



# Silver Users Association

## Washington Report

Volume 5, Issue 9

September, 2008

### Market Watch: Silver Price

2007 Comex Spot Settlement

Month	High	Low	Avg.
January	16.95	15.17	16.05
February	19.81	16.30	17.66
March	20.69	16.81	19.16
April	18.31	16.50	17.48
May	18.24	16.121	17.01
June	17.62	16.46	17.01
July	19.18	17.25	18.07
August	17.48	12.80	14.48
September			
October			
November			
December			
<b>2007 Summary</b>	15.50	11.47	13.38

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#### November 18-19, The Silver Users Association Fall Meeting

Army-Navy Club  
Washington, DC

- Press Releases: Please send us your press releases and/or company announcements, so that we can include them in SUA's monthly newsletter.
- Web Site: Visit our web site at:  
<http://www.silverusersassociation.org>
- **SUA Board Votes to Cut Dues by \$1,700.** Contact Paul Miller for news on the new 2008 dues structure and how you can get involved. Paul can be reached at (703) 930-7790 or at [pmiller@mwcapitol.com](mailto:pmiller@mwcapitol.com)

### Note:

- Please send us any updates to your company profile so that we can update our records and web site.
- If you are interested in sponsoring the newsletter, please e-mail Paul Miller today at [pmiller@mwcapitol.com](mailto:pmiller@mwcapitol.com)

## **Silver Users Association Announce Fall Meeting Agenda**

### **Tuesday, November 18**

- 12:30 p.m. SUA Executive Committee Meeting – John Paul Jones Room
- 1:00 p.m. SUA Board of Directors Meeting - John Paul Jones Room  
-- Review of 2007-2008 Activities  
-- Election of Officers (Slate TBA)
- 1:45 p.m. Kick-Off of SUA Fall Conference – John Paul Jones Room  
Welcome: Jon Potts, SUA President
- 2:00 p.m. Invited Speaker: Brian Wolf, Executive Director, Democratic Congressional Campaign Committee  
Topic: 2008 election results and what they mean
- 3:00 p.m. Invited Speaker: Pete Kirkham, Executive Director, National Republican Campaign Committee  
Topic: 2008 election results and what they mean
- 4:00 p.m. Speaker: Jeff Christian, CPM Group  
Topic: Conspiracy Theories
- 6:00 p.m. Cocktail Reception - Daiquiri Lounge  
**Sponsored by: QML, Inc.**
- 7:00 p.m. Dinner – Main Dining Room (Famous Army-Navy Club Buffet)

### **Wednesday, November 19**

- 9:00 a.m. Breakfast – Washington Room  
Speaker: Miguel Perez-Santalla, Heraeus Precious Metals Management  
Topic: The New Commodities Exchanges: How the new liberties in the investment market are hurting both industry and consumers  
**Sponsored by: Handy & Harman of Canada  
Ohio Precious Metals**
- 10:00 a.m. Speaker: Mike Riess, Materials Management  
Topic: Update on Anti-Money Laundering Regulations
- 10:45 a.m. Invited Speaker: Payson Peabody, Tax Counsel to Sen. Jim Bunning (R-KY)  
Topic: Chinese Currency Issues
- 11:15 a.m. Invited Speaker: John Castellani, President, Business Roundtable  
Topic: American Competitiveness Outlook
- 11:30 a.m. Invited Speaker: Walter Lukken, Commodity Futures Trading Commission  
Topic: Energy Market Speculation
- 12:00 p.m. Adjourn

## **House Rejects Bailout Plan, Leaving Next Steps Uncertain**

Despite intensive lobbying by congressional leaders and the White House, the House rejected an unprecedented \$700 billion bailout plan for the financial system.

The 205-228 vote torpedoed a bipartisan compromise and sent the U.S. stock market down sharply. But the immediate falloff was not as severe as some had feared; the Dow Jones industrial average was off roughly 500 points about 15 minutes after the vote.

The startling rejection of the financial rescue proposal (HR 3997) was a stunning defeat for the White House and congressional leaders from both parties. It was assured when House Republicans dug in their heels, refusing to support the plan. They blamed what they called a sharply partisan speech by Speaker Nancy Pelosi, D-Calif.

In that speech, Pelosi said the House had a responsibility to pull the financial system back “from the precipice.” But she expressed anger that the system was pushed to that ledge, blaming the Bush administration’s “right-wing ideology, anything-goes, no-discipline, no regulation” philosophy.

House Democratic leaders had long insisted that a majority of both parties would be required to pass the bill, but GOP members voted against it by 2-to-1. House Minority Leader John A. Boehner, R-Ohio, had pleaded with members to pass the bill just minutes before the vote. “I believe what’s in the best interest of our country, as I stand here today, is to vote for this bill,” he said.

