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THE WHITE HOUSE

WASHINGTON

January 22, 1975

MEETING WITH NORTHEASTERN GOVERNORS

Thursday, January 23, 1975

2:30 P.M. (45 minutes)

The Cabinet Room

From: Ken Cole

I. PURPOSE

You are holding this meeting in response to a request of the Governors of the Northeastern states because of their concerns about some aspects of your energy and economic proposals.

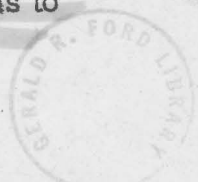
The purpose of the meeting is to give them an opportunity to be heard and for the Administration to explain aspects of the program that may have been misunderstood and to try to neutralize their opposition to your program.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background

This particular group of Governors has been most vocal in its opposition, particularly to the energy proposals and are making a strong effort to organize their Congressional delegations.

It is fair to say that the Governors of both parties share your Economic and Energy goals. The Northeast controversy is almost entirely over those aspects of the energy program which will raise the price of imported crude oil and petroleum products. There are some in this group that have announced their intentions to file suit in an effort to block the imposition of import fees.



While no decisions are expected at this meeting, you may wish to ask the group to continue the dialogue begun at this meeting with Frank Zarb and the FEA experts. The group could continue to meet with all of the Governors present or some lesser number designated by the members for a complete sharing of our full information and data with them which has led us to conclude that our plan is in the best interest of the entire nation.

In conclusion, you could recommend the further follow up steps set forth in the attached talking points which set forth action that the Governors could undertake in each of their states.

Note: FEA has prepared a complete briefing book for each of the participating Governors which focuses on the Northeast.

B. Participants

See Tab A.

C. Press Plan

Press photo opportunity at the beginning of the meeting. Frank Zarb will brief the press corps at the conclusion of the energy events this afternoon.

III. TALKING POINTS

See Tab B.

IV. FURTHER BACKGROUND

We have just learned that Governor Carey has proposed a resolution to this group which would seek your delay for 90 days in the imposition of import fees. (8 Governors voted Yes - Governor Thomson and Governor Longley voted No).

The views expressed by some of these Governors in their letters to you and/or statements are set forth as Tab C.

## PARTICIPANTS

### Governors

Honorable Brendan T. Byrne (D) , New Jersey  
Honorable Hugh L. Carey (D) , New York  
Honorable Michael S. Dukakis (D) , Massachusetts  
Honorable Ella Grasso (D) , Connecticut  
Honorable James B. Longley (I) , Maine  
Honorable Philip Noel (D) , Rhode Island  
Honorable Thomas P. Salmon (D) , Vermont  
Honorable Milton J. Shapp (D) , Pennsylvania  
Honorable Meldrim Thomson, Jr. (R) , New Hampshire  
Honorable Sherman W. Tribbitt (D) , Delaware

### Administration

Counsellor Jack Marsh  
Donald Rumsfeld  
William Seidman  
Frank Zarb  
Jim Cavanaugh  
Jim Falk  
Michael Duval  
Eric Zausner

### III. TALKING POINTS

Welcoming remarks and appreciation for Governor Carey arranging this meeting.

I have decided to Administratively impose a gradual increase in imported crude oil. I know you oppose this action.

I cannot delay. My responsibility to prevent the serious impact on our national security and the very existence of our freedom and leadership in the world because of the current energy situation, requires that I take action.

From a decade ago when we were a net exporter of oil, we now are dependent on foreign sources for 38 percent of our needs. If we continue in the direction that the country is now on, we will be importing 25 percent more oil by 1977 and we will be dependent on foreign sources for more than half of our oil by 1985.

Furthermore, this is draining our national wealth, and thus it is impacting adversely on our economy and our unemployment. In 1970 we paid less than \$3 billion for our oil imports, but, because of the quadrupling of the cartel price of oil, we are now paying almost \$25 billion a year. By continuing on our current course, this will go to \$32 billion in 1977.

