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N E W S   C O N F E R E N C E   #275

AT THE WHITE HOUSE

WITH RON NESSEN

AT 12:45 P.M. EDT

JULY 19, 1975

SATURDAY

MR. NESSEN: The President met with his energy advisers this morning to go over various decontrol proposals and how legislation stands in Congress. The situation is somewhat fluid, and it is not clear how it is all going to turn out, but there were several decisions made.

Number one, the President will veto on Monday H.R. 4035, which, to recall it for you, is the bill which would extend the authority of the President to control oil prices, but would roll back the price of new oil to $11.30 a barrel.

Q Ron, what is that number?

MR. NESSEN: H.R. 4035.

Q Would you start again?

MR. NESSEN: This would extend the President's authority to control oil prices for six months, but it would reduce, put a ceiling on the price of new oil at about $11.30 a barrel and, of course, it would leave the price of old oil controlled at $5.25 a barrel.

It would also increase the Congressional review period for Presidential decontrol plans from five days to 20 days.

The President believes strongly that this piece of legislation is unacceptable.

Q It would reduce the new oil price to $11.30 a barrel?

MR. NESSEN: Right.

Q From?

MR. NESSEN: It is now roughly $13.

Q $13 or $13.50?

MR. NESSEN: About $13. Congress now has five days in which to disapprove the Presidential administrative decontrol plan, and this piece of legislation would give Congress between 20 days instead of five.

The President strongly believes that this legislation is unacceptable. The primary reason he feels it is unacceptable is that it would actually increase oil imports by 350,000 barrels a day.

Q Would it increase?

MR. NESSEN: Let me put it this way: Rather than increase, the result of it would be that we would be importing 350,000 barrels a day more under this plan than we would under the President's 30-month decontrol phased reasonable compromise plan.

It just goes in the wrong direction. It just simply increases our dependence on foreign oil producers and just gives them continued power to control oil both in the supply and in the price.

The President will veto it on Monday, and that was decided.

Q It is here now, isn't it? It has arrived?

MR. NESSEN: Yes.

Q You don't usually announce you are going to veto something before it gets here, right?

MR. NESSEN: Right.

Q Were the advisers unanimous in recommending this veto?

MR. NESSEN: Oh, absolutely. It passed the House July 5, the Senate July 11. The Senate approved the conference report July 16. The House approved the conference report July 17 and it is here. That is one decision.

Decision number two is, as you know, the five days that Congress has in which to disapprove of the President's 30-month compromise decontrol plan runs out on Tuesday, and so the vote is expected --

Q Wednesday, isn't it?

MR. NESSEN: Wednesday, but the vote is expected to be on Tuesday. The President believes the Congress should allow this to go into effect, and his Congressional liaison, advisers, were not able to give him any kind of head count on how it will turn out, except that he believes Congress should let it go into effect.

Q What was the decision?

MR. NESSEN: There was no decision except to push for it.

Q If they could not give him a head count, could they tell him which way it was going?

MR. NESSEN: They gave him no firm estimate of how it was going to go.

Q Are they really uncertain as to whether --

MR. NESSEN: I would say realistically speaking, unless some minds are changed before Tuesday, which he hoped they would be, the outlook is not good.

The third decision made today is that if one or the other or both chambers of Congress block this reasonable compromise phase-out of controls on Tuesday, the next step, as we see it, coming along the pike would be for Congress to pass a simple six-month extension of the present controls.

Q That was passed by the Senate, wasn't it?

MR. NESSEN: It is not up here yet. But that is the track they would move on. Let me go back. There seems to be no doubt that the President can sustain his veto of the 40-35. He would hope they approve his phased decontrol.

If not, and if they send a simple six-month extension up here, as expected -- if they send a simple six-month extension after having rejected his phased decontrol, he will veto a simple six-month extension.

Q He will veto the extension?

MR. NESSEN: Right.

Q You are not going to play chicken, then?

MR. NESSEN: No, it is the new open, honest policy.

Q Is this the cooperation and conciliation and everything that the President talked about when he first came into office? It seems both sides have advanced a policy, and neither one got its due. Why not just pass the six-month extension and continue to work on it?

MR. NESSEN: It is unacceptable to put this problem off for six months. The problem has been with us for a long time. The President is the first President who has tried to get some action that would relieve us of being held hostage to the foreign oil producers.

Congress has got to come to grips with this problem. They have had it since January 15. This is the middle of July, near the end of July. To put it off for another six months is not acceptable to the President.

It simply puts off and continues our dependency on the Arabs and the other foreign oil producers.

The conciliation problem -- the President originally, as you know, proposed a decontrol period in January. In keeping with his desire for conciliation and compromise, he has offered in compromise a reasonable compromise to phase in decontrol over 30 months instead of his original proposal to end it all at once. That is a compromise.

Q He is actually going to have it ended all at once?

MR. NESSEN: There is still some time left for the Congress to go along.