Asked what would happen next, Boehner said simply, “I don’t know.” Boehner said GOP leaders could have produced enough votes to pass the plan “had it not been for the partisan speech the Speaker gave on the floor.” Mike Simpson, an Idaho Republican, placed the blame on House Speaker Nancy Pelosi for inciting partisan sentiment with a floor speech blaming Republicans and the administration for the flaws in regulation and failures of oversight that she said drove the financial system to the brink of collapse.

“I know members who said, ‘If I wasn’t a no before I am now,’” Simpson said. Democrats retorted angrily that they had delivered a clear majority of their caucus’s votes. Boehner and Minority Whip Roy Blunt, R-Mo., who had helped to draft the final bill, said they would try again. “We need everybody to calm down,” said Boehner.

Advocates insisted passage of the legislation was essential to avert a broad economic collapse. Opponents questioned whether the plan would work, and whether it was even necessary. House Financial Services Chairman Barney Frank, D-Mass., who helped write the bill, said there was a crisis of confidence in financial markets worldwide, and Congress has no choice but to act.

“We need to act to avoid something worse from happening than has already happened,” he said. Asked after the vote what the next step would be, Frank said, “I think we have to see ... what the economic reaction is.” Is he worried about the markets? “Yeah,” Frank said.

Prior to the vote, House Majority Leader Steny H. Hoyer, D-Md., praised Boehner’s courage and joined him in urging support for the bill. “Inaction will result in greater pain for the people of our country,” he said. Frank acknowledged members were facing a tough vote. “It’s hard to get political credit for avoiding something that hasn’t happened but you think is going to happen,” he added.

Rep. Thomas M. Davis III, R-Va., echoed that sentiment. He cited the failures of more banks since the bailout negotiations began, including institutions that collapsed just this weekend in Europe. He said refusing to support the plan would be like residents of New Orleans refusing to leave before Hurricane Katrina. “If it doesn’t pass, I think it’s a really big deal,” Davis said. “If you’re going to ignore the storm warnings, you’d better take care. I haven’t heard a better plan.”

Rep. Adam H. Putnam of Florida, chairman of the GOP Conference, picked up and amplified that approaching-storm theme. "You have to see that same analogy now," he said. "One bank after another failing, rolling out of New York, rolling out of Brussels, rolling out of places that seem so foreign, into our Main Streets."

It is up to Congress, he said, "to do everything in your power" to prevent the storm from swamping the U.S. economy. The objective, he said, is "to prevent a collapse the likes of which we have not seen in this country since the 1930s," when the Great Depression devastated the nation. The package's massive scope and eye-popping initial price tag drew fire from lawmakers in both parties, fracturing normal voting dynamics.

Bush spoke early Monday from outside the White House in a last-minute attempt to rally support for what he called "a bold bill that will help keep the crisis in our financial system from spreading throughout the economy." "I fully understand this will be a difficult vote," he said. But he told the public that a vote for the bill is "a vote to prevent economic damage to you and your community."

To underscore that message, congressional leaders titled the bill the Emergency Economic Stabilization Act of 2008. Monday's dramatic showdown followed an exhausting weekend of non-stop negotiations and lobbying by top Democrats and Republicans.

At its core, the plan would give the Treasury Department what it asked for - authority to buy up to \$700 billion in troubled assets, mostly mortgage-backed securities, from financial institutions. The department would hold them and sell them at a later date, when the market stabilizes.

As altered during talks by Treasury Secretary Henry M. Paulson and congressional leaders, the package also includes conditions insisted upon by Democratic and Republican lawmakers. It would have parceled out the money in installments, set limits on executive compensation for companies who accept government help; created a government insurance plan for shaky assets, with premiums paid by financial institutions, and tightened oversight of the program.

### **Lipstick on a Bailout**

No matter how you pretty it up, it's still an ugly mess that Rep. Ron Paul believes will saddle the country with an even bigger debt and leave most Americans worrying about a day of economic reckoning sure to come.

Writing on his congressional Web site before the failed House vote today on the bailout, the Texas Republican, who's still running for the presidency, said despite attempts by lawmakers to address constituent concerns about the bill (HR 3997), no amount of "lipstick" improvements would help.

He credited the American people with at least making lawmakers think about their actions. What was a done deal early last week suddenly became a questionable political move this week, thanks to angry e-mail messages, letters and phone calls, to Congress.

"Slowly, like the *Titanic* turning around, sentiments on the Hill shifted, and we heard congressmen capitulating and changing their tune a little, desperately trying to find ways to salvage the bailout without completely enraging their constituencies," he wrote.

But Paul predicted — wrongly as it turns out — that the bill would pass

"Inevitably, it appears Congress will call their constituents' bluff and the bailout will pass, because that is the habit Wall Street and Washington have fallen into," he said.

Seems Paul was right about one thing, though — no amount of lipstick was enough to turn it into something acceptable for most members.

