ports when, in his judgment, domestic supplies are inadequate to meet demand at reasonable prices. I am convinced that this flexibility must be preserved, as a weapon against inflation.

Under this bill, however, authority to increase meat imports would be tied to declaration of a national emergency or natural disaster, or to a restrictive price formula. Under this formula, the farm price of cattle would have to increase faster than the retail meat price by more than ten percent during the first two calendar quarters of a year. Under this formula, quotas could have been relaxed only once in the last ten years.

I also believe that the United States must avoid imposing excessive restrictions on our trading partners who supply us with meat. H.R. 11545 would impose those restrictions by stipulating a minimum access level for meat imports of 1.2 billion pounds, instead of the 1.3 billion my Administration recommended. I am concerned that the bill's lower level could harm our trade relations with the meat exporting countries and thus impair their long-term reliability as sources of additional meat supplies when our own production is low, particularly at a time when we are negotiating for greater access to foreign markets for both our industrial and agricultural products.

If the Congress had enacted H.R. 11545 without these objectionable provisions, I would have been pleased to sign it, as my advisers make clear repeatedly. The bill would have amended the Meat Import Act of 1964 to provide a new formula for determining meat import quotas. The new formula would have adjusted meat import quotas up when domestic production of meats subject to the quota went down. Under the 1964 meat import law, quotas are adjusted in the opposite way, so that as domestic production declines, the limits on meat imports are tightened, at exactly the wrong time. This defect has often compelled Presidents to increase or suspend the meat import quota, in order to ensure supplies of meat at reasonable prices. The new counter-cyclical formula would, in most years, automatically make the necessary adjustment in the meat import quota, without involving the President in the normal operation of the meat trade.

This Administration supports such counter-cyclical management of meat imports; in fact, the Department of Agriculture was instrumental in developing the formula which the Congress approved. But for all the advantages of the new formula, it is still an untested mechanical formula which may not respond ideally to all future situations. This is why I find the restrictions on the President's discretion to increase meat imports so objectionable and why my Administration's support for H.R. 11545 was so clearly conditioned upon removal of those restrictions and on increasing the minimum access level for meat imports to 1.3 billion pounds annually.

I am prepared to work with the Congress next year to pass a counter-cyclical meat import bill which will provide the stability and certainty the cattle industry requires, while preserving the President's existing discretionary authority and setting an acceptable minimum access level for imports.

JIMMY CARTER.

THE WHITE HOUSE, *November 10, 1978.*

The President of the United States, subsequent to the sine die adjournment of the Second Session of the 95th Congress, transmitted to the Secretary of the Senate, on Wednseday, November 15, 1978, a record of additional bills disapproved by him, with his reasons for such actions, as follows:

GOVERNMENT INDEMNIFICATION FOR LOSSES AS A RESULT OF THE FEDERAL BAN ON SLEEPWEAR TREATED WITH TRIS

I am withholding my approval of S. 1503, a bill which would authorize Government indemnification, upon a judgment by the U.S. Court of Claims, of businesses which sustained losses as a result of the ban on the use of the chemical Tris in children's sleepwear.

In 1971 and 1974 the Government established strict fabric flammability standards on children's sleepwear to protect children against burns. To meet these flammability standards, the clothing industry treated fabric by using substantial quantities of the flame-retardant chemical Tris. In 1975, information became available that Tris was a carcinogenic risk to humans. Some firms stopped using Tris after this test information became available, but other firms did not.

On April 8, 1977, the Consumer Product Safety Commission ruled that children's sleepwear containing Tris was banned as a "hazardous substance" under the Federal Hazardous Substances Act. This led to the removal of Tris-treated children's sleepwear from the marketplace. Both the imposition of flammability standards and the subsequent ban on Tris-treated fabrics have caused expenditures and losses by industry.

The imposition of strict flammability standards to protect the Nation's children was fully justified. After it was discovered that Tris was hazardous to health, the removal of Tris-treated sleepwear from the marketplace, again to protect the Nation's children, was also fully justified.

