16 Senator Bentsen: I second.

17 Mr. Lubick: Mr. Chairman, if I might speak briefly, to  
18 give the administration's position on the amendment and why we  
19 are opposed to a general exemption for newly-discovered oil.

20 There is, we submit, an element of windfall to the extent  
21 that future rises in prices and the world price of oil which  
22 are fixed not by the operation of a free market, but by the  
23 foreign cartel, may provide very substantial amounts of wealth  
24 to producers beyond the incentive that the price itself gives  
25 to exploration and the fundamental case is that we have a

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1 situation here where you have rapidly escalating prices in  
2 many cases without the operation of a free market to the  
3 extent that we have a base price adjusted for inflation.  
4 Indeed, in the House bill, adjusted for two percentage points  
5 beyond the rate of inflation.

6 That provides an adequate incentive and the differentials  
7 beyond that price ought to be subject to some windfall profits  
8 tax in order that those funds may be used for the development  
9 of these very important additional sources of energy that are  
10 needed to achieve our energy security goals.

11 I think that is basically the case in a nutshell as to why  
12 we are opposed to Senator Dole's amendment.

13 The Chairman: Let me ask Mr. Smith over there from DOE a  
14 question.

15 Senator Nelson sat there earlier in these meetings and  
16 said that the companies are doing more drilling and finding  
17 less oil. Can you explain why that is?

18 Mr. Smith: I think there are two reasons. One is the  
19 quality of the resource base is declining, consequently you  
20 have to drill more footage to find a given amount of oil.

21

22

23

24

25

1 This has caused people to pick up marginal prospects more  
2 than they would before, and they find fewer reserves per foot  
3 drilled.

4 The longterm trend certainly is you are going to overrun  
5 the quality of the resource base for the quality of activity,  
6 the amount of drilling for a given amount of oil. It is going  
7 to have to continually increase over time.

8 The Chairman: I think that you are totally in error, for  
9 this reason. Let me tell you why I think it is, and I think  
10 that what I am going to say makes more logical sense than what  
11 you said.

12 Here is what I think it is.

13 Most of your production in America is on salt dome  
14 structures. The best place to look for more oil or gas is by  
15 drilling deeper on the same structure where you are already.  
16 If you have a lease, you can hold that lease, I do not care  
17 whether it is a Federal government lease, you can sit there  
18 and hold that lease as long as you are producing on that lease  
19 in commercial quantities.

20 You do not have to drill deeper to hold it. As long as we  
21 are playing this Catch-22 game, you start out when the Arabs  
22 put their boycott on. You said it would be an outrage that  
23 these people would get the price the Arabs are going to get  
24 for their oil. All the old oil was held at the old price,  
25 discounted for inflation.

1 In 1973 dollars, they are getting \$3.18 because that is  
2 what they are getting then for that old oil, the production at  
3 the time.

4 You said for the new oil, we will let you get the price  
5 that is pretty much in line with what the energy would cost  
6 to buy from the Arabs at this moment. Then later on, when the  
7 Arabs raised the price some more and OPEC raised their price,  
8 too bad, you are out. We will not let you have what you made  
9 at that point.

10 Then you come along and say, we will let you have a price.  
11 We will put another tier into it, put the price at what the  
12 oil is now. If it goes up, you cannot get that.

13 As long as you are playing that kind of Catch-22 game with  
14 them, if anybody has much choice about it and they have a  
15 producing field, they have a lot of incentive just to sit on  
16 it and just produce where it is and not to drill any deeper to  
17 find any more, just to wait you out.

18 You people will not be there forever. Some day, people  
19 who will want to provide some incentive to produce more  
20 energy, at that point, they will get a better price.

21 Now, our staff has pointed out to me, well, after all, if  
22 you give this price that we are talking about giving, which is  
23 a more attractive price than the old price, most people ought  
24 to take that incentive and go ahead and produce more.

