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THE WHITE HOUSE

PRESS CONFERENCE
OF

FRANK ZARB
ADMINISTRATOR
FEDERAL ENERGY ADMINISTRATION

THE BRIEFING ROOM

2:05 P.M. EDT

MR. NESSEN: Let me clear up one or two procedural matters.

After reading that statement, the President went off to his little side office and signed the proclamation that postpones the two dollars for March and April. We are getting the statement out as fast as we can, or do you have it?

Q The first page.

MR. NESSEN: The veto message we are running off now and will have shortly.

Q Has it gone to the Hill?

MR. NESSEN: It is going to the Hill.

For your questions on what has been done today, I think you ought to address those to Frank Zarb.

MR. ZARB: The President has made a sufficient opening statement.

I ought to go right to answering your questions.

Q Frank, there is nothing in there about delaying the decontrol of old oil. Is this still being considered?

MR. ZARB: The plan to decontrol old oil will not go forward before May 1.

Q Does that mean there is no plan to decontrol old oil?

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(OVER)

MR. ZARB: No, we had a plan that we were preparing to send to the Hill on April 1. That issue will not now be an issue until, at the earliest, May 1. We are hopeful that between now and May 1 we will have arrived at a complete and comprehensive program with the Congress.

Q When it goes forward on May 1, will it go forward in the form you have been thinking about before. Is it just delayed a month?

MR. ZARB: That is our current plan, but if discussions proceed in the Congress that affect this particular area, there could be a modification or two.

Q Why did you do that, Mr. Zarb.

MR. ZARB: The delay?

Q Yes.

MR. ZARB: The idea of the delay was to give us some time that we can sit down and review the data and information that the Congress has collected and that which we have collected and, analyzing all of the same material which the President did before he made his decisions, hopefully at the end of that process come out with a total and complete program that we can both -- the Congress and the President -- agree to.

It seems to us that to remove any possible ingredient of confrontation during that period of time, it would be prudent to delay the decontrol move.

Q What about the decontrol of natural gas? That is not affected, is it?

MR. ZARB: We are asking for legislation to that effect, and, of course, that is already on the Hill.

Q Do you have an understanding that there will not be a Senate vote to override that?

MR. ZARB: I certainly do not have that understanding. I am not aware of anyone here who does.

Q Are you expecting a Senate vote on that?

MR. ZARB: I really don't know. I don't know what parliamentary steps will occur from here on out. It would seem to me if there was a vote, why, most Members would consider this period of negotiation important enough to sustain the President's current position.

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Q Mr. Zarb, the President did mention that he hoped there would not be a test of strength. Was that just an expression of hope or does he have some reasonable basis for assuming there will not be a test of strength in the Congress on the veto?

MR. ZARB: What the President said was, we ought not waste our time testing each other's strength, but rather get on with the job of analyzing the information at hand and coming to grips with the major issues of disagreement, and to the extent possible, getting agreement.

Q That was a proposal rather than something that has already been worked out, this avoidance of a test of strength?

MR. ZARB: That would be my best understanding.

Q Mr. Zarb, at what rate is money now being collected on the \$1 a barrel tariff; that is, how many millions or thousands of dollars a week and what point does it make to continue collecting this money on oil coming into this country if you postponed indefinitely for 60 days at least further increases?

MR. ZARB: The rate is about \$160 million, as I recall.

Q Per month?

MR. ZARB: Per month is correct. The President imposed a fee originally to promote progress in the right direction, and he still believes that. He still believes that his energy approach is the correct one. He, however, wants to create a climate within the 60 days where those of us who are familiar with the details of our proposal and the Congressional proposal can look at each other's information and hopefully come to an agreement.

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Q What are the most promising features of the Ullman plan? You have had a chance to study it to some extent?

MR. ZARB: Can I get back to you? The question was, what are some of the most promising aspects of the Ullman plan?

I think, recognizing that we have to have a tougher set of goals than have previously been articulated anywhere in the Congress is the positive feature. I think, recognizing that the market can work toward the end of conservation is a positive feature.

There are several other conservation programs that he has indicated he agrees with, such as the national storage program, the insulation tax credit portion, and so on.

Where we are generally parallels. Do not misunderstand me. We still have some very major areas of differences between us.

Q Did putting the one dollar tariff on have any effect whatsoever on cutting the imports?

MR. ZARB: The one dollar impact has not been felt at all in the economy and will not be felt until later during the month of March. As you know, the administrative fee was not, in itself, intended to be the full conservation program. So that I do not think we can count on that one dollar as having a material, long-range impact.

It is the total program that needs to be put in place before we get both the conservation and the additional resource development that we really need.

Q So, there has been no reduction, yet, in the consumption of foreign oil?

MR. ZARB: The impact has not been felt in the market at all, so there could not be.

Q Actually, there won't be any impact, just \$1.00 that will not cut consumption, will it?

MR. ZARB: It will not.

Q What will be the price effect of the \$1.00 in the market?

MR. ZARB: About a penny a gallon.

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Q By itself?

MR. ZARB: Yes, give or take some based on different areas of the country. But it is very close to that, no matter where you are.

