


APRIL 18, 1990

TO: SENATOR DOLE
FROM: CAROLYN SEELY 
SUBJECT: SPEECH TO DISTILLED SPIRITS COUNCIL BREAKFAST

At 8:30 a.m. on Friday, April 20, you are scheduled to speak to a small gathering of Washington representatives of the distilled spirits industry. Approximately 15-20 are expected to attend. In addition to Geoff Peterson, the Washington representative of the Distilled Spirits Council ("DISCUS"), you may know Steve Copeland of Seagrams.

DISCUS has these breakfasts periodically. Coincidentally, Senator Mack is addressing a similar gathering on the 19th (the day before you). Past speakers have included Senator Conrad and Congressmen Rangel and Gordon.

DISCUS includes only "hard" liquor companies. Therefore, it is not overly concerned about recent excise tax increase proposals, such as the Rostenkowski plan, which apply only to beer and wine. Beer and wine excises have not been raised since 1951 and are considerably lower on an alcohol content basis than hard liquor taxes. Thus, any alcohol tax increase is likely to approach "equalization" of beer and wine taxes, rather than an across-the-board increase.

DISCUS' main concern is the President's budget proposal to shift the occupational tax on alcohol retailers to suppliers and wholesalers. This tax is a problem because, due to lax enforcement, many retailers have never paid and face large back liabilities. (Senator Heinz had an amendment last year to impose a statute of limitations on back assessments which are not barred under current law and to provide a differential rate for small retailers.) Not surprisingly, wholesale suppliers object to being penalized for the retailer's noncompliance. Based on the revenue estimates, DISCUS believes that suppliers would face new permit fees of \$19,000 if all licensees were assessed equally.

You have been asked to speak for 15-20 minutes on taxes, the budget, etc. and to take questions thereafter.

RR

Speak

*Thursday
April 20
Fri.*

8:30 am

La Colline

Dear Giff

Distilled Spirits Council of the United States, Inc.

FEDERAL GOVERNMENT RELATIONS

GEOFFREY G. PETERSON, Director
TIM DUDGEON, Assistant Director
SYDNEY PROBST, Assistant Director

February 3, 1990

The Honorable Robert Dole
United States Senate
141 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Dole:

The Distilled Spirits Council of the United States is pleased to invite you to address representatives of our member companies regarding issues affecting the beverage alcohol industry.

As part of Congressional Speaker series, we hope you will be able to speak to a small breakfast gathering on the Thursday morning of your choosing at La Colline Restaurant on Capitol Hill. While we do try to remain consistent in this time frame, we would be pleased to accommodate your schedule for a breakfast or luncheon on a day convenient to you.

DISCUS will provide an honorarium of \$2,000 for your participation.

Please contact Federal Government Relations Assistant Director Sydney Probst at 682-8884 to let us know if you would be willing to address our group. We look forward to hearing from you and wish you the best in the upcoming legislative session.

Sincerely,

Geoffrey G. Peterson
Geoffrey G. Peterson

/dl

2-21-90 Interview Ltr.

*OK
informal bbfet*

APRIL 20, 1990

TALKING POINTS
DISTILLED SPIRITS COUNCIL

O GOOD MORNING.

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- O IF IT WASN'T SO EARLY, I WOULD SUGGEST WE ALL
DRINK TO THE NEW DEMOCRACIES IN EASTERN
EUROPE, IN LATIN AMERICA AND EVEN WITHIN THE
SOVIET UNION. CERTAINLY, THE PACE OF CHANGE
AROUND THE WORLD HAS BEEN BREATH-TAKING.
- O UNFORTUNATELY, THE PACE OF CHANGE IN
CONGRESS HAS BEEN HARDER TO MEASURE.

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THE BUDGET

O YESTERDAY, AFTER THE DEADLINE FOR COMPLETION
OF A CONGRESSIONAL BUDGET RESOLUTION HAD
PASSED, THE HOUSE BUDGET COMMITTEE FINALLY
MARKED UP A DEMOCRATIC BUDGET PLAN. AND
DESPITE THE ACCOMPANYING RHETORIC, THIS IS NOT
A SERIOUS PROPOSAL.

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- O IT USES OMB'S JANUARY BASELINE FORECAST WHICH WAS WIDELY CRITICIZED BY THE BUDGET CHAIRMAN AND THE DEMOCRATIC LEADERSHIP -- AND WHICH EVEN THE OMB DIRECTOR NOW SAYS MAY BE AS MUCH AS \$15 BILLION SHORT -- BECAUSE THAT MADE THE COMMITTEE'S JOB EASIER.
- O IT SCORES REVENUES FROM IRS ENFORCEMENT INITIATIVES IN THE PRESIDENT'S BUDGET WHICH EVEN THE TAX-WRITING COMMITTEE CHAIRMEN REJECT.