### **He Did It for America**

Rep. Louie Gohmert stunned many of his colleagues today by moving to adjourn the House before the vote on the financial bailout plan. “I motion to adjourn so we don’t do this terrible thing to America,” the Texas Republican said.

His Republican leadership was not happy about the motion because they weren’t informed it was coming. Jewish members were none too happy as well because the motion, which failed 394-8, took up precious time and further delayed the departure of lawmakers trying to make it home tonight for Rosh Hashanah, the Jewish New Year.

Democratic Caucus Chairman Rahm Emanuel of Illinois personally asked Gohmert not to raise the measure, to no avail.

After the vote, Gohmert said one of his Democratic colleagues on the Judiciary Committee even called him an “SOB” for bringing it up.

Still, Gohmert insisted that the bill (HR 3997) was nothing more than a handout for Treasury Secretary Henry Paulson’s “friends on Wall Street.” Loan guarantees, Gohmert suggested, would be fine — maybe like the one Chrysler got back in 1979.

“Back then, we did not give the secretary of the Treasury hundreds of billions to buy all the cars they wanted,” he said.

“All I wanted to have people say is that Louie’s right, let’s go home before we have a chance to pass this bad bill,” he added.

### **Possible Bailout Fallout Includes Concerns on Conflicts of Interest**

Rep. Brian Baird, D-Wash., has seized on the pending financial industry bailout to revive his stalled proposal to apply insider trading laws to members of Congress, who will be privy to valuable analysis about the bill and any ensuing oversight.

“I am very concerned that members and staff could abuse the information they receive about the bailout, and companies that participate in the bailout program,” Baird said.

He has been calling on colleagues to revive consideration of his longstanding proposal to extend insider trading restrictions to members of Congress and staff aides.

“We should not profit by trading investments based on any advance knowledge of legislation that is aimed at helping Wall Street,” Baird said.

Baird’s Stop Trading on Congressional Knowledge (STOCK) plan has languished since it was introduced last year. But Baird said he hoped to work with some of the measure’s seven cosponsors, such as Christopher Shays, R-Conn., to promote action on the proposal.

Several Democrats, such as Marcy Kaptur of Ohio, said they shared Baird’s concern about the growing potential for conflicts of interest as Congress expands its reach over giant financial services companies and lucrative financial transactions. “We really need to focus on financial accountability. We should be doing things like insider trading limits,” Kaptur said.

Speaker [Nancy Pelosi](#), D-Calif., took no position on tougher insider trading restrictions for members of Congress and staff, saying she was unfamiliar with Baird's bill. "I think that anybody who has conflict of interest issues should recuse themselves," Pelosi said.

## **House Defies Senate Over Tax Extenders**

The House will defy the Senate in a tax showdown, leaving town without resolving a remarkable standoff over legislation to extend dozens of expiring tax provisions. House Majority Leader [Steny H. Hoyer](#) criticized what he called the Senate's attempt to legislate by blunt force. The House, he said, will stick by its pay-as-you-go budget rule and refuse to consider a Senate-passed bill ([HR 6049](#)) before departing Monday.

"Sometimes," said Hoyer, D-Md., "it's necessary to say, 'This far, but no farther.'" Hoyer's decision will cause extreme distress for business lobbyists who were counting on Congress to extend tax breaks for renewable energy, research and development, and financial-services companies, among others.

They will also be worried by Hoyer's pronouncement that he has "no intention" of seeking a post-election session to address the issue. He said he would continue to negotiate with the Senate on a compromise, "even if it's next year." The House broke the Senate bill into four pieces, but none of them seem likely to pass, at least not immediately. Senate Majority Leader [Harry Reid](#), D-Nev., attempted to pass one of those bills ([HR 7060](#)) by unanimous consent on Monday, but Republican Whip [Jon Kyl](#) of Arizona objected.

"I would hope that my friends in the House would understand we are doing the best that we can," Reid said. "If we leave this Congress without having done this, it doesn't speak well of this Congress. It remains unclear what will happen.

"I think they'll pick up AMT and they'll pick up disaster. The ball's in their court now for those two things," House Ways and Means Chairman [Charles B. Rangel](#), D-N.Y., said Monday. He was referring to a House-passed bill ([HR 7005](#)) to provide a one-year "patch" preventing the alternative minimum tax from hitting millions more Americans and a disaster relief tax package ([HR 7006](#)). Neither bill would be offset by revenue-raising provisions — just as they were not offset in the Senate's package.

The AMT patch is particularly important, because without it, 22 million additional taxpayers will face a levy that had been originally intended only for the wealthy.

Despite repeated rebuffs from the Senate, House leaders had introduced two more bills ([HR 7201](#), [HR 7202](#)) expanding tax breaks for renewable energy and extending dozens of other expired or expiring tax provisions. But the measures no longer appeared on Monday's abbreviated floor schedule. Those measures, like earlier versions passed by the House, would be fully offset. Senate Republicans have refused to accept full offsets for provisions that simply continue existing tax policy.