Q If the \$1.00 impact is minimal, why don't you take that \$1.00 off, too?

MR. ZARB: Because we still believe that the direction we were headed in with respect to both the fees and excise taxes is the correct direction to be going. And the proposal made by the Democratic leadership was to stop things as they are so that we can have a period of time within which we can, hopefully, come to an agreement. That is precisely what the postponement does.

Q Does keeping the \$1.00 tariff in effect mean, then, you have not given up on that approach as a way of cutting down on imports?

MR. ZARB: We still believe that the program which the President put forward is the right program for America. There have been questions raised and alternatives put forward. We would like to examine those alternatives based on their back-up information and sit down with these who have put them forward and analyze together their information as compared to ours, and hopefully, that total exercise will result in a national program that we can both agree to.

Q Which elements of the Ullman plan are going to be the toughest to reach agreement about?

MR. ZARB: Well, as you know, I told the Chairman I am going to be working up an analysis and provide him with a carefully laid out piece of paper which would demonstrate where we seem to be in agreement and where we are in disagreement.

But I think it is quite clear that in the one area of using conservation taxes to affect one product only, -- gasoline only -- and allocation and quotas for the remainder, if that is what is fully intended -- we have some questions we need additional information on -- if that is what is intended, it would be a very major area of difference.

Q Do you have any concern about taking \$160 million out of the economy under the present circumstances when there appears to be no hope of getting the other side of the equation; namely, pumping the money back in, as your plan intended?

MR. ZARB: The impact of that level, Mr. Levine, is very, very small. It is a penny a gallon and lesser in some areas throughout the country.

We are hopeful that during this period, between now and May 1, we will not only have worked out a total program for conservation, but also, a total program for returning the taxes and revenues which we, as a government collect, to the American people.

Q Mr. Zarb, the President set aside the remaining \$2.00. Did his proclamation touch on any of the increased fees that he advanced, to date, for the collection of in the original proclamation?

MR. ZARB: I guess that is a technical point which I don't know the answer to. I will get you that answer.

Q Mr. Zarb, you say you do not like the Ullman plan because it uses conservation taxes on one particular product, namely gasoline. Wouldn't your own plan, wouldn't most of the tax program affect gasoline rather than the other end-use products? Haven't you said the tilt would be towards gasoline?

MR. ZARB: Yes.

Q What is the difference?

MR. ZARB: The difference is first, we have a program to conserve in the total spectrum of the crude barrel. And secondly, our -- what you call a gasoline tilt -- was designed for an adjustment period so that the industrial sector in some of the less elastic areas would have a period to adjust. But over a period of two or three years, there would be a parity of taxes imposed across the entire crude barrel. That is a major difference in approach.

However, I might add that the fact that the Ullman plan does provide a price mechanism for effecting conservation at least demonstrates that we are somewhat close together on the means to achieve that end at least in one area.

Q Are you opposed to the imposition of the quota system that he is calling for? Is that something that you have to have removed from any plan that the Administration would agree do?

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MR. ZARB: I am unclear on that portion. We are asking for more information. It would appear that the quota plan in the Ullman program would be put on consistent with conservation that takes place in the market place.

In other words, as we were reducing our consumption, we would lower our quota to be consistent with that. If that is the case, then it would seem to me the quota would have no effect and that is a question I have: Why have a quota if it has no effect?

If, on the other hand, the quota is meant to create a shortage in the economy with the government managing that shortage throughout the economy, then I think we have a very, very major difference.

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Q. What about the one million barrels for 1975 and the two million for 1977? Ron gave us some figures this morning that an initial analysis of the Ullman plan had shown 500,000 barrels less the first year, and one and one-half the second. Is there room for negotiation here on those figures?

MR. ZARB: That is really a major principle, and the question there is do we want to stop expanded vulnerability between now and, let's say, for example, the end of 1977? If we come to an agreement that it is clear we are going to expand that vulnerability, if we do nothing, let's say, for example, to the extent of two million barrels a day, taking into consideration that the Canadian oil, which has been at our disposal, is being phased out, do we want to have a national program which results at the end of that period in time with more oil imports than we presently have, or do we, as we have proposed, want to stop it right now.

Q. You are not that far apart are you, Frank. One and one-half million next year versus one and one-half million by 1977 versus two million. That is not really that far apart.

MR. ZARB: That is within shouting distance.

Q. Why do you oppose the principle of quotas and allocations when this is essentially part of your program. If the price mechanism does not work, if you are misjudging the effect of the price mechanism, you are quite willing to go to allocation.

MR. ZARB: The question is why do we resist allocations when as part of our own program we have indicated we would use allocations to make up the difference between our target and the actual effect of the price mechanism, and there is a vast difference in the two.

The one notion would suggest that the Federal Government create a shortage and that that shortage be allocated throughout the economy by government management where we would make the decision of which industry received how much oil, whether an industry was allowed to expand, whether an industry which was just getting started was allowed to grow.

All these decisions would be made by the Federal Government.