25 That is not the way the average producer, certainly the

1 average independent, is going to look at it. As far as he is  
2 concerned, when he finds that new oil under the way you want  
3 to do business, that oil has been condemned. It is going to  
4 be held to the price that they were selling for when he found  
5 it. The longer he delays finding it, the better price he will  
6 receive.

7 So you have a built-in incentive for the fellow to avoid  
8 \$10 billion of Federal regulation that we spend over in the  
9 Department of Energy just not to drill from the new oil. He  
10 is in the business, but he does not get himself condemned when  
11 he drills some offset wells to produce in the pool that  
12 is already subject to the regulations.

13 As long as you have this thing, it will be this way. He  
14 has a duty under that lease to drill offsets.

15 His incentive is not there to drill down and find  
16 additional production. Most of these major companies are  
17 going to go ahead to find new oil anyway. They have to keep  
18 trying to find new production. They have to put it through  
19 their refineries. When a major oil company runs out of oil,  
20 it is out of business.

21 As far as most of these independents, and they have been  
22 finding about 70 percent of the oil, maybe more -- Bob Dole  
23 says it is more. Let's assume it is 70 percent. If they are  
24 finding 70 percent of the new discoveries, you have a  
25 situation right now where you fix the incentive up not to find

1 it, just to drill offsets. Drill in the same area where you  
2 find it already rather than open up the new discoveries.

3 There was deregulation for gas below 15,000 feet. They  
4 find it in Louisiana below 15,000 feet. I am sure you are  
5 famliar with the fact that every rig they can find to drill  
6 down there to find gas at that depth.

7 You are aware of that, are you not? They are producing  
8 furiously down there because it is deregulated.

9 It would seem to me that you are losing a huge amount of  
10 production, and probably losing some money in the steel just  
11 by not providing the producer the incentive to go ahead and  
12 find some.

13 Senator Bentsen: Mr. Chairman?

14 The Chairman: Yes, sir.

15 Senator Bentsen: Mr. Chairman, I appreciate your  
16 argument. You know the logic of what is happening here, of  
17 what the administration is proposing really escapes me. It  
18 seems to me that a barrel of oil whether it comes out of coal  
19 or whether they do it out of grain or whatever, they dig it  
20 out of the ground, bring it out of the ground. It has the  
21 same value to this country in helping us in our balance of  
22 trade.

23 What have we been doing here? We have been giving tax  
24 subsidies day after day to try to develop oil shale, to bring  
25 on coal. I am all for that. I am supportive of that.

1           Then to turn right around and say, we are going to put a  
2 tax penalty if you go out and find the real thing, new oil,  
3 and bring that on, I do not understand that. It does not make  
4 sense to me.

5           I think that we should not impede it, not ask them for a  
6 tax subsidy, not impede it by putting an additional tax on.  
7 You know, the administration convinced me the first time  
8 around when they talked about the definition of new oil and  
9 they did it by deregulation and they talked about any  
10 production on a field that has not produced since 1978. I was  
11 convinced then and I am convinced now of what they said then  
12 and I really believe that this inconsistency in switching the  
13 position is a mistake on their part. I think we ought to go  
14 ahead and accept the original, what the original definition  
15 was on deregulation for new oil.

16           Senator Ribicoff: Mr. Chairman, I wonder if Mr. Shapiro  
17 or the administration would have any counterargument to  
18 Senator Long, or Senator Bentsen's, point of view?

19           Mr. Smith: We certainly do not disagree that the price  
20 that the independent producer otherwise sees is what motivates  
21 him to go out and get more oil. Unlike the price system that  
22 prevailed in the past, we are not proposing to freeze the  
23 producer at a given level of price in relation to the price  
24 that he finds the oil. We are simply proposing a tax that  
25 shares a portion of the increase in revenues derived from



1 future world oil price increases with the United States  
2 government and ultimately with the U.S. taxpayer.

