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News Summary

OFFICE OF THE PRESS SECRETARY

THURSDAY, APRIL 3, 1986 -- 6 a.m. EST EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

4 KILLED AS BOMB RIPS TWA PLANE ON WAY TO ATHENS -- An explosion apparently caused by a bomb rocked a TWA jet as it carried 121 people from Rome to Athens today.

(Washington Post, Washington Times, New York Times, USA Today, AP, UPI)

ADMINISTRATION TAKING NEW LOOK AT THE EFFECTS OF FALLING OIL PRICES -- The Administration's decision to seek oil price stability from Saudi Arabia has focused national attention on the pros and cons of falling oil prices and underscored the high political stakes involved.

(New York Times, Washington Times, AP)

NATIONAL NEWS

MEESE'S DEPUTY EXPECTED TO RESIGN -- Deputy Attorney General Jensen, a respected former prosecutor who manages the Justice Department on a daily basis, is expected to leave soon to become a federal district judge in northern California, according to department sources.

(Washington Post)

NETWORK NEWS (Wednesday Evening)

TWA FLIGHT 840 -- Ten minutes away from safety, a bomb exploded. It is believed to have been in the passenger compartment.

U.S./EGYPT/LIBYA -- The U.S. tried to involve Egypt in a join war plan against Libya.

SIRTE RADAR STATION -- Pentagon sources said today that the Libyan missile radar site at Sirte is back in operation.

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INTERNATIONAL NEWS

FOUR AMERICANS KILLED IN EXPLOSION ON TWA JET

ATHENS -- Four persons, all of them Americans, were killed and nine persons, including five Americans, injured today when an apparent bomb exploded aboard a TWA Boeing 727 airliner en route from Rome to Athens.

One anonymous telephone call in Beirut today claimed that a bomb had been placed aboard the aircraft by a pro-Libyan Palestinian group called the Ezzedine Kassam unit of the Arab Revolutionary Cells in retaliation for "U.S. imperialism...including its attack against Libya" last week. State Department officials said the group was unknown to them.

Col. Qaddafi denied any role in the explosion. "This is an act of terrorism against a civilian target, and I am totally against this. I reject this," he said in an interview with UPI in Tripoli.

(Karen DeYoung, Washington Post, A1)

4 Killed As Bomb Rips TWA Plane On Way To Athens

ATHENS -- An explosion apparently caused by a bomb rocked a TWA jet as it carried 121 people from Rome to Athens today.

A little-known group called the Arab Revolutionary Cells asserted responsibility for the explosion in statements delivered to news agencies in Beirut. The statement said the bombing was in retaliation for "American arrogance" and the American clash with Libya last week.

(Roberto Suro, New York Times, A1)

Khadafy: I Didn't Do It

President Reagan was largely silent: He ordered a probe of Wednesday night's blast that sent four TWA passengers -- all from the USA -- to their deaths from 15,000 feet over Greece.

Quick denial came from a likely suspect: Libya's Col. Khadafy said, "We do not attack civilian targets."

(Don Kirk & Alfie Kohn; USA Today, A1)

U.S. Investigators To Join Probe Of TWA Bombing

The Reagan Administration has ordered U.S. investigators to help solve the latest terrorist puzzle: tracking down the people who planted the bomb aboard TWA Flight 840 to Athens, killing four Americans.

President Reagan directed the FBI, the Justice Department and the FAA to cooperate with foreign authorities to bring the killers to justice, his aides said Wednesday.

(Bryan Brumley, AP)

Bomb Rips Jetliner, Killing 4 Americans

ATHENS, Greece -- Greek authorities invited the FAA and the FBI to take part in its investigation, Western diplomats said, and President Reagan ordered U.S. aviation, diplomatic and security officials to assist Greek, Italian and Egyptian authorities.

President Reagan "directed U.S. authorities to cooperate in an investigation" into the crash, Larry Speakes said.

(Washington Times, A1)

Khadafy Denies Libyan Involvement In TWA Bombing

TRIPOLI, Libya -- Col. Khadafy denied Libya had any role in planting a bomb that killed four passengers aboard a TWA jetliner.

"How could we do this? I don't know who could do such a thing," Khadafy said in an interview with UPI Wednesday. "The passengers on a plane like this would be mixed, not just Americans. Anyone could be on this plane. My little son could be on that plane."