This country is thus moving at a very rapid pace towards increasing vulnerability and decreasing economic strength.

I cannot, in good conscience with both the Congress and the American people, exercise the power of this Office by sitting by and watching the Nation continue to talk about its energy crisis while it does nothing to change the direction which is so badly hurting our country. The American people will not long tolerate inaction or a President who does not use the powers available to him to prevent this increasing damage to the Nation.

I recognize that Administratively-imposed fees, while they will turn this country around and head us back in the right direction, are not the ultimate answer. Of course, Congress must quickly act on my proposals to insure that the increased revenues which the government will collect from energy taxes and fees, will be returned to consumers and businesses. My proposed energy tax cut is a critical component of my overall energy program.

° I understand the crushing impact of the energy crisis on the Northeast.

- You are dependent on petroleum products for 85% of your energy needs -- almost twice the national average. This means you must rely on high-cost foreign products for nearly one-half of your energy needs.

- Your weather requires New England families to use 60% more of this expensive fuel than average American families. This means that their costs are 28% higher. (\$1,250 per New England family per year compared to \$970 average U.S.)

° We have taken action to reduce your burden by trying to achieve equality among the different regions of the country to the extent we can. We have

- 1) the entitlements program which gives the Northeast greater access to a price controlled "old" oil; and
- 2) The proclamation I will sign contains substantial reduction in the fees on imported products -- which the Northeast relies on so heavily -- compared to the new fees on imported crude oil.

° There is much more we can and will do. We need your cooperation.

- In the near-term I have asked Frank Zarb to work with you and your representatives to develop solutions designed to assist the Northeast while not undercutting my national energy goals. For example, two areas which Frank will explore with you are:

- 1) Differential utility rates which favor low-income families and high charges for excessive use by those who can best afford to pay.

2) Methods to reduce increases in costs of residual and heating oil by encouraging a disproportionate increase in gasoline costs. This option, of course, could result in substantial hardship in areas of the country which are dependent on the automobile.

- In the long term:

There are still no refineries in New England and attempts to build refineries have been persistently thwarted.

OCS development off New England and the Mid-Atlantic is being resisted.

About 75% of planned nuclear plants have been cancelled or postponed in this area.

Powerplant coal conversions could save 70,000 barrels per day in 1975.

GOVERNOR BRENDAN T. BYRNE

Concerned over increasing natural gas curtailments. Has submitted budgetary, legislative programs in line with President's governmental austerity proposals.

"New Jersey already has crushing unemployment rate . . . economic situation in state is critical."

GOVERNOR HUGH CAREY

Supports President's austerity in government programs.

"imperative process of learning to live with its means. Now is the time . . . to bring government back into lines with (fiscal) reality . . ."

GOVERNOR MICHAEL S. DUKAKIS

Opposed to unilateral imposition of tariff on imported oil. Believes that Section 232 of Trade Expansion Act of 1962 is a dubious basis for imposition by President.

" . . . agree . . . nation must cut back its consumption of energy . . . but we cannot agree with the unfair and discriminatory program you are imposing on us.

GOVERNOR JAMES B. LONGLEY

Supports President's moratorium on spending.

. . . called for a one year spending moratorium here in Maine . . . pledge to you my support . . . in every instance where . . . best interest of country is at stake."

GOVERNOR ELLA GRASSO

Budgetary and legislative programs support President's austerity program in state government.

GOVERNOR PHILIP NOEL

An energy price disparity exists and will continue to exist that places an unfair burden on New England.



"New England's energy cost has substantially exceeded . . . national average . . . industrial production in New England declined 11.4% . . . national averaged 3.8% . . . Unemployment . . . 9.1% in Rhode Island (highest in nation) . . .

GOVERNOR MILTON SHAPP

Strongly opposes almost all of President's programs. Concerned over natural gas shortage.