The bills and the House strategy were designed to satisfy conservative Blue Dog Democrats that party leaders were doing all that they could to enforce pay-as-you-go budget rules. Hoyer stood with Blue Dog leaders Monday morning and announced that he would not allow the Senate bill on the floor. Senators continue to insist that the House consider and pass the catch-all bill (HR 6049) the Senate passed 93-2 on Sept. 23. The Senate, however, refused to send its bill to the House until Monday morning as part of the end of session gamesmanship.

Hoyer criticized the Senate for waiting to send the bill over, saying it did not give the House enough time to act. Among other groups that could see crucial tax benefits lapse in the absence of an agreement are financial-services companies that do business overseas, producers of electricity from wind power, businesses that rely on the research and development credit, teachers who deduct out-of-pocket school expenses and taxpayers from states without income taxes who currently are allowed to deduct sales taxes instead.

“The Democrats have failed to produce a result with tax extenders that are vitally important to our economy moving forward,” said Thomas M. Reynolds, R-N.Y. “They run the Senate. They run the House. And they couldn’t get it done.” Dozens of tax breaks expired at the end of 2007, and more are set to lapse Dec. 31.

The adjournment resolution adopted by the House Monday left open the possibility that leaders could call the chamber back into session at any time prior to the Jan. 3 start of the 111th Congress, whose members will be elected Nov. 4. And Hoyer didn’t totally preclude a House vote this year on the Senate package.

“We are subject to the call of the chair. So, it’s not the end of the 110th Congress. We haven’t adjourned sine die. . . . It speaks for itself that we have not adjourned sine die,” Hoyer said. The basic standoff pits House Democrats’ attempt to comply with pay-as-you-go budget rules against Senate Republicans, who do not want revenue-raising offsets paired with extensions of existing tax policy.

The Senate’s bill would patch the AMT, extend expiring provisions, provide incentives for renewable energy production and conservation and help victims of natural disasters. After months of false starts and failed cloture votes, the Senate finally agreed to its compromise package. Since then, senators from both parties have insisted that the House clear the Senate bill.

“Some sparring between House and Senate is inevitable at the end of session,” said Sen. Ron Wyden of Oregon, a Finance Committee Democrat who said he had been talking with House leaders. “This is particularly challenging because there is so much on the table that you’re trying to follow both substance and process. I like to think we’re making a little bit of headway.”

Last week, however, the House took that Senate compromise and broke it into four pieces and easily passed all four in separate bills: mental health parity legislation with offsets (HR 6983), a one-year AMT patch without offsets (HR 7005), a disaster tax package without offsets (HR 7006) and an extenders bill with offsets that includes both energy and non-energy provisions (HR 7060).

That approach fell flat in the Senate. On Sunday, House leaders split that final bill into two more: an energy tax bill and a collection of other tax extensions, which also include mental health parity and a \$3.2 billion extension of a program that helps rural counties with significant amounts of federal land. “They don’t like our bill, but I think they have to take it,” said Sen. Orrin G. Hatch, R-Utah, a member of the Senate Finance Committee. Hoyer responded directly to Hatch on Monday, saying, “That is not the way we ought to be legislating.”

Still, the two chambers aren’t terribly far apart in numbers. The Senate bill contains \$150.6 billion in tax breaks and \$43.5 billion in offsets. All combined, the four House bills that mirror the Senate legislation contain \$137.7 billion in tax breaks and \$65.7 billion in offsets. But inside those numbers is a fierce debate. Blue Dogs, having already conceded defeat on the AMT patch and the disaster bill, are making a stand on the extenders. Backed by Hoyer, the House group of fiscally conservative Democrats worry about the growing national debt and want to prevent the tax bill from costing the government.

Republicans, however, say extensions of existing tax breaks should not be offset, and have used their procedural clout in the Senate to block Democratic efforts to move House-passed bills. Some members have objected to the specific revenue-raisers in the Senate bill, but for the most part, those are not controversial. They would largely hit oil and gas companies and certain offshore deferred-compensation plans.

The House and Senate do disagree on other details. Senators, led by Charles E. Grassley of Iowa, insisted on a disaster tax package that provided more generous benefits for flood victims in the Midwest and hurricane victims on the Gulf Coast than for other regions. The Senate also included more provisions that help the coal industry, Alaskan fishermen and commercial recyclers. The House, meanwhile, wants limits on the wind-energy tax credit and seeks a different structure for a new credit for electric automobiles.

## **Judge Scolds Prosecution But Denies Stevens' Mistrial Request**

Sen. Ted Stevens' lawyers got a surprise second chance Monday to cross-examine a key government witness in open court, but a federal judge said that he had no plans to throw out the case against Stevens or to declare a mistrial.

