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THE WHITE HOUSE

PRESS CONFERENCE
OF

FRANK ZARB
ADMINISTRATOR
FEDERAL ENERGY ADMINISTRATION

THE BRIEFING ROOM

3:29 P.M. EDT

MR. NESSEN: As some of you know by now, Frank Zarb sent a letter to the Hill today outlining the President's position on the strip mining legislation that is under consideration.

There also was a meeting this morning at which other energy matters were discussed with the President. So, in order for Frank to answer your questions about this letter and about the approaching May 1 deadline for action on the energy bill and other energy matters, we thought we would have this briefing this afternoon.

MR. ZARB: Thank you, Ron.

You all have a copy of the letter I have written to the conferees today on the strip mining bill, which they now have under consideration. I won't get into the detail because you have it in front of you, except to say I think if there ever was a time that we could, as a Nation, properly balance our environmental concerns and our energy requirements, that this is that time.

It seems to me that in receiving the President's new bill, the House and the Senate each have respectfully made modifications to various provisions, and there is ample opportunity within the framework of those modifications within conference to put together a final bill, which would be satisfactory from an energy standpoint, certainly satisfactory to the President and also achieve the goals of the strip mining bill as those goals were first articulated.

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So, I think perhaps this might be our first test since we have begun pursuit of a national energy program, to determine whether or not we can put together legislation that does take into consideration the proper balance of all our objectives.

The areas that we have asked for consideration by the conferees, each have had some form of treatment within either the Senate side or the House side so in our view, there is ample justification for the conference to work on these items. If the work results in the kinds of improvements which are possible, we can have a bill that would be satisfactory from an energy standpoint.

Yes, sir.

Q Frank, weren't all those proposals at one time or another, either by the Senate Interior Committee or the House Interior Committee, rejected? Is there anything in this not before the committee when Rogers Morton testified?

MR. ZARB: I think each of these have been a subject of debate right from the beginning. However, it is important to note in this latest round, in each of these cases, I think perhaps save one, but in all of them the actual changes were made in either the Senate version or the House version of the bill and changes in many instances we had asked for.

So, now we have in some instances the House version different from the Senate version. One has what we would call the improvement and the other doesn't and the moment of truth is now upon us and we are hopeful that consideration for our energy program has received some weight during the course of the conference.

Q You are not proposing they go back to the floor and repass a bill?

MR. ZARB: No, I am saying within the framework of the letter there is ample room within either version of the bill to make these changes so that a conference could legitimately work on them.

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Q If these changes are not made, are you saying there will be a veto?

MR. ZARB: If they are not made, it will be ultimately the President's determination. I am obviously trying to draw attention to the fact that we now have an opportunity to put forward a piece of legislation that does balance both of these important national goals.

Q Mr. Zarb, since you say that each one of these versions would reduce the production of coal, I take it you mean you would rather have no bill at all?

MR. ZARB: I don't think that is really fair. From an energy standpoint, from a production standpoint, virtually each of those provisions that are outlined in the letter have had treatment from either the Senate side or the House side which would improve our energy picture.

The citizens' suits questions, for example, which you will recall during the last time I stood before you on this question, which was immediately after the veto, I pointed out the vagaries in that particular position amounted to an emergency employment act for the legal profession.

In one house -- I don't recall which -- that has been fixed. In the other house, it was not. I am hopeful that the conferees will focus on those changes that have come about primarily because of our concern for energy considerations and production considerations and we will pay some attention to those changes.

I am here with my hat in my hand hoping that they will in the interests of our national energy program.

Q Mr. Zarb, on that point, you say you are here with your hat in your hand. How much leverage do you really have when you consider the margins by which the legislation was passed in both the House and the Senate? In other words, is a veto threat -- considering the thing was passed by a veto-proof margin in both houses -- going to throw any fear into the conferees?