" . . . infusion of added income into . . . economy via . . . income tax rebate . . . not as effective in stimulating new jobs . . . higher earning power that a more selective system of public investment programs in housing, transportation, resource development and education could achieve."

GOVERNOR MELDRIM THOMSON, JR.

Supports President's program to encourage refinery construction and outer continental shelf oil exploration.

"conscious of need for additional refinery capacity . . . want to promote the construction of an environmentally clear refinery in our state."

GOVERNOR SHERMAN W. TRIBBITT

Supported President's veto of Energy Transportation Safety Act

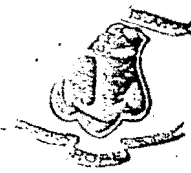
" . . . has been working hard to control needless budgetary growth . . . supporting austere capital improvement programs.

**THE WHITE HOUSE**  
WASHINGTON

January 23, 1975

In the senior staff meeting this morning, I mentioned a letter from Governor Noel of Rhode Island. His letter seems to summarize the attitude of these Northeast leaders, and how they view both the energy situation and the President's plan.

Jack Marsh



Philip W. Noel  
Governor

January 17, 1975

The President  
The White House  
Washington, D. C.

Dear Mr. President:

I would first like to offer my compliments to you for the courage and foresight that you have displayed in the development and announcement of your program to address our nation's severe economic and energy needs. Although I am not in total accord with your basic approach to the solution of these vexing problems, I share your sense of urgency, and I do feel that your overall program is both necessary and worthwhile. I would like very much to be able to give my total support to your effort. Unfortunately, I feel compelled to stand in total opposition.

I cannot support your effort because of the tremendous inequities inherent in the proposed energy program and the devastation that would result to the Northeast, and perhaps other states, should that program be implemented. My concern is not totally provincial for I can foresee serious long term consequences that will weaken our nation.

In your remarks on Thursday afternoon in the East Room you said, "I have been assured by my advisers that this program will not result in any regional discrimination." You further singled out Secretary Morton and Federal Energy Administrator Zarb as being the two persons responsible for the accomplishment of that goal within the total program. These were, indeed, encouraging words to long suffering New Englanders. Immediately after the meeting adjourned, in discussions with Mr. Zarb, I learned that what you really meant was, that there would be no further additional discrimination as a result of the new tax and tariff system. This revelation casts an entirely different light upon your remarks, and I predict a tremendous wave of discontent and opposition in the Northeast.

I was present at the White House when former President Nixon announced his program for "Project Independence 1980". I applauded the announcement of such a vital goal and pledged my full cooperation. I find that your target year of 1985 is more realistic, and once again I applaud this goal as being absolutely necessary to the continuing strength of our nation.

In my opinion, in order to achieve a national goal of such importance, the sacrifice and burden required to succeed must fall equally upon the shoulders of every American. I believe that every major goal that we have achieved as a nation, and there have been many, was achieved as a result of equal sacrifice and dedication on the part of all Americans. In formulating national energy policy and goals, the requirement for a shared burden becomes readily apparent. The program that you have announced does not meet that essential test of fairness and equity.

#### A VERY BRIEF ANALYSIS:

1. For many years New England's energy cost has substantially exceeded the national average. There are many documented reasons that led to this inequity and that kept that inequity in place for so long. In the absence of national energy policy there was no realistic way to address and resolve that problem. New Englanders suffered quietly over many years.
2. The disparate price that New England paid for energy quickly rose to intolerable levels as a result of oil price fluctuation attendant to the Arab embargo and subsequent pricing policies both here and abroad.
3. An example of this energy price disparity is evidenced by the following comparative cost of energy for utilities:

#### Per Million BTU's

New England -----	\$1.81
National Average -----	\$ .84
West North Central -----	\$ .44

The validity of these and other meaningful statistics as well as the cause of this great disparity is well documented in studies that we have had professionally prepared under my direction as the State Co-Chairman of the New England Regional Commission. We have presented these studies and data to members of President Nixon's staff, to members of your staff, to the staff of the New England

caucus, the National Governors' Conference and to many other interested parties.