The judge did, however, leave open the possibility that he would sanction prosecutors for not consulting the court before they helped a key government witness - who defense lawyers had subpoenaed but had been unable to reach - return to Alaska Sept. 26. U.S. District Court Judge Emmet G. Sullivan said he was "very, very disturbed" by the move.

In the meantime, Cheryl Boomershine, the former bookkeeper VECO Corp., the now defunct oil-and gas services company from which Stevens is accused of accepting gifts, took the stand Monday for another round of questioning from defense attorneys who are seeking to plant a seed of doubt with jurors based on new information that they learned over the weekend. Boomershine, who testified Sept. 26 that she documented invoices for \$188,928.82 in labor and supplies that the Republican senator is charged with failing to report, spent about half an hour back in the witness stand. In a series of one-word responses to questions from defense attorney Robert Cary she made clear to the jury that she could not personally verify that VECO employee Rocky Williams actually worked the hours that he recorded on time sheets that he filed in late 2000 and early 2001 or whether Williams might have worked on projects other than a massive renovation to Stevens' house in Girdwood, Alaska.

The judge agreed to subject Boomershine to more cross examination Monday after Stevens' lawyers learned Sunday that the government withheld information provided by Williams that bolsters the senator's contention that he is innocent of any wrong-doing. Defense attorneys say they now know that Williams spent much less time on the renovation - which is at the center of the case against Stevens - than prosecutors have suggested in open court.

Stevens had hoped the revelation would torpedo the government's case. In an emergency motion file just before midnight on Sunday, Stevens asked the judge to declare a mistrial - or to have the case thrown out - but Sullivan denied those requests. "I don't think a basis exists at this point for the declaration of a mistrial," said Sullivan, adding that he also was not inclined to dismiss the case, as Stevens asked in court papers filed late Sunday. Stevens, R-Alaska, accused the government of withholding information that would bolster Stevens' claims that he is innocent of any wrongdoing.

Sullivan chided prosecutors for failing to inform the court that Rocky Williams, a government witness who had been subpoenaed by the defense, was in Washington, D.C., last week before allowing him to fly back to Alaska. Stevens' lawyers had been trying to contact Williams but were unable to reach him until Sunday. "I think the government's treading in some shallow water here," the judge said when he learned that Williams was sent back to Alaska Sept. 25 and told to contact defense lawyers once he arrived there. He said he was "peeved" that he was not consulted earlier on the matter.

"Somebody better do some explaining," Sullivan said. Stevens, the Senate's longest-serving Republican, faces seven felony charges of making false statements on his Senate financial disclosure forms. He is accused of illegally concealing more than \$250,000 worth of gifts, including \$188,000 in renovations to his Girdwood home that prosecutors said were furnished by VECO.

In court papers filed at 11:55 p.m. Sunday, Stevens' lawyers said they had three phone conversations Sunday with Williams, a former VECO employee whose work on Stevens' house was discussed in Friday's testimony, and he "disclosed highly exculpatory information to defense counsel that apparently has been known to the government for years." Williams "informed defense counsel that he spent nowhere near eight hours per day, six to seven days per week, on the Girdwood home renovation project in direct contrast to the timesheets that the government has placed in evidence to support its central theory that the unpaid cost of the project to VECO was \$188,000," Stevens' lawyers stated in their filing. "This new information gravely undercuts the government's case as described in its opening statement and as presented by government witnesses to date."

One example defense attorneys cited is a \$2,000 check that Williams said he wrote in January 2001 to Stevens' wife, Catherine, to purchase household items — including a bathtub and an electrical heater — for Bill Allen's family. Williams told defense lawyers that he wrote the check because Allen doesn't carry a checkbook and that VECO later reimbursed him. Defense attorneys said that would have been useful rebutted to Sept. 26 testimony of Boomershine, a former VECO bookkeeper.

"Mr. Williams's exculpatory account of the \$2,000 check he wrote to Catherine Stevens would have obliterated the government's insinuations that it was an improper, clandestine transaction, based on out-of-context notes described by Ms. Boomershine," Stevens' lawyers wrote. The judge said he may give defense attorneys a second chance to question other government witnesses now that they have more information from Williams. Sullivan also is considering ordering Williams to return to Washington or appear remotely in Alaska so defense attorneys can depose him.

Before Boomershine resumed the stand Monday, prosecutor Nicholas Marsh insisted that the government had disclosed exactly what it needed to, adding that the defense's indignation about Williams was "basically a tempest in a teapot." "This is not something that relates directly to the defendant's guilt or innocence," Marsh said. Defense lawyers said they hadn't been able to get in touch with Williams before Sunday.

"We got lucky that Mr. Williams called us Friday night, and we were able to talk to him on Sunday," said defense attorney Robert Cary. Prosecutors had an obligation to share Williams' version of events, and failure to do so deprived Stevens of what could have been a powerful theme of his lawyers' opening statement, the defense is arguing. Boomershine earlier testified about billing entries on VECO timesheets, which defense lawyers say inaccurately suggest that Williams worked six or seven days a week on Stevens' home.