S. 1503 would establish an unprecedented and unwise use of taxpayer's funds to indemnify private companies for losses incurred as a result of compliance with a federal standard. The Government could be placed in the position in the future of having to pay industry each time new information arises which shows that a product used to meet regulatory standards is hazardous. This would be wrong. Producers and retailers have a basic responsibility for insuring the safety of the consumer goods they market.

If this bill became law the potential would exist for compensation of firms who marketed Tris-treated material after they knew, or should have known, that such products constituted a hazard to the health of children. Extensive, costly, and time-consuming litigation would be required to determine, in each instance, the liability involved and the loss attributable to the ban action in April 1977, without regard to profits the claimants may have earned on Tris-treated garments in earlier years.

While it is most regrettable that losses have resulted from the regulatory actions taken to protect the safety and health of the Nation's children, no basis exists to require a potential Federal expenditure of millions of dollars when the actions of the Government were fully justified. Accordingly, I am compelled to withhold my approval from this bill.

JIMMY CARTER.

FEDERAL PAYMENTS TO OFFSET CERTAIN LOSSES IN REVENUE IN GUAM AND THE VIRGIN ISLANDS

I have withheld my approval of H.R. 13719, which would have authorized special Federal payments to Guam and the Virgin Islands to offset the local revenue losses during calendar years 1978 through 1982 caused by the Revenue Act of 1978.

Because income taxes paid by territorial residents to the governments of Guam and the Virgin Islands are based on the U.S. Internal Revenue Code, tax changes intended to reduce Federal income tax liabilities in the United States have a corresponding effect in reducing territorial tax liabilities. H.R. 13719 would have authorized direct grants to the territories to offset revenue losses associated with the 1978 tax Act.

While recognizing the defects in the current territorial tax structures which H.R. 13719 was designed to alleviate, particularly the effects of periodic Federal tax reductions on local revenues, I do not believe the bill provides an acceptable long-range solution. By replacing reasonable local tax efforts with direct Federal payments, the bill is simply another attempt to manage territorial deficits without addressing the underlying economic and financial problems which have led to those deficits. We can no longer afford a piecemeal approach to the growing revenue problems of the territories.

Accordingly, although I am disapproving H.R. 13719, I am directing the Secretaries of the Interior and the Treasury to study the financial situation of both the Virgin Islands and Guam and to recommend a plan designed to help those governments achieve a higher degree of financial stability without perpetuating a piecemeal system which is costly to the Federal government and which does not sufficiently encourage responsible financial management in these territories.

JIMMY CARTER.

MAILING OF FOREIGN LOTTERY MATERIAL

The President of the United States, subsequent to the sine die adjournment of the 2d session of the 95th Congress, notified the Secretary of the Senate, on Wednesday, November 15, 1978, that he had disapproved the bill (H.R. 11580) to amend title 18, United States Code, to allow the transportation or mailing to a foreign country of material concerning a lottery authorized by the foreign country, and for other purposes.

APPOINTMENT SUBSEQUENT TO SINE DIE ADJOURNMENT

NATIONAL ALCOHOL FUELS COMMISSION

Subsequent to the sine die adjournment of the Senate,

The PRESIDENT pro tempore, on November 22, 1978, appointed Mr. BAYH as Chairman of the National Alcohol Fuels Commission.

REPORT OF SELECT COMMITTEE ON SMALL BUSINESS SUBSEQUENT TO SINE DIE ADJOURNMENT

Subsequent to the sine die adjournment of the Senate,

Under the authority of the order of Sunday, October 15, 1978,

On Thursday, December 28, 1978, Mr. NELSON, from the Select Committee on Small Business, submitted a report (No. 95-1413) entitled "Small Business and Innovation—Report of the Select Committee on Small Business, United States Senate, on Underutilization of Small Business in the Nation's Efforts to Encourage Industrial Innovation"; which was printed.