Q But in this scenario, if Congress doesn't do what he wants --

MR. NESSEN: What I am about to say is, if these three steps come off as anticipated, then there would be a time for Congress to reconsider and do it in a reasonable compromise.

Q Between now and the 31st?

MR. NESSEN: They go out on another vacation on the 1st of August. They will need to finish this before they go away.

Q On this, is the President willing to let all the price controls come off old oil on August 31?

MR. NESSEN: It seems to me you have to look at it as a set of priorities or favored courses of action. One would be to have his reasonable compromise. Phased decontrol would be his first choice. His last choice would be to do nothing. His middle choice would be to accept, if Congress insists on not coming to grips with this issue, letting the control go off August 31.

Q But he is willing to live with them coming off all at once if the compromises don't work?

MR. NESSEN: As a second choice. His first choice is the compromise.

Q Would the controls automatically come off immediately?

MR. NESSEN: Correct.

Q Does that mean, Ron, the price of old oil, both foreign and domestic, seeks its own level?

MR. NESSEN: That is my understanding.

Q So that if for instance the foreign countries decide in the fall to raise the price to say $15 a barrel, domestic oil would probably follow that; in other words, $13 is no ceiling?

MR. NESSEN: The President would hope that the OPEC countries would not do that, as he said before, but if Congress won't come to grips with this problem in a reasonable way, that is what it is going to give to the country.

Q What is the price of gasoline estimated to be after this series of actions go through, or does not; that is, if controls are lifted, where do you estimate the gasoline prices will go?

MR. NESSEN: I have not heard an updated figure on that, Bob.

Q The old figure was 7 cents a gallon after a period of 30 months.

MR. NESSEN: The 7 cents is the estimate of the total effect. The estimate is if the President's compromise reasonable decontrol plan goes into effect, phased over 30 months, it will be 1 cent the first year, 3 cents the second year and 3 more cents by the end of the 30 months.

Q That would bring it up to the $13 a barrel, the cost of imported oil at the present time, and presumably the cost of domestic oil would immediately rise to that level if the President vetoes the extension, and that means then that 7 cents a gallon would be the almost immediate result.

MR. NESSEN: I think, Bob, you need to step back and look at the President's overall plan. As I said the other day, his plan seems to be moving along in a piecemeal manner, but some of the key elements of it Congress will not come to grips with.

Obviously, if you are going to have decontrol, you have to have a windfall profits tax. Congress needs to pass a windfall profits tax. The President wants to take $2 a barrel away from the oil companies right now in the form of an excise tax on domestic oil, and Congress won't do that. Congress is up there saying the President is in league with the oil companies when Congress is giving the oil companies $2 more than the President wants them to have right now.

The third point is the people who are paying higher prices at the gas pumps ought to start raising hell with Congress because the President has proposed a tax revision that would give this money back to the people who are paying the higher prices and give it back to the lower income people -- in fact, give more back to the lower income people -- than they are paying for higher fuel costs.

Congress won't do that. So, who is in league with the oil companies?

Q Ron, I was simply trying to go through the mathematical problem of what gas will cost.

MR. NESSEN: I cannot translate for you into cents per gallon at the pump the effect of immediate decontrol. I don't have that figure.

Q If your scenario goes through, as you spelled it out here, and considering that President Ford would probably take the heat or the blame if the oil prices jumped all at once --

MR. NESSEN: Certainly not. I would say you have got that totally backwards. Congress will be home in August and people will say, "Why in the hell didn't you pass the phased decontrol so all of our prices would not jump at once, like the President proposed?"

Q Why didn't the President sign the simple extension?

MR. NESSEN: As the President has said himself, the people are ahead of Congress on this issue. The President believes that the people do not want to be held hostage by the foreign oil producers, and he believes that the people are aware that Congress won't make the hard decisions on this, as he has done.

Q If the scenario plays out and the price controls come off the end of August --

MR. NESSEN: Because of Congress' failure to approved a phased --

Q -- does the President have any realistic expectation that maybe some compromise could be worked out before Congress goes out?

MR. NESSEN: There is a compromise now which they are going to vote on Tuesday.

Q Right, but if they reject that and if he vetoes a simple extension, does he have any realistic expectation that something could still be worked out before Congress goes on vacation?

MR. NESSEN: He would certainly hope so.

Q But does he have any real expectation that there would be?

MR. NESSEN: I think when Congress realizes the results of its inaction, he would think they would want to do this in a responsible way.

Q So, he does have some indication from Max Friedersdorf's office that there could be some --

MR. NESSEN: He has got a phased compromise up there now. If Congress wants to compromise, all they have to do on Tuesday is vote to approve it, or not to disapprove it.

You have the statement on CSCE, which I am going to read for the microphone. The President has gone to play golf, and as far as I am concerned, there is a lid for the day.

END (AT 12:58 P.M. EDT)