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- O BUT AT LEAST THIS RESOLUTION ADVANCES THE
PROCESS -- AND THE SENATE DEMOCRATS CANNOT
EVEN DO THAT.

THE ROSTENKOWSKI PLAN

- O THAT IS WHY I THINK THAT THE ROSTENKOWSKI PLAN
WAS THE WAKE-UP CALL WE'VE BEEN WAITING FOR.
- O I DON'T AGREE WITH EVERYTHING CHAIRMAN
ROSTENKOWSKI RECOMMENDED. BUT HE WAS
RIGHT IN INSISTING THAT ANY "PEACE DIVIDEND" BE

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USED FOR DEFICIT REDUCTION AND THAT ANY NEW
SPENDING BE ON A PAY-AS-YOU-GO BASIS. WE MUST
EITHER MAKE NEW PROGRAMS FINANCIALLY
SELF-SUFFICIENT OR SCALE BACK EXISTING
PROGRAMS TO PAY FOR NEW INITIATIVES. THIS IS
WHAT I PROPOSED WHEN I CALLED FOR A 5%
REDUCTION IN FOREIGN AID SET ASIDES.

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THE FREEZE

- O CHAIRMAN ROSTENKOWSKI WAS PROBABLY ALSO

RIGHT, POLITICALLY, IN REVIVING CANDIDATE BUSH'S

PROPOSAL FOR A ONE-YEAR FREEZE IN FEDERAL

SPENDING WITH THE EXCEPTION OF MEANS-TESTED

POVERTY PROGRAMS.
- O A FREEZE IS NOT THE BEST POSSIBLE POLICY; IT IS

SIMPLE CRUISE CONTROL. IT DOES NOT DISTINGUISH

AMONG PROGRAMS ACCORDING TO

-8-

CHANGING NEEDS. IT PERPETUATES SOME
OBSOLETE PROGRAMS WHICH SHOULD BE CUT
SIGNIFICANTLY OR EVEN ELIMINATED TO PAY FOR
NEW PRIORITIES, LIKE EDUCATION AND THE DRUG
WAR. AND IT DOES NOT FACE UP TO NEEDED
STRUCTURAL REFORMS, SUCH AS THE PRESIDENT'S
MEDICARE PROPOSALS.

- O MOREOVER, IT DOES NOT EVEN FREEZE
CONGRESSIONAL PAY. IF A FREEZE IS TO SUCCEED,
WE MUST ALL SHARE EQUALLY.

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- O HOWEVER, UNLIKE MOST BUDGET SOLUTIONS, A

FREEZE IS EASILY UNDERSTOOD -- AT LEAST OUTSIDE

THE BELTWAY WHERE YOU ARE NOT AUTOMATICALLY

ENTITLED TO YOUR INFLATION ADJUSTMENT. AND IT

DEMANDS THE SAME SACRIFICE FROM EVERYONE.

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THE BUDGET PROCESS

- O I HAVE ALWAYS BELIEVED THAT A PRESIDENT HAS

ONE CHANCE EVERY FOUR YEARS -- THE FIRST YEAR

OF EACH TERM -- TO ENACT TOUGH PROGRAMS, LIKE

THE FLEXIBLE FREEZE, TO DEAL WITH OUR BUDGET

DEFICIT.

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- O UNFORTUNATELY, AS YOU KNOW, LAST YEAR WE
BASICALLY TOOK A WALK ON THE DEFICIT. WE SPENT
10 MONTHS AND DEVOTED OVER 60% OF OUR ROLL
CALL VOTES IN THE SENATE TO REDUCE THE DEFICIT
BY ONLY \$16 BILLION.
- O THESE WERE NOT TOUGH VOTES. WE FOUND \$500
MILLION IN LOST FOOD STAMPS; WE ACCELERATED
MILITARY PAY DATES -- AND WE NEEDED FOUR
MONTHS OF SEQUESTER ON TOP OF EVERYTHING
ELSE.

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- O THIS YEAR WE NEED \$36 BILLION -- MORE THAN
TWICE AS MUCH -- TO MEET OUR GRAMM-RUDMAN
DEFICIT TARGET, EVEN UNDER OMB'S OPTIMISTIC
ASSUMPTIONS. AND DIRECTOR DARMAN NOW SAYS
WE MAY NEED \$15 BILLION MORE!