3 We believe that the incentive reduction, if you want to  
4 put it that way, which results in this tax is modest,  
5 acceptable, and we believe that the cost of totally exempting  
6 newly-discovered oil, as opposed to the treatment that was  
7 given it in the House bill is far greater than the benefits  
8 that would be gained in the short run.

9 Furthermore, the oil is not going to disappear. It will  
10 be produced in due course as the tax price continues to rise  
11 under the terms of the House bill.

12 So we believe that total exemption of newly-discovered oil  
13 is not warranted at this time.

14 The Chairman: Well, we have got the figures. If a person  
15 is in a 70 percent tax bracket and he is not doing more  
16 drilling, this tax works out to be a 90 percent tax, if you  
17 put this tax on top of the other tax, which is the way it  
18 works out.

19 If he takes everything that he makes and puts that back in  
20 the ground and continues drilling -- do you have that figure?  
21 That was the letter that Mr. Lubick agreed with Mr. Cowan on  
22 to show how much a person would have left if he puts it all  
23 back in.

24 Mr. Shapiro: Looking at the tables prepared by the  
25 Chamber of Commerce and submitted to the Committee, the

1 Treasury Department reviewed the figures and agreed with them  
2 that for every hundred dollars in the case of new oil where  
3 you have a 50 percent windfall profits tax, the individual  
4 producer would keep \$17 out of the \$100 and would have to pay,  
5 between Federal and state taxes, approximately \$83 and keep  
6 \$17, assuming they re-invest it all.

7 If they do not reinvest it, they get to keep \$11 and pay  
8 approximately \$89.

9 The Chairman: Senator Gravel?

10 Senator Gravel: Mr. Chairman, I am struck by something  
11 the administration stated. This proposal is a device to share  
12 the revenue. If it is a question of sharing the revenue,  
13 there is no cognizance taken of what it costs to produce the  
14 item that then produces the revenue because there is an  
15 assumption that revenue is profit. Of course, revenue is not  
16 profit. It is inside of that.

17 To focus merely on the revenue aspects of it, we forget  
18 the balance of the economics involved in the search for oil.

19 The next statement that was made, the oil is going to be  
20 produced anyway. There is no given that the oil, because it  
21 is there, is going to be produced. It is only going to be  
22 produced if somebody can make a profit on it.

23 If you do not make a profit on the oil, it is not going to  
24 stay there and you can go into solar and start squeezing rocks  
25 and get some oil from that, but the oil that nature put there

1 that could be placed at our disposal is not going to be  
2 touched, because there is not going to be a profit.

3 I would hope that this discussion, Mr. Chairman, could  
4 focus a little bit on two points: one is how much oil will  
5 this exemption produce? It is not a mathematical exercise  
6 that we are undergoing there. We are undergoing the exercise  
7 to find more energy.

8 So if the release of new oil from taxation, the  
9 fundamental question should be asked, how much new energy --  
10 if this amendment, as put forth by Mr. Dole and Mr. Bentsen --  
11 how much is going to be produced. That is the question we  
12 want to have answered, not make an exercise in some  
13 mathematical computation, that will keep the bureaucracy of  
14 this nation busy for the next decade.

15 The next question that that would lead us to is something  
16 that Senator Baucus has repeatedly stated. Is this the best  
17 way to get that unit of energy or are there cheaper ways?

18 The market tells us that there are no cheaper ways, but  
19 maybe we, in government, can find a cheaper way with credits  
20 and gassification and a whole bunch of other things. Maybe  
21 there are.

22 I would like to see us focus on those two points. How  
23 much oil is this going to produce? Two, is this the cheapest  
24 way to get that unit of oil or unit of energy to the American  
25 consumer?





1 based upon -- when something has not been produced yet. I can  
2 certainly for it and I would be added as a cosponsor.

3 Senator Ribicoff: What I am curious about, that neither  
4 the proponents of the Dole amendment or Mr. Shapiro or our  
5 experts have said how much new oil would there be if you give  
6 this additional incentive?