MR. ZARB: My strategy is never to be that bold. I am trying to have reason prevail. I am not threatening anything here. I am asking for consideration for our national energy program at the time when I think it is super-essential that we pay attention to our energy needs.

Q Have you had contacts the last couple of days or so with Members of the Conference Committee to outline your views?

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MR. ZARB: I have not had direct discussions with them during the last day or so on these questions, but I am sure we may be having these conversations in the next two days.

Q What about the position of the President to enforce his imposition of the dollar or two dollars on foreign imports?

MR. ZARB: We talked some about it this morning in terms of what kind of progress we have made. I visited with some of the leadership on the Hill this afternoon and the President has asked for a final recommendation by Monday.

I, quite frankly, don't know what that recommendation is going to be at this very moment.

Q On this bill?

MR. ZARB: No, we are talking about -- the question was on the one dollar tariff. I become more and more convinced with every passing day that if we do nothing to turn this energy business around, that in another year or so we are going to be paying the increased cost times two to the cartel countries. It is certainly clear, from my point of view, that we need to have a tough energy program in place as soon as we can get one. The big question is, will we get one in legislative form?

Q Does that answer cover decontrol as well as tariff?

MR. ZARB: That answer covers decontrol as well as tariff.

Q Will your decision or your recommendation Monday depend on any specific action on the Hill, such as the Ways and Means Committee reporting out a bill or acting on a bill, or whatever?

MR. ZARB: Of course, you know there are two committees on the House side, as there will be on the Senate side. There will be multiple committee action. I think it is not a secret that the crunch is within the steps taken to conserve short-term.

All of the remaining parts of the President's program -- what I have called the 60 percent -- hearings are going along well. There seems to be a great degree of agreement between the Administration or there are modifications and some argument, but nevertheless, that is going along well.

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But do we preclude expanded imports within the next three years or not, and if not, how do we prevent it from occurring? That is the area within which we need to have some progress if we are going to have a viable energy program.

We don't have a national energy program without addressing that particular point and addressing it firmly.

Q What is the least acceptable action on the Hill that would prevent you from recommending the dollar increase? What is the least that is acceptable to the Administration?

MR. ZARB: First, there are various degrees of that. There has to be, it would seem to me, the basic elements of a program to conserve energy over the next three years and at some stage, in or out of committee, or approved at that level, which would indicate it is going to the floor for approval and then finally to the Senate. It has to be comprehensive.

So, obviously, it covers both the energy taxes that have been in and out of the Ways and Means bill and, of course, in the Administration bill, and it covers the process of decontrol of old oil and then, of course, you have the other elements of that which would be whatever method of windfall profits.

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Q But taken by the committees in the House, I mean, action specifically taken by the committees and sent to the floor?

MR. ZARB: Yes, it would seem --

Q This would be your minimum, wouldn't it?

MR. ZARB: It seems the committees in the House who have actually done most of the work, and it has been by design, are awfully close. As I pointed out the last time we talked, all the pieces of a potential agreement rest on the table right now.

If they were assembled correctly, we have the format of an agreeable national energy program. The President is adamant that we are going to have a national energy program, and we are going to move forward and continue our momentum.

He believes, as I do, if we don't move and move promptly, the American consumers are going to suffer either higher prices or the inconvenience of another embargo as a potential as time goes on.

Q Mr. Zarb, what are the factors pro and con that are being weighed in this decision in whether or not to postpone further the \$1 increase and decontrol and so forth? What does it take to make that decision?

MR. ZARB: You will recall the 60-day delay was brought about by a meeting between the President and the Democratic leadership. Senator Pastore, Congressman Wright, and the leadership from both the House and the Senate indicated that it would seem to them that we could have a program within 60 days that would be acceptable to everyone.

I remember the comments that if within 60 days we can't begin to see the framing of an agreement that will be acceptable to everyone, then it is clear we are not going to be able to have one.

During that time, a lot of motion has taken place. All of these points that were at that point either in the President's program or in somebody else's program, now have been debated and argued and analyzed, testimony has been had, lots of conversations have taken place.