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The protection which we put in our program -- to answer those that said you won't get to one million barrels; you will only get to 849,500 -- we said we would use fine tuning, if necessary, to ensure that our target is reached, if that was the case.

We still believe we would get a conservation effect from the main frame of the program and would not have to resort to it. It was sort of an iron-clad guarantee, but there is a great big difference between creating that much of a shortage and allocating it in total as compared to using it for fine tuning.

Q I would like to ask a question about figures. You said you were within shouting distance on goals, but Ron said the Ullman plan would arrive at about half the level of conservation that your plan provides for.

MR. ZARB: The question as stated was the difference that he calculated was one million and one-half on their side, and two million on our side. I have not seen the most current iteration in numbers, but if we are 500,000 barrels away from each other, I said we are within shouting distance, but I did not mean to suggest we would agree to that goal.

Q Your figures this morning, Frank, are 500,000 by the end of 1976 and one million at the end of 1977.

MR. ZARB: Then my answer to that question would be markedly different. We are not in shouting distance on that basis.

Q Frank, if the Ullman program were adopted by the Congress, how effective do you think it would be in dealing with the Nation's energy problem?

MR. ZARB: In total? As it now exists?

Q Yes.

MR. ZARB: I do not think I could accept the notion that in its current form it would get the job done, as it needs to be done, both of the short-term and the long-term, and the Chairman has said himself he feels this is a starting point and that he was open to modifications.

I remembered also the million barrels, and we are still working on the numbers and the analysis of the Ullman plan. We are getting more information because some of the concepts were left open, but at one million barrels at the end of 1977, we would still be increasing our vulnerability by a substantial amount; more than one million barrels a day more than we presently have.

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I personally could not accept that because that would give us an embargo of substantial impact during that period and give the cartel a lot more leverage than they presently have.

Q Mr. Zarb, have we reached the point so that the Congress can now proceed with an energy program and free the energy program from the linkage with the tax cut so that it will be possible, with reasonable confidence, to have an energy program still in the legislative hopper while the tax rebate program reaches the President's desk and can be signed independent of the completed energy program?

MR. ZARB: I don't understand why that has not happened already. They have never been tied together. We certainly have not tied them together, and neither have they on the Hill.

The tax rebate has cleared the House and is waiting for Senate action. It still has three steps to go through, and I would think that we could speed that along quite independent of the work we are doing on energy.

I don't understand why one has to have anything to do with the other. The tax cut is a very simple piece of legislation.

Q Is the President, Mr. Zarb, getting anything in return for delaying these tariffs as he did today? Is he getting any assurance from Congressional leaders that they might be willing to do something in return?

MR. ZARB: I think the President and the Nation has gotten a good deal from the actions taken thus far in bringing us to the point we currently are at. In the last seven weeks, we have come a long way on this energy issue.

The Democratic leadership have prepared a statement of policy. The Ways and Means majority have developed a cut, a more comprehensive program. We have put all this together, plus the other testimony that is now going on on the Hill and other programs being put forward.

The President feels that we are beginning to make some progress, that there is now a general awareness that the problem is significant, that we need a plan and we need it now.

With that kind of attitude and direction and momentum, the President is hopeful that over the next two months we can finish the job.

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Q Is the President assured the veto test strength if he were to?

MR. ZARB: I know of no such assurance.

Q As far as you know, there will still be a vote on whether or not to sustain the veto?

MR. ZARB: As far as I know, but I am not a legislative expert and do not know what the parliamentary steps are.

Q Does the proclamation call for a delay in the removal of controls on domestic oil? Maybe you have covered that.

MR. ZARB: No. The proclamation does not, but that was never set into motion by proclamation. That would be an administrative step taken by the President.

He would send it to the Congress with a 5-day one-House veto. In other words, either House could veto it with a simple majority within a 5-day period. But the President has determined that we will not start that kind of action before May 1.

Q Is it being done just like that?

MR. ZARB: Just like that. It will be in his veto message.

Q Regardless of the fact that that did get no support in the Congress and that there was a general feeling it would have been vetoed had it been sent up, was that a factor in your withdrawing it until May 1?

MR. ZARB: The question was: isn't it a fact that we had rather hostile acceptance of that notion and that we probably would be vetoed. Is that correct?

Q Yes.

MR. ZARB: I would say that the statements coming from the Congress have not been friendly towards that particular portion of the program. But I would add, also, that the Ullman plan reaches toward a phase-out decontrol. And I think that is a very positive step.

Q Mr. Zarb, do you see any cracks developing in the oil cartel and do you foresee any drop in prices in the next few months?

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MR. ZARB: Well, there are those who are cartel watchers who say that there have been cracks and some loosening in the margin. And we have seen some sagging in spot prices here and there. There have been those who have suggested that we would have a material decrease in price in the weeks and months ahead.

I am not all that optimistic about a very meaningful price drop over the near term. I think it will surely not happen unless we, as a Nation, can demonstrate we have come together on a national program for eventual invulnerability.

But I also think that even if it did occur we should not, as a Nation, determine that we are going to lessen our resolve to become independent before 1985.

THE PRESS: Thank you very much.

END

(AT 2:30 P.M. EDT)