"This is an act of terrorism against a civilian target, and I am totally against this. I reject this," Khadafy said of the bomb attack that killed four passengers -- all Americans -- on the Rome-to-Cairo TWA flight Wednesday.

(Marie Colvin, UPI)

TWA Explosion Shows Bomb-Detection Tools Have Weakness

The bomb that tore a hole in the side of a TWA Boeing 727 demonstrates the weakness of tools used to detect explosives at even the most security-conscious airports, experts say.

"TWA in that part of the world is complying and fully implementing rather extraordinary security measures," said Richard Lally, the top security expert for the Air Transport Association, on Wednesday.

(Josef Hebert, AP)

WHITE HOUSE WON'T INTERFERE WITH MOVEMENT OF OIL PRICES

The White House, backing away from remarks Tuesday by Vice President Bush, reaffirmed today that the Administration does not intend to interfere with the movement of world oil prices.

Larry Speakes said yesterday that Administration believes that market forces should determine the price of oil. "There has been no change in Administration policy or viewpoint on the decline in oil prices," Speakes said.

On the basis of Bush's remarks, oil prices jumped sharply higher Tuesday on commodities markets. Yesterday, after Speakes spoke to reporters, futures prices fell again by nearly \$1 a barrel, closing in New York at \$11.52.

(Peter Behr & Cass Peterson, Washington Post, A1)

Bush Statement On Oil Prices Reflects Policy Contradictions

The White House yesterday backed away from Vice President Bush's statement that the foreign oil cartel should stabilize plummeting oil prices.

Mr. Bush on Tuesday had seemed to set Administration freemarket policy on its head when he told reporters he would take a message from Mr. Reagan to Saudi Arabia that oil price stability is necessary for American security and that prices should not be permitted to fall "like a man without a parachute."

(Ralph Hallow, Washington Times, A1)

Administration Taking New Look At The Effects Of Falling Oil Prices

The Administration's decision to seek oil price stability from Saudi Arabia has focused national attention on the pros and cons of falling oil prices and underscored the high political stakes involved.

While still proclaiming the virtues of the free market, the Administration is sending Vice President Bush to Saudi Arabia Thursday with a mission to persuade the dominant member of OPEC that it should take action to stabilize -- or even increase -- the price of oil by cutting production.

(Robert Hershey, New York Times, A1)

Economy

Saudi Arabian officials will not be pressured to curb oil production by Vice President Bush when he travels to the Middle East this weekend, say Reagan Administration officials.

"When the Vice President meets with King Faud in Saudia Arabia on Sunday, he will emphasize the U.S. view that market forces should establish world oil price levels," Larry Speakes said.

(AP)

REAGAN ADMINISTRATION SEEMS HAPPY OVER DOLLAR'S LEVEL

The Reagan Administration is sending signals that it has given up, at least for the time being, efforts to drive down the value of the U.S. dollar -- a message that could mean bad news for export-hungry farmers.

The Administration has said nothing publicly about the dollar's value since early last month and an Administration official said in an interview Wednesday that this silence was by design.

(Martin Crutsinger, AP)

GORBACHEV STILL EYES SUMMIT IN U.S.

MOSCOW -- Soviet leader Gorbachev said that his as yet unscheduled visit to Washington "remains in the field of vision," but he gave an otherwise gloomy assessment of U.S.-Soviet affairs in an interview today with an Algerian magazine.

Gorbachev, describing the current state of relations between the U.S. and Soviet Union as "uneasy," said, "We have discovered...that as soon as we make a step forward to meet the U.S. position, the U.S. takes a step back from it."

(Gary Lee, Washington Post, A23)

SOVIETS WARN U.S. ON SATELLITE KILLERS

MOSCOW -- The Soviet Union threatened yesterday to deploy its own anti-satellite weapons system if the U.S. tests a missile against a target in space.

If the United States tests an anti-satellite weapon against a target in space, the Soviet Union will have to end its moratorium on the deployment of anti-satellite weapons," the official Novosti news agency said.

(UPI)

NEW CIA CALCULATIONS CAST DOUBT
ON TEST BAN VIOLATIONS BY SOVIETS

The CIA has revised its calculations of Soviet underground nuclear tests in a way that adds new uncertainty to U.S. charges that Moscow probably violated a 1974 arms control agreement, Administration sources said yesterday.

Larry Speakes said, following the first report of the change in yesterday's New York Times, "We haven't changed our method for estimating yields of Soviet tests. As part of the verification process, we are constantly refining our techniques to improve our understanding of Soviet testing activities."

