The original documents are located in Box 7, folder: “Newspaper Clippings” of the Frank Zarb Papers at the Gerald R. Ford Presidential Library.

ST. LOUIS POST-DISPATCH
FRIDAY, NOVEMBER 22, 1974

'Bright Young Man' Zarb Apparently On Way Up

By WILLIAM K. WYANT JR.
Washington Correspondent

WASHINGTON

FRANK G. ZARB, who is said to be in line for the top post in the Federal Energy Administration, is regarded here as a bright and hard-working young Wall Street man on his way up in the Government.

Now 39 years old, Zarb was executive vice president of Hayden Stone, Inc., a New York investment and securities firm, when Roy L. Ash, director of the Office of Management and Budget, brought him in as an associate director in July 1973.

During the energy difficulties of last winter, Zarb had a hand in the organization of what is now the Federal Energy Administration under William E. Simon, who became Secretary of the Treasury last April.

He now is associate director of OMB for natural resources, energy and science. This is the same job formerly held by FEA administrator John C. Sawhill, who resigned Oct. 29 at President Gerald R. Ford's request but is staying on until a new administrator takes over.

IN RECENT WEEKS, Zarb has been serving as secretary of the new White House-level National Energy Council, of which Secretary of the Interior Rogers C. B. Morton is the chairman.

"Zarb is Simon's man — definitely Simon's man," said a federal official, pointing out that Simon's background also is in New York investment banking. "Zarb is a tough management type."

Another observer familiar with the bureaucracy said Simon might have cooled off a bit on Zarb in recent months, but Zarb's problem-solving and trouble-shooting skill has made him ace-high with Ash and Morton.

If Zarb is appointed to the energy post, he is the kind of man who will insist on being given the necessary authority to do the job, in the opinion of those who know him. He has another attractive job possibility — the deputyship under William Casey at the Export-Import Bank.

Zarb was born in Brooklyn, N.Y., and took bachelor's and master's degrees at Hofstra College, where he was president of the student body and cadet commander of the Reserve Officers Training Corps. He worked a while in the industrial relations department of Cities Service Oil Co.

Frank G. Zarb
New energy czar?

FORMER PRESIDENT Richard M. Nixon's Administration recruited Zarb from Hayden Stone in the spring of 1971 to be assistant secretary of labor for administration and management. He handled the budget. Early in 1973, when Wall Street was having difficulties, he returned to Hayden Stone.

Zarb was first called into federal service by former Secretary of the Treasury George P. Shultz, it is said, and Shultz also was instrumental in placing him in the OMB when Zarb returned to the Government last year.

Simon borrowed Zarb from Ash and the OMB last winter to help get Simon's new and somewhat chaotic energy team on the right organizational track. After the departure of retired Vice Adm. Eli T. Reich, Zarb had temporary charge of operations and compliance in the early energy set-up.

"We used to have coffee at 7 a.m. in Simon's office — Zarb was there, and Sawhill," a Federal Energy Administration official said, recalling the hectic days of the shortage.

Speculation that Zarb would succeed Sawhill began this week after former maritime administrator Andrew E. Gibson asked President Gerald R. Ford to withdraw his nomination for the post. Conflict of interest problem's arose when Gibson was named.

THERE ARE NO Senate confirmation hang-ups presently in sight for Zarb, who is known on Capitol Hill as a "management specialist kind of a guy," straightforward, easy to deal with, and a good catalytic agent in the subtle relationships involving Simon, Ash, Morton and Sawhill.

Where Sawhill has been considered a driving visionary and idealist, particularly when it comes to saving energy, Zarb is thought to be more of a temporizer, career-builder, efficiency expert and cagy player.

"Sawhill is an Eagle Scout — Zarb is a rug dealer," a man who knows them both remarked.

"Zarb as a manager operates with honey, but is very adept at using a two-by-four when necessary. Where Sawhill loves confrontations, Zarb avoids them, but is not afraid of them."