"The government has presented evidence at trial that, in light of the information now disclosed to defense counsel by Mr. Williams, can charitably be described as grossly misleading," Stevens' lawyers stated. Prosecutors had to scramble over the weekend, too. They revised their witness list. On Friday, the government lawyers said they were ready to bring to the stand their star accuser, Bill Allen, the one-time head of VECO.

But it is clear that there will be a lot of wrangling over Allen's testimony, since the defense has asked for hospital records to help raise doubts about his mental acuity since a 2001 motorcycle accident. Allen's medical records from three hospitals are still being delivered, so Stevens' experts haven't had a chance to see them all. Sullivan already scolded prosecutors for wasting the jury's time by not having their witnesses queued up and waiting to take the stand. So instead of calling Allen to testify Monday, they submitted a different witness list that includes Stevens' former Senate spokeswoman, Courtney Boone. Another name on the revised list is a former Anchorage reporter who, according to one local news report, had received a tip alleging free home improvements for the senator but never wrote about it.

## **As Offshore Drilling Debate Is Eclipsed by Economy, Lawmakers Look to Round Two**

Republicans declared victory after getting Democratic leaders to drop a ban on most new offshore drilling, but the political benefit has quickly faded and both sides are already looking to revisit the issue next year. Support for offshore oil and gas drilling remains high, but with public attention shifting to the economic crisis, the energy issue may lose some of its political punch, experts say.

"There is more support for drilling than there has been for some time, and this is the best angle Republicans have for policy domestically," said Andrew Kohut, director of the Pew Research Center for the People and the Press. Pew released a poll Wednesday that showed 67 percent of Americans now favor offshore drilling. "Whether it's enough to stem the tide of Democratic advantage that seems to be growing out of the situation with the economy remains to be seen," Kohut said. "It's not that this is unimportant, but at this point, Wall Street is where the attention is."

The continuing resolution ([HR 2638](#)) to fund the government until next March, which the House passed Wednesday, did not include a moratorium on oil and gas drilling off the Atlantic and Pacific coasts. That ban has been renewed in spending bills since fiscal 1982, but Democratic leaders dropped their plan to include such restrictions in the latest stopgap funding measure.

But the Interior Department's Minerals Management Service, which would lease and manage offshore energy production, says the process of completing environmental reviews, holding lease sales, conducting geologic studies and building new infrastructure could take five to 10 years before any new offshore drilling could actually begin. That gives lawmakers a window to work out a new deal for a ban.

"The ban will expire, but nothing's going to happen for a while," said Rep. [Henry A. Waxman](#), D-Calif., a member of the Energy and Commerce Committee and a leading environmentalist in his party. "We're going to work with the next president to get it reinstated." Meanwhile, policy experts and moderate Democrats said that once the moratoriums have been lifted, it's unlikely that they could ever be reinstated wholesale — even under a Democratic Congress and president.

"Not if oil prices stay the way they've been," said House Natural Resources Chairman [Nick J. Rahall II](#), D-W.Va. Rahall sponsored a bill ([HR 6899](#)), which the House passed last week, that would allow drilling off the Atlantic and Pacific shores but with more restrictions than what would be allowed by letting the ban lapse entirely. Rather than a wholesale reinstatement of the ban, experts say Congress is more likely to pass a bill that would package drilling with some new protections and boost conservation and renewable energy.

The urgency of knowing the ban has been lifted — a situation that could allow drilling as close as three miles from shore — could help give momentum to such measures next year, especially with election year politics no longer a factor. "The lifting of the moratorium may compel Congress to reach a deal earlier next year on broader energy legislation," said Paul Bledsoe, communications director for the National Commission on Energy Policy, a nonpartisan think tank that advises Congress on energy matters.

In addition to the offshore drilling moratorium, a ban on developing oil shale deposits in the Rocky Mountains also will expire with enactment of the continuing resolution. Supporters say producing petroleum from the shale deposits could provide a domestic energy windfall, but environmentalists say developing the shale deposits would be more ecologically hazardous than other fossil fuels.

"When Congress reconvenes in January, we will fight to restore an orderly process for oil shale development so that Colorado's land, water and communities are protected," Colorado Democratic Reps. [John Salazar](#) and [Mark Udall](#) and Sen. [Ken Salazar](#) said in a statement. Republicans vowed to fight to keep the land and water open for drilling. "You get the impression from listening to the majority that it is their intention to restore these moratoria later in this year," said Senate Minority Leader [Mitch McConnell](#), R-Ky. "We don't think the American people will like this."