Your assurance of no regional discrimination as further defined by members of your Cabinet is, therefore, totally unacceptable. In essence, your program will continue the fantastic energy price disparity that now exists and simply give assurance that the disparity will not become further distorted.

MR. PRESIDENT, THE SACRIFICE AND BURDEN REQUIRED TO IMPLEMENT THE CRITICAL GOAL OF ENERGY INDEPENDENCE WILL NOT FALL EVENLY ON THE SHOULDERS OF ALL AMERICANS.

The lack of parity in this program is more than adequate justification for total resistance from the Northeast. I would like to share with you some of my apprehension should we fail to attain energy price equalization.

1. The Northeast will not be able to retain its industrial productivity. In the six month period immediately following the oil embargo, industrial production in New England declined 11.4%, while the decline nationally averaged 3.8%. The pace of industrial out-migration will quicken once energy price distortion becomes accepted as part of our national energy policy.
2. Unemployment, now at 9.1% in Rhode Island (highest in the nation), will escalate rapidly.
3. The cost of heating fuel and electricity is now beyond the reach of some and will go beyond the reach of the average wage earner. The Rhode Island average factory wage is currently \$26.00 per week below the national average.
4. The Federal and State costs of supporting our social welfare systems will rise dramatically. New England states are prohibited by constitution from engaging in deficit financing and therefore state and local taxes will escalate significantly.

I would point out that the statistics for other New England states are comparable to those that I cite for Rhode Island. Rather than continue to list further foreseeable consequences, I would simply conclude by offering the observation that the people of New England are among the least able financially, to sustain further economic burden.

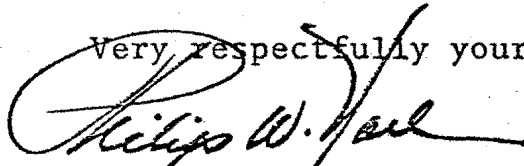
January 17, 1975

My concern for the future of the nation is based upon my opinion that such an energy policy will result in a shift of land use patterns. I have heard a lot about the free enterprise system in recent months. I believe in the free enterprise system, and I have knowledge as to how it works. Stated simply--industry will go where they have the best chance to make a buck. In a free enterprise system, we should not tell industry where to locate, but I submit that we should not have an energy pricing policy that will be an inducement for them to utilize our natural resources in the least efficient patterns.

Food production is one of our greatest concerns, and the Northeast is not well suited to contribute significantly to that need. The relocation of industry on the basis of energy costs could conceivably result in a reduction in our ability to maximize the use of our land resource. New England is best suited for industrial production.

In closing, I offer my assurance that I am willing to meet with members of your Administration at their convenience, if you, Mr. President, feel that there is some possibility to make this program more effective and more acceptable to New England. We have long been prepared for such a meeting and I appreciate the good will of the people in your Cabinet. However, our message has gone so long unanswered, that I believe your personal attention to these matters has become critical.

Very respectfully yours,



Philip W. Noel  
GOVERNOR

JANUARY 23, 1975

Office of the White House Press Secretary

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NOTICE TO THE PRESS

LEFT TO RIGHT

Meeting of the President with the Northeastern Governors

The President

Frank Zarb

Jim Falk

Mike Duval

Eric Zausner

Governor Tribbitt

Governor Salmon

Governor Noel

Governor Carey

Governor Thomson

Governor Longley

Governor Grasso

Governor Dukakis

Governor Sharp

Governor Byrne

Jack Marsh

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NE Coos - Jan 23, 1975

1977. \$38 in 1970, 32% in 1977

Pres = Foreign imports 38% now 50% in  
Intolerable by national security of independence.  
Ag to sign, but taken

Steps to solve "unique" problems  
of NE. (1) Allow more domestic oil,  
(2) Charge less on products. Will study others.