(Don Oberdorfer, Washington Post, A25)

NICARAGUAN RAID CALLED PUNITIVE

MANAGUA, Nicaragua -- The Nicaraguan Army staged last week's large-scale raid against anti-Sandinista rebel bases in Honduras in part to punish the Honduran government for recently having relaxed restrictions on the rebels' activities there, Nicaraguan officials and foreign diplomats report.

A strong reaction by the Reagan Administration, which was ultimately able to persuade the Hondurans to protest publicly about the raid, appears to have surprised the Sandinistas, and probably will make them more cautious about staging similar incursions, according to several diplomats here.

(Robert McCartney, Washington Post, A1)

HONDURAN SAYS U.S. EXAGGERATED DANGER OF NICARAGUAN RAID

TEGUCIGALPA, Honduras -- A senior Honduran official said today that the Reagan Administration had exaggerated the dangers to Honduras of a recent Nicaraguan Army attack on anti-Sandinista rebel camps inside Honduras to influence the debate in Congress over aid to the rebels.

He said U.S. officials had pressured Honduras to express unwarranted alarm over the incident and that government of President Jose Azcona had been reluctant to comply because to its recent efforts to relax tensions with Nicaragua.

(Sam Dillion & Tim Golden, Washington Post, A27)

U.S. Actions In Border Crisis Embarrassed Honduras

TEGUCIGALPA, Honduras -- Washington wounded Honduran pride by virtually taking over management of reaction to the Sandinista border incursion last week, according to government officials, diplomats and analysts here.

But the Honduran government seems to feel powerless to protest Washington's role and would prefer to see the incident blow over, the sources said.

(James Block, Baltimore Sun, A1)

REJOIN NEGOTIATIONS, ANGOLAN URGES U.N.

The Angolan government has sent a letter to the U.N. calling upon Secretary General Perez de Cuellar to resume his negotiations in southern Africa effectively ending the primary mediation role the U.S. has played there during the past five years.

The letter sent from Angolan President dos Santos said Angola was "deeply outraged" by the Reagan Administration's escalating military support for Jonas Savimbi, which he said had "jeopardized its credibility as a mediator."

(David Ottaway, Washington Post, A15)

EXTRA SECURITY IN PLACE FOR BUSH TRIP TO PERSIAN GULF

Vice President Bush sets out today on a trip to the Persian gulf region, where officials say "prudent" security precautions are in place because of heightened concern for his safety.

Marlin Fitzwater said there had been no change in Bush's schedule because of the bombing Wednesday of a TWA jetliner bound for Athens.

Administration officials say the trip poses greater-than-usual security risks for Bush because of recent threats by Libya's Col. Khadafy to strike at Americans in retaliation for U.S. military action against Libya in the Gulf of Sidra.

(Terence Hunt, AP)

EX-DEFECTOR YURCHENKO REAPPEARS IN MOSCOW

Vitaly Yurchenko has given a brief interview to a German television correspondent in Moscow to explain that he had dropped out of sight to receive unspecified "medical treatment," but he was not dead, as had been reported in the West.

(Patrick Tyler, Washington Post, A29)

REAGAN DOCTRINE BLASTED BY SWEDES

STOCKHOLM -- Sweden accused the U.S. yesterday of resurrecting the Cold War era by backing the Angolan and Nicaraguan resistance movements which it claimed are "deeply involved in terrorism" and systematically attacked defenseless civilians.

(Reuter story, Washington Times, A8)

NATIONAL NEWS

MEESE'S DEPUTY EXPECTED TO RESIGN

Deputy Attorney General Jensen, a respected former prosecutor who manages the Justice Department on a daily basis, is expected to leave soon to become a federal district judge in northern California, according to department sources.

The departure of Jensen, a lowkey manager who works mainly behind the scenes, would leave his longtime friend Attorney General Meese with a major decision on how to fill the department's No. 2 post.

(Howard Kurtz & Al Kamen, Washington Post, A9)

CONGRESSIONAL CLAMOR SPURS WHITE HOUSE INTO ACTION ON DEFENSE REFORM

In its announcement of President Reagan's public embrace of proposed Pentagon reforms, the White House said the Administration was mindful of "the need to move quickly and decisively."

What the statement omitted was the political fact of life in Washington that the need for speed arises from a growing clamor on Capitol Hill for change in the way the Defense Department is organized and spends -- some say wastes -- the federal government's budget.