### **Houses Endorses Nuclear Deal With India**

The House voted to approve a civilian nuclear agreement with India, although the legislation faces an uncertain future in the Senate. The House voted 298-117 to pass a bill ([HR 7081](#)) that would green-light the agreement and waive a requirement that the deal, submitted Sept. 10, sit before Congress for 30 days. The agreement would allow the United States to sell civilian nuclear technology to India, despite that country's status as a nuclear-armed state that has not signed the Nuclear Nonproliferation Treaty.

Senate Majority Leader [Harry Reid](#), D-Nev., said he wants that chamber to act on the nuclear agreement before adjournment. [Howard L. Berman](#), chairman of the House Foreign Affairs Committee and the bill's sponsor, had expressed concern that the India deal lacks safeguards required under the 2006 law ([PL 109-401](#)) known as the Hyde

Act. Berman agreed to introduce the legislation after a Sept. 25 telephone conversation with Secretary of State Condoleezza Rice, who promised to try to tighten global restrictions on transfer of nuclear technology.

Berman reported that Rice said she will make it a "highest priority" to seek a ban on transferring enrichment and reprocessing technology to countries that do not already have it during a November meeting of the Nuclear Suppliers Group. Such a ban could prevent other nuclear suppliers from spreading that technology, which is not needed for nuclear energy production and could aid in weapons programs.

"This would be consistent with the intent of Congress as expressed in the Hyde Act to further restrict international transfers of this sensitive technology," Berman said. Berman's bill is identical to a measure ([S 3548](#)) the Senate Foreign Relations Committee approved on Sept. 23.

Supporters of the deal with India say it would open business opportunities and cement ties with the world's largest democracy and a key counterweight in the region to China. The agreement is the product of three years of work between the administration and India, and a top foreign policy priority for President Bush.

Senate leaders in both parties back the bill, but aides said several Democratic senators have threatened to place holds on the measure. Given the congressional calendar, supporters would have to persuade the opponents to lift the holds, or attach the deal to some piece of must-pass legislation. A new administration could resubmit the agreement next year.

Critics said Berman should not count on the State Department to follow through on its pledge to tighten nuclear technology transfers. "If you want leverage to get the administration to lean on the [Nuclear Suppliers Group], you withhold the one thing that matters until they do it," said Henry D. Sokolski, executive director of the Nonproliferation Policy Education Center. "You don't give it to them and then hope they follow through."

Opponents of the deal say it would allow India to expand its nuclear weapons programs without significant consequences if it tests them, setting off an arms race in a volatile region. India has tested weapons twice in the past. The Hyde Act was passed to enable civilian nuclear trade with India regardless, but requires that the deal get final congressional approval.

## **Employers Find Fault With Proposals On Health Care of Both McCain, Obama**

Results of a corporate health care policy survey released Sept. 17 reveal dissatisfaction among corporate health care sponsors and administrators with the health care reform proposals of both presidential nominees.

A majority of the survey's 187 participants representing employer-sponsored health plans said they opposed a proposal by Republican Sen. John McCain (Ariz.) to tax employees for the health benefits they receive from employers. Many also said they opposed a campaign proposal of Democrat Sen. Barack Obama (Ill.) to mandate that employers pay a portion of their employees' health care costs.

"Rather than taxing workers' health benefits and compelling employers to provide coverage they can't afford, candidates should focus on initiatives to control costs and promote top-quality care," James Klein, president of the American Benefits Council, said in a statement released with the survey results. The council and the law firm Miller & Chevalier co-sponsored the survey, which was conducted by e-mail in late July and early August. Employer-provided health benefits are not taxed under current law. The McCain campaign said its proposed tax would be offset by a tax credit for health care. The Obama campaign said small employers would be exempt from its proposed mandatory payroll tax on employers that do not provide health insurance.

Employers on their own have adopted a variety of measures to improve employee health and control costs, but the government could do more to promote the disclosure of health care costs and treatment outcomes and the use of health information technology, said Susan Relland, an attorney in the employee benefits practice at Miller & Chevalier in Washington. "In addition to the measures they have already adopted, employers would like to see enhanced government policies that promote reporting of quality outcomes and cost transparency and the use of health information technology," Relland said in a statement.

The survey also found employers overwhelmingly in favor of continued regulation of employer-sponsored health plans at the federal level rather than state level. The Employee Retirement Income Security Act of 1974 created a federal preemption framework for regulating employer-sponsored health coverage. "ERISA waivers for state initiatives would create disparities in the health plans offered within a single company's workforce and could interfere with employer strategies to promote wellness initiatives," Klein said. Benefits administrators view efforts to give states more authority to regulate employer health plans "as a direct threat to employers' ability to continue offering health coverage," he added.

ERISA waivers will be part of the health care reform debate in Congress no matter who raises it, Relland told reporters. "There's kind of a general belief in the federal government at the moment that it is a good idea from a policy standpoint to let the states experiment" with health care reforms, she said. Results from the health policy survey show that employers think their employees want employer-sponsored health coverage. In response to a question about where they think employees prefer to get their health insurance, assuming equivalent costs, 87.1 percent of the survey participants answered "their employer or their spouse's employer," 9 percent answered "the individual insurance market," and 3.7 percent said "government sponsored or public programs."