NE

- 1 Nuclear - must start building and stop canceling. 30% of energy by 1985.
- 2 OCS
- 3 Coal conversion
- 4 Refineries

"We will bend over backwards to help you"  
And staff will give all help they can.

Carry = Agree with goals. Disagree  
with timetable and methods.  
~~Pres~~

Pres - We looked at every possible  
option, and this was piled  
right. This was the  
best.  
We were at the threshold  
of a possible disaster.  
We've got to respond.  
Congress has not acted  
and we've just got to  
have some action.

Thompson A.H. - Disagree with your timetable  
Should be much faster. Doubt  
if we can survive another  
10 years under the present circumstances.

A

Impetus for Congressional action  
must come from strong Presidential  
action.

1/22/75



OFFICE OF THE WHITE HOUSE PRESS SECRETARY

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THE WHITE HOUSE

QUESTION AND ANSWER SESSION  
BY THE PRESIDENT  
FOLLOWING A MEETING  
WITH THE NORTHEASTERN GOVERNORS

WEST WING PORTICO

4:12 P.M. EST

THE PRESIDENT: As I am sure you know, the Governors from the New England and Northeast United States had a meeting with me. It was a very frank and free discussion of the proclamation which I just signed, a proclamation which in my honest judgment was necessary, not for the purpose of penalizing any State or any industry, but for the purpose of getting action in the solution of our critical energy problems.

The United States today is very vulnerable to foreign oil embargoes. We need a program that will make us invulnerable to the possibility of foreign oil embargoes or any other action. This is firm action by me.

I hope the Congress will move rapidly to enact a comprehensive energy program, an energy program that I think is fair, an energy program that will make us secure against any possible action by any foreign country.

So, if the Congress moves, either on my plan or their own comprehensive plan, moves forward, then the country, our Nation, can be much more secure, not only for the present but for the future.

QUESTION: Mr. President, many of these Governors say their States just cannot afford the higher prices of oil.

THE PRESIDENT: Under my plan, of course, the State will get a refund for any added energy cost, if the Congress acts. Under my energy production and conservation program, individuals and businesses will get refunds from the Federal Treasury for any added energy cost, so I have a plan that is equitable. It is a weight the Congressional action and I hope the Congress will move.

MORE

QUESTION: Mr. President, you spoke recently of compromise with Congress, not quibbling over details. When Congress asked you to delay your proclamation, you refused to delay it. Is that compromise?

THE PRESIDENT: The Congress is in session. The Congress has an opportunity to act on my program or produce their own, and if the Congress produces an equitable comprehensive plan, of course I will consider it, but the time for action is now.

We have diddled and dawdled long enough. We have to have an energy program in this country, and the only way I know to get it is to take the action that I took, which has, incidentally, produced more action within the last ten days on energy than I have seen in the last two or three years.

QUESTION: Do you think Congress is going to be fast in acting on this program?

THE PRESIDENT: All I can say is that Congress can act fast, and I hope they do.

QUESTION: Do you think you got the support of the Governors today, Mr. President?

THE PRESIDENT: I think I have their support in the need for action, and I hope that they will work with me in producing action because they can have -- and I am sure will have -- a very, very beneficial impact on the Congress because if my plan is enacted, individuals, State and local units of government and businesses will get refunds from the additional fees which will stimulate production of alternative sources and will make our country invulnerable to any foreign oil embargo.

QUESTION: Did the Governors indicate they would file suit, sir, to block your fees?

THE PRESIDENT: They did not indicate that to me.

QUESTION: Mr. President, are you at all concerned that the Governors do not seem to have been convinced when they left here?

THE PRESIDENT: There is an honest difference of opinion. I respect their views, and I trust they respect mine.

QUESTION: If this becomes a nationwide reaction, what hope is there for progress?