7 I would like to hear any figures.

8 Senator Dole: 380,000 barrels by 1985. That is much  
9 higher than the administration's estimate. That is one  
10 estimate.

11 They keep that very low, obviously, because they do not  
12 want production.

13 Mr. Smith: As I indicated when I addressed this issue  
14 several weeks ago before this committee, the key questions you  
15 have to ask are what kind of tax base price are you assuming?  
16 What kind of world oil price are you assuming? Because those  
17 both obviously affects what the producer can recover and  
18 affects the enthusiasm by which he goes after new projects.

19 But again, if we take the Joint Tax Committee staff  
20 assumptions as to world oil prices which is a 1 percent real  
21 oil price increase each year, the difference in projected  
22 production between that with or without a tax compared with  
23 the House bill in 1985 would be 150,000 barrels a day, if you  
24 take a 2.4 percent real price increase as you assume the world  
25 oil price is the difference between the House bill and no tax

1 would be 210,000 barrels per day.

2 If you assume a high rate, 4 percent real growth, and  
3 assume further the producer can foresee and rely upon that,  
4 you would expect 250,000 barrels a day as a projected  
5 production response in 1985.

6 Senator Ribicoff: What is the amount in 1985? What would  
7 that bring in in dollars?

8 Mr. Smith: 150,000 barrels a day in the 1 percent case.

9 Senator Ribicoff: Is there anybody that really thinks  
10 that that is all oil is going to go up, 1 percent a year?

11 Mr. Smith: That is the assumption the committee has made.

12 Senator Ribicoff: I do not know where that assumption is.

13 Mr. Smith: 1 percent below inflation.

14 Senator Ribicoff: Is that all?

15 Mr. ~~Watzler~~. Senator Ribicoff, it may be helpful to discuss  
16 how DOE's model works. They do not take into account Senator  
17 Long's point. They just look at the price received for the  
18 oil, subtract the tax, and look at the tax as a price change.  
19 They are not taking into account the psychological factors for  
20 the producer that Senator Long was referring to earlier, and  
21 the reason why DOE's model has such a small supply response is  
22 because the tax on the newly-discovered oil in the tax bill is  
23 a relatively small tax.

24 Under the price assumptions we are using in 1990, the  
25 price of oil is going to be about \$50 a barrel. The tax on

1 newly-discovered oil in the House bill will be \$3.50. You are  
2 talking about a relatively small price change.

3 Senator Long makes the point even a relatively small price  
4 tag like that has a bad psychological effect on the producers  
5 because they think somebody is going to come along and exempt  
6 that oil sometime in the future. If they wait, they will be  
7 able to produce that oil with no tax at all.

8 In fact, the House bill exempts newly-discovered oil  
9 after 1990. If all the Congress did was adopt the House bill,  
10 every producer would have the signal that they waited for 1990  
11 to produce or they would be able to get it tax free. Even a  
12 relatively small tax could have a discouragement in  
13 production.

14 Those sorts of psychological effects are not taken into  
15 account in DOE's model. DOE's model does have a fairly  
16 generous supply response, if you measure it.

17 For example, if you compare the exemption for  
18 newly-discovered oil with the original administration proposal  
19 of the 50 percent tax on a \$16 base where you have a much  
20 bigger tax and you assume a rapid price growth and take things  
21 out to 1990, even DOE's model would give you some pretty  
22 generous supply responses.

23 The Chairman: I think you were present when Helmut  
24 Schmidt told us, the Chancellor of West Germany, he told some  
25 of us that the price of oil will double and then it will



1 double again. He says it is very simple why that will be the  
2 case. He said that before the last increase, the last 60  
3 percent, when he was in Washington last.

4 He said there was a very simple reason why that is the  
5 case. You have nothing to hold it down, but we do not either.  
6 We are going to have to buy it whether you like it or not. He  
7 says it will double and double again.