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I said to you last time that while Chairman Ullman and Chairman Dingell have been tough to deal with, they have been straight and I think have done an awful lot of homework on the issue and understand what needs to be accomplished. The 60 days has served some purpose.

But, does it result in a piece of legislation which may be tough, full of fighting from a standpoint of the legislative process? It is going to mean some form of inconvenience to the American people if we are going to turn around our imports of oil. If we are not, the inconvenience is going to be visited upon the American people by the cartel with additional prices.

Q Are you looking for the timing on this legislation? Are you looking for the timing by the end of this period or certain other fixed deadline, or are you looking for the substance of it, regardless of when it might get passed?

MR. ZARB: I would think that is kind of a general question, so I will give you a kind of general answer.

Substance is more important than timing, but timing, if carried to the extremes, can subdue the substance. (Laughter)

Q Where do we stand in the negotiations between the Administration and the Hill on the possibility of a gasoline tax, and one that is big enough to do some good?

MR. ZARB: You know that the Administration has been opposed to a gasoline tax as the single vehicle for conservation. Your gasoline tax in its first iteration as proposed to the President was 35 or 40 cents, some people were talking 50 cents, and that notion was that we would save all we would have to save from the gasoline product.

We have said time and time again that gasoline is 40 percent of the crude barrel, and we can't ignore the other 60 percent.

So, from that standpoint and from the standpoint of the inequities by doing it that way, you know Wyoming drives a lot more than New York or Massachusetts so that one part of the country would be shouldering a higher burden than another. It not only didn't get the job done, it wasn't fair.

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In the President's program, there was a gasoline tilt or an increase in gasoline prices that would go to about 15 cents for a period of three years. We still hold fast on that view that while gasoline has to take its share of the burden, we can't neglect the rest of the crude barrel.

Q Mr. Zarb, are you not flexible now at this point on a gasoline tax, if there are corresponding price increases in other oil products?

MR. ZARB: I just don't know as I can say yes to that question without seeing the total matrix. We had a 5 cent gasoline tilt to our program, and you are saying whether a gasoline tax would be used as a substitute for that?

I just don't know. A lot would depend on the rest of the program. Then you really get to playing with words.

A gasoline tax by those who are advocates of a gasoline tax would simply put whole burdens on gasoline and not affect those other products, so it really becomes a question of semantics.

Q Mr. Zarb, are you ready to accept a flexible quota system as spelled out in the Ways and Means print that they are working on today?

MR. ZARB: The numbers that were there troubled me somewhat. We talked about that this afternoon, Chairman Ullman and I, and my concern does go to creating a quota which would create an artificial shortage, because once we do that, then it means -- if we have the demand constraint measures in place, let's assume that we have increased the value of all energy products to drive toward this thing we call the new energy ethic, people are making different investments and different consumption decisions.

To have a quota mechanism be used to insure all of the savings came out of imports rather than from domestic production, as some fear, I would have a little problem with that notion.

It also would give some kind of discipline and the intent or purpose of the Ways and Means quota, as outlined in the bill, says that its purpose is to guarantee that the savings come from the import stream.

From that standpoint, I would have no problem with it, as long as the numbers were set and we had the flexibility to work in that regard.

Yes, sir.

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Q Mr. Zarb, early in this discussion before the delay, the 60-day delay, the President was saying that Congress didn't act like it was interested in coming off with a policy that was going to give some inconvenience, which we would have to have.

You are here today saying there is going to have to be some inconvenience. Are you finding that Congress is still not ready for a policy of inconvenience?

MR. ZARB: It certainly is fair to say that the least amount of consensus within the Congressional milieu is the area of inconvenience. (Laughter)

Is that fair? Coming to grips with the question of increasing prices, or some other means of sacrifice has been the least easy.

The chairmen that I have been dealing with are, it seems to me, completely clear on the fact that we are going to need some of that kind of sacrifice, but of course, they represent committees and subcommittees and they work with others who have different points of view.