The observer predicted that Zarb will not be a pushover for the oil industry or anybody else.

President Ford was reported to have telephoned Zarb Saturday at his home, before leaving for the trip to Japan. Mr. Ford is expected to talk to Zarb about the energy job shortly after returning to Washington.

Short, dark, intense and very able, Zarb in Government has been the kind of person that higher officials turn to in time of trouble.

"If I had to describe him in a word — he is a problem-solver," said an acquaintance. Secretary of Commerce Frederick B. Dent borrowed him for a thorny assignment in Budapest. Morton enlisted his aid in dealing with American Indian issues.

WHEN SECRETARY MORTON chaired the inflation conference on natural resources and recreation at Dallas Sept. 16, Zarb of the all-powerful OMB went with him to deliver a dissertation on the federal budget. It was hard to tell precisely where he stood.

Zarb, whose parents came from Malta, is credited with a good sense of humor.

The first thing he did when he got to his temporary office at Simon's brand-new energy shop last winter was to test the place's efficiency by calling in a subordinate and asking for certain essential items.

"By 2 o'clock this afternoon," Zarb is reported to have said, "I want on my desk a pad of legal-size paper, a stamp pad and a rubber stamp with my name on it and a Roget's Thesaurus."

When Zarb got back from lunch, it is said, he found a neat package on his desk. He unwrapped it and found the paper he wanted, the ink pad and two rubber stamps, but no book.

He tried the two rubber stamps on the new pad, and found that one read "Frank G. Zarb." The other read "Roget's Thesaurus."
rus."

Business week

Washington outlook

November 23, 1974 / Edited by Bruce Agnew

Congress warms to controls

Congress is edging back toward a reimposition of wage and price controls. Unless the economy improves unexpectedly, the crunch probably will come next spring.

Controls legislation couldn't get through Congress right now. Labor, business, and President Ford are all opposed.

But Democratic party politics and the deteriorating economy are pushing in the other direction. Democrats believe economic fears were a major factor in their electoral sweep Nov. 5. Now they feel pressure to act.


Senator Mansfield

Controls already have powerful supporters. Senate Majority Leader Mike Mansfield (D-Mont.) is coming around to the idea that Congress should mandate controls instead of just giving President Ford standby authority to impose them. Senator Hubert Humphrey (D-Minn.) will argue for controls from his new forum as chairman of the Joint Economic Committee. Representative Henry S. Reuss (D-Wis.), an influential House Banking Committee member, is leaning toward selective controls, focusing on "administered" prices. Some Congressional staff experts are already trying to figure out how such a program might work.

A new controls program will have a better chance of passage as unemployment climbs. Advocates will argue that controls would permit Washington to pump up the economy without fanning inflation.

Ford still could head the pressure off. A stiff new program of quasi-voluntary guidelines, or enforcement powers for the embryonic Council on Wage & Price Stability, might do the trick. But one astute Democrat warns: "If Ford doesn't get off his duff, we're going to get wage-price controls."

A reluctant czar for the FEA

President Ford is still having trouble finding a successor for ousted Federal Energy Administrator John C. Sawhill. Ford's latest choice for the job—Frank G. Zarb, an associate director of the Office of Management & Budget (OMB)—has not yet made up his mind whether to accept the offer.

At OMB, Zarb has been deeply involved in energy issues. Recently, he was named executive director of Interior Secretary Rogers Morton's Energy Resources Council. In effect, he runs the energy bureaucracy for Morton. Now Ford has asked him to move to the FEA, and energy-involved Cabinet officers are pressing him to say yes.

But Zarb, who was chairman of the executive committee of Wall Street's Hayden Stone, Inc., before joining the Administration in 1971, has been offered another job with better long-range prospects: executive vice-president of the Export-Import Bank. In that spot, he would have a good chance to succeed William J. Casey as president.

Associates bet that Zarb will take the FEA hotseat. But first, they say, he wants Ford's approval to run the agency his way.