Asked what they thought about the focus on expanding health care coverage to more Americans in current debates about health care reform, 32.9 percent of the survey participants said there is "not enough" focus on expanded coverage, 41 percent said the amount of focus on expanded coverage is "appropriate," and 25.9 percent said there is "too much" focus on expanded coverage in debates about health care reform. Twenty-three percent of the survey participants who identified themselves as Republicans said there is too little focus on expanding health care coverage to more Americans, compared with 44 percent of those who identified themselves as Democrats and 41 percent who identified themselves as independent voters.

Asked in a six-part question to check all that would apply to how their company would respond if employees were taxed for health care benefits above a certain dollar threshold, assuming the coverage their companies offer now is above that threshold:

- 59.1 percent of the survey participants said they would add a new health plan option that would be under the threshold;
- 48.3 percent said they would keep health benefits the same but not provide any additional cash compensation to help employees pay any tax they would owe;
- 23.1 percent said they would work to gradually bring health benefits under the threshold;
- 10.2 percent said they would immediately reduce health benefits to avoid tax to the employee; and
- 4.3 percent said they would keep health benefits the same and provide additional cash compensation to gross up employees for any tax they would owe.

*More information about the survey is available on the Web at <http://www.millerchevalier.com> and at <http://www.appwp.org>.*

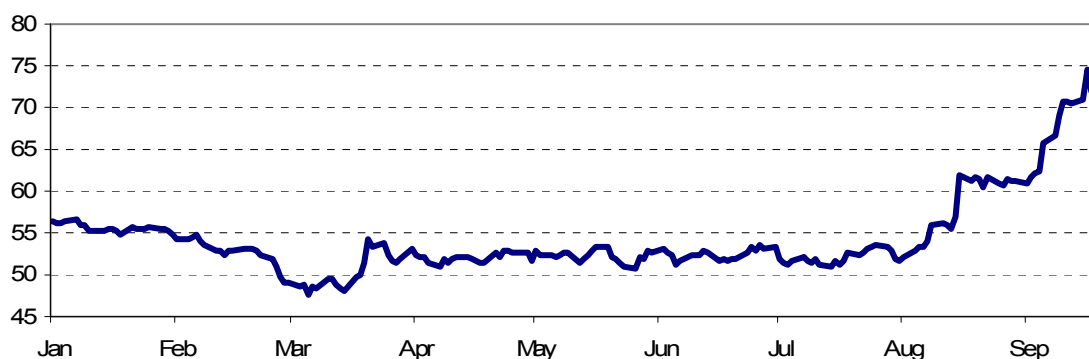


## MITSUI GLOBAL PRECIOUS METALS

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**Market Update** - We began our report last month with the following seven words “a lot can happen in a month”. Little did the market realise how fast and furious the white metal would move to the upside on the 17th September. In this climate of gross illiquidity amidst a banking sector meltdown, it is largely unsurprising that gold is on the receiving end of renewed flight to quality interest and, as typically happens, by default silver benefits. Once the Federal Reserve announced an immediate 35 day T-Bill auction to raise capital and the subsequent equity market plummet, gold and silver grabbed the opportunity to run higher. As the gross imperfections in the global banking model swallowed up yet more casualties, naturally silver benefited as gold rallied hard. The magnitude of the rallies in both metals is astonishing.

Over the past week of trading, the disconnect between the gold and silver ratio has started to abate. Based on the daily spot closing price, this ratio touch a high of 74 on 16th September—just one day before the historical price move. This indicator has contracted somewhat since that date, and currently stands at 67. Thus, it takes 67 ounces of silver to buy one ounce of gold. Whilst significantly higher by historical standards, this ratio is beginning to indicate that silver is gaining strength in the rising market.



As gold outperformed the white metal earlier this month; most likely there were many participants in the market who viewed silver as a value trade based on this ratio. This ties in with the record 9.5 million ounce rise in the main ETF contract, iShares, last week. Despite its regular tendency to plummet more severely than its fellow precious metals during distressed trading periods, in times of a rallying complex silver regularly outperforms that of gold. Therefore, as gold has taken on significant positive momentum based on the substantial weakness in the global financial sector, it not surprising to see silver in a strong position. However, nothing should be taken for granted in these current market conditions. Silver could just as easily stage a precipitate drop back toward \$10 as it can rally to \$15. Investors have to date followed an 9 week track of liquidation, however this extended wave of selling in the silver market appears to be drawing to a close. The white metal will continue to closely follow gold, and perhaps as we have seen the metal do in the past, outperform. However, should gold undergo a spate of entrenched liquidation, silver will fall and fall hard.