(Tim Ahern, News Analysis, AP)

President Gives Green Light To Pentagon Reorganization

SANTA BARBARA, Calif. -- President Reagan yesterday directed the Defense Department to implement virtually all the recommendations of a presidential commission to reorganize the Pentagon and vastly reduce its bureaucracy.

"The presidential directive...includes all of the commission's recommendations that can be implemented by law," Larry Speakes said.

(Walter Andrews & Jeremiah O'Leary, Washington Times, A3)

PRESIDENT'S COMMISSION ON CRIME EXISTS QUARRELING

President Reagan's Commission on Organized Crime went out on a sour note this week, with dissenting commissioners taking potshots at the press and the commission's own work.

(John McCaslin, Washington Times, A2)

RIGGS GAVE DEAVER \$510,000 MORTGAGE

Michael Deaver -- who complained in 1982 that he couldn't live on his \$68,000 salary as President Reagan's deputy chief of staff -- has been given a half-million dollar mortgage payable in three years by Washington's biggest bank.

(George Archibald & Lucy Keyser, Washington Times, A1)

EDITOR'S NOTE: "Hands-On Bureaucrat, Small Farmers' Advocate" by Ward Sinclair appears on page A19 of the Washington Post.

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NETWORK NEWS SUMMARY

(Wednesday Evening, April 2, 1986)

TWA FLIGHT 840

CBS's DAN RATHER: TWA Flight 840 from Rome with 124 on board was on its final descent for a landing in Athens. Ten minutes away from safety, a bomb exploded. It is believed to have been in the passenger compartment -- row ten, right side. Four passengers were killed, three of those were American citizens. Four other Americans were among the injured. The pilots were able to land the damaged jet safely. In Beirut, a previously unknown terrorist group claimed responsibility. In Libya, Moammar Khadafy denied he had anything to do with it.

CBS's DOUG TUNNELL reports from Athens that Flight 840 originated in Los Angeles, stopped in New York and then Rome, where passengers changed planes. They boarded a Boeing 727 that was on the ground in Cairo overnight, then flew to Rome via Athens for the turn around. Passengers and hand luggage were checked before boarding in Rome.

(Richard Pearson, TWA president: "Obviously, the explosive device or whatever the explosion was, was in the cabin and therefore, got on there somehow.")

Greek investigators believe the bomb was in the cargo hold under row ten, in checked baggage. They are questioning a group of five Arabs in Athens tonight, who were passengers on the flight. Greek police do not discount the possibility of a suicide bomber.

RATHER reports the group that claimed responsibility in Beirut is something calling itself the Arab Revolutionary Cells. It said it acted in revenge for last week's U.S. naval maneuvers in the Gulf of Sidra. In Libya, Moammar Khadafy said, "This is an act of terrorism against a civilian target and I am totally against this." President Reagan had his aides quickly try to soft-pedal any possible Libyan connection.

CBS's BILL PLANTE: Reagan Administration officials say privately that common sense indicates the explosion was terrorism, but that they think it is highly unlikely that the Libyans had anything to do with it. In the past, say these analysts, attacks such as this have been the work of free-lancers or very small groups. President Reagan, who was vacationing on his ranch near Santa Barbara, was informed of the incident early this morning and directed U.S. authorities to cooperate with the Greek and Italian governments in the investigation.

(Attorney General Edwin Meese: "It is highly probable the situation that occurred does involve violations of United States law and so it is appropriate that we provide investigative resources.")

Nevertheless, officials say it probably will be weeks before they have the results of the investigation which will allow them to draw firm conclusions. Even though the intelligence experts say that this type of terrorism is not generally linked to Libya, they are mindful of Khadafy's call for retaliation against Americans throughout the Arab world.

RATHER: Bill, could this attack have been by someone who took Khadafy's words to heart?

PLANTE: There are plenty of groups in the Middle East who don't need an excuse for terrorism. Officials say that this case is typical of the work of radical Palestinian fringe groups, the kind who might well look to Khadafy for funding and training.

RATHER: Does the President's promise to retaliate against Libya still hold?

PLANTE: Absolutely, say officials, provided that the connection can be made firmly to Libya. (CBS-Lead)

ABC's PETER JENNINGS: A bomb goes off on board a TWA flight as it prepares to land in Greece. At least three Americans are killed....Someone claiming to represent the Arab Revolutionary Cells has claimed responsibility....

ABC's DAVID ENSOR reports from Athens that Greek officials are assuming it was a terrorist bomb and that it was directed at TWA and designed to send a message to the U.S. The Greeks are quick to point out that this time there can be no question of a security breach here in Greece. The bomb had to have been put on the plane before it came here.

ABC's CHRIS BURY reports from Rome that police here think one of the ten passengers that came on board carried the bomb inside hand luggage and the device later exploded in the 727's cabin compartment. Tonight, Italian government leaders are blaming the U.S. in part for what happened. They say the Sixth Fleet's attack on Libya last week may have made matters worse and that today's bombing is the start of another round of terrorism.

JENNINGS reports that a telephone call to the French news agency in Beirut said it was the work of the Arab Revolutionary Cells. It was in response to U.S. military action against Libya last week. The Libyan news agency said immediately that whoever made the phone call had nothing to do with us. ABC's John McWethy reports the State Department isn't sure who did it, but they are now calling an act of terrorism.

ABC's JOHN MCWETHY reports the U.S. government was careful not to point a finger at Libya and in fact it was not until late in the day that the State Department even acknowledged the explosion was probably the work of a terrorist. (ABC-Lead)

NBC's TOM BROKAW: An organization called Arab Revolutionary Cells tonight claims responsibility for the explosion on TWA flight 840..."in retaliation for all the American imperialistic attempts to bring our Arab masses to their knees, the last of which were the failed attempts to attack Libya."...

NBC's STAN BERNARD reports from Athens on the explosion.

BROKAW reports a TWA official has confirmed the identities of the four people killed, all of them American citizens -- a Greek-American woman, her daughter and a granddaughter, and a Colombian-born American man. U.S. aviation, diplomatic and security officials were directed by President Reagan to help Greece, Italy and Egypt in their investigation of this attack.

NBC's ROBERT HAGER reports on airport security. A source on Capitol Hill told NBC the FAA only yesterday specifically warned U.S. airlines operating in Europe and the Middle East of a threatened terrorist attack -- a proposed hijacking, the warning specifically said. And only last week the agency directed all airlines and airports to review their security operations because of the possibility of terrorist reprisals for the the U.S. bombing of Libya. Attorney General Meese said the FBI will join the investigation with the FAA.

(Meese: "We have an investigative team, particularly a forensic team, that is going, which is something we do whenever there is an act of terrorism.")

BROKAW reports Khadafy says he rejects this act of terrorism.

BROKAW discusses the situation with NBC's CHRIS WALLACE: Chris, this group claiming responsibility, the Arab Revolutionary Cells, Libya tonight says it has nothing to do with that group. What are they saying at the White House?

WALLACE: What they're saying is that it's a new name to them, that they know nothing about this group and they are being very cautious about making any link to Libya, saying that it could well just be a fringe group that is trying to take advantage of U.S.-Libyan tensions. In fact, officials say that they'd be surprised if Khadafy ordered this bombing -- that after the Gulf of Sidra showdown, they expected him to lay low for awhile and wait for the U.S. to get distracted by something else.

BROKAW: But what happens if they do find out that there is some kind of a connection between Khadafy and this bombing?

WALLACE: I talked to a top Administration official today who left little doubt that if the Libyan connection is made, that the U.S. will retaliate. They say that the U.S. will be much less hesitant than it has been in the past about retaliation, that officials now feel that they have adequately prepared both the U.S. public and Western Europe for a military strike. So they are talking tough, but only if that Libyan connection is made.

(NBC-Lead)

NBC's MIKE JENSEN reports that as news of the bombing spread, cancellations began pouring in to travel agents. Americans already in Europe are very nervous.

(NBC-3)

TOURISM/TERRORISM

CBS's RICHARD ROTH reports tourism is feeling the impact of terror. Not just perceptions have changed, but travel plans as well. Teenagers spring tours, for instance. According to industry experts, fear of terrorism has been responsible for a significant drop in the number of Americans traveling over seas....

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CBS's ROTH continues: A tourism decline of 50% or more in the Middle East. The falling value of the dollar has contributed to the decline. Travel to the Soviet Union and the East Bloc is up, the attraction is the climate of safety. For domestic tourism, officials say this could be the best year in a decade. (ABC-2, CBS-2)

U.S./EGYPT/LIBYA

BROKAW: The Washington Post disclosed today that the U.S. tried to involve Egypt in a joint war plan against Libya.

NBC's MARVIN KALB reports Administration officials say strategic cooperation between the U.S. and Egypt, plus billions in U.S. military aid, encouraged the Reagan Administration last summer, after the TWA hostage crisis, to begin exploring joint action against Libya. Admiral Poindexter conferred secretly with President Mubarak about possible scenarios. Mubarak didn't say yes or no. Officials say the U.S. tried again in January and February, after terrorist attacks against the airports in Rome and Vienna. Again Egypt procrastinated, apparently concerned about joining the U.S. in an attack against another Arab state -- even Libya, an enemy.

(Middle East expert Joseph Sisco: "Visibility of this kind of a joint exercise would have, in my judgement, an adverse impact on Mubarak's political internal situation.")

Senior officials insist joint action against Libya is still possible, but the U.S. and Egypt disagree on how and when. They need what one official here called the proper pretext -- meaning clearcut Libyan aggression against a neighbor or a terrorist attack that can be traced back to Libya.

(NBC-2)

RATHER reports Khadafy's public denial of any role in today's TWA terror apparently follows some private overtures from Khadafy for talks with the U.S. The U.S. answer reportedly is no. As one U.S. official says, we continue to look for deeds, not words, in Khadafy's behavior. CBS's David Martin now has confirmed the U.S. recently tried and failed to enlist Egypt's support in an outright military operation against Khadafy.

CBS's DAVID MARTIN reports on the possibility of Egyptian troops supported by air strikes from American war planes in a joint operation to overthrow Moammar Khadafy. Nothing like that has happened, but Reagan Administration officials confirm that is exactly what the U.S. has been secretly planning and proposed to Egypt. Secretly, until a Cairo newspaper reported that Egypt had rebuffed three American proposals for an operation against Libya. U.S. sources say the planning began last fall with the secret trip to Egypt by Admiral John Poindexter.

(Robert McFarlane: "I think it is reasonable for this country to want to influence change in Libya. We ought to want to do whatever is required over time, but with others.")

(William Quandt, Brookings Institution: "That strikes me as implausible that we could have ever gotten the Egyptians to carry out a major military exercise in cooperation with us. Precisely because it comes across in Egypt as Americans organizing it to serve American interest and not to serve Egyptian interest. If we want to settle accounts with Khadafy we're going to have to do it essentially on our own.") (CBS-4)

SIRTE RADAR STATION

RATHER reports Pentagon sources said today that the Libyan missile radar site at Sirte now has been repaired and is back in operation. Of equal concern to the U.S., another missile site at Benghazi could be operational by mid-month. (CBS-5)

DOLE/LETTER BOMB

RATHER reports Senator Bob Dole's office confirmed today that he was the target of a bomb recently. It was intercepted by postal officials about ten days ago with the help of the FBI and Senate security. Dole doesn't know the motive behind it, but it's believed that it was sent by a former Kansas prison inmate. (ABC-6, CBS-3)

OIL PRICES

RATHER: Reagan Administration officials today backed off reports of last night that Vice President Bush's visit to the Middle East this week would try to change Saudi Arabia's price-cut policy. But oil prices in this country and Europe rallied today after Bush's comment yesterday indicating he would tell the Saudi government that plunging oil prices are a threat to the U.S. economy. Signs of stability in the market came too late to avert an announcement by Phillips Petroleum Company that it will lay off up to 10% of its system-wide workforce, as many as 2,500 Americans. (CBS-6)

JENNINGS: Two major oil companies announced they are cutting back their operations and laying off workers because of the continuing slump in oil prices. In Washington, there is a lot of arguing today over what to do, if anything, about the state of the oil market.

ABC's DAN CORDTZ: Oil prices on New York's Mercantile Exchange bounced up and down like a yo-yo today before winding up about where they were yesterday. Traders were reacting to conflicting signals out of Washington. Yesterday, Vice President Bush said he'll ask Saudi Arabia to help stabilize prices in a visit later this week.

(Vice President: "I think it is essential that we talk about stability, and that we not just have a continued free-fall like a parachutist jumping out without a parachute.")

But today, Larry Speakes said Bush had been misunderstood and the Administration still wants the free market to set oil prices. Nevertheless, Democratic Congressman Phillip Sharp, a member of the House Energy Committee, blasted the Administration.

(Sharp: "The statements thus far really amount to encouraging price fixing.")

The drop in oil prices had more bad effects today. Sohio announced it's slashing its budget for exploration by 50%. And Phillips Petroleum said it's laying off more than 2,000 workers. Such cuts by major oil firms could mean oil shortages later on.

(Oil analyst Charles Maxwell: "Now that condition will lead to tighter oil markets in the 90s, and to rising prices, which we really don't wish to face.")

Wall Street also reacted to today's confusion in Washington. After falling sharply in the morning, the Dow wound up with a five point gain in very heavy trading. (ABC-8)

LIABILITY INSURANCE

BROKAW: The Reagan Administration says it wants to limit damage awards in liability lawsuits, but Ralph Nader calls that a cruel infringement on the people and their rights to sue big business.

NBC's STEVE DELANEY reports on the liability insurance crisis. The risk of getting hit by an astronomical damage award is changing the way America does business. The impact is being felt in unexpected ways. An ordinary telephone booth with folding doors is becoming obsolete. That's because in California, a drunk driver ran through a parking lot and hit one, injuring the man who was using it. The victim sued. The driver didn't have any money, but the people who made the phone booth did, and they lost a bundle. The phone booth manufacturer was caught by the so-called "deep pockets" theory, a series of fairly recent court decisions which hold that an injured plaintiff, a skier for example, can collect from the defendants with the most money -- the owner of the slope, the lift operator, the ski manufacturer -- no matter how many there are and even if they are not primarily responsible for the injury. In New York, a 19-year-old mental patient tried to commit suicide by jumping under a subway. It stopped, but the man was injured. He sued, saying the driver should have stopped sooner. The subway system settled the case for \$650,000, in fear of a much larger jury award. The pressure to limit fees and damages is growing, fed by stories like the one about the three young Cape Cod fishermen who drowned at sea. Their families sued the weather service for failing to predict the storm that sank their boat -- and they won over a million dollars. Trial lawyers like Peter Perlman work on a contingency fee basis, taking a third of the winnings and getting nothing if they lose. Lawyers are having to defend the system against heavy pressure to cut their fees.

(Peter Perlman of the American Trial Lawyers' Association: "The contingency fee is just plain and simple the victim's key to the courthouse. To reduce that fee or to limit that fee is one more effort to close the door to the courthouse.")

Nobody is trying to close the courthouse doors to the seriously injured, who usually get the largest awards, but so much abuse has crept into the system that President Reagan has now gotten behind the push for legislation to limit courtroom windfalls. (NBC-6)

CHALLENGER

RATHER reports recovery crews had one of their most successful days in weeks. They found and pulled up a shuttle engine nozzle and large chunk of the shuttle's right side wing. Only 12% of the shuttle has been recovered and hundreds of sonar contacts must still be examined. The operation which has already cost \$7 million could take another two months. (CBS-9)

REINARTZ

RATHER reports Stanley Reinartz now has asked to leave the shuttle program. Reinartz cited health and other reasons. Congressional sources told CBS News correspondent Eric Engberg they expect an extensive NASA shake-up to follow. (ABC-5, CBS-10)

SOUTH AFRICA

RATHER reports Bishop Desmond Tutu today issued his formal official call for punitive economic sanctions against South Africa. As CBS's John Blackstone reports, that call came as the South African government lifted its ban against one prominent black anti-apartheid activist.

CBS's JOHN BLACKSTONE reports from Soweto that Winnie Mandela for the first time since 1977 was not breaking the law by going to her hometown. The government today quietly abandoned its order barring Mandela from Soweto.

RATHER: President Reagan had his aides quickly reject Bishop Tutu's call for economic sanctions. (ABC-9, CBS-11)

PHILIPPINES

JENNINGS reports the strike against the American military bases in the Philippines has ended peacefully today. Filipino workers agreed to go back to work after base officials reached a compromise on their economic demands. (ABC-10)

GOV. WALLACE

RATHER reports George Wallace said today he will not run again, not seek an unprecedented fifth term as Alabama governor. (ABC-7, NBC-4, CBS-7)

FIGHTING TERRORISM

CBS's BOB SIMON reports there seems to be nothing you can do if you're a passenger. There seems to be nothing you can do if you're a president. You can put in Marines and you can pull out Marines. You can sail into the Gulf of Sidra, it's like trying to stop the rain. Terrorism has become such an integral part of the world we live in. (CBS-12)

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