8 Now, the administration did not favor the House amendment,  
9 that Jones-Moore amendment over there, but they are here  
10 supporting a bill that says in ten years there will be no  
11 control on new oil. So you talk about incentive just to sit  
12 there, the price is going up. It is going to keep going up.  
13 It is going to go up far more than inflation on the average  
14 and ten years from now you will be free to get any price that  
15 the world market at that time would give you under the House  
16 bill.

17 Mr. Lubick: Mr. Chairman, we favor a modification of the  
18 House bill to make this tax permanent. That is important for  
19 thge reasons you suggest. I think when you are dealing with  
20 the question of psychological reactions, it will be a  
21 different one. If we have a permanent tax, applying it at a  
22 reasonable level to capture real portions of real increases  
23 induced by the cartel, not inflationary increases, that was  
24 our recommendation.

25 The Chairman: That is right, yet you could not sell that

1 even to the House Ways and Means Committee, that they were  
2 explaining on the Floor that they had a bill tougher than they  
3 wanted because the Finance Committee may be more favorable to  
4 the industry than they were.

5 If you could not sell it to that committee, how did you  
6 expect to sell it to the Senate?

7 Mr. Lubick: We sold the notion of a permanent tax to the  
8 Ways and Means Committee. It was a Floor amendment that  
9 changed that.

10 Senator Ribicoff: From an economic standpoint, the only  
11 way you are going to keep the price of OPEC oil down is  
12 finding additional oil somewhere else in the world available  
13 to the West, basically, is that not true?

14 Mr. Lubick: And developing alternative sources.

15 Senator Ribicoff: That is one thing to keep it down.

16 Senator Dole says 385,000 barrels. You say 250,000,  
17 200,000. What is it going to cost us to produce a barrel of  
18 synthetics under the President's program that they are talking  
19 about? What is that going to cost?

20 \$40 to \$50 a barrel?

21 Mr. Lubick: We are talking in terms of \$35 to \$40 at the  
22 present time.

23 Senator Ribicoff: At the present time, so that is going  
24 to go up. So how would that compare with the 300, say a  
25 compromise between you and Senator Dole?

1 Senator Dole: If you took the 380 it would be \$8.93  
2 barrel. If you took the the low-low estimates, it would only  
3 be \$23 a barrel. That is 150,000.

4 So if you took something in the middle, we are talking  
5 about \$12 to \$13 a barrel, which seems to me to be a bargain.

6 Senator Ribicoff: Are you not in a situation -- let us  
7 assume that the oil producers are the most selfish segment of  
8 the American economy. Let us go on that assumption. The big  
9 problem that you have are other factors -- the factors of  
10 inflation, the price of the dollar. What happens to the  
11 American economy? What happens to other producers of energy  
12 around the world over whom you have no control whatsoever?

13 So you have a question of balance. What is the best  
14 program that will be most helpful to the American economy and  
15 the American system.

16 You are not working in a vacuum. You are working on some  
17 very, very grim factual situations.

18 What is the best for the country?

19 Is not the objective here to get more energy irrespective  
20 of how you get it, as against the question of raising taxes?  
21 You are really talking about the survival of the American  
22 economic system. Is that not what you are talking about,  
23 instead of the different theories? Is that not what we are up  
24 against practically here?

25 Mr. Lubick: I think you are correct, Senator Ribicoff. I

1 think that is exactly the question. In weighing the balance,  
2 it is very important to the extent that we can that we develop  
3 a measure of independence from relying on foreign imports. To  
4 that extent, it is necessary to give some subsidization to the  
5 development of these alternative sources of energy which, as  
6 you point out, may cost more per barrel in terms of actual  
7 cost to produce, that we have to get some of that production  
8 onstream and online.

