

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

01-May-1996 08:36pm

TO: Kathleen A. McGinty

FROM: Dinah Bear
Council on Environmental Quality

CC: Beth A. Viola
CC: Shelley N. Fidler
CC: Thomas C. Jensen

SUBJECT: RE: timber

Katie -

yes to the 2 items you've listed.

As a real live and terribly damaging example of why the Sec. needs to take charge, here's exhibit "XX".

Senator Craig sent a letter to Dave Hessel, Director of the Timber Management Staff for the Forest Service, on April 4th (not to Jack, let alone the Secretary!). The letter asked about the government's potential liability for timber sale contracts terminated for environmental reasons.

I remember reading a Greenwire about Craig raising this issue and mentioning to you that it sounded like an effort to head off any thought of cancelling the 318 contracts.

Well. Turns out that a response was sent back to Senator Craig without clearance from Jack, the General Counsel's office, legislative affairs, the Secretary's office, Justice, OMB and anyone else relevant in the executive branch. It is outrageous, damaging, and already apparently in press in Alaska.

The response states that the potential liability is over one billion dollars. Specifically \$1,639,180,000.

Turns out they included the APC claims against the government. Of course, as I understand it, our termination was based on breach of contract on the part of APC, NOT environmental damages.

They also included \$106 million for the 318 wales, even though there are also claims pending in the Claims Court for about \$13 million.

To put it mildly, there are serious problems with the letter. USDA has just put together a draft follow-up letter to Senator Craig to disavow the first letter, and has just sent it over to OMB for interagency clearance. It's a start, but needs work and full vetting with OMB's budget folks and DOJ lawyers scrutinizing it. No matter how good it is, it'll never make up for the impression left by the first letter.

I gather it has been confirmed by USDA that the first letter went out the door without any appropriate clearance whatsoever.

If this goes unrecognized, we can expect more. This is serious stuff. To help put this in context, I also received this evening the government's motion to quash a request to depose (among others) you and the Vice President - a request made by (hold on) - APC. (Don't be too concerned about the later - I think it's under control and will let you know if I think it's not).

But the FS is NOT under control.

I am trying to reach Lois, who is still in Alaska and may get to read about this in the newspaper! I think she'll have a reaction, also

Name	Date
<i>Steven Reich</i>	<i>6/4/99</i>

Counsel