THE PRESIDENT: The Congress has the opportunity to act. The Congress is in session, and the Congress can act on my plan or if they have an alternative plan that is action, and equitable, then the Congress has carried out its function. But the Congress right now has the responsibility to act affirmatively.

QUESTION: The Governor of Maine says that you seem to be isolated and listening to just your own aides on this issue.

THE PRESIDENT: I looked at a number of volumes of alternative proposals, a number of options. I analyzed the various options, and after a thorough study and a great deal of consultation, I have put together a comprehensive plan.

Now, what we need as an alternative, if they don't like this, is something as comprehensive, as equitable, and I hope the Congress will take the initiative.

QUESTION: Mr. President, you indicated a willingness to compromise?

THE PRESIDENT: I have indicated a willingness to compromise, but the Congress has to act in order to have any compromise.

QUESTION: Mr. President, as you know, the Chairman of the Ways and Means Committee has said your tax proposals will be held up by your refusal to delay your proclamation today, because they will have to study that now. I take it that, now, energy conservation is your first priority over your tax proposals?

THE PRESIDENT: Not at all. I have indicated to the Chairman of the Committee on Ways and Means that I wanted the Congress to act, first, on the action required to stimulate the economy, and I hope that Congress follows that action.

QUESTION: Mr. President, the Governor of Massachusetts, the caucus, says that you are holding New England hostage.

THE PRESIDENT: I don't think that is a fair accusation. I can understand why he might say it, but I do not think the facts justify that conclusion.

QUESTION: Mr. President, the people of New England feel that, despite the rebates and refunds, they will end up with less dollars in their pockets. How do you answer them?

THE PRESIDENT: According to the statistics that have been produced by the comprehensive survey and analysis that came to me, the total country will be treated fairly and equitably, including New England.

MORE

QUESTION: Mr. President, do you think the general public is behind you on your programs? Do you have a sense of general grass roots support for your plan?

THE PRESIDENT: I think the American people want action. We have been on dead center trying to produce an energy program for at least two to three years. There has been a lot of talk, but no real action, and the American people know that we were vulnerable to an oil embargo by foreign countries in 1973. They do not want to go through that critical crisis again, and so, they want me--the American people want the Congress -- and I think the Governors want the Congress to act. That is all we want is some action affirmatively, not negatively.

QUESTION: Do you think you miscalculated the amount of opposition in Congress on this?

QUESTION: Can the Congress legally rescind your proposal?

THE PRESIDENT: I fully understand the attitude of the Governors. They have one State to represent, but I have to take a look at the country's need for total action on an energy program to produce alternative sources and at the same time to get conservation so we don't find ourselves being held hostage by any oil producing country overseas.

QUESTION: Do you think the Northeastern States are feeling an extra hardship or burden out of this phase of the program?

THE PRESIDENT: I don't think that any particular state will be inequitably affected. Under the proclamation which I signed, the New England States are given a better break than the across-the-board imposition of the \$1 per barrel tax. The States in New England which have a unique problem are given special consideration under the proclamation.

QUESTION: Mr President, are you going to get storm windows for the White House? (Laughter.)

THE PRESIDENT: If the Congress will appropriate the money.

QUESTION: Is that a new program?

QUESTION: Were you surprised by the strength of the criticism of the Governors?

MORE

THE PRESIDENT: No, I fully understand their problem. The Governors, as I said a moment ago, represent individual States, but I have to take a look at the national interest, across-the-board. And my comprehensive energy conservation, energy producing plan, will solve the problem of energy vulnerability in the United States.

QUESTION: Mr. President, Mr. Jackson and Mr. Ullman said they would try to rescind your proclamation. Is that within their legal rights?

THE PRESIDENT: The Congress does have the authority to repeal a law, but to take a backward step, in my opinion, is not a way to solve the energy problem.

Thank you very much. It is nice to see you out here.

END

(AT 4:22 P.M. EST)