9 It may be worthwhile to pay that extra premium to develop  
10 that additional source.

11 Senator Ribicoff: Why not pay that extra premium if you  
12 are going to pay it through synthetics or otherwise? Why not  
13 pay it for whoever gets the normal supply of energy whether it  
14 is oil or gas or any kind?

15 Mr. Lubick: It is a question, again, of balancing, to the  
16 extent -- and quite obviously, we do not want to discourage  
17 exploration for newly-discovered oil. That is important, but  
18 in evaluating the cost -- and we were using the \$22 to \$23  
19 barrel assumption -- that we believe that that \$22 or \$23 can  
20 better be used in the longrange interests of the nation in  
21 building this fund, in developing the alternative sources of  
22 energy.

23 To the extent that there are greater increases in price  
24 there is going to continue to be more incentive, most of which  
25 will be kept by the producers to develop the level of taxation

1 that we are talking about is still less than most of the  
2 oil-producing countries are imposing on their production.

3 Senator Ribicoff: I know. It is not a question of  
4 taxation. It is not the basic issue that we are wrestling  
5 with here.

6 How do you get more energy of any kind than you are  
7 producing at present irrespective of costs? If the profits  
8 are there, let us say, should you not give an incentive to  
9 anyone who produces anymore energy of any kind? Free him from  
10 a windfall profits tax, as long as they produce energy of any  
11 kind?

12 Mr. Lubick: I do not think that is quite true, because I  
13 think that there is a great importance for us to develop  
14 sources that are uniquely within our control and as  
15 alternative sources of energy, to bring them onstream and into  
16 making a substantial contribution to our energy supply has an  
17 importance over and above normal economic considerations.

18 Senator Ribicoff: If, at the same time, you are deterring  
19 the production of normal sources of energy, you will not be  
20 getting the funds to get the alternative synthetics?

21 Mr. Lubick: You are correct, but --

22 Senator Ribicoff: The thing that bothers me, the basic  
23 problem that we have is how do we get more energy, not how do  
24 we get more taxes.

25 Senator Heinz: If you would yield, I just want to ask a

1 follow-up question, which is, I do not think you answered  
2 Senator Ribicoff's question fully, which is what is wrong with  
3 developing domestic sources of energy?

4 You gave an answer to his question. It was very  
5 ambiguous. You said well, we want to develop sources of  
6 energy that are dependable.

7 What is there? What do domestic sources of energy lack in  
8 dependability which is the term that you were using to  
9 differentiate among them.

10 Mr. Lubick: There is involved, in the production of  
11 alternative sources of energy the knowledge to develop new  
12 technologies, to which these technologies are viable. We have  
13 to give more into those to develop new sources.

14 Senator Ribicoff: If what yo are saying is so, you are  
15 talking about something that will come onstream ten years from  
16 now. I have confidence that American technology and American  
17 drive ten years form now will solve that problem.

18 But the big problem the country has is what do we do for  
19 the next ten years? These are the really crucial years.

20 The only way you are going to do anything within the next  
21 ten years is by using conventional energy sources and getting  
22 conventional energy sources.

23 What you want to prevent is deterring the development of  
24 conventional energy sources during the next decade. That is  
25 what is bothering me.

1           Senator Heinz: If I might add to that, Senator Ribicoff,  
2 it bothers me to hear that the sources of energy that you  
3 describe as synthetics is necessarily more dependable.  
4 Senator Ribicoff and I, and a lot of others, have considerable  
5 concern over something called the greenhouse effect. How  
6 dependable is it to build equipment to produce or plans to  
7 produce 2.5 million barrels a day of synthetics to find out it  
8 puts so much carbon dioxide in the air that you have to shut  
9 them all down? Is that dependability?

10           Senator Wallop: I would like to point out one other  
11 thing, that Mr. Lubick overlooks.

12           The argument that you are making is based on the fact that  
13 there will be no other revenue return other than the windfall  
14 profits tax. I do not think you can honestly state that there  
15 will be no other money left for the government to carry on  
16 some of the programs and support them quite handsomely outside  
17 the windfall profits tax unless that is the attempt by the  
18 government to balance the government to the expense of one  
19 segment of the American industry.