TAXES

- O I HAVE ALWAYS INSISTED THAT TO REDUCE THE
DEFICIT WE SHOULD LOOK TO SPENDING CUTS AND
NOT NEW TAXES. THAT IS WHY I BELIEVE THAT

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GASOLINE TAXES SHOULD BE RAISED ONLY IF THE
REVENUE IS USED TO REPAIR OUR CRUMBLING
ROADS AND BRIDGES.

- O MOREOVER, I DO NOT BELIEVE THAT THE PRESIDENT
WILL ABANDON HIS PLEDGE OF "NO NEW TAXES" TO
RAISE INCOME TAX RATES, EVEN AS PART OF A DEAL
LIKE THE ROSTENKOWSKI PACKAGE. INCOME TAX
RATES ARE THE POLITICAL CRUX OF THE NO TAX
PLEDGE. WHEN PEOPLE HEAR "NO NEW TAXES" THEY
UNDERSTAND NO INCOME TAX INCREASES.

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- O HOWEVER, THERE ARE WAYS THAT WE CAN RAISE REVENUES WITHOUT RAISING TAX RATES. CLOSING TAX LOOPHOLES IS ONE WAY. CUTTING CAPITAL GAINS RATES MAY BE ANOTHER, DEPENDING ON WHOSE ESTIMATES YOU BELIEVE.

CAPITAL GAINS

- O THE ROSTENKOWSKI PLAN HAS PUT CAPITAL GAINS ON HOLD -- FOR NOW. HOWEVER, CAPITAL GAINS IS HIGH ON THE PRESIDENT'S PRIORITY LIST. AND IT

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HAS THE SUPPORT OF A MAJORITY IN BOTH THE HOUSE AND SENATE. SENATOR MITCHELL WAS ABLE TO BLOCK A VOTE LAST YEAR, BUT I DOUBT HE CAN FIND THOSE VOTES AGAIN, ONCE A BUDGET AGREEMENT HAS BEEN REACHED.

- O THE PRICE FOR CAPITAL GAINS RELIEF IN THE SENATE MAY BE A SAVINGS INCENTIVE, AS PROPOSED BY THE PRESIDENT, OR AN EXPANDED IRA, AS PROPOSED BY SENATOR BENTSEN.

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MOREOVER SOME EXPANSION OF THE EARNED
INCOME TAX CREDIT FOR LOW-INCOME FAMILIES
WITH CHILDREN NOW SEEMS INEVITABLE.

GRAMM-RUDMAN

- O FINALLY, I DO NOT AGREE WITH CHAIRMAN
ROSTENKOWSKI'S CALL FOR THE REPEAL OF THE
GRAMM-RUDMAN-HOLLINGS LAW ALTHOUGH I
SHARE HIS FRUSTRATION WITH THE CONGRESSIONAL
BUDGET PROCESS.

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O WITHOUT THE DISCIPLINE OF THE
GRAMM-RUDMAN-HOLLINGS LAW AND ITS
SEQUESTER THREAT, THERE WOULD BE NOTHING TO
FORCE THE DEMOCRATS TO THE TABLE NEXT YEAR
OR TO STOP THE CONGRESS FROM RETURNING TO
ITS OLD FREE-SPENDING WAYS, ONCE THIS DEAL
EXPIRES.

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O SO I THINK THAT CONGRESSMAN ROSTENKOWSKI
HAS ISSUED A CHALLENGE TO BOTH PARTIES TO
WORK OUT REAL DEFICIT REDUCTION. THE WHITE
HOUSE HAS ANSWERED THIS CHALLENGE. I HOPE
HIS FELLOW DEMOCRATS DO THE SAME.

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CONCLUSION

O BECAUSE THIS IS AN ELECTION YEAR, BI-PARTISAN COOPERATION IN THE CONGRESS MAY BECOME MORE AND MORE DIFFICULT. NEVERTHELESS, I BELIEVE THAT WE WILL FINALLY AGREE ON WHAT I HAVE CALLED THE FIVE C's: CLEAN AIR, CHILD CARE, CAMPAIGN FINANCE REFORM, A CRIME PACKAGE, AND SOME FORM OF CAPITAL GAINS RELIEF. HOWEVER, AS ALWAYS, THE SERIOUS DEBATE ON

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THE DEFICIT AND THE BUDGET PROCESS WILL
CONTINUE TO DOMINATE OUR AGENDA UNTIL BOTH
CONGRESS AND THE PRESIDENT FACE UP TO THE
TOUGH CHOICES.

O THANK YOU.