It has been the least easy to sweep that into a corner and put it in the semblance of a program than anything else in the plan.

Yes, that is one area that concerns us most. It is one area that the President has driven toward in his administrative steps and delayed that hoping the Congress would do something in a legislative way.

Q In your briefing yesterday -- back for a minute on strip mining -- on the unemployment figures and the tonnage loss, there is a lot of controversy about both those figures. I wanted to ask you, are you satisfied that you have been briefed in a way that convinces you that these figures are correct?

MR. ZARB: I think the ranges that have been put forward are generally correct. I haven't found too many people who would argue with the ranges. Some would be on low end of the range and some would be on the high end.

But I tell you frankly, the things that bother me the most are those areas that carry the asterisk, and the asterisk says, "This is so unclear it depends on how the courts ultimately interpret it." It has the area that has concerned me right along and it still does.

So, when you ask that question, a lot would depend on how you interpret it and if Congress would tie down its language and be more specific, we would be better able to weigh the energy impact.

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Q Are you saying, as of today you are not satisfied with the progress that Congress has made, but you are hoping by Monday that something will emerge that is acceptable to the Administration?

MR. ZARB: That is almost an inconsistent question calling for an inconsistent answer.

I do say that all of the pieces of a program that could be acceptable to the Administration are now on the table and have to be assembled in just that way. Is it possible to assemble them that way between now and Monday and have a reasonable agreement? Yes, it is possible.

I wouldn't want to bet on a likelihood right now because of the difficulties we have had in getting a fix on these very narrow areas of conservation.

Q Another part of the Ways and Means field, Frank, seems to go against the approach the President has taken on increasing automobile efficiency. He has been concentrating on sort of a volunteer approach so far as Detroit is concerned. But the bill, as I recall, would set taxes for gas guzzling cars at X, and then credits for efficient cars, that type of thing. What is your view of that position?

MR. ZARB: The last I saw was a series of taxes for the gas guzzlers or the miles per gallon cars that started in the year 1977, 1978, very small, and then escalated into the 1980s with a sizeable amount of tax for those cars that exceeded the miles per gallon stipulated. It is my view if the numbers are set correctly -- and these numbers would have to be adjusted somewhat -- that the way the market is working and if we do increase the price of gasoline a little bit more, we will see the marketplace take care of that and that structure of excise taxes won't be much of a revenue raiser because it is going to happen.

Detroit gets the signal -- and we have seen it already. It is kind of interesting, people say they look at what happens abroad with the higher cost of energy and they are now saying they are not getting increased conservation, but some increases.

With gasoline in Paris being \$2.00 a gallon and in Greece \$2.40 a gallon, sure their elasticity is out of the system. But when I sit with my counterparts and I talk with them about conservation and we talk about what you can get out of elasticity, they just ask me to look at one parking lot in France and look at the kind of cars parked there and take a look at one parking lot here in the United States and see if that doesn't answer the question with respect to what price does to energy conservation. I think that is ultimately what is going to prevail.

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We are talking with them about the excise tax thing. The idea of subsidizing the smaller automobile? I worry a little about subsidizing imports and putting more Americans out of work. That is a little inconsistent with energy savings but I think the thing can be worked out so we have a fair balance between the two, and the committee is looking at that issue.

Q The price of oil, however, is not the conditioner that has made cars smaller in Europe, not originally. They just always have been smaller.

MR. ZARB: The fact is the price has always been higher because they have had no domestic supply.

Q Their average income is lower but they have always had smaller cars.

MR. ZARB: However you want to frame it, the cost of gasoline, per capita, per percent of income, per individuals has always been higher in Europe and as a result, they started with smaller cars.

I think if you look around as I have, we see something of the same phenomena developing in this country, and isn't that neat?

THE PRESS: Thank you, Mr. Zarb.

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(AT 3:49 P.M. EDT)