20           Mr. Lubick: At this point, Senator Wallop, I might point  
21 out, using the Committee's assumptions, the net revenue effect  
22 of what the Committee has done, we are down over the  
23 eleven-year period about \$36 billion and the exemption of the  
24 newly-discovered will get us down to \$14 billion, so we are  
25 down to \$22 billion net so far.

1           The Chairman: Mr. Dole and Mr. Danforth both have their  
2 hands up.

3           Senator Dole?

4           Senator Dole. Well, first of all, it is pretty difficult  
5 to understand how we are deregulating new oil and turn around  
6 and put a tax on it. It seems to me that we are taking away  
7 with one hand and that we say we are giving with the other.

8           In any event, I have to be on the Floor in about a minute  
9 to offer an amendment and I would hope that we could vote on  
10 this before we lose a quorum. I think Senator Roth has  
11 indicated -- I can vote aye for him, and so has Senator Heinz.

12           It would seem to me that this would be one where we are  
13 not going to convince the administration. We can stay here  
14 all day long. You are not going to yield, are you?

15           Mr. Lubick: I might trade it for carryover.

16           Senator Dole: That's a thought. That would be some  
17 progress. I would just hope we could vote.

18           If not, I wonder if I could vote aye on my amendment?

19           The Chairman: Senator Danforth?

20           Senator Danforth: Mr. Chairman, on the expenditures side  
21 of what we are doing we have not gotten to some of the more  
22 expensive items such as help for the poor, transportation, and  
23 the Energy Security Corporation. I do not know what we are  
24 going to do on that.

25           But so far, just on tax credits, I think we are about \$60



1 billion more liberal than the administration's program so we  
2 would spend about \$60 billion more without touching these  
3 other items yet.

4 With respect to the revenue side, so far we have decided  
5 we are going to do away, we are going to exempt the tax, on  
6 heavy oil and that would lose about \$5 billion and now this  
7 newly-discovered oil, if we exempt that -- maybe it is a great  
8 idea. That would be another \$14 billion.

9 And just looking at the list here, I was wondering if  
10 anybody was planning to exempt any other kinds of oil. We  
11 have tertiary, stripper, Alaskan, Tier II, Tier I. Just so we  
12 can get the picture, is this the last one, or are we going to  
13 proceed onward and downward?

14 Senator Gravel: I would certainly hope to offer an  
15 exclusion for the Alaskan oil.

16 Senator Danforth: Alaskan oil, at least we are going to  
17 deal with that stripper -- stripper people are going to offer  
18 Alaskan on that. Then there is the small producer exemption.  
19 We are going to be dealing with that.

20 It seems to me we are for every credit, and also for every  
21 exemption. I would think for each one of these, every  
22 exemption would at least theoretically or arguably lead to  
23 increased production. Every credit would, at least  
24 theoretically, lead to increased production or better  
25 conservation, which is the same thing.

1           The Energy Security Fund would theoretically lead to  
2 increased production and several weeks ago, Senator Boren  
3 asked for some sort of charter letter that would indicate to  
4 us how much additional production we could get.

5           We are still debating what the price is going to be.  
6 Nobody knows, but the President at the White House a week ago  
7 Monday said that the Administration was assuming 2.4 percent  
8 over the inflation rate.

9           Is it just too much to ask that we get this all down on  
10 one piece of paper, or must we vote on all of this seriatum  
11 because I really think ---how can anybody vote against  
12 everything? Everything is going to cause increased  
13 production. It is just what we are after and comparatively  
14 and we will end up a tax of zero and an expenditure of \$2  
15 billion.

16           Senator Gravel: If the Senator would yield, that is the  
17 reason that I earlier brought up the point that it is fine to  
18 want the production of energy, but someone should ask the  
19 fundamental question, is it cheaper to use one unit of  
20 energy for one thing, then another thing?

21           If we cannot answer that question, you are right. We  
22 should vote for all of the things that will produce energy and  
23 all of the things that would produce that. That is a safe  
24 thing to do. What else should we do?

25           But if we do have a chart that says for a given effort,

1 you are going to produce X number of barrels of oil and that  
2 will cost you \$15 a barrel, but for a given effort in another  
3 area it will produce X number of barrels of oil but it will  
4 cost you \$20 a barrel, then I want to vote for what costs \$15  
5 a barrel because I want to be in good shape with the consumer,  
6 like you do.

7 So until we have that chart I do not know how we can make  
8 any kind of any intelligent decision in this Committee.

9 The Chairman: Senator Bradley has been patiently sitting  
10 there. He asked for recognition some time ago.

11 Senator, you are recognized.

12 Senator Bradley: Mr. Chairman, I think we might find  
13 ourselves in the position, as with the exemptions, as we did  
14 with the alternate energy tax that Senator Packwood was  
15 proposing where we approved the idea in principal but had to  
16 come back to a final reconciliation to see if we had the money  
17 to pay for it. Now, we are in the reverse circumstance. We  
18 have proposed a great deal of tax credits. I certainly have  
19 some other suggestions in that area as well and we might end  
20 up where we might have to have a reconciliation on the other  
21 side on the tax side.

22 If we are simply going through the process now of saying in  
23 principal is the idea of exempting newly-discovered oil  
24 practical, acceptable to the Committee subject to a final  
25 reconciliation of credits versus revenues derived, that seems

1 to me to be acceptable as far as I am concerned, but I am not  
2 sure that that is the way we are going.

3 If we are not, I would like to have some idea as to  
4 whether I should get my tax credits in now before we exempt  
5 newly discovered oil.

6 The Chairman: Senator, fortunately for you, it does not  
7 cost much. It does not squeeze yours in.

8 It does not cost much in this oncoming year.

9 Well now, is the Committee ready to vote? Call the roll.

10 Mr. Stern: Mr. Talmadge?

11 (No response)

12 Mr. Stern: Mr. Ribicoff?

13 Senator Ribicoff: Aye.

14 Mr. Stern: Mr. Byrd?

15 (No response)

16 Mr. Stern: Mr. Nelson?

17 (No response)

18 Mr. Stern: Mr. Gravel?

19 Senator Gravel: Aye.

20 Mr. Stern: Mr. Bentsen?

21 Senator Bentsen: Aye.

22 Mr. Stern: Mr. Matsunaga?

23 (No response)

24 Mr. Stern: Mr. Moynihan?

25 (No response)

1 Mr. Stern: Mr. Baucus?  
2 (No response)  
3 Mr. Stern: Mr. Boren?  
4 Senator Boren: Aye.  
5 Mr. Stern: Mr. Bradley?  
6 Senator Bradley: Aye.  
7 Mr. Stern: Mr. Wallop?  
8 Senator Wallop:\* Aye by proxy.  
9 Mr. Stern: Mr. Packwood?  
10 (No response)  
11 Mr. Stern: Mr. Roth?  
12 Senator Wallop: Aye by proxy.  
13 Mr. Stern: Mr. Danforth?  
14 Senator Danforth: Aye.  
15 Mr. Stern: Mr. Chafee?  
16 Senator Chafee: Aye.  
17 Mr. Stern: Mr. Heinz?  
18 Senator Wallop: Aye by proxy.  
19 Mr. Stern: Mr. Wallop?  
20 Senator Wallop: Aye.  
21 Mr. Stern: Mr. Durenberger?  
22 Senator Durenberger: Aye.  
23 Mr. Stern: Mr. Chairman?  
24 The Chairman: Aye.  
25 Thirteen ayes, no nays. We will leave this vote open so