Antitrusters think small, too

Justice Dept. antitrusters are stepping up their campaign against a small-time sort of crime: local price fixing or market allocation deals. Tip-off for a company that such a study is under way will be who comes calling to poke through company files. Investigators from the department's seven regional offices will be looking for local infractions; agents from Washington will be involved in broader cases like this week's attack on AT&T.

Antitrust Chief Thomas E. Kauper has been interested in price-fixing all along. But President Ford's pledge to bring antitrust laws to bear against inflation gave him an opening to add more manpower to the effort.

To guide the regional investigations, Washington officials now are reviewing all pending cases and ordering unpromising ones closed. They also are working up comparisons of prices in different markets. Unusual price patterns in any area will signal investigators which companies to go after.

Capital wrapup

Tax-tease: House Ways & Means Chairman Wilbur Mills's effort to restore some of his stature by producing a hurry-up tax-reform bill is strictly for show. The House may pass a stripped-down bill cutting the oil depletion allowance, tightening other business taxes, and giving a tax break to lower brackets. But oil-state Senators will talk it to death in the Senate.

National notes: Los Angeles is shaping up as the most likely site of the 1976 Democratic national convention. . . . Elections analyst Richard Scammon says the dominant force in this month's elections was "fear—fear of the $1.98 ice cream cone."

Ford Selects a Manager To Head Energy Agency

11/25/74

By EDWARD COWAN

Special to The New York Times

WASHINGTON, Nov. 25 — Frank G. Zarb, a 39-year-old Wall Street management expert who has been shaping energy policy in recent weeks, was designated by President Ford today to take on the added responsibility of heading the Federal Energy Administration.

The New York Times

Frank G. Zarb

Mr. Zarb, a native of Brooklyn who is serving his second tour of duty in the Government, will give up his present job as an Associate Director of the Office of Management and Budget but retain his present additional assignment as Executive Director of the Energy Resources Council.

The council, headed by Interior Secretary Rogers C. B. Morton, is a new Cabinet-level interagency body that is supposed to shape energy policy choices and recommendations for the President.

Mr. Zarb, who has a reputation as a manager, expects the council to deliver a set of options to Mr. Ford by the end of the year that will lead to a major energy policy declaration in January, probably in the State of the Union Message.

In Mr. Zarb's view, according to those familiar with his thinking, diminishing this country's dependence on oil imports is of paramount importance and his job is to shape for the President an integrated set of recommendations that are analytically sound and politically practicable.

In his dual capacity as energy administrator and the council's chief of staff, Mr. Zarb will stand astride the energy policy-making process. The energy agency is seen as providing the principal staff support to policy-planning. As director of the council, Mr. Zarb will be in a position, along with Mr. Morton, to define the energy issues and choices that other agencies will be asked to evaluate.

Mr. Zarb's nomination, when it is sent formally to the Senate, will be subject to confirmation. There was no apparent reason tonight to expect great opposition.

Presumably, the Senate Interior Committee will want to examine closely Mr. Zarb's affiliations and investments while in Wall Street. He had been executive vice president of Hayden Stone, Inc., a brokerage and investment banking concern. Before he returned to government in July, 1973. Earlier, he served the Nixon Administration as an Assistant Secretary of Labor.

Earlier Nomination

Poor confirmation prospects led the White House to change its mind earlier this month about Mr. Ford's announced intention to nominate Andrew J. Gibson to succeed John Sawhill.

Mr. Gibson, who had been Maritime Administrator, subsequently accepted a position with an oil-tanker company that pays him an annuity of $88,000 a year, a fact unknown to the White House when Mr. Gibson was hurriedly selected.

The haste arose from Mr. Ford's decision to ask for the resignation of Mr. Sawhill, another financial executive who joined the Office of Management and Budget early in 1973 and then moved into the energy field. Mr. Zarb succeeded Mr. Sawhill as the man who reviews the budgets of energy and scientific agencies.

Mr. Sawhill was forced out because he was personally unacceptable to Mr. Morton, who became head of the new council in October. Mr. Sawhill said tonight that he was willing to continue to serve in the $42,500-a-year job until Mr. Zarb was confirmed, or at least until the end of the year.

For Mr. Zarb, the announcement signaled a change of plans. A few weeks ago, he had accepted the invitation of William J. Casey, the head of the Export-Import Bank, to become executive vice president of this export-financing Federal agency. For Mr. Zarb, it would have meant some respite from the grueling 12-hour days of a two-hat job and more time with his wife and two children.

Budget Cuts Reviewed

Mr. Zarb weorewore his budget hat this afternoon, particiating in a White House meeting with President Ford to review budget cuts for the present fiscal year to be submitted to Congress tomorrow.

The selection of Mr. Zarb came as no surprise. Mr. Zarb had been tapped once before for an energy job. A year ago, when the newly created oil-allocation office was floundering under the direction of a Navy admiral, Mr. Zarb took over during a transitional period. His reputation as an effective, result-oriented manager and his most recent assignment in energy policy-making all made him a likely choice for the job of energy administrator.

It will be a less demanding job for Mr. Zarb than it was for Mr. Sawhill and his predecessor, William E. Simon, because the agency's allocation of oil and gasoline has been curtailed as supplies have increased. However, another Arab embargo would produce a shortage no less acute than last winter's.

As Mr. Morton's energy chief of staff, Mr. Zarb will be wrestling with such policy questions as whether the President should recommend an increase in the Federal gasoline tax, how rapidly the Government should lease offshore lands for drilling, whether to codify oil-price controls or adopt a single, controlled price for all oil, including the now uncontrolled; whether to put a ceiling by volume or dollars, on oil imports; the merits and demerits of legislating gasoline-efficiency standards or goals for cars and tax credits for insulation of existing houses, to cut down on heating and coolig, and how to encourage development of coal.

Mr. Zarb's views on these issues are not a matter of record, and that is not likely to change soon. He believes that Presidential staff aides should keep their preferences out of the public domain.

Nevertheless, those who know him say that Mr. Zarb is basically conservative but more pragmatic than ideological. He is understood to favor a higher gasoline tax but would readily abandon the idea and search for an if it became clear that Congress wouldn't go along.

Chicago Tribune
THE WORLD'S GREATEST NEWSPAPER

Energy chief choice holding out for power

Nov. 25, 1974

By Robert Young

Chicago Tribune Press Service

WASHINGTON—Frank G. Zarb, the White House choice to take over as head of the troubled Federal Energy Administration, is holding out for firm assurances that the once-influential agency will regain policy-making power, sources report.

Zarb, 39, is now the Office of Management and Budget's associate director for natural resources, energy, and science. A few weeks ago, when the White House thought it was all set with a new FEA administrator, Zarb was promised an appointment as deputy to the president of the Export-Import Bank. Zarb is a former Wall Street investment banking firm executive.

BUT PRESIDENT Ford's nominee for FEA head, Andrew E. Gibson, withdrew about two weeks ago because of an uproar over his past connections with oil tanker interests. The White House turned to Zarb.

"You'd never believe the White House pressure on Zarb to take the FEA job," an OMB associate reported. "He really doesn't want it. What he wants is the Export-Import Bank and the White House did promise it to him."

White House sources said Zarb has not yet agreed to move to FEA and won't make a decision until he talks with Ford this week. Meanwhile, the sources said, he is "negotiating."

THE NEGOTIATING, it was learned, amounts mainly to Zarb's insistence that before he seriously considers taking the FEA post he must have the President's personal assurance the agency will have policy influence in the administration's new energy setup and that at some point in the future, he will get the Export-Import Bank job.

Ford probably will resolve the situation soon after returning from his foreign travels Monday. The President is expected to meet with Zarb this week, give him the assurances he wants, and announce his appointment as FEA administrator.

One source acknowledged that Zarb has the White House "over a barrel." John C. Sawhill was fired as FEA administrator nearly a month ago but is still on the job, having agreed to stay until a replacement takes over.

THE WHITE HOUSE is redfaced from the Gibson fiasco, the source commented, and Sawhill's staying around so long after he was fired is added embarrassment.

Zarb would be the FEA's third administrator in the year it has been in existence. William E. Simon ran the FEA as a powerful policy-making and administrative agency during last winter's energy crisis, then was named treasury secretary last spring. Sawhill, Simon's FEA deputy, took over. Sawhill had worked for OMB and Zarb took Sawhill's job there. Zarb helped Simon and Sawhill organize FEA.

IN THE FORD administration's energy setup, Interior Sercetary Rogers C. B. Morton is No. 1 as chairman of the new cabinet-level Energy Resources Council. The FEA administrator is a member of the council, but the agency's influence in energy policy has been waning. Reportedly, Morton prefers confining FEA to petroleum allocation and pricing, drafting energy recommendations for the council's consideration, and running voluntary energy conservation programs.

Zarb already is executive director of the Energy Resources Council and likely would hold both jobs if he takes the FEA appointment. He is insisting, associates report, that as FEA administrator he would have an effective voice in national energy policies and not be "run over" by Morton.

The interior secretary was instrumental in the President's firing Sawhill. Morton later admitted congressional election politics were involved.

— NEW YORK, TUESDAY, NOVEMBER 26, 1974 —

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The New York Times
Frank G. Zarb

By EDWARD COWAN
Special to The New York Times

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Continued on Page 21, Column 3

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THE DALLAS TIMES HERALD
98th Year—No. 330 ** ★★ DALLAS, TEXAS, TUESDAY EVENING, NOVEMBER 26, 1974
Classified, 748-1414
Circulation, 744-6101
Other Depts., 744-6111
4 Parts
Price Fifteen Cents

Speedy approval seen for Zarb as FEA head

WASHINGTON (AP)—The Senate Interior Committee appears ready to act quickly and favorably on President Ford's nomination of Frank G. Zarb to head the Federal Energy Administration.

"We've had good relations up here with Zarb," chairman Henry M. Jackson, D-Wash., said Monday. "There's no question about his professional ability."

Jackson added that "unless something unforeseen happens," Zarb would be confirmed by the Senate before the end of the year.

Andrew E. Gibson, Ford's first choice for the job, was forced to withdraw after disclosure of an $880,000 salary settlement from an oil shipping firm he once headed. Zarb also comes from a petroleum background. He formerly worked for Cities Service.

In announcing Zarb's nomination, the White House said Zarb had passed all his FBI checks and security clearances as well as conflict-of-interest probes.

If confirmed, Zarb would succeed John C. Sawhill, who resigned under pressure in a dispute over energy policy. Sawhill had been the chief administration proponent of energy conservation and reportedly had angered the President with his statements favoring a tax increase on gasoline.

Sawhill has been continuing to serve as head of FEA until a successor can be confirmed.

Sen. Clifford P. Hansen of Wyoming, the committee's second ranking Republican, called the 39-year-old Zarb "an excellent nomination," although he said he has never had any personal dealings with Zarb. The nominee currently is the associate director of the Office of Management and Budget.

Other committee members, including Sen. J. Bennett Johnston, Jr., D-La., and James Abourezk, D-S.D., declined comment, saying they didn't know enough about the nominee. "He's pretty much an unknown commodity," a committee staff member said.

The staff member added that hearings probably would be held next week and would take only one day to complete.

Zarb, a native of Brooklyn, N.Y., came to Washington in 1971 to join the Nixon administration as an assistant secretary of Labor. Committee sources described him as "fairly competent," "straight forward," and a "non-substance guy concerned about the procedure for working a problem out without getting anybody mad."

Zarb's chief experience in energy matters, one source said, has been in setting up the old Federal Energy Office, which was created during last year's Arab oil embargo. That office is a predecessor to the present FEA.

Ford regards the post as being "most critical to the development and implementation of national energy policy," according to White House press secretary Ron Nessen.

After his work for Cities Service, Zarb entered Wall Street and was executive vice president and chairman of the executive committee of Hayden Stone, Inc., a New York brokerage firm, before joining the Nixon administration in 1971.

—AP Wirephoto

Frank G. Zarb . . .
. . . named to energy post

THE NEW YORK TIMES, TUESDAY, NOVEMBER 26, 1974

Nominee as Federal Energy Chief

Frank Gustav Zarb

By SHAWN G. KENNEDY
Special to The New York Times

WASHINGTON, Nov. 25—"Frank can get a job done. He is an organizer. He's a manager. There is nothing complicated about it, he just does the job," said an associate, echoing the words of others who have worked for and with Frank G. Zarb.

Man in the News

Today, President Ford turned to Mr. Zarb to "get a job done" in one of the country's major struggles—the energy crisis—naming him to succeed John C. Sawhill as administrator of the Federal Energy Administration.

Mr. Zarb has been Associate Director of the Office of Management and Budget for science, energy and natural resources, a post he will resign. He has also been serving as Executive Director of the Energy Resources Council, a Cabinet-level position he will retain.

"He will be the one to see on energy," a Government energy official said.

Mr. Zarb was recruited for the Nixon Administration in 1971 from the New York investment banking concern of Hayden Stone, Inc., now Shearson Hayden Stone, Inc., where he had been in charge of the company's "back office" or internal operations.

Earlier, in 1970, he was instrumental in the successful merger of Cogan, Berlind, Weil & Levitt and Hayden Stone. The former, a small firm, took over Hayden Stone, a much larger concern that was failing, mainly as a result of mismanagement of its "back office." Mr. Zarb's operational abilities smoothed the way for the transformation.

"Frank made it possible for a minnow to swallow a whale," said a former associate at Hayden Stone of the merger.

The Nixon Administration apparently wanted to make use of Mr. Zarb's management talents. In 1971 he was named Assistant Secretary of Labor, and one of his first assignments was to examine the regional structure of the Labor Department and to make recommendations on how it could be run more effectively and efficiently.

In 1972, Mr. Zarb rejoined Hayden Stone as executive vice president and chairman of the company's executive committee.

But in July, 1973, he was coaxed back to Washington by George P. Shultz, who had been his superior as Secretary of Labor.

For Mr. Zarb the decision to return to the Government was a difficult one. At Hayden Stone, he was earning $110,000 a year and his family was settled in a home they had built on Long Island.

"The cutting edge was George Shultz," Mr. Zarb said recently. "He appealed to me, and his wife talked to my wife."

Among his responsibilities at Office of Management and Budget was the overseeing of the budget for all Federal energy programs. Recently he headed a White House committee that worked on the transition of the new energy research and development administration.

During the height of last winter's energy crisis, Mr. Zarb acted as Assistant Administrator of the Federal Energy Administration's Operation and Compliance Division.

An associate at the Federal Energy Administration said he believed Mr. Zarb's strengths would offset what he considered to have been Mr. Sawhill's weaknesses.

"While Sawhill weighed the pros and cons of a problem philosophically, Zarb is more pragmatic," he said. "His solution tend to be based on those with the lowest political economical costs."

Mr. Zarb is known as a hard worker, an administrator who "works two hours for every one" that he asks of his employes and aides.

Frank Gustav Zarb was born in New York City on Feb. 17, 1935. He received a B.B.A. degree from Hofstra University in 1957 and an M.A. degree in 1961, also from Hofstra.

The medium-built, dark-haired Mr. Zarb is married to the former Patricia Koster and they have two children; a daughter, Krista, 14-years-old, and a son, Frank Jr., 12.

Business Week
NOVEMBER 30, 1974
RESOURCES

The FEA gets a chief with top-level clout

Frank G. Zarb, nominated this week as the new chief of the Federal Energy Administration (FEA), agreed to take the job only after President Gerald R. Ford personