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FOR IMMEDIATE RELEASE

FEBRUARY 3, 1975

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
UPON THE SIGNING
OF THE ECONOMIC REPORT

THE CABINET ROOM

12:17 P.M. EST

This is the morning of good news.

Let me thank everybody for joining with me today for the signing of the Economic Report of the President, which goes to the Congress with the report of the Council of Economic Advisers.

Neither the report of the Chairman, Alan Greenspan, nor my own is light reading. Yet, they both come to grips with the problems of recession, inflation, and our need to scarcer and less accessible energy supplies.

The remedies proposed for these new problems are not easy. They require our country to take a new direction. They require prompt action by the Congress. And from all Americans, we must ask for a perseverance and a willingness to tolerate some very painful measures to regain good economic health.

The budget which I sent to the Congress today includes a number of underlying economic projections, including estimates of the changes which we expect in the prices and in the economy.

The Council of Economic Advisers will go more fully into the details of these projections at a press briefing tomorrow.

The projections are presented as averages for the entire year in the budget. What they do not show is that we will have turned the economy in a new and more favorable direction well before the end of this year.

We expect an increase in total production between mid-1975 and the end of 1976 in excess of a five percent annual rate. This will add some two million workers to the Nation's payroll over this period, so that unemployment -- though still high -- will be going down.

We estimate a rate of inflation between December of 1974 and December of 1975 of a little more than nine percent. A little less than two percentage points of this will be due to higher energy costs, much of which will be rebated to the economy in the form of tax cuts. We expect price increases of slightly more than seven percent during 1976.

MORE



While these projected figures present no rosy picture, they forecast the real improvement we expect in the coming months.

Light reading or not, these two reports provide the underpinnings for both the budget and for the policies which I have proposed to deal with our problems squarely. You will find no attempt to evade the plain truth in either document. The figures used are honest and conservative and we hope to do better than the forecasts.

Some of our current problems have been growing for years. I have asked the Congress to join with me in establishing a new direction for our economy -- not in parceling out blame. I repeat the request -- this time with an even greater urgency.

If we fail to act jointly, there will be blame enough for every one among us.

Thank all of you for the fine work that you did on the preparation of the report. And I think we can promise everybody next year will be better, won't it.

Thank you very much.

END

(AT 12:24 P.M. EST)



RTK

THE WHITE HOUSE

WASHINGTON

February 3, 1975

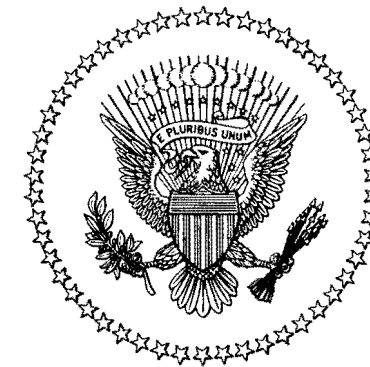
MEMORANDUM FOR: MEMBERS OF THE WHITE HOUSE STAFF

FROM: DONALD A. WEBSTER *DW*

The attached booklet provides a brief and fairly simple explanation of the President's economic and energy proposals. If you would like additional copies in order to answer inquiries which you have received on the program, please call John Unland of Bill Baroody's office on extension 6262.

Attachment

**ECONOMY AND ENERGY:
THE PRESIDENT'S PROGRAM IN BRIEF**



THE WHITE HOUSE

- FOREWORD -

Immediately following the State of the Union message, over one thousand leaders from every segment of American society came to the White House for a series of briefings and discussions on the economic and energy proposals in President Ford's message. In the course of this series of discussions, certain basic questions kept recurring.

The purpose of this pamphlet is to answer many of the most commonly-asked questions by presenting a brief overview and highlights of the President's program.

ECONOMY AND ENERGY -
THE PRESIDENT'S PROGRAM IN BRIEF

President Ford's comprehensive economic and energy proposals are designed to respond to one of the most complex and serious challenges in American history. This paper provides a brief and frank discussion of the situation.

The problem can be simply stated: We are experiencing the highest rate of inflation since World War II and a recession with unemployment already over seven percent. On top of this, the United States is faced with a growing dependence for oil on unreliable foreign sources at prices that pose very serious national security, financial and economic problems.

Each of these problems is closely linked to the others. Because of that linkage they must be treated together.

Inflation has resulted from a number of causes, including:

- Many years of excessive Federal spending and too rapid growth of money and credit.
- The quadrupling of oil prices by the major foreign producing countries.
- Poor harvests leading to higher food prices.
- Two devaluations of the dollar.

This inflation has helped create the recession by:

- Cutting the real purchasing power of paychecks.
- Pushing interest rates to high levels that work severe hardship on many sectors of the economy, particularly homebuilding.
- Depressing consumer confidence and their willingness to buy.

Higher oil prices imposed by the oil exporting countries contributed directly to both recession and inflation. This increase in the price of energy and energy-related products works like a tax levied by a foreign power. It reduces the cash an individual or a family has available for other spending, but also removes these revenues from our Nation as a whole because, unlike domestic taxation, they are not even available for public spending here at home.

The higher energy bill has thus resulted in a massive flow of dollars to the oil exporting countries. Other industrialized countries are also paying very high oil bills, threatening the stability of world financial markets and their ability to pay for the energy they need.

The Arab oil embargo brought home forcefully to every American what this dependence could mean to our economy and to our national security, and yet our dependence steadily increases. Domestic oil and gas production is falling and imports are rising. Today, imports account for about 40% of our petroleum consumption. If present trends continued, we would be importing 50% of our oil by 1985.

Unless we take immediate steps to reduce our consumption of fuel and increase our self-reliance, we will experience greater imports, have more severe balance of payments problems, and be subject to major interruptions and price manipulation by oil exporting countries.

The control of the oil cartel countries over oil supply and prices gives them leverage over our entire economy, and represents a tremendous drain on our national wealth.

To put the situation in perspective: In 1970, we spent less than \$3 billion on oil imports; in 1974, we spent roughly \$25 billion; and by 1977, if we fail to take action now, it is estimated that we will pay \$32 billion to the oil-producing countries. And with those import dollars go the real income and wealth we could otherwise enjoy.

The President believes we must cut our oil imports by about one million barrels per day by the end of this year and by two million barrels per day by the end of 1977.

President Ford, after wide consultation, has developed a three-pronged attack on the challenges of recession, inflation and energy dependence. Since it is designed to deal with a wide range of very difficult problems, his program is complex. As a result, the program can be judged fairly only by viewing it as a whole since the various parts are closely interrelated to achieve the desired objectives.

The goals of the President's program may be summarized as follows:

- To hasten recovery from the recession, the President sees the need for an immediate, across-the-board tax rebate of \$12 billion for individual taxpayers on 1974 taxes, returning to them up to 12 percent of their taxes in May and September of 1975. An additional \$4 billion would be in the form of a one-year increase to 12% in the investment tax credit, thus spurring industrial expansion and creating new jobs. The intent of the tax refund is to give the economy a sharp, one-time stimulus (\$16 billion total) that would speed recovery without causing more inflation.

- To curb inflation, the President will attempt to effect a moratorium on new spending programs outside the energy field and a five percent limit on automatic cost of living increases in social security benefits, military retirement pay and the like. The program also includes a five percent limit on Federal pay increases in 1975. Inflation is showing some signs of abating, but the President believes it is critical to restore long-term discipline to our fiscal and monetary policies in order to eliminate this continuing threat.

- To free us from dependence on foreign energy sources, the President has designed a tough new program to encourage conservation and greater domestic energy production.

Energy conservation would be achieved through a series of import fees, excise taxes and decontrol of domestic oil and gas prices with the increased costs recaptured through tax revenues that would raise the price of most petroleum products on an average of 10 cents a gallon. This will reduce demand for these products sufficiently so that, together with increased domestic production, the President's goals can be met.

As part of a longer run solution, the President has an agreement with the major domestic auto makers to improve gasoline mileage by 40% on the average by 1980, compared to 1974 cars. He is also working to change building standards to improve insulation and other building practices so as to reduce energy needs. Efforts are also under way to substantially improve the energy efficiency of major appliances.

Increased energy production in the United States would be achieved through a number of measures. These include oil production from Naval Petroleum Reserves and higher production from existing wells in response to improved incentives because domestic oil prices will no longer be below prices we must pay for imported oil. These policies will be supplemented by actions to encourage faster development and production of our domestic energy resources.

In addition, the President would require:

- Such adjustments as are necessary to permit expanding use of our domestic energy supplies to produce electric power.
- A long range synthetic fuels program.
- A continuation of the accelerated program of research and development in the energy area.

A question that is often raised is whether this program contributes both to inflation and recession by increasing energy costs to consumers.

The President felt that the costs could not be avoided if the economy was going to reduce its demand for petroleum products and become less dependent on foreign energy sources by 1985. The alternative would have been a system of rationing that would not solve our energy problem and would be unfair to the average American.

The President's total energy program will have a one-time effect of increasing prices by about 2%. The estimated increased cost of petroleum and petroleum-related products to all segments of society will be about \$30 billion a year. Estimate of the average annual cost per family is about \$275.

The President's total program will not depress the economy because higher energy costs will be offset by the permanent reduction of taxes. This program of tax reduction includes \$16.5 billion for individuals that will show up as an immediate reduction in taxes withheld from current earnings. Seventy percent will go to persons with incomes of less than \$15,000 per year. Individuals who pay no taxes at all will receive \$2 billion annually - or about \$80 per person. Corporate taxes will be cut by \$6 billion. State and local governments will also receive added funds under the General Revenue Sharing formula. In addition, individuals who install insulation in their homes will receive a tax credit for a portion of those costs.

In summary, higher energy taxes will increase energy prices, but these higher prices will be an incentive for all energy users to look for ways to reduce their own use of energy, whether for gasoline, heating oil, electricity, etc. Some businesses or individuals will find that they can reduce their use of energy, while others will decide to pay the higher price. Under the President's program everyone can make his or her own decision.

In order to avoid hurting average and lower income people most, because of higher energy costs, a disproportionate share of the reduction in taxes will go to low and middle income families. For many families, the tax cut will restore a part of the purchasing power that has been lost as a result of inflation. Higher income people, however, will receive permanent tax reductions that do not fully offset their higher energy costs.

The President contemplates a tough, comprehensive, and integrated program. It would help protect our national security. It would stimulate the economy through tax cuts to get us out of the recession. It would keep a lid on Federal spending to prevent a new round of inflation, and bring the Federal budget into balance when the economy recovers. It would raise petroleum prices in order to encourage conservation and increase domestic production. And it would recapture excessive oil company profits through a windfall profits tax. On balance, it would deal fairly and equitably with consumers and producers alike.

RTA

File



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D. C. 20461

February 4, 1975

OFFICE OF THE ADMINISTRATOR

Honorable Robert T. Hartmann
Counsellor to the President
The White House
Washington, D. C. 20500

Dear Mr. Hartmann:

Russell Train is correct. The Department of Transportation does not have the authority to suspend auto emission standards. The Administrator, Environmental Protection Agency has the authority to suspend for one year only the 1977 mandated emission standards for hydrocarbons and carbon monoxide and/or set an interim standard for these two pollutants for that year.

As you know, EPA is currently considering several applications for suspension of the 1977 auto emission standards mandated by the Clean Air Act. The Administrator, EPA, will render a decision on these applications on or before March 2, 1975. In addition, we have submitted legislation proposing a five year freeze of emission standards and a revision of the transportation control plans and State implementation plans under the Clean Air Act.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank G. Zarb".

Frank G. Zarb
Administrator

THE WHITE HOUSE

WASHINGTON

From: Robert T. Hartmann

To: Frank Zarb

Date: January 27, 1975

Time 12:00 ^{a.m.}
_{p.m.}

The President would like to have the full facts on where this authority lies.

Please advise me at your earliest convenience.

Thank you.



United States
Environmental Protection Agency
Washington, D.C. 20460

The Administrator

January 17, 1975

W
Dear Bob:

In the President's interview in the January 20 Time Magazine (p. 20, 2d column), he refers to DOT having the authority to suspend auto emission standards. I realize this was entirely inadvertent but since it relates to one of EPA's most important authorities, I thought I had better call it to your attention.

Sincerely,


Russell E. Train

Mr. Robert T. Hartmann
Counsellor to the President
The White House
Washington, D. C. 20500

cc: Mr. Ronald H. Nessen

Two thoughts on the Economic and Energy packages which might merit Presidential emphasis and repetition by other spokesmen.

*This from
Roosevelt
copy sent to
Thurs
File*

Increasingly, as news commentators, unfriendly Congressmen, and even economists, who ought to know better, comment on the President's energy program, it is described simplistically as a program which would raise costs to the American people and drain \$30 billion from the economy. The fact, of course, is that the energy program would also reduce taxes and put that money back into the economy, to the people. The President possibly in his speech to the Analysts might say something like this:

DK

I have noticed that the public discussion of the energy program has been lopsided. There seems to be constant emphasis on increased energy costs and the drain to the economy that would result. However, there is far less emphasis and public understanding of the fact that all of that total would be returned to the American people in the form of increased purchasing power through tax cuts.

The second thought is that as we move ahead in trying to pass the Economic Program, the Congress will be attempting to increase federal spending as additional stimulus. We will need some way to resist that approach. That positions the President with the people, rather than with Herbert Hoover.

The President might say:

My economic program is comprehensive. It addresses the circumstances in so far as he and others can determine them.

However, there can be legitimate discussion about the economic forecasts. Forecasts differ. Forecasters have uneven records as to their accuracy. Therefore, it is understandable that possibly the Congress and others might argue for less stimulus or for more stimulus as we go through the coming weeks and additional unemployment figures are revealed. I recognize that this is a legitimate area for discussion and debate. However, I want it clearly understood that in the event that the Congress, which is it's right, makes a judgment that additional stimulus beyond that proposed in my Economic Program is in fact desired, my strong view is that any additional stimulus should come in the form of increased tax cuts for the people of the country, rather than making the mistake of again turning on all the federal spending faucets in the various categorical grant program. The reason for this is two-fold.

First, once those federal faucets are all turned on, it takes an excessive amount of time before any of that money to actually impact in the economy and provide the desired stimulus of creating more real productive jobs.

Second, once they are turned on, history shows it takes decades, if ever, to turn the faucets off, and the effect is to mortgage our country for years ahead and feed an inflationary fire, one, two, three or four years from now to further rob the American people of their purchasing power.

Third, any additional stimulus being put into further tax cuts would be the money put

directly in the pockets of the American people, who can decide for themselves how to spend it, rather than putting it into the hands of government bureaucrats where at least 85% of it sticks to the bureaucratic machines, before it reaches the people.

Mr. Calkins also received a copy of this.

THE WHITE HOUSE
WASHINGTON

file

February 14, 1975

MEMORANDUM FOR:

ROBERT T. HARTMANN

FROM:

JERRY H. JONES *JHJ*

The attached material is forwarded for your information and use.

Thank you

*Why is attachment
a month old?
Is it an error?*



THE WHITE HOUSE
WASHINGTON
January 17, 1975

MEMORANDUM FOR: KEN COLE
FROM: KEN LAZARUS *KL*
SUBJECT: Distribution of Information Relating to
President's Economic and Energy Programs

You asked me to explore any legal restrictions which may be relevant to the printing and distribution of certain materials elaborating upon the President's economic and energy programs as recently discussed in the State of the Union Message.

Introductory Note

It is anticipated that the packet would include the Message itself, fact sheets and a series of Q and A's.

My understanding of the available avenues of distribution may be summarized as follows:

1. Press: Mailings are routinely made to the approximately 250 largest newspapers and 300 TV stations. Frequently, this list is expanded to cover an additional 1,000 daily newspapers. On rare occasions, mailings are also made to some 5,000 weekly publications.
2. Special Interest Groups: Bill Barody apparently has compiled a list of some 2,000 special interest groups which have been invited to participate in White House briefings on the subject proposals -- some lesser number will actually participate. I am advised that this list of 2,000 represents but a fraction of potential special interest recipients.
3. State and local government officials: Jim Falk would anticipate a distribution covering approximately 350 state and local government officials.
4. Citizen distributions: The extent to which you are considering distributions to individuals, e. g. RNC mailing lists, is unknown.

Legal Authorities

There are two statutory provisions which bear on the use of appropriated funds in this context. 18 U.S.C. §1913, in pertinent part, provides that:

* * *

"No part of the money appropriated by any enactment of Congress shall, in the absence of express authorization by Congress, be used directly or indirectly to pay for any personal service, advertisement, telegram, telephone, letter, printed or written matter, or other device, intended or designed to influence in any manner a Member of Congress, to favor or oppose, by vote or otherwise, any legislation or appropriation by Congress, whether before or after, the introduction of any bill or resolution proposing such legislation or appropriation . . ."

* * *

In addition, a direct appropriation restriction is found in the Treasury, Postal Service, and General Government Appropriation Act of 1974, (Pub. L. 93-143) which includes the appropriations for the White House Office of the President. Section 607(a) of Title VI of that Act states:

* * *

No part of any appropriation contained in this or any other Act, or of the funds available for expenditure by any corporation or agency, shall be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress.

* * *

Provisions similar to Section 607 have been attached to appropriation acts since 1951. These provisions clearly signify Congressional sensitivity to the use of appropriated funds to pay for lobbying activities of government officials.

The distinction between the President's responsibility to inform the public regarding his legislative programs, for which appropriated funds may be used, and proscribed lobbying activities is difficult to draw. Generally, the transformation from "information and explanation" to "publicity and propaganda" would occur at the point where an honest evaluation of the activities involved requires the conclusion that the activities are primarily designed to influence Congress with respect to specific legislation under consideration.

Discussion

In applying the standards noted above to the situation at hand, the following distinctions can be drawn:

1. It would appear that the bulk of the materials intended for distribution relate not to Presidential action but to proposals for legislative action. Therein lies the basic rub. In order to contain the effort within the "information and explanation" function as opposed to "publicity and propaganda", your efforts should be carefully circumscribed.
2. As a general rule, you would be operating within the "information and explanation" function in responding to any express or implicit inquiry for elaboration on the President's proposals. Clearly unsolicited mailings (other than distributions to the media) would tend to draw your effort outside permissible boundaries.
3. Quantitative distinctions, although not very helpful, have also been made. Although evidence of an actual criminal violation could not be established, Congress has objected to efforts to "saturate public opinion" in favor of particular programs pending in Congress as violating the spirit of the anti-lobbying provision. Investigations of such efforts have been conducted in the past both by the Congress [H.Rept. 2474 (1948) and H.Rept. 3239 (1951)] and by GAO at its request [Hearings Before House Select Committee on Lobbying Activities, 81st Cong. 2d Sess. (1950)].
4. The nature of a group of recipients obviously could be reflective of the intent of the distributor. Thus, a mailing to a group of Washington "representatives" would likely run afoul of the statute.

5. Distributions to the media would clearly appear to be authorized, assuming the scope of the distribution is not extraordinary and is not based on any prior commitments which may have been received.

6. Obviously, in any distribution that is made, readers should not be asked to communicate with Congress to support the President's program.

Recommendations

Based upon the foregoing discussion, it is my opinion that appropriated funds could be used to cover the costs of printing and distributing an appropriate packet of information to: (1) customary media recipients; (2) the state and local government leaders suggested by Jim Falk; and (3) those special interest groups which explicitly request the material or implicitly indicate an interest in the subject matter by virtue of their attendance at White House briefings.

Beyond these groups, any distributions at public expense would be questionable. Of course, such additional bulk mailings could be relegated to the Republican National Committee. The RNC would have to absorb the costs of printing, envelopes, postage, etc. The documents would be commercially printed. The envelopes could be imprinted with some indication of presidential origin but official White House envelopes paid for from appropriated funds should not be turned over to the Committee.

#

Sedman
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HOLD FOR RELEASE
SAT MAR 1 1975 6 PM

The
Congressional Program
Of

ECONOMIC RECOVERY
&
ENERGY SUFFICIENCY

February
1975



It has been only in times of war and during periods of great economic depression that American citizens have confronted national problems as urgent and critical as those presented by today's rapidly deteriorating economy and the potential threat to the Nation's supply of energy.

In recognition of the immense importance of these issues and realizing their interrelationship, the Democratic Policy and Steering Committee of the House of Representatives and the Democratic Policy Committee of the U.S. Senate were directed by the Congressional Majority Leadership to prepare for recommendation a comprehensive program designed both to insure rapid and continued economic recovery and growth while providing national energy sufficiency.

The Senate Committee chaired by Senator John O. Pastore working jointly with the Task Force of the House Committee under the leadership of Congressman Jim Wright have submitted their recommendations for a Congressional program to meet the Nation's economic and energy needs. We commend Senator Pastore and Congressman Wright. We commend their respective Committees for their diligent and productive endeavors.

The recommendations as contained in this report have now been approved as the Congressional Program for Economic Recovery and Energy Sufficiency.

We believe that it is a Program of action which will serve the Nation well both now and in the years to come.

MIKE MANSFIELD,
Majority Leader of the Senate.
CARL ALBERT,
Speaker of the House.

THE ECONOMY AND ENERGY

A CONGRESSIONAL PROGRAM OF ACTION

The comprehensive Congressional program on the economy and energy has the following objectives:

- First: To restore in the shortest period of time a healthy economy with full employment, reduced inflation and increased output and productivity.
- Second: To prevent steep increases in the price of all energy and the pervasive economic adversities which such increases surely would entail.
- Third: To manage energy supply in the near term so as to reduce import dependence steadily and surely consistent with rapid economic recovery, providing standby protections against sudden supply curtailments.
- Fourth: To expedite and mandate programs to conserve energy and expand domestic supply in order to improve our balance of payments and achieve national energy sufficiency in a timely and reliable way.

The nation faces two very basic problems—the rapidly declining economy, and the predictability of future energy shortages. They are distinct but inextricably interrelated. The first is an immediate problem of crisis dimensions and must be treated as such. The second is of necessity a long-range problem which will yield only to effective long-range solutions. Both must be solved, and it is our purpose to set forth on behalf of the Congressional majority a definitive program of action to address both problems.

The most urgent national need is to revive the nation's economy and put Americans back to work. On January 14, the Democratic Steering and Policy Committee of the House announced a 14-point program of action. On February 18, the Democratic Policy Committee of the Senate and the Chairmen of the Standing Legislative Committees of the Senate endorsed a comprehensive economic/energy program formulated by an Ad Hoc Committee of the Democratic Policy Committee. Many of the economic initiatives recommended in these programs already are in the process of legislative implementation. Fully embracing the thrust of those programs,

we reject President Ford's 5 percent ceiling on social security and call for the accelerated payment of benefits by the full 8.7 percent effective January 1, 1975. We recommend several additional economic initiatives as well as carefully coordinated program of action for energy sufficiency.

Faced with the worst economic recession and the highest unemployment levels since the great depression, we believe that a panic energy program which interfered with the priority task of economic recovery would be a severe public disservice. The plan recommended by the President would needlessly and massively depress the economy further, add to the cost of living for all Americans and place highly inequitable cost burdens upon such basic necessities as home heating, food production and clothing.

We reject the fundamental premise of the President's program that the only way to achieve energy conservation is deliberately to raise the price of all petroleum products to all American consumers by heavy indiscriminate additions in taxation. The \$3 per barrel tariff on oil imports will not reduce imports; it simply will make them more costly to American consumers. It would add some \$7.6 billion a year to the cost of living. Adding at least \$30 billion in taxes and costs on domestic oil & gas consumption proposed by the Administration would further burden the economy with such weighty impediments that any effort at economic recovery would be hopelessly foredoomed.

The President's budget acknowledges the probable results of the Administration program: yet another year of raging double-digit inflation, another year of declining economic output, and at least another full year of unemployment in the range of 8 percent. This is a prospect which America's families should not be asked to accept. We believe the country can do much better than this, and we are determined that it shall.

The Congressional economic program recommends fiscal and monetary actions at the Federal level that will create over 1½ million more jobs by the end of 1976 than the President's program, while reducing the inflation rate by over 2%.

The comprehensive energy conservation and development program which we recommend for immediate adoption will be demonstrably less inflationary, stimulative to the economy, more selective in the areas of use to which we must look for major conservation, and more quantifiable in its results than the plan set forth by the President. It is fairer and more equitable to the American consumer. And it creates a specific mechanism to help finance an earlier realization of reliable alternate energy sources for the future.

Motor fuel accounts for about 40% of the nation's present petroleum usage. Since only 42% of this amount is directly work-related,

we believe it is practical, equitable and economically responsible to achieve most of our immediate reduction in petroleum consumption in the other 58%, but recognize that savings can be achieved in all categories of usage. We propose accomplishing this by:

- (1) A combination of graduating excise taxes and rebates on new car sales, specifically geared to the fuel efficiency of the model purchased.
- (2) Mandatory mileage performance standards for new automobiles.

If these and other conservation initiatives included in this program do not achieve diminution in imports, standby authority should be invoked to:

- (3) Require Sunday closings, allocations down to the service station level, and controls on the use of credit cards to buy gasoline.
- (4) Impose import quotas.

(Note: a mere five percent reduction in the total number of miles driven would save almost 350,000 bbls of oil per day; a 10 percent reduction would save nearly 700,000 bbls.

(Encouraging only one-fourth of America's drivers into cars that get just two miles per gallon better mileage would save an additional 230,000 bbls per day. When one-third of the driving population can be accommodated in vehicles that yield better efficiency by just 3 miles per gallon, the additional saving will be 470,000 bbls per day.)

Our program will achieve energy conservation not only in the transportation sector, but also in the residential, industrial and commercial sectors where longer-range savings are both achievable and quantifiable. We prescribe realistic standards in each sector. Fundamentally, we seek to reduce consumption by the elimination of waste—not by the elevation of price.

Savings in energy of almost 500,000 bbls of oil or its equivalent per day will result by 1980 from our recommendations to assist families and businesses in insulating homes and other buildings and making other energy-related improvements.

One key feature provides incentives to expedite conversion of electric power generating and other industrial plants from petroleum and natural gas to coal. This is the second largest area of wasteful petroleum usage, and while it is more difficult to hypothecate a precise saving without knowing how rapidly such plants can be induced to make the conversions, we believe it is not unrealistic to anticipate additional savings from this source after the second year in the vicinity of 400,000 bbls daily in BTU equivalent.

A saving of 160,000 bbls a day can result from strict local enforcement of the 55-mile-per-hour speed limit. Other conservation initiatives contained in this program will produce additional savings.

The Congressional program also creates a strategic oil reserve and sets up a National Energy Production Board with authority to recommend import quotas, allocations and even rationing in event of emergency.

In all, we believe that our program will reduce domestic consumption of imported petroleum, at a very conservative estimate, by the equivalent of 500,000 bbls of oil per day in the first year, by 1.6 million bbls per day in the second year, and by more than 5 million bbls per day by 1980. Considerably more dramatic savings can be achieved in years to come.

We have seen no reliable data whatever to support a conclusion that the Administration's draconian tax increases actually would result in one huge round-figure savings he claims for them. Nor have we heard any impelling reason why the national reduction must of necessity reach one million bbls daily in the very first year. In any event, we believe it better to promise relatively less and achieve more than to promise grandly and achieve less than pledged.

We believe that the American people, as well as our friends in the international community, both the suppliers and the users of petroleum, will be more impressed by candor and performance than by roseate promises unfulfilled. We believe they will be more impressed by our frank determination to maintain a strong American economy. And we believe they will readily discern the superiority of a steadily increasing long-term commitment to long-term objectives over a single sudden surge upward in consumer prices.

Beyond conserving scarce fuels, we recommend a number of specific measures to encourage exploration for oil and natural gas and greater recovery from existing wells and fields. We recommend creation of an Energy Trust Fund financed by a 5 cent per gallon retail tax on gasoline and by yields from excess profits taxes. The fund is to be used to assist in the more rapid development of coal gasification, liquifaction and other synthetic fuel plants and to achieve scientific and technological progress in oil shale, geothermal, solar, nuclear fusion and other energy fields.

Faithful implementation of the various facets of this program will close the growing gap between domestic energy consumption and production of all types and forms by the energy equivalent of some 11 million bbls of oil per day by 1985, and will reduce our energy imports by that year to 10% of our total consumption.

The Nation's impelling need is for a consistent and coordinated long-term plan. The Congress provides it.

THE ECONOMY

TARGET:

THE FIRST PRIORITY MUST BE A RETURN TO FULL EMPLOYMENT AS SOON AS POSSIBLE. THIS CAN BE ACHIEVED THROUGH FISCAL AND MONETARY ACTIONS DESIGNED TO PROMOTE ECONOMIC RECOVERY WITH A SUBSTANTIALLY REDUCED INFLATION RATE.

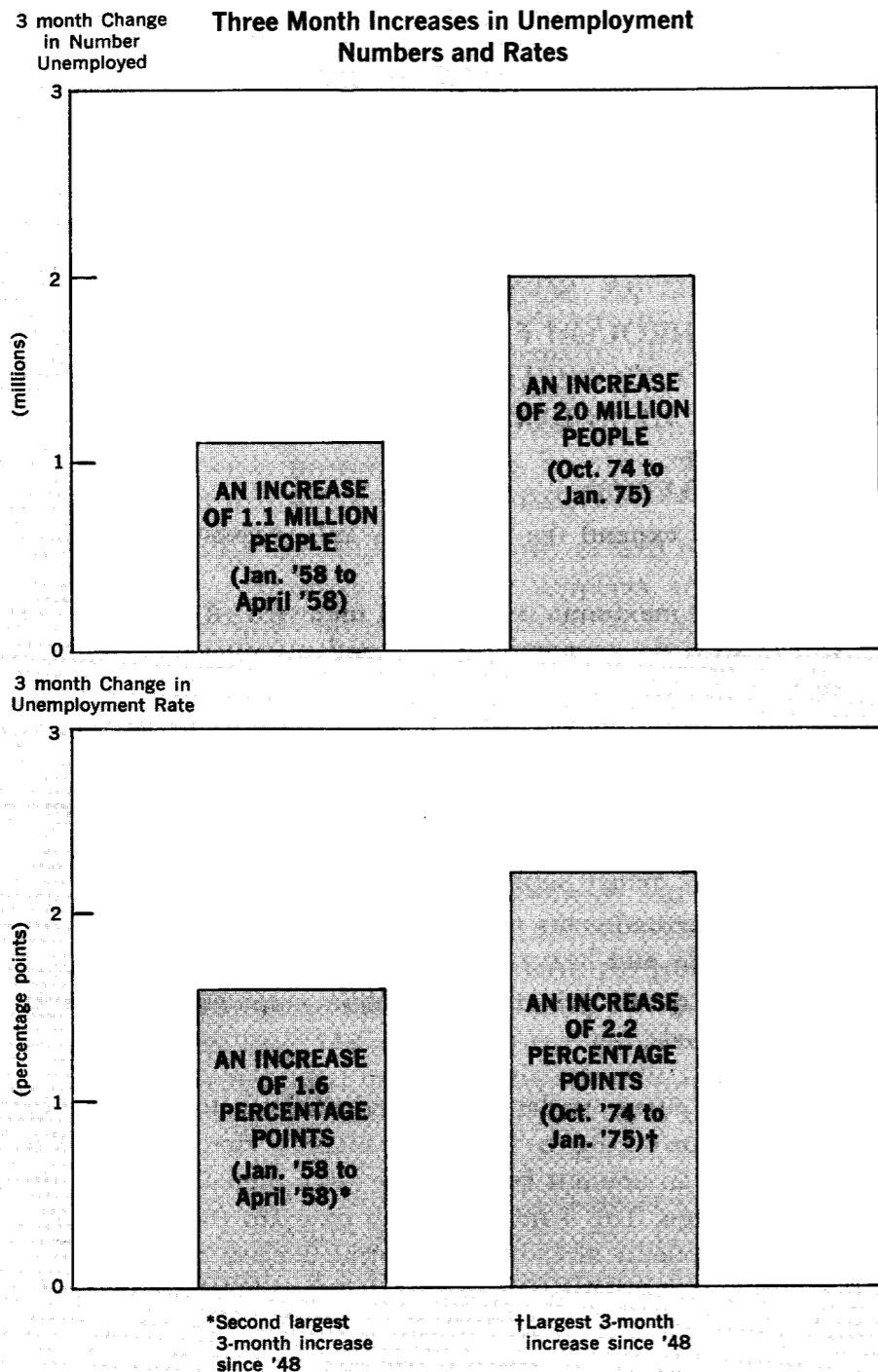
RECOMMENDATIONS:

- Accept and expand the President's anti-recession tax rebate/tax cut concept.
- Achieve the maximum reduction of imported oil during 1975 consistent with the economic upturn and a reduced unemployment rate.
- Reject massive energy price increases caused by import tariff, excise tax and sudden, total decontrol.
- Add further stimulus to consumer spending and prevent the unwarranted reduction in funds to the poor and elderly.
- Increase the money supply and stimulate housing.
- Release impoundments to provide immediate employment in the public works and heavy construction fields.
- Assure adequate private and public employment in light of national needs.

The cost of energy under the Administration's program would rise by over \$40 billion during the first twelve months (closer to \$50 billion by some analyses), an amount equal to the price increases caused during the Arab embargo. The Administration's program would add this new burden to an economy already well into the deepest recession since the 1930's, with inflation continuing at an unacceptably high level, and with unemployment over 8%. (Fig. 1) Low- and middle-income households will be required by the President's program to spend an even greater portion of their limited income to purchase energy.

FIGURE 1

The Current Recession Compared to 1958*
 Three Month Increases in Unemployment
 Numbers and Rates



As its goal the Administration seeks a reduction of energy consumption by one million barrels per day in 1975. To achieve it, energy prices would be greatly increased, first by taxing all crude oil and natural gas and then by removing the present controls on the market price of oil and gas.

The price of energy is not determined by free forces of supply and demand but rather by the governments of the nations that produce energy. The policy question is whether the U.S. or the OPEC governments will set energy prices in this country. The Administration wishes to decontrol old oil and new natural gas, giving control of price to OPEC and letting U.S. energy prices follow the prices established by them. (Fig. 1A)

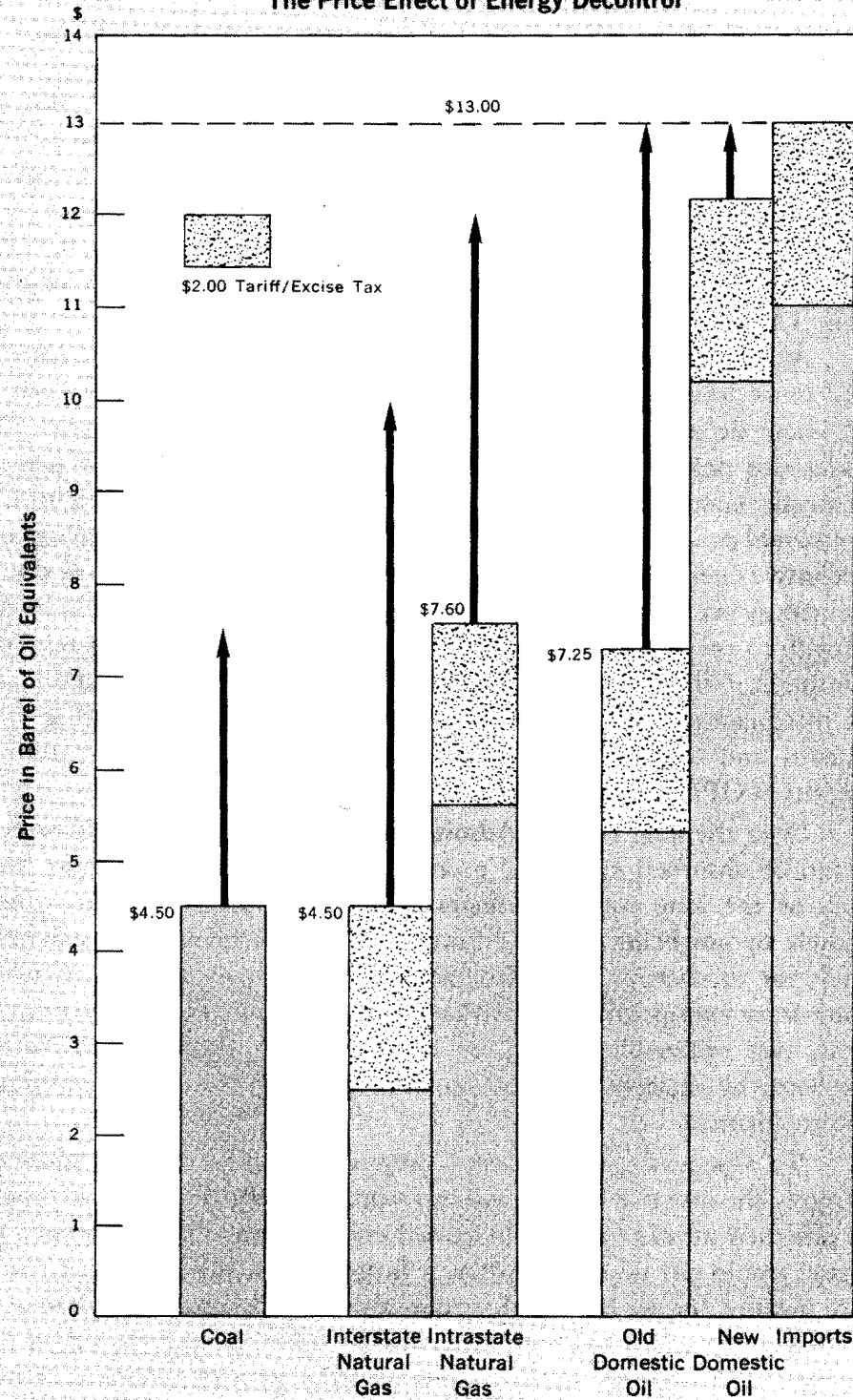
As Figure 1A illustrates, if the price of all energy is decontrolled, it will move toward the price set by OPEC. The fact that new domestic oil—now decontrolled—is selling at the OPEC-determined price illustrates this point. If control is maintained and extended the price of domestic energy will be separated from the OPEC price. The Congressional program calls for the rejection of the Administration's plan to decontrol energy prices entirely; it seeks to have the price of U.S. domestic energy set by the U.S., not the OPEC nations. Prices should be high enough to encourage maximum production and discourage wasteful consumption. However, the Congressional program calls for a combination of price controls that are needed to insure an equitable sharing of the burden and to shield American consumers and businessmen from the impact of OPEC-inflated prices.

Over the long run the Administration hopes that the higher prices could be absorbed in normal economic growth; but in the short run as well as the long run, consumers would be required to adjust immediately by not being able to afford energy or by being more efficient in their use of energy. The Administration's proposals attempt to achieve long-term energy goals in the short run (one million barrels per day this year, two million by 1977). In so doing, they threaten the Nation's economy by aggravating inflation, inducing a deeper recession and more unemployment.

No aspect of the President's program could be cited as addressing directly the question of national economy recovery. The tax-cut proposal is designed mostly to offset increased energy costs. The President's program would cut taxes and create a large deficit. We agree that tax cuts are justified but we believe these cuts should be designed for stimulus and to help those who have been hurt most by inflation, and the size of these cuts should be determined by what is needed to provide economic recovery and full employment as quickly as possible.

FIGURE 1A

The Price Effect of Energy Decontrol



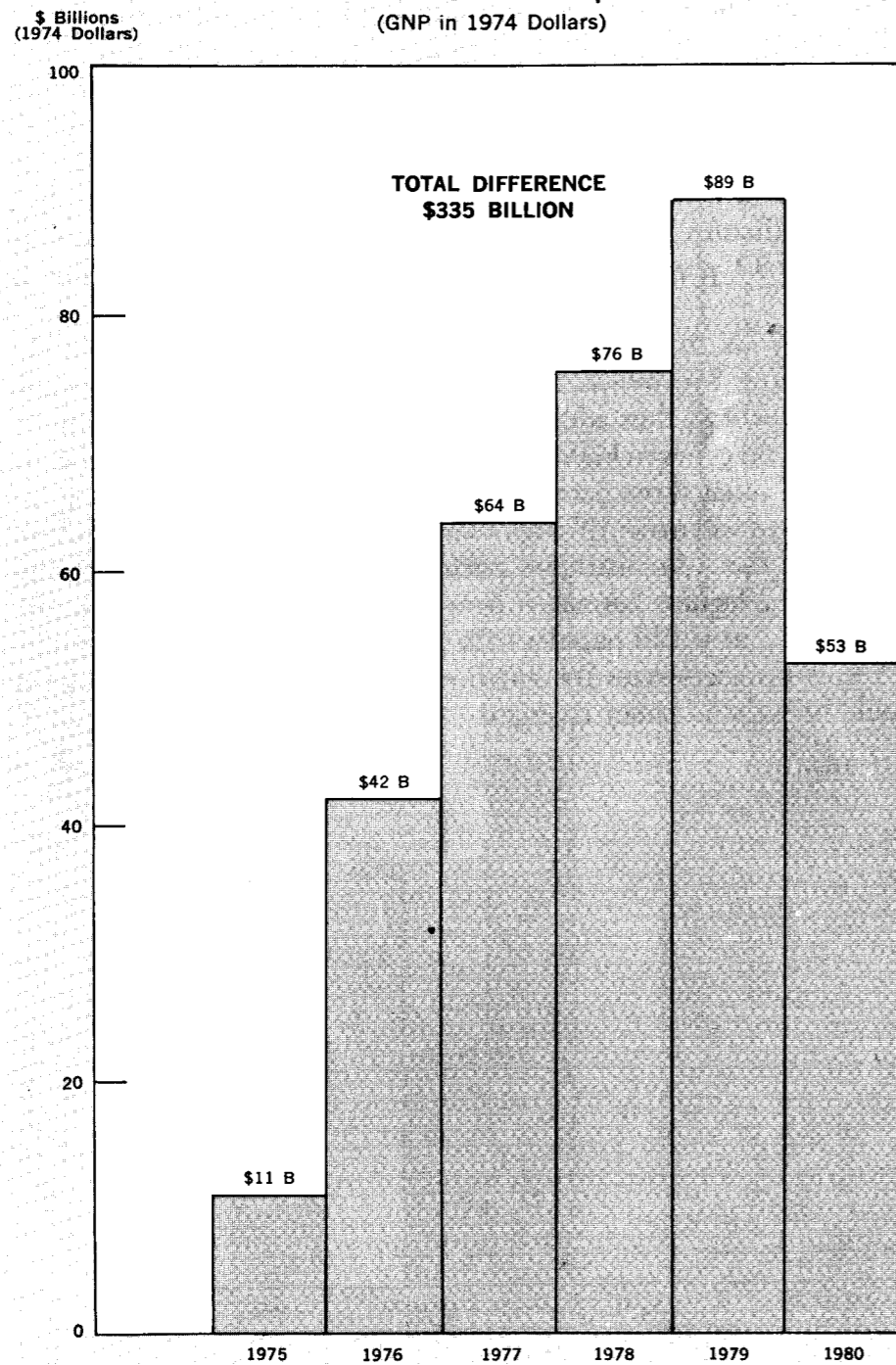
The President's proposal can be thought of in three parts: (a) a \$16 billion one time tax rebate to stimulate the economy; (b) a budget moratorium of new spending programs; and (c) a \$40 billion-plus cost increase for energy in all forms, offset in part with \$27 billion in cash rebates to households, business and state and local government.

Taken by itself, the President's \$16 billion one time tax rebate would have a very minor impact on our \$1,500 billion economy. Its real growth impact is about one percentage point in 1975 and 1976; its unemployment impact is a reduction by about one-quarter percentage point in each of these same years. In other words, the President's \$16 billion tax stimulus might reduce a projected 8.4 percent unemployment rate to 8.1 percent. The impact of the tax rebate on inflation is insignificant.

If one adds the President's energy tax package which costs the consumer about \$40 billion, and takes approximately \$10-\$13 billion out of the economy, thus adding to the recession, it is likely that unemployment would get even higher and that inflation would be dramatically increased by about three percent. The President has estimated that his energy package will make 1975 another full year of double-digit inflation.

In sum, the Administration package is both inadequate and contradictory: inadequate because it does not reduce the rate of unemployment below what would happen with no policy changes, and contradictory because it accelerates the inflation rate three percent beyond what it would be with no policy changes.

FIGURE 2
Congressional Program vs. Administration Target
Added Economic Output
 (GNP in 1974 Dollars)



THE RECOMMENDATIONS OF THE CONGRESSIONAL PROGRAM TO ACHIEVE ECONOMIC RECOVERY

Recognizing the interrelated nature of Energy and the Economy, the Congressional program, while designed to reduce national dependence on imported oil, would halt the recessionary slide, begin economic recovery and provide millions of additional jobs without adding to inflation.

To achieve economic recovery numerous suggestions were considered that relate to fiscal and monetary policy and program actions. Recommended in addition to the tax rebate/tax cut concept is a combination of actions which include a rejection of the Administration's energy price increases, the release of impounded funds to create immediate employment, an increase of the money supply, stimulus for jobs in housing and elsewhere and an adequate public employment program with relief to states and locales especially burdened.

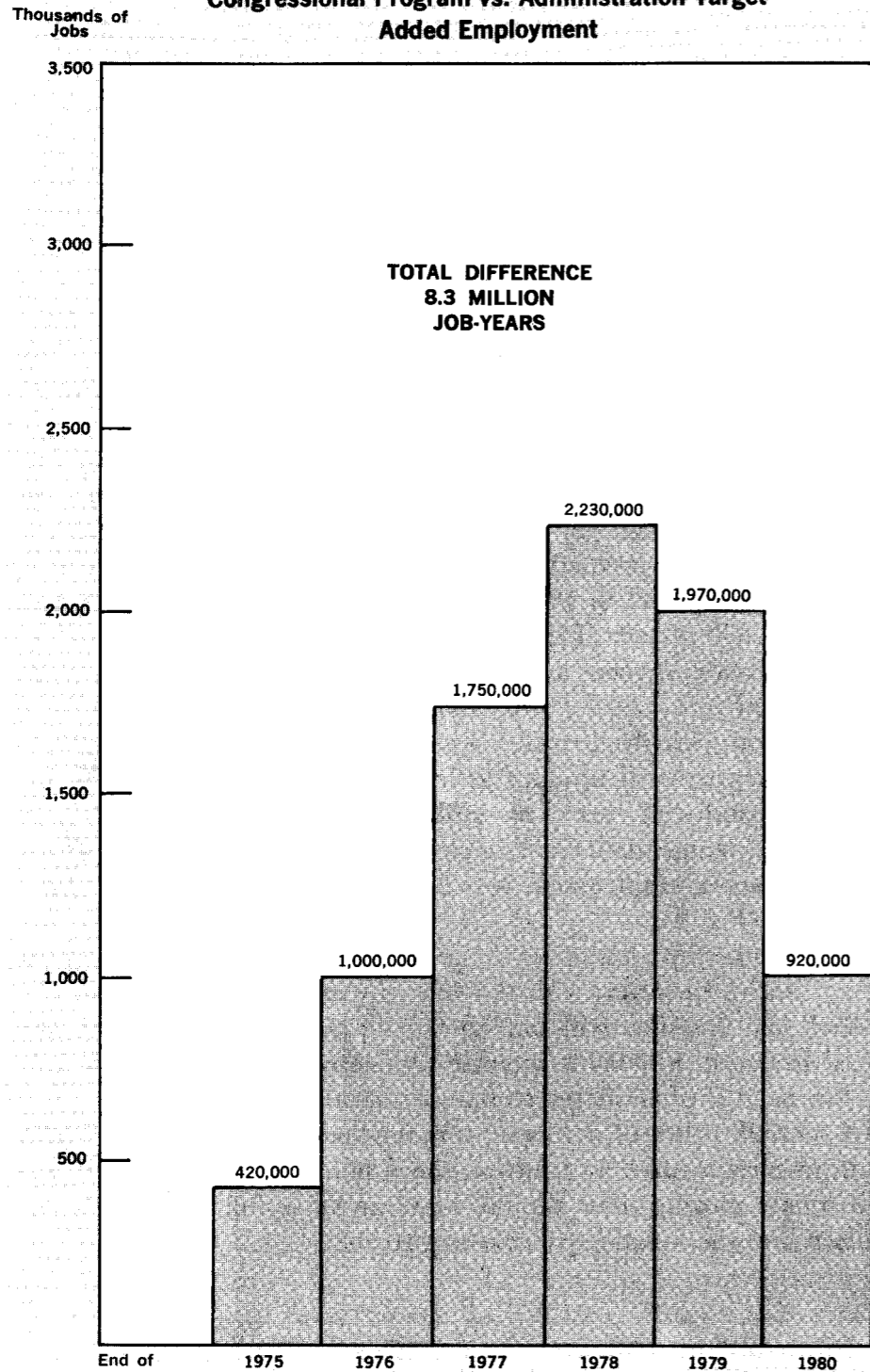
If quickly implemented these recommendations will insure an end to the economic downturn and the beginning of a vigorous recovery during the year. Comparing this program to the President's program, our economy will be producing \$42 billion more goods and services in 1976, \$76 billion more in 1978, and a total of \$335 billion more over the 1975 to 1980 period. (Fig. 2)

This increase in goods and services will generate jobs, reducing the unemployment rate substantially from the Administration's projections. By comparison with the President's economic goals, the proposed Congressional program will produce at least 1.4 million more jobs by the end of 1976 and well over three million more by the end of 1977. In total these recommendations, if implemented, will produce 8.3 million more job-years of employment between 1975 and 1980 than the President's plan. (Fig. 3)

Under other circumstances the increase in economic activity might be inflationary. However, with the economy operating so far under its potential, the stimulus will not contribute to inflation. In fact, the increase in output is likely to increase productivity as firms spread their fixed overhead over an increased number of units.

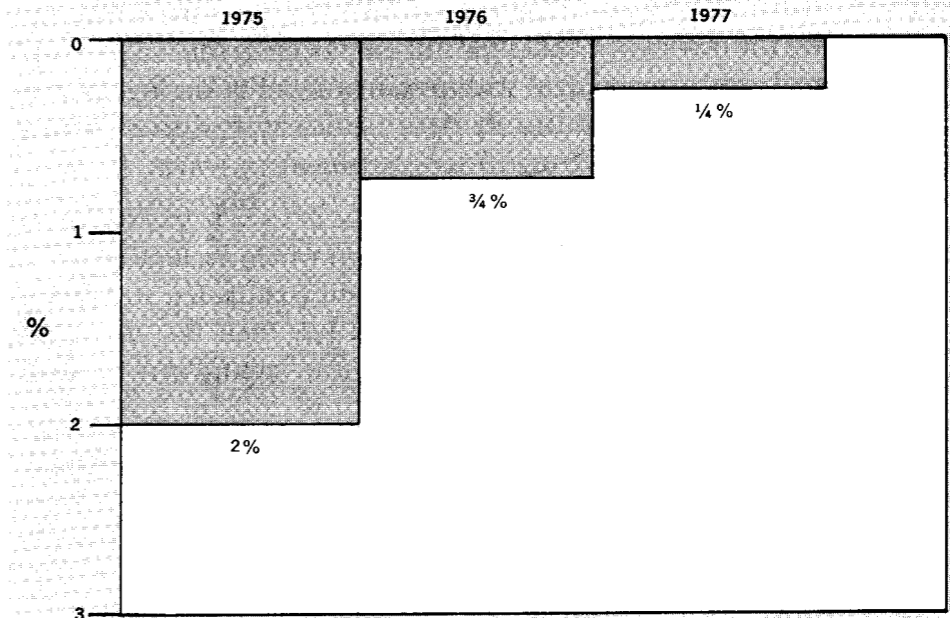
A sensible policy of economic stimulus should provide the greatest growth in early months. In contrast, the Administration's approach has the economy moving most rapidly years away as full capacity is approached and the inflationary risks are greatest.

FIGURE 3
Congressional Program vs. Administration Target
Added Employment



More immediately, the **Congressional program** will avoid the inflationary effect of the Administration's energy taxes, tariffs and total decontrol, producing **2% less inflation this year** and a total of **3% less by 1977.** (Fig. 4)

FIGURE 4
Congressional Program vs. Administration Target
Reduced Inflation
(Difference in the Consumer Price Index)



Elements of the Recommendation in Summary

Social Security and Supplementary Security Income. Reject President Ford's 5% ceiling on social security; accelerate payment of benefits by the full 8.7% effective January 1, 1975, and mail out retroactive benefits checks in May or June.

Retroactive Personal Tax Reduction. Accept the concept of the Administration's rebate of 1974 taxes. Redesign the program in accordance with objectives recommended by the House Ways and Means Committee so that low- and middle-income taxpayers receive a much larger share of the benefits. Send out the payment in May or June in a single check that would provide a large boost to sagging personal income. This tax rebate would provide a one-shot stimulus to the economy.

Temporary Personal Tax Reduction. Adopt a substantial additional tax cut for 1975, consistent with House Ways and Means action. This reduction would affect withholding schedules by July 1 of this year. This tax cut, also targeted to low- and middle-income taxpayers, would provide continuing support to consumer purchasing power throughout 1975. The Committee envisions that Congress would continue the stimulus into 1976 if necessary to continue the recovery.

Business Tax Reduction. Accept the proposal to raise the investment tax credit (ITC) to 10% retroactive to January 1, 1975. Reject the Administration's reduction of ITC to the 7% rate in 1976; keep the higher rate in effect until the economy reaches the full-employment zone so that businesses can make investment plans with certainty. Set ITC at higher levels for long term capital investment in energy-efficient equipment and in equipment needed to convert from oil and gas to coal.

Tax Reform. Enact an initial tax reform package in 1975 to yield approximately \$5 billion in added revenue. Such reform would include repeal of the depletion allowance for big international oil companies, strengthening the minimum income tax so that the rich pay their fair share, and eliminating foreign tax subsidies so that American capital is not encouraged to locate abroad.

Energy Taxes, Tariffs, and Decontrol. Reject the Administration's package of excise taxes on oil and natural gas, tariffs on imported oil and decontrol of old oil. Add 5¢ to the tax on gasoline as a source of revenue for an Energy Trust Fund.

Public Works Employment. Assure that the Job Opportunities Program, the Economic Adjustment Assistance Program and the Public Works Impact Program (Titles X, IX and I of the Public Works and Economic Development Act) are fully funded and implemented to meet their original purpose of providing short-term employment opportunities while constructing facilities of lasting value to the community. Reject rescissions or deferrals and otherwise provide increased funding for short-term construction programs meeting urgent national needs such as water pollution control and transportation. This action would offer opportunities for increased construction and related employment, activities which have suffered real decreases in spending as a result of inflation. Provide any additional Federal assistance which may be necessary to allow state and local governments to make full use of increases in funding for public works construction programs.

Housing. Stimulate the homebuilding industry through a shallow interest rate subsidy program to enable low- and middle-income families to pur-

chase homes at interest rates they can now afford to pay. Interest subsidies will be limited to low- and middle-income families with phase-out triggered to economic recovery. Reject rescissions and deferrals of appropriations for existing housing programs. Provide temporary aid to homeowners to prevent mortgage foreclosures.

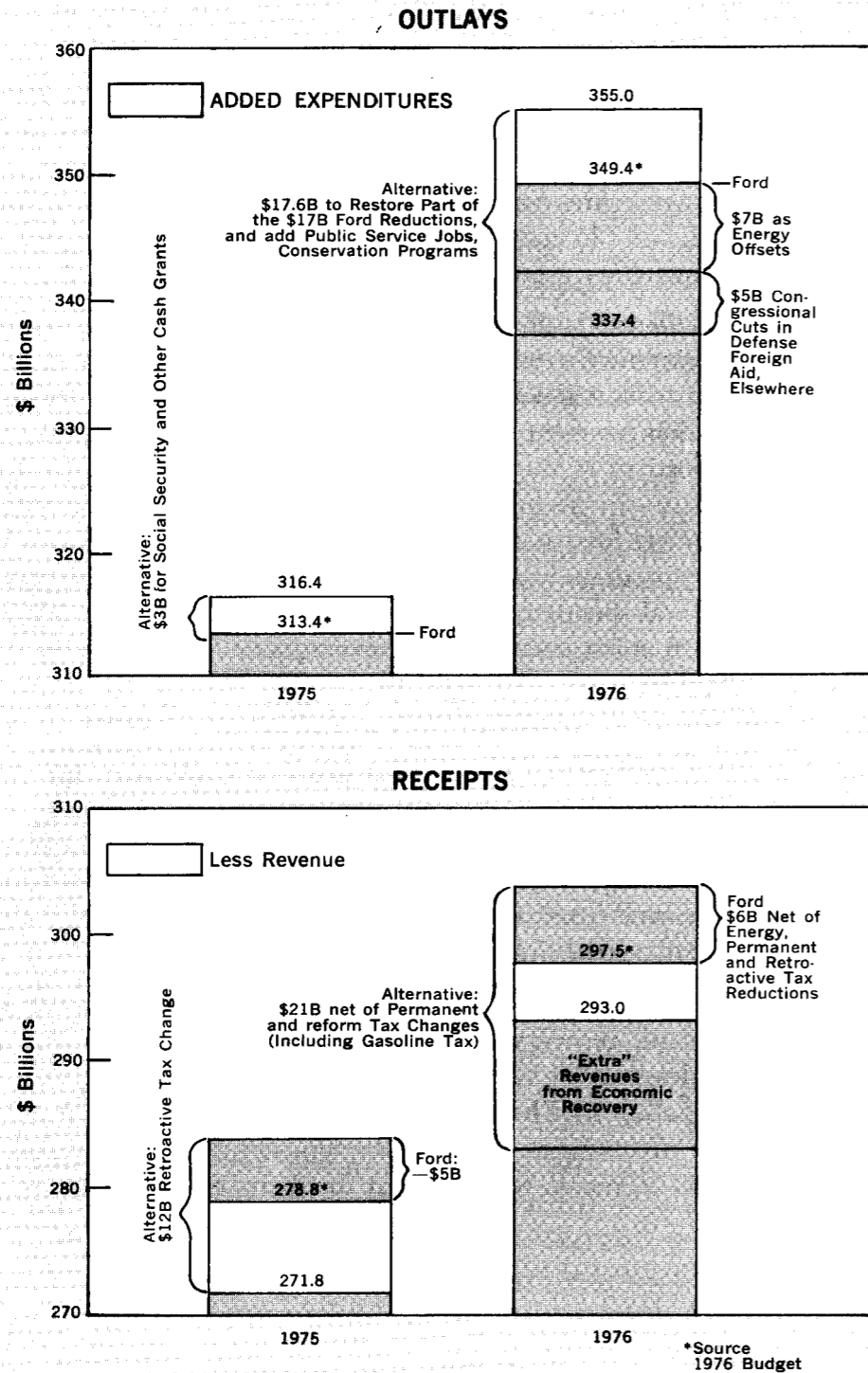
Monetary Policy. Adopt a Congressional resolution calling upon the Federal Reserve to (1) substantially reduce the long term interest rates during 1975, (2) maintain a longrun growth in the money supply and other monetary aggregates commensurate with the economy's economic growth potential, and (3) consult with Congress at semi-annual intervals on the Board's monetary growth targets for the next six months.

Spending Reductions. The President's budget calls for an assortment of non-essential expenditures which should be eliminated or cut in the interest of sound economic policy. Reject the Administration's \$7 billion energy equalization payment (as well as its companion energy taxes). Reduce other portions of the Administration budget—defense, foreign aid, and elsewhere—by \$5 billion. From this \$12 billion, restore social security levels, reject food-stamp-cost reduction but undertake a review of the food stamp program to assure that the benefits are received by those most in need. Total spending for all programs should not exceed \$355 billion in FY 1976 unless unemployment averages more than 8% during that period. (Fig. 4A)

Adequate Public Service Employment in Light of National Need. An expanded public service service employment program could play a major role in bringing unemployment down. A public service employment program should give priority to hiring the heads of families. It should avoid displacing existing employment, treat the special concerns of state and local governments and create new jobs with increased emphasis on training and equipment to satisfy important social needs.

The House of Representatives has demonstrated strong initiative in getting the economic recovery programs underway. **The enactment of these programs deserves the very highest national priority.** On the other hand **an energy policy must be compatible with these objectives;** it must not inhibit their effectiveness. It is the development of an energy policy that aids national economic recovery that the Congress recommends in this report.

FIGURE 4A
Budget Effect of Congressional Alternative



ENERGY

TARGET:

IMPLEMENT A COMPREHENSIVE CONSERVATION PROGRAM THAT REDUCES SUBSTANTIALLY FOREIGN IMPORT DEPENDENCE WITHOUT AGGRAVATING THE NATION'S CURRENT ECONOMIC CRISIS. EXPAND DOMESTIC SUPPLY BY DIVERSIFYING ENERGY SOURCES. ESTABLISH MANAGEMENT PROCEDURES IN THE EVENT OF DRASTIC ENERGY SHORTAGES.

RECOMMENDATIONS:

- Avoid sudden massive energy price increases.
- Institute a combination of excise taxes and rebates on new automobile sales, deliberately geared to favor energy-efficient vehicles.
- Institute a 5¢ tax on gasoline as the financial base for an Energy Trust Fund.
- Institute urgent program of energy conservation.
- Create a National Energy Production Board.
- Improve management of current energy supply and protect independent segment of the industry by extending allocation authority.
- Achieve the maximum reduction of imported oil consistent with an economic upturn and a reduced unemployment rate and empower the Energy Production Board to limit imports to meet targets.
- Enact emergency powers to limit imports and include standby rationing authority in the event of drastic reduction of energy supply from abroad.

ENERGY

This Nation has previously assumed an unlimited and relatively inexpensive energy supply; these assumptions no longer apply. The Congressional program sets forth a comprehensive energy policy and identifies a series of actions designed **to conserve the use of energy and expand its available supply.**

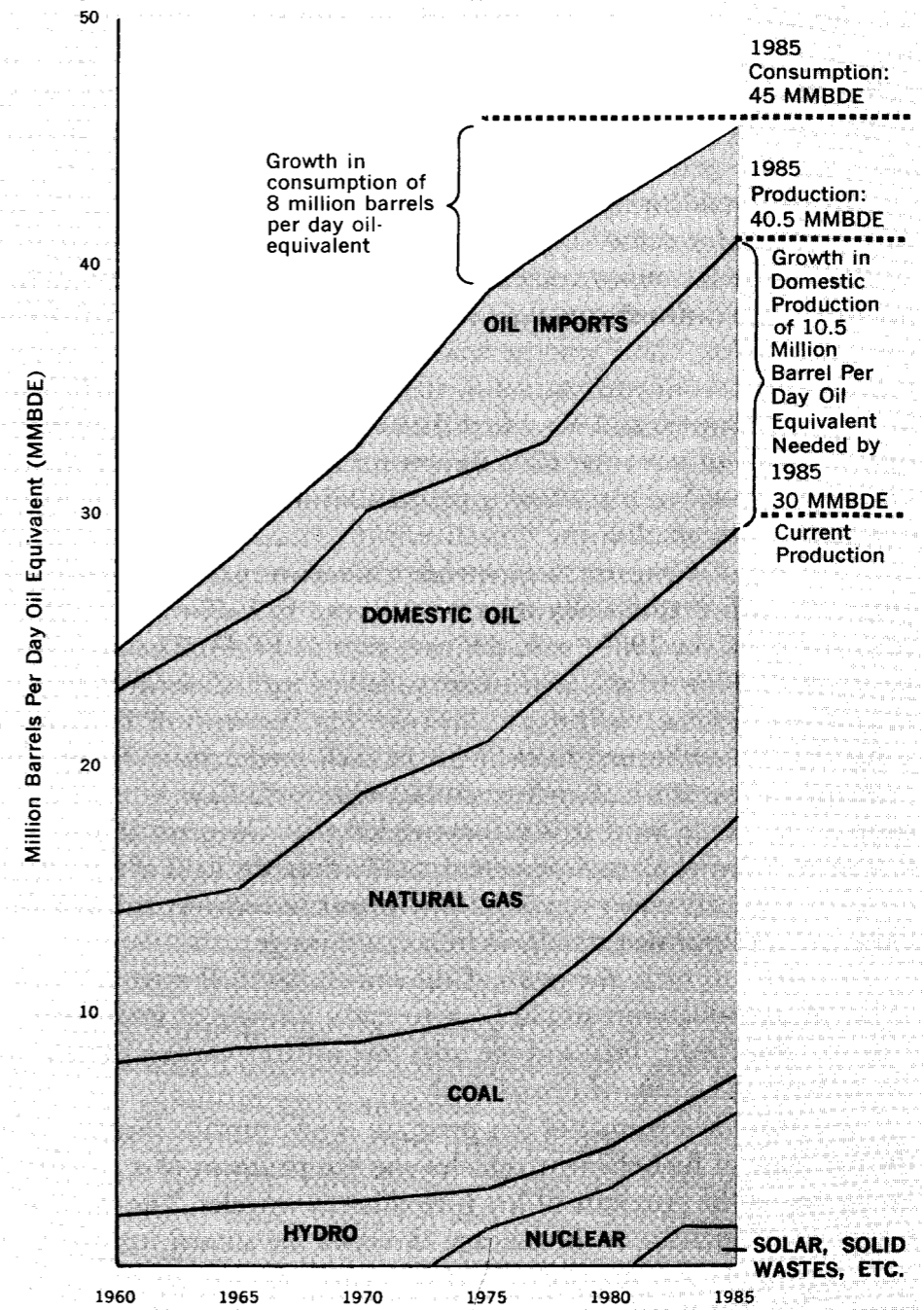
First is recommended **the rejection of the President's proposal for energy price increases.** The President's plan reflects a serious lack of perception of the integrated nature of our economy. The added hardships imposed by steep price increases must be avoided in favor of cutting down on waste and expanding and developing our energy production capacity. No justification can be found for impairing economic recovery by inducing immediately a steep increase in the price of imported oil. Recommended instead are a series of actions which, if implemented, **will produce both national energy sufficiency and a substantial reduction in dependence upon foreign energy sources.** A tax of 5¢ on gasoline at the pump would provide funds for energy production and conservation programs.

The goal of the Congressional energy program is self-sufficiency. At present the Nation imports 20% of its energy sources from abroad. The Congressional program will reduce our reliance by 1985 on imported energy supplies to less than 10% of the United States total energy consumption (and to less than 20% of our total oil use). (Fig. 5) In addition, our country will have in place a strategic reserve of oil that will provide three million barrels per day for a full year.

Under present policies the United States' energy consumption in 1975 could be equivalent to 38 million barrels of oil per day, with oil imports approaching 6.5 million barrels per day (Tables I & II). At present rates of growth by 1985 as a Nation we could be consuming an estimated 56 million barrels of oil or its equivalent (Table I).

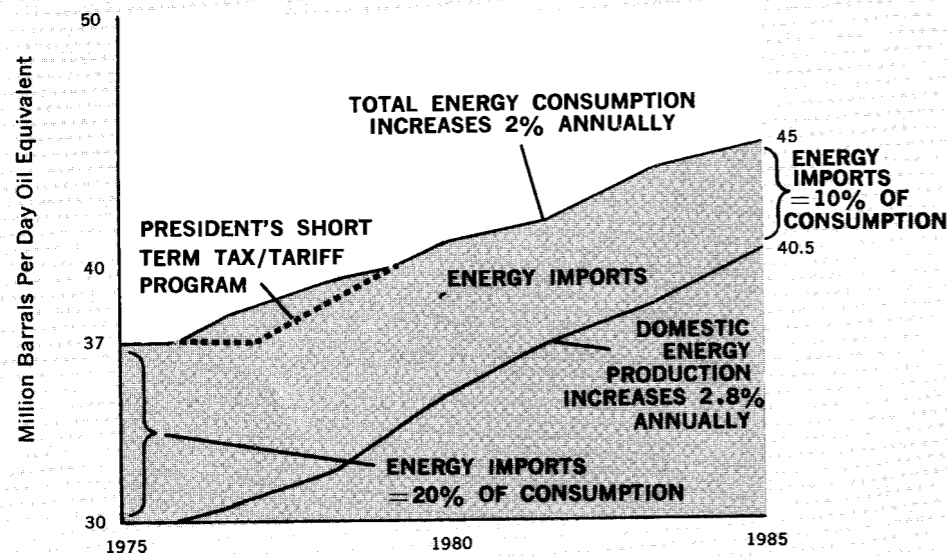
If implemented the Congressional program will reduce this growth rate in energy consumption and by 1985, the Nation will be consuming 45 million barrels per day. To achieve this goal, therefore, this program will conserve eleven million barrels per day by 1985 (Table III) (Fig. 5A). To provide that saving, a series of conservation efforts must be undertaken immediately (Table IV).

FIGURE 5A
Change in U.S. Energy Supply
1960-1985



Historical Source: FEA

FIGURE 5
Energy Consumption and Domestic Production



Conservation

Transportation. The transportation segment has been identified for **prime attention** because it accounts for about one-fourth of total energy use and more than one-half of petroleum use. Automobiles are the leading energy user, accounting for more than 50% of the total energy consumed in the transportation sector. Thus an urgent conservation effort in the transportation sector alone will reduce substantially the Nation's total energy budget and significantly reduce the Nation's dependence upon imported oil.

In the President's proposed Energy Independence Act of 1975, the only proposal for conserving energy use in the transportation sector is a requirement for motor vehicle labeling which would give consumers information permitting comparison of the energy consumption of different automobiles. The President has also proposed that the automobile industry meet a voluntary target of 40% improvement in fuel efficiency of new cars by 1980 and has asked the automobile industry to pledge in writing to try to meet the 40% improvement objective. The Administration has specifically rejected a program of mandatory fuel efficiency standards to accomplish the objective.

By contrast, **Congress recommends a mandatory fuel efficiency program** that will dramatically improve new car fuel efficiency—50% by 1980 and 100% by 1985 (over the base year of 1974). The mandatory program would be based upon a sales weighted fuel efficiency average of all new cars sold in a particular model year. The Secretary of Transportation would be authorized to establish in each model year average fuel economy standards which each manufacturer would have to meet or exceed. At the same time, it is recommended that Congress undertake a thorough review of all environmental standards in the light of developing an effective energy policy consistent with economic recovery and including the relation of emission standards to better mileage.

In order to meet the goals of the mandatory fuel economy standards, the manufacturers would have to make substantial improvements in automobile technology and the sales mix of large cars and small cars would have to be altered considerably.

An additional feature of this program would provide **incentives for the purchase of fuel-efficient vehicles and the payment of a penalty or excise tax on the purchase of less fuel-efficient vehicles.** The amount of rebate would increase as the mileage exceeded the annual standard; the excise tax would also increase for fuel-poor cars, with a substantial built-in price spread between the two extremes. It is suggested that the break-even standard might increase by one mile per gallon annually as a continuing incentive not only for customers to shop for energy-efficient vehicles but

for automobile manufacturers to build and market them. In order to insure that the American consumer derives the benefits of the incentive program, a manufacturer would have to establish that any price increase on the more fuel-efficient cars was justified on the basis of cost increases.

The Congressional Energy Program also calls for **an intensive research and development effort** designed to develop within four years a production prototype of a low-polluting, energy-efficient automobile that meets required safety and emission standards.

As well as improving the efficiency of transportation vehicles themselves, the Congressional Energy Program proposes certain measures which would encourage the use of more energy-efficient means of transportation, including **added funding of public transportation and rail rehabilitation, upgrading of road and track, electrification, modernization and expansion of roadways and terminals.**

Unfortunately the Administration program failed to advocate any mandatory energy conservation measures in the transportation sector. As a result, an optimistic, long-range projection for energy savings in transportation under the Administration program would be less than adequate to meet energy-sufficiency by 1985.

In contrast, the comprehensive energy conservation program in the transportation sector proposed in the Congressional Energy Program would achieve substantial savings in the next 10 years, well over half of the fuel consumed today by the automobile and twice the savings sought by the President's program. (See Table IV.) The Congressional Energy Program offers certainty that this significant savings would be achieved because of the program to stimulate the shift to fuel-efficient vehicles and because of the mandatory fuel-efficiency standards which would be established by the Department of Transportation, not to mention the added emphasis given public transportation.

Transportation, though important, is but one sector of the economy cited by Congress for mandatory conservation.

Residential, Industrial and Commercial Use. It is the goal of the Congressional program to conserve a significant quantity of oil equivalent in residential, industrial and commercial use by 1985. In these uses, the most important saving would come from changing the present insulation requirements for future construction and making it economical for the present owner to install insulation and other energy-saving devices on existing structures.

A major Federal loan guarantee, grant and/or tax credit program is recommended for residential and commercial consumers for insulation and other energy-saving modifications. A principal objective of the program would be to **upgrade over 10 years some 40 million existing homes**

presently in need of thermal protection improvements, such as ceiling insulation, storm windows and doors, caulking and weatherstripping. (See Table IV.) Financial incentives should also be explored to encourage the installation of solar heating and cooling facilities.

With specific regard to the Industrial use of energy, including electric utilities these recommendations are made:

- Special investment incentives exclusively for conservation (in addition to those required for economic recovery) applicable to any capital investment in the next two years for retrofitting investments made exclusively to save energy or to switch from oil and gas to coal (with appropriate ceilings).
- Discouragements against use of natural gas in new electric power generating plants.
- A federal requirement for an energy conservation program (efficiency standards) in each industry designed to economically feasible conservation targets.
- A research and development program for new energy saving industrial processes designed to save 40 percent in key industries over the next decade.

To facilitate conversion of electric power generating and other industrial plants from petroleum and natural gas to coal—consistent with public health, technological and economic considerations—we suggest the appropriate committees consider guaranteeing that any new plant for future conversion which faithfully meets current EPA emission standards at the time the facility is built will enjoy a sufficient period of grace against imposition of more costly standards so as to permit amortization of the required investment on accelerated depreciation schedule. (See Table IV.)

The Congressional program recommends action to facilitate and provide the necessary funding to revise building codes at Federal, state and local levels to improve energy efficiency, a Truth-in-Energy law to require labeling of energy content and cost of all appliances, homes, automobiles, etc., and performance standards for major appliances to conserve energy. (See Table IV.)

In addition financial aid would be provided to improve electrical transmission lines and to make better use of existing generating capacity. Financial aid would be afforded as well to the utilities in order to facilitate construction of transmission lines that could take advantage of diversity in demand and thus enlarge the capacity available for each utility to meet peak loads without building as many new powerplants. In return, utilities should be encouraged to redesign rate structures so as to encourage energy conservation by all consumers.

At the governmental level, all Federal agencies would be required to give energy conservation the highest priority in all purchases, planning, policies and regulatory actions; specifically mandate the ICC, CAB and Maritime Administration that energy wastage be cut out in railroad, airline, truck and marine transportation; work with state regulatory agencies to establish standards for utility rate design in the pricing of electricity and natural gas to encourage energy conservation.

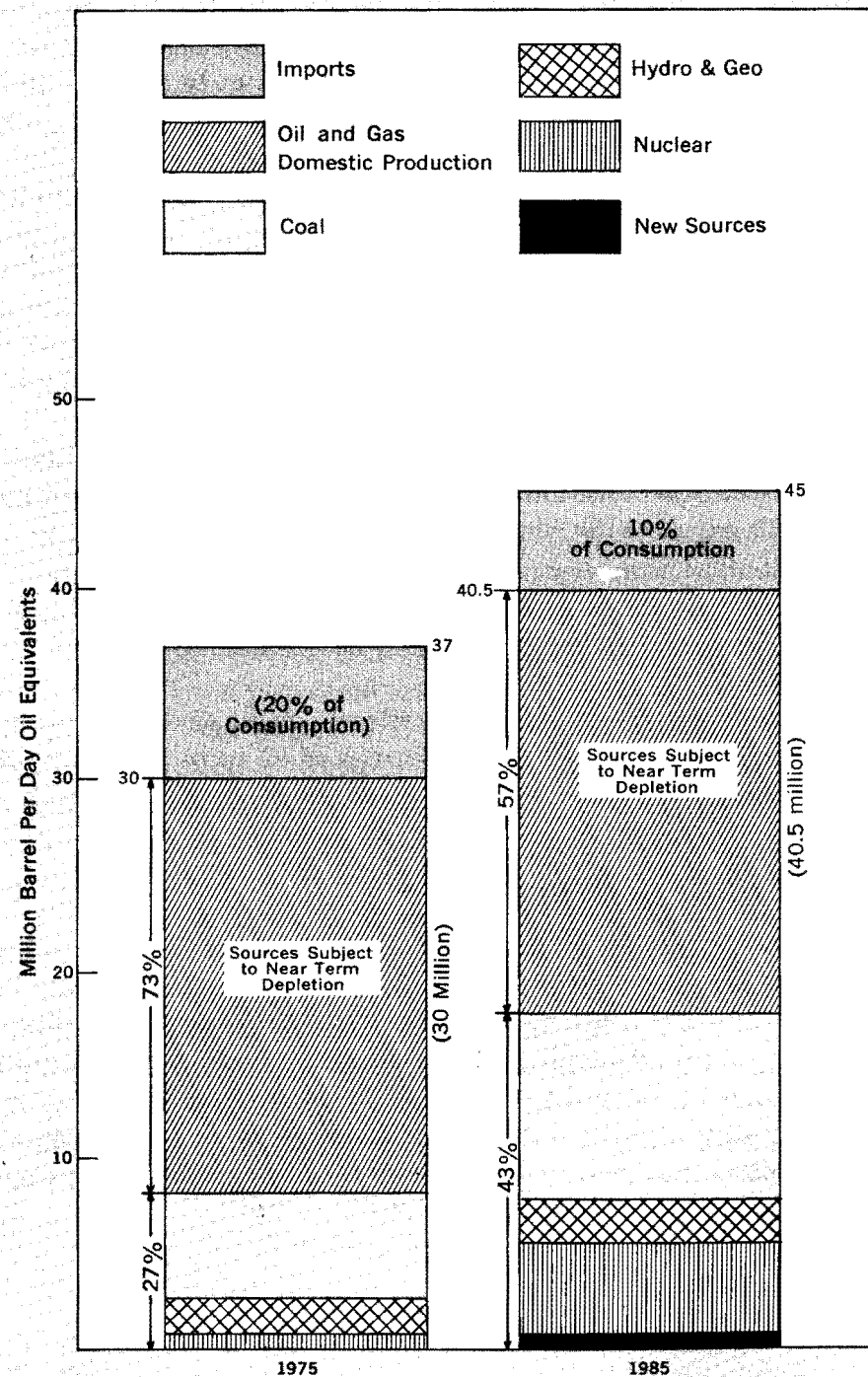
States would be encouraged and even required to develop mandatory conservation measures and affirmative action plans for conservation, particularly with regard to the elimination of nonessential driving. Effective enforcement of the 55 miles-per-hour law together with a host of remedies at the state level should result in substantial fuel savings. Federal funding of any such conservation program should be conditional upon effective savings. (See Table IV.)

Overall, under these conservation efforts—many of which are mandatory—a savings of over 11 million barrels of oil or its equivalent per day could be achieved by 1985 over what otherwise would have been consumed.

Expanded Domestic Energy Supply

As they begin to take effect and reduce the growth of energy consumption, the conservation programs will permit the orderly but accelerated development of greater and more diversified domestic sources of supply. The increased supply and diversification aspect of the program is equally essential, therefore, to meet the Nation's long range objective of reducing imports to 10% of domestic energy consumption and will require a substantial increase in the use of coal and other more exotic energy sources. (Fig. 6) (See Tables V & VI.)

FIGURE 6
U.S. Energy Supplies 1975 and 1985



The overall objective of national energy sufficiency recognizes the enormous undertaking involved in terms of capital investment and incentives, in terms of environmental protection and national security. Switching from oil and gas to coal and other sources is just one aspect of the program—although a most critical one—and it alone will require a substantial commitment of national resources. A national program of this magnitude requires the establishment of an instrumentality at the highest level of government to make certain that the program is successful. Therefore at the core of the recommendations is the creation of a **National Energy Production Board as an independent agency** of the government. It would mobilize unutilized and under-utilized private and public resources to increase domestic energy production on an urgent basis. The National Energy Production Board would be patterned after the War Production Board of World War II and, subject to Congressional review, would have authority and funding to break energy bottlenecks, and to take all actions necessary to accelerate the production of and conversion to domestic energy sources. Much of the cost would be funded out of an Energy Trust.

At the same time, the NEPB would oversee establishment of a **national system of oil strategic reserves and storage**. The program would create a stockpile that could supply three million barrels per day for six months by 1980 and for a full year by 1985. (See Table V.) Part of the oil stored would be purchased on the world market under secret bid to encourage competition. The remainder could come from Naval Petroleum Reserves, the Outer Continental Shelf and the marketplace. While the establishment of the oil bank is an essential component of energy self-sufficiency in the long term, it will be NEPB's prime responsibility to get the augmented supplies and diversification underway on an urgent basis. Leading the specific recommendations proposed by the Congressional program is coal production and conversion.

Coal conversion incentives of major proportion are recommended that are designed to implement a national policy requiring new base-load fossil fuel fired electrical plants and heavy industrial boilers to burn coal rather than oil or natural gas, and the conversion of existing plants over the next 10 years where feasible. (See Table V.) In this regard the Congress supports expeditious implementation of the Energy Supply and Environmental Coordination Act of 1974 (referred to as the Coal Conversion Act).

Capital equipment incentives, manpower development and engineering technology should be encouraged. **The transportation network must** be greatly improved and coal should be mined and burned in compliance with environmental standards and in compliance with the Fed-

eral Coal Mine Health and Safety Act. Strong measures are needed to encourage the conversion to environmentally sound coal use, e.g. **tax credits, loan programs, or fuel taxes to finance the cost of conversion.**

At the same time a commercial demonstration of **new synthetic fuels** from coal should be undertaken with an ultimate production goal reaching the equivalent of **500,000 barrels of oil per day.** (See Table V.) These technologies, together with oil shale, geothermal, MHD, solar and others, would be developed on a contract or joint venture basis with industry. Sufficient Federal financial support is recommended to proceed immediately. From this initial experience, a better assessment could be made of environmental and social as well as economic costs. Incentives should be provided to facilitate **expansion of nuclear power.** We also recommend funding accelerated efforts to resolve the safety, safeguard and waste disposal problems.

As to **new domestic oil and gas sources, the Outer Continental Shelf Act should be revised** to accelerate exploration consistent with the public interest and in cooperation with states and public authority. This revision will assure coastal states of environmental protection, establish a public knowledge bank on available resources, permitting production under leases so that available resources will not be kept from the Nation's supply by private speculation and require disclosure of geological and engineering data that pertain to these national resources.

To encourage increased domestic exploration for oil and gas, we recommend:

- (1) Completely eliminating depletion allowance on all foreign drilling;
- (2) An excess profits tax on all big oil companies, avoidable only by plowing profits back into domestic exploration, and depositing proceeds from tax into Trust Fund; and
- (3) Retaining depletion allowance only for small independent domestic explorers who do not operate retail outlets.

For the **near term** the Congressional supply program recommends that the **Naval Petroleum Reserves** be rapidly developed and necessary transportation facilities created to make the estimated 10-40 billion barrels available as needed for storage or commercial use.

And for immediate results, current production should be maximized along with ultimate recovery from existing oil and gas reserves; and to facilitate **secondary and tertiary recovery**, tax incentives should be provided along with Federal authority for mandatory unitization of fields (harmonizing the production of wells into a common field) and production at maximum efficient rates with authority exercised by states where state laws and regulations meet Federal standards. The oil price control

program should be modified also to create sufficient incentives to produce all oil that can be recovered economically through secondary and tertiary recovery, substantially increasing the amount of oil ultimately produced from the average field. Perhaps the most effective plan would be to include some decontrol treatment for secondary and tertiary recovery as "new" oil.

Exploiting fully natural gas potential is equally critical and the Federal Power Commission must be mandated to provide price certainty at levels high enough to reflect future costs and to eliminate regulatory delays, reducing any incentive to withhold gas because of the uncertainty over government pricing policy.

The Congressional program therefore **recommends measures to reform and simplify natural gas regulation**, but continue interstate price controls on old natural gas, and establish a **statutory formula** ceiling that reflects cost of production. This should assure that the price is high enough to encourage maximum domestic production, but still below the OPEC cartel level.

Finally, **procedures to shorten needless regulatory delay** in energy production should be adopted. This should include expedited consideration of a natural gas delivery system from Alaska and cover speed-up of certification and regulatory procedures by FPC and State Utility Commissions with regard to both electricity and natural gas.

We reject an automatic pass-through to consumers of a fuel adjustment cost without scrutiny and justification by state and local regulatory authorities.

To be sure, there are issues related to the matter of increasing production and achieving a greater diversity in the sources of energy supply. Paramount among these are the environmental questions involved. Congress has played a chief role in developing **long-range policies to protect public health and the environment** and the actions recommended to increase and diversify energy supply must be designed to maximize the development of the more environmentally sound sources of energy in preference to the more environmentally controversial sources.

To underscore the concern of Congress for **an energy production policy fully compatible with environmental concerns**, this program recommends the adoption of three precise legislative objectives:

- Enact the Surface Mining Control Act.
- Enact legislation which recognizes the interests of states in the siting of power plants, refineries, etc.; provides planning mechanisms for regional planning in which states participate and decisions can be made in a timely fashion so that necessary facilities can be built.

—Establish machinery to recognize and resolve concerns of Coastal, Rocky Mountain States and others concerned with damage to the quality of life from potential exploitation of their regions and to provide adequate funding to minimize detrimental secondary effects.

While environmental preservation is a paramount concern of this program, it is just as important that increased production and expanded supply be undertaken by a **strong and vigorous industry**.

It is therefore recommended that the **anti-trust laws be strengthened** to promote free enterprise and to encourage competition. It is recommended also that the **bidding system for Federal leases be changed** to permit greater participation by smaller companies

Together these are the components of a policy designed to expand the domestic production of energy. With a reduced rate of growth, **they chart a deliberate path to national energy sufficiency within the next ten years**, eliminating this Nation's dependence on insecure sources of supply as rapidly as possible without causing economic adversity along the way.

National energy sufficiency is attainable under this Congressional program; the path is straight and deliberate, joining supply and conservation programs into an integrated rational policy.

What the energy conservation and expanded supply programs indicate, also, is substantial bipartisan agreement on the primary goals of U.S. energy policy—eliminating U.S. dependence on insecure sources of supply as rapidly as possible. In advocating creation of the NEPB, the Congressional program has chosen a separate independent instrumentality fully equipped to get the job done.

Administrative Mechanism

The NEPB and other involved agencies **must be equipped** equally well to meet each and every contingency that might occur between now and the time a national energy sufficient status has been achieved. To meet such contingencies a **host of standby authorities** are recommended by the Congressional program. They range from **import quotas to centralized purchasing powers, allocations**, and as the President has recommended, even to rationing.

What these standby powers reflect is that Congress recognizes the vulnerability of the Nation to energy shortages. To weather any such potential adversity, pending a status of energy sufficiency with reduced foreign dependency and the emplacement of an oil reserve, the Congress accepts the President's judgment that enactment of standby rationing legislation is needed. Also it recommends the extension of the **mandatory allocation program** which could accommodate a **gradual shift to reduced**

import dependence in the short term by managing and controlling any excessive rate of energy consumption. Allocation management procedures would be called upon immediately in the event that enacted policies did not lead to the previously stated goals. But full-scale rationing could be employed only in the event of a drastic reduction in energy supplies by an embargo of oil imports.

The **standby import quota authority** vested directly in the NEPB together with a centralized purchasing mechanism for imports recognizes that as a consuming Nation today we may need to become more deeply involved in oil negotiation while we endeavor to attain an energy-sufficient status. Provision for the standby authorities reflects also that in the near and mid term, energy is too important to America to be left in the hands of a cartel of foreign nations. The Congress recommends therefore that **the independent NEPB itself be empowered to create an oil import administration** which could **require that exporters to the United States bid competitively** for access to the U.S. market. In addition, the Board would be empowered to set quotas to limit imports.

Other elements of the standby authorities should include the following:

- Assure that any allocation/rationing program affords equitable treatment of regions, industries, classes of consumers and independent producers during an embargo or energy curtailment from other causes.
- Authorize the States to invoke more stringent mandatory conservation measures in any future curtailment.
- Direct the Executive immediately to submit its recommendations for a system to ration gasoline and other forms of energy; the system to be activated on notice, subject to expedited Congressional review.

A final component of the comprehensive Congressional program recommends creation of the **National Energy Trust** which would include the dedication of funds needed to realize national energy goals.

As the financial base for this trust, a **5¢ tax on gasoline at the pump** would be imposed 30 days after enactment. This revenue would begin to pay for the urgent program of conservation and production.

Additional revenues for the Trust would be derived from energy taxes on inefficient uses of energy and by dedication of part of the funds paid for leases covering the Outer Continental Shelf.

Conclusion

If much of this Congressional program is in accord with the long range objective of the Administration, then our disagreement is over tactics and the coordination of energy policy with economic policy.

The Administration wants to tax energy at the source; the Congress recommends taxing gasoline at the pump. The Administration wants to put the entire tax on at once; Congress recommends a 5 cent tax coupled with urgent and mandatory conservation and production programs. The Administration seeks to achieve mileage standards; Congress agrees, but would make them mandatory and supplement the standards with a large excise tax on poor mileage autos and an offsetting subsidy for efficient cars. Most importantly, the Administration relies on massive price increases to accomplish its goals while Congress would back up its recommendations with authority to manage supply and allocate—or even to impose quotas if necessary—to meet the goals.

In sum, the President's program would trade the jobs and economic well-being of Americans to achieve a short-term result of dubious merit. The Congress will not tolerate such further economic sacrifice and its comprehensive energy policy reflects a judgment that economic restoration is the Nation's foremost priority today.

TABLE I.—EFFECT OF CONGRESSIONAL PROGRAM ON ENERGY SUPPLIES

	Million barrels of oil equivalent per day			
	1973	1975	1980	1985
Energy demand:				
Consumption if no new actions (historical)	36.6	38.0	47.0	56.1
Energy conservation reductions (congressional program)		1.3	6.0	11.1
Adjusted consumption to reflect energy conservation		36.7	41.0	45.0
Domestic energy supplies:				
Petroleum	10.9(API)	10.5(API)	12.0	13.4
Natural gas	11.2	10.5	10.1	10.3
Coal	6.9	7.5	10.1	15.0
Other	1.5	2.5	3.4	5.2
Total domestic supplies	30.5	31.0	35.6	43.9
Imports	6.1	5.7	4.4	1.1
Total supplies	36.6	36.7	41.0	45.0

TABLE II.—EFFECTS ON OIL IMPORTS (DRAFT, FEB. 25, 1975)

	Million barrels of oil equivalent per day			
	1975	1977	1980	1985
Petroleum supply—Demand balance:				
Consumption if no new actions	¹ 18.00	¹ 18.30	² 20.3	¹ 23.90
Imports if no new actions	¹ 6.50	¹ 8.00	² 9.5	¹ 12.70
Savings achieved by following actions:				
Voluntary conservation . . . . .	.78	.90	1.12	1.40
Mandatory conservation (difference between congressional and administration conservation programs)	³ (0.28)	² .25	2.20	5.76
Accelerate oil supply strategy . . . . .	.10	.10	.65	2.00
Substitution of coal for oil and natural gas . . . . .	.17	.40	.98	1.40
Promotion of coal for use by new facilities that otherwise would use oil or natural gas	0	0	0	0
Total savings . . . . .	.77	1.60	5.13	11.62
Necessary imports:				
Congressional program	5.73	6.40	4.39	1.08
Administration program	5.30	5.80	5.38	4.70
Strategic reserve strategy . . . . .	.20	.30	1.00	3.00
New import vulnerability (requiring standby emergency authority)	5.53	6.10	3.39	(⁴)

¹ The President's 1975 state of the Union message including economy and energy, Jan. 15, 1975.

² Estimates.

³ Due principally to administration's price disincentives.

⁴ Surplus.

TABLE III.—CONSERVATION STRATEGY—SUMMARY ¹

	Million barrels of oil equivalent per day		
	1975	1980	1985
Transportation:			
Automobile:			
Congressional program (mandatory).....	0.33	2.23	3.81
Administration program (voluntary).....	.45	1.38	1.95
Public:			
Congressional program.....	.13	.42	.58
Administration program.....	(2)	(2)	(2)
Industrial sector:			
Congressional program (mandatory).....	.17	1.47	3.65
Administration program (voluntary).....	.42	.83	1.27
Residential-commercial sector:			
Congressional program (mandatory).....	.42	1.36	2.08
Administration program (voluntary).....	.57	1.35	1.92
Utility sector:			
Congressional program (mandatory).....	.25	.50	1.00
Administration program (voluntary).....	.14	.22	.22
Totals:			
Congressional program.....	1.30	5.98	11.12
Administration program.....	1.58	3.78	5.36
Difference.....	(.28)	2.20	5.76

¹ For detailed program see table IV.

² No comparable program.

TABLE IV.—CONSERVATION STRATEGY

	Million barrels of oil equivalent per day		
	1975	1980	1985
Transportation:			
Automobile:			
1. Voluntary conservation: Car pooling and proper maintenance.....	¹ 0.05	² 0.32	² 0.35
2. Enforce 55 m/hr speed limit.....	1.05	1.16	1.16
3. Incentives for purchase of new automobiles with improved efficiency and fuel economy standards:			
Congressional program (mandatory).....	.10	1.50	³ 3.00
Administration program (voluntary).....	4.05	⁵ 4.48	⁵ 1.00

TABLE IV.—CONSERVATION STRATEGY—Continued

	Million barrels of oil equivalent per day		
	1975	1980	1985
Transportation—Continued			
Automobile—Continued			
4. Price disincentives:			
Congressional program (gasoline tax).....	0.13	0.25	0.30
Administration program (excise tax).....	⁵ 3.30	⁵ 4.42	⁵ 4.44
5. Research on urban car.....	(6)	(6)	(6)
Subtotal:			
Congressional program.....	.33	2.23	3.81
Administration program.....	.45	1.38	1.95
Public transportation: Upgrade mass transit systems followed by government programs to discourage inefficient use of automobiles: ²			
Congressional program.....	.13	.42	.58
Administration program.....	(7)	(7)	(7)
Subtotal:			
Congressional program.....	.13	.42	.58
Administration program.....	(7)	(7)	(7)
Total, transportation sector:			
Congressional program.....	.86	3.39	4.58
Administration program.....	.90	2.82	3.39
Industrial sector:			
1. Encourage voluntary conservation and energy audits:			
Congressional program.....	1.17	(8)	(8)
Administration program.....	1.17	(8)	(8)
2. Investment incentives:			
Congressional program.....		1.47	1.90
Administration program.....		.47	.90
3. Mandatory energy conservation programs, including efficiency standards:			
Congressional program (adjusted to reflect item 2).....		² 1.00	² 2.75
Administration program.....		(7)	(7)
4. Price disincentives (fuel and excise taxes):			
Congressional program.....	(7)	(7)	(7)
Administration program.....	⁵ 2.25	⁵ 3.36	⁵ 3.37
Total, industrial sector:			
Congressional program.....	.17	1.47	3.65
Administration program.....	.42	.83	1.27
Residential-commercial sector:			
1. Encourage voluntary energy conservation:			
Residential.....	1.06	² 1.14	² 1.19
Commercial.....	1.28	² 5.00	² 7.00
Subtotal.....	.34	.64	.89
2. Insulation tax credit:			
Congressional program (commercial).....	0	1.08	1.10
Administration program.....	0	⁴ 1.18	⁵ 3.30

TABLE IV.—CONSERVATION STRATEGY—Continued

	Million barrels of oil equivalent per day		
	1975	1980	1985
Residential-commercial—Continued			
3. Promote 10-year program to upgrade 40 million residences:			
Congressional program.....	0.08	0.38	² 0.57
Administration program.....	(⁷)	(⁷)	(⁷)
4. Building code revisions.....		4.17	⁵ .30
5. Appliance efficiency standards and labeling:			
Congressional program (mandatory).....	0	2.09	2.22
Administration program (voluntary).....	0	4.04	⁵ .10
6. Price disincentives:			
Congressional program.....	(⁷)	(⁷)	(⁷)
Administration program ⁵.....	.23	.32	.33
Total, commercial-residential sector:			
Congressional program.....	.42	1.36	2.08
Administration program.....	.57	1.35	1.92
Utility sector:			
1. Utility rate redesign:			
Congressional program ²	4.25	4.50	1.00
Administration program ⁵	4.02	4.05	.05
2. Investment tax credit.....	(⁹)	(⁹)	(⁹)
3. Price disincentives:			
Congressional program.....	(⁷)	(⁷)	(⁷)
Administration program ⁵.....	.12	.17	.17
Total, utility sector:			
Congressional program.....	.25	.50	1.00
Administration program.....	.14	.22	.22

¹ Comprehensive energy plan, Federal Energy Administration, December 1975.
² Project independence report, Federal Energy Administration, November 1975.
³ Department of Transportation.
⁴ Estimated.
⁵ The President's 1975 state of the Union message including economy and energy, Jan. 15, 1975.
⁶ No immediate benefit.
⁷ No comparable proposal.
⁸ See item 3.
⁹ No direct conservation.

TABLE V.—OIL STRATEGIES

	Million barrels of oil equivalent per day			
	1975	1977	1980	1985
Energy supply strategy—oil:				
1. Accelerate Outer Continental Shelf development.....			¹ 0.500	² 1.500
2. Assure maximum efficient rate of production from existing wells and promote secondary and tertiary recovery.....	0.100	0.100	.050	0
3. Promote commercial production of synthetic fuels.....	0	0	.100	.500
Total.....	.100	.100	.650	2.000
Strategic reserve strategy—Oil:				
1. Production of Elk Hills.....	² 2.200	² 3.300		
2. Development of Naval Petroleum Reserve No. 4.....	0	0	0	² 2.000
3. Emergency storage.....	0	0	¹ 1.000	² 3.000
Total.....	.200	.300	1.000	³ 3.000

¹ Estimate.
² The President's 1975 state of the Union message including economy and energy, Jan. 15, 1975.
³ Assume that production from NPR-4 (item 2) is used to build up emergency storage.

TABLE VI.—COAL STRATEGIES

	Million barrels of oil equivalent per day			
	1975	1977	1980	1985
Energy supply strategy—Coal:				
1. Promote the development of new coal supplies:				
Production goals	7.50		10.08	15.00
(Million tons per day)	(1.9)		(2.52)	(3.81)
(Million tons per year)	(685)		(920)	(1,370)
Current projections ¹	8.52		9.80	12.04
(Million tons per day)	(2.13)		(2.45)	(3.00)
(Million tons per year)	(755)		(895)	(1,100)
Increases over current projections . . . . .			.28	2.96
(Million tons per day)			(.07)	(.80)
(Million tons per year)			(25)	(270)
2. Promote substitution of coal for oil and natural gas:				
Conversion of utilities with capability to use coal ² . . . . .	.100	.300	.400	.400
Conversion of existing utilities without capability to use coal and new utilities now in planning stage or under construction which plan to use natural gas or oil	0	0	³ .280	¹ .500
Conversion of industrial facilities	⁴ .075	³ .100	³ .300	¹ .500
Total . . . . .	.175	.400	.980	1.400

¹ Project Independence Report, Federal Energy Administration, November 1975.
² The President's 1975 state of the Union message including economy and energy, Jan. 15, 1975.
³ Estimate.
⁴ Comprehensive Energy Plan, Federal Energy Administration, December 1975.

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THE WHITE HOUSE
WASHINGTON

From: Robert T. Hartmann

To: _____

Date: _____

Time _____

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Energy Statement

not ready until

Sat

Preparing for

[May 1975?]

ENERGY SPEECH

In 195², a Presidential Commission was created to undertake a comprehensive assessment of our future material and energy requirements. The Commission said that unless action was taken to stimulate domestic production we would face severe fuel shortages within 20 years. That warning went unheeded, and now oil and natural gas shortages are not prophecies but realities.

This country has not had a comprehensive energy policy for 20 years and the results of this neglect are clear for everyone to see.

- Coal production is still below the levels of the 1940's.
- Oil production has been declining each year since 1970.
- Natural gas production is also starting to dwindle.
- Nuclear power remains plagued by delays and technical problems.
- The growth of our energy demand, while slowed by the recent economic downturn, will resume its rapid growth later this year.

The results of these energy trends threaten our everyday lives and economic well-being.

- The Nation is dependent on other nations for about 37% of its petroleum imports.

- This level of dependence threatens our flexibility in foreign policy and makes us vulnerable to the economic consequences of further embargoes or new precipitate price rises.
- We pay \$25 billion a year for our oil imports. This outflow of our national wealth is up sharply from only \$3 billion in 1970. It is not just dollars, it is jobs.

On January 15, 1975, I proposed a comprehensive energy program to achieve U.S. energy independence by 1985 and to stem the increase in imports which are likely to occur in the next few years. The 167 page legislation I submitted to the Congress comprised 13 major programs as well as separate tax proposals to increase domestic supply, cut energy demand and provide effective standby emergency measures.

If such a program is not implemented the consequences could be dire indeed:

- In just 2-1/2 years our imports could grow to about 8.0 million barrels per day and we would be twice as vulnerable to an embargo.
- By 1985, we would be importing over one-half of our petroleum or over 12 million barrels per day.

No program can reverse these trends without requiring considerable dedication and sacrifice by all Americans -- and my program is no exception. But the costs of taking no action are far worse than those of implementing a comprehensive national energy policy.

Because this country could not afford to wait, I also moved administratively to impose fees on imported oil and proposed decontrolling oil prices to cut energy demand immediately and provide a strong, and needed stimulus to increased domestic production.

Four and one-half months have elapsed since I proposed this program and not one piece of legislation has reached my desk. Twice during this period I granted delays, first of 60 days and then 30 days, in my administrative actions to give Congress more time to develop and enact a meaningful program.

Unfortunately, legislation has not been forthcoming and the only actions taken have been either counter-productive or attempted to restrict my administrative authority to move decisively. Further, much of the legislation now in the committees has serious flaws and will not accomplish the goals I have set forth.

In light of this inaction, I was forced to evaluate very carefully what additional actions I should take administratively and the wisdom of signing into law H.R. 25, the Surface Mining Control and Reclamation Act of 1975. Let me discuss the surface mining legislation first.

We can develop our energy sources while protecting our environment. But this bill does not do that. I have supported responsible action to control surface mining and to reclaim damaged land. My comprehensive national energy program submitted earlier this year included a tough but balanced surface mining bill. However, I am unable to sign the bill passed by Congress because:

- Added unemployment as mines were forced to close, when unemployment already is too high.
- Consumers would pay higher costs -- particularly for electric bills -- when consumer costs are already too high.
- The Nation would be more dependent on foreign oil -- when we are already overly dependent, dangerously vulnerable, and without a Congressionally enacted comprehensive energy program.
- Coal production would be unnecessarily reduced by between 40 and 162 million tons -- when this vital domestic energy resource is needed more than ever.

As the one abundant energy source over which the United States has total control, coal is critical to the achievement of American energy independence. In the face of our deteriorating energy situation, we must not arbitrarily place restrictions on the development of this energy resource. The reduction in coal production would mean that the United States will be forced to import more foreign oil. At a time when our dependence on Mid East oil is expected to double in just 2-1/2 years, I believe it would be unwise to further increase this dependency by signing into law H.R. 25. This kind of setback in coal production would cause our dependence on Mid-East oil to triple by 1977, and our payments for foreign oil could grow by \$7 billion.

While I cannot sign counter-productive legislation into law, I also cannot sit by and watch our energy situation continue to deteriorate. Unfortunately, I only have limited administrative powers available, but I am committed to using them to the fullest. Therefore:

- Effective June 1, I am imposing additional fees of \$1 per barrel on crude oil imports and \$.60 per barrel on petroleum product imports.
- Per my directions, the FEA has completed administrative hearings on decontrolling old oil. In the next few weeks I will be deciding on the final form of the decontrol plan I will submit to the Congress. I urge the Congress to immediately enact a windfall profits tax so that producers do not reap inequitable gains from implementation of this program.

These steps will help cut our vulnerability, but they are simply not enough. The Congress must legislate a comprehensive program.

- The natural gas shortage which will be very serious next winter cannot be minimized without responsible congressional action.

- One of our most promising new sources of oil may be the Naval Petroleum Reserves, but legislation is needed to explore and product them rapidly.
- Greatly increased coal production will not be possible without realistic modifications to the Clean Air Act.
- Energy Conservation will not become a reality without strong legislation, rhetoric is not enough.

*160,000 m
300,000 bbl/day
in 2 years
2 million bbl/day
by 1985*

- The serious financial problems in the utility industry will not be solved without strong legislation on rates and siting.
- Our ability to deal with a new embargo will take new standby emergency legislation and the establishment of a strategic reserve.

There is no rational reason why Congress has not acted on these measures since I proposed them over four months ago. Had we started four months earlier we would be that much farther down the road to energy independence. I have worked diligently with the Congress to get a program, but have been unsuccessful. Your Senators and Congressmen are home in your districts now and I ask you to urge them to assign top priority to voting a tough and comprehensive energy program. If it will get the job done, I will sign it into law.

KEY ENERGY DATES

January 15 State of the Union energy proposals, asks for Congressional action within 90 days.

January 23 President signs Proclamation #4341 imposing first dollar import fee as of February 1 (and setting schedule for later fees).

February 1 \$1 import fee on crude oil takes effect.

February 28 Meeting with Congressional leadership who request more time to enact a program.

March 4 President vetoes H.R. 1767 which would delay all fees for 90 days and President announces 60 day delay of 2nd and 3rd dollars of fee (Proclamation #4355).

April 30 President announces further 30 day delay in fees and directs FEA to begin decontrol hearings (Proclamation #4370).

May 7 Congress passes strip mine bill, H.R. 25.

May 20 President vetoes H.R. 25.

ERIC ZAUSNER

Home 893-2362

[May 1975?]

Bill Sudman)

Excellent.

Give to Hartmann

(copy).

It might be useful
to summarize or refer



I can not do more myself. But I ask the Congress on a non-partisan basis to give special attention to the electrical utility building problem. One of the most urgently needed actions in the nergy field is to revive the building of coal and nuclear electrical ~~utility~~^{power} plants. Over 100 plants under construction have either been delayed or cancelled. My comprehensive energy plan contained provisions to help with this problem -- but they have not been enacted. Now, my Labor-Management Committee has unanimously recommended a somewhat similar plan to help the industry resume building plants again. The program calls for special tax incentives and a restructuring of regulatory provisions. The enactment of this program will prevent brownouts and save oil in the future, and it will provide new jobs today. I ask the Congress to give priority attention to passing this special program as one package -- a non-partisan effort to meet a critical need.

THE WHITE HOUSE
WASHINGTON

May 24, 1975

MR7

MEMORANDUM TO THE PRESIDENT

FROM L. William Seidman *fwS*

SUBJECT Your Labor-Management Committee Plan for
Utilities.

Attached is the plan which has now been approved by both sides of the Committee. It has been given to Frank Zarb, who approves of the general approach. The Committee will be asking for your endorsement of the plan.

You may want to consider this in connection with your proposed energy speech to be given before you leave for Europe.

Attachment

cc: Secretary Simon
Director Lynn
Chairman Greenspan
Administrator Zarb



Electric Utilities

At the end of 1974, it is estimated that electric utilities had deferred or cancelled the construction of 106 nuclear plants (114,000 megawatts) and 129 coal-fired plants (74,413 megawatts). This extensive postponement in construction schedules of coal and nuclear power plants that are needed to meet the nation's energy demands for 1980 and 1985 seriously jeopardizes our national objective of lesser dependence on imported oil. It also threatens continued economic growth, promises to restrain essential job creation and inhibits measures to reduce unemployment. Since electric utilities require a number of years to get new plants on stream, the current slippage of schedules and cancellation of new facilities may be expected to result in future energy shortages and serious restrictions to economic expansion. It is imperative that there be substantial restoration of construction of electric utilities at once. Special measures are needed to shorten significantly the very long lead time which now exists between the design of a project and its completion.

The President's Labor-Management Committee recommends a number of administrative and legislative measures to get this basic and strategic sector of the economy moving.

Special Legislative Proposals

1. The President's Labor-Management Committee earlier recommended that the investment tax credit for utilities be increased from 4 percent to 12 percent a year. The Congress increased the investment tax credit to 10 percent for a two-year period. The Committee still believes the 12 percent figure is appropriate and, in the case of electric utilities, this credit should be extended indefinitely and apply to construction work in progress to stimulate this vital sector which promises to present capacity problems for many years. This proposal is designed to stimulate non-oil and non-gas facilities.

2. In view of the length of time required to complete the construction of electric utility installations, the Federal government should permit depreciation for tax purposes on construction expenditures as made, provided such costs are included in the rate base.

3. The five-year, fast write-off of pollution control facilities should be extended by legislation beyond its present expiration date of December 31, 1975. The fast write-off of pollution control facilities reduces the financing costs of the construction of electric utility units. Fuel conversion costs should receive the same treatment.

4. The Nuclear-Indemnity Coverage law (Price-Anderson Act) should be extended.

5. The urgent need for equity capital in the electric utility industry should be met by a legislative provision that dividends which are reinvested in new issue common stock of the company have tax deferred.

The Committee recommends that the above legislative proposals be incorporated in a single piece of legislation in view of the special need for greater electric utility capacity and the long lead time required to complete plants and get them in operation.

Administrative Action

The Federal government should establish a small task force of experts, with assistance drawn from labor and management with experience in the field of utility construction, to serve as troubleshooters, to discover the impediments to the completion of electric utility plants and to take steps to relieve the particular situation wherever possible. The difficulties will vary from case to case; the problems may include unreasonable environmental restrictions and delays in processing papers, financing, regulatory delay, collective bargaining disputes, production delays in component parts, scheduling of manufactured components, design issues, etc. This task force can expedite the completion of electric utility plants and getting power on stream.

Immediate Improvement in the Policies and Actions
Regarding the Usage of Coal and Nuclear Energy

1. Coal

- a. Make a major effort toward increasing the domestic production use of coal to generate power, including the development of economic means of moving either western low-sulphur coal, or the generated power, to the required market areas.
- b. A timetable should be considered for the conversion of oil/gas fueled power plants to coal.
- c. The government should reduce the uncertainties on coal usage by encouraging the development of technology to minimize pollution and environmental concerns regarding coal mining and coal use and by reducing the economic uncertainties in the mining and use of coal. This should encourage increased long-term investment in mining which in turn should stimulate employment.

2. Nuclear Energy

- a. The nation should make every effort to capitalize on the benefits of two decades and billions of dollars of public and private efforts in nuclear power development. While the initial investment costs for nuclear energy are high, it offers the cheapest form of electricity in the long run. Every effort must be made so that the percentage of electric power generation derived from

nuclear sources by 1980/1985 is greatly increased from current levels. It is estimated that 10 to 15 million construction labor hours are required for each nuclear unit installed.

- b. Specific government action is required in the following areas:
- Promote the public acceptance of nuclear power.
 - Resolve the uncertainties regarding the nuclear fuel cycle, e.g., long-term nuclear waste disposal, plutonium usage, spent fuel storage and reprocessing.
 - Streamline the nuclear regulatory licensing process to reduce the lead time for getting plants into production. The current lead time is about 8 to 10 years.

Review and Articulate the National Energy
Interest with State Regulatory Agencies

- a. The Federal government needs to find an appropriate and realistic approach to get the national energy issues and interests before state regulatory agencies when they have their hearings on utility needs.
- b. We must provide for prompt and reasonable action on rate applications.
- c. New and innovative rate schemes, such as peak load pricing and rates designed to foster conservation, should be thoroughly studied and evaluated to determine the true impact on the various

sectors of the economy.

Environmental Considerations

Stretch out, as necessary, present environmental restrictions on energy production and use to reduce energy consumption and facilitate expansion of domestic energy output. This is basically a matter of timetables, not of objectives. The advance of technology and development of clean energy sources can permit realization of environmental objectives.



Investment Counsel

One Boston Place, Boston, Massachusetts 02108 | 617 723-7540

Weekly Staff Letter

Editor: David T. Wendell

Thursday, October 9, 1975

HARDLY ANYONE REALLY HEARD THE PRESIDENT

On Monday night, President Ford gave what we consider to be the most significant economic speech of the 1970's. He told his TV and radio audience some plain, unvarnished truths -- that inflation stems from the government's "horrendous spending growth", that the politics behind this spending has become a "shell game" and that, as a result, "much of America's vitality and prosperity have been drained away".

"Anyone who has followed the upward leap in federal spending", the President said, "can only shake his head in astonishment". These outlays reached \$100 billion in 1962, \$200 billion in 1971, \$300 billion in 1975 and are on a course that will top \$400 billion within two years. At this rate of increase, by 1990 Washington will be spending \$1.5 trillion -- an amount equal to the present Gross National Product. In regard to the long-term consequences, the President bluntly stated:

"Down the road we have been traveling...lies the wreckage of many great nations of the past."

Unfortunately, most Americans did not see or hear the speech, partly because two of the three major networks -- CBS and NBC -- refused to carry it. The subsequent "analyses" by the media have focused all the attention on the President's specific proposals for this and the coming fiscal year. They have ignored his urgent call for re-dressing national policy and curbing the *long-term* rate of growth in government spending.

As a result, those who missed the speech are under the impression that it dealt with "hum-drum" budget matters or was merely a partisan shot -- "a political chimera", one influential newspaper editorialized; "preposterous" exclaimed the Chairman of the House Ways and Means Committee.

For two decades before inflation broke loose in the late 1960's, these Letters have been calling attention to its causes and the certainty that it will continue unless public thinking and government policies are changed. Throughout this long period, most politicians, economics professors and editorial writers have blamed the rising rate of inflation on one fleeting event after another. Yet each new wave comes up higher -- and stays up higher -- on the beach.

As we round the bottom of the deepest recession in four decades, inflation is still surging ahead at an 8-9% annual rate. Last Monday night was the first time in all these years that a president

has told the American people the simple truth about inflation and what must be done to stop it.

Since inflation is the nation's overriding problem, we are re-printing the President's remarks this week. Because of space limitations, we have slightly condensed the text (a full copy is available on request).

In reproducing these comments, we have no intention of entering the political arena. With the nation's long-term survival at stake, we believe the basic issue transcends any partisan boundaries. Whether one is a liberal or a conservative, a Republican or a Democrat, an independent or something else, he ought to at least read what Mr. Ford said:

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I have asked for this opportunity to talk with you tonight because it is important that all of us begin facing up to a fundamental decision about our nation's future. For several years, America has been approaching a crossroads in our history. Today we are there.

To put it simply, we must decide whether we shall continue in the direction of recent years -- the path toward bigger government, higher taxes, and higher inflation -- or whether we shall now take a new direction -- bringing a halt to the momentous growth of government, restoring our prosperity, and allowing each of you a greater voice in your own future.

Tonight I will set forth two proposals that, taken together, as they must be, represent the answer I believe we must choose. First, I propose that we make a substantial and permanent reduction in our federal taxes; and, second, I propose that we make a substantial reduction in the growth of federal spending.

Let me emphasize at the outset that these proposals must be tied together in one package. It would be dangerous and irresponsible to adopt one without the other ... Together, they represent one central and fundamental decision: that America belongs to you, the people, and not to the government.

Each of you knows from experience about your economic problems of recent months ... Fortunately, there are encouraging signs that we have weathered the worst of this economic storm ...

Yet we should not be deceived. All of us must recognize that just beneath the surface there are still deep-seated problems in our economy -- problems that have been building up over the years and will not quickly or easily disappear. We must attack the underlying causes of our economic problems. We must find answers that serve us not only this year but for years to come.

The President and the Congress working together have the power to help. I know that, because in Washington much of America's vitality and prosperity have been drained away. It is here that one big spending program after another has been piled on the federal pyramid, taking a larger share of your personal income and creating record budget deficits and inflation. Here a massive, often overzealous bureaucracy has been created that has become too involved in trying to run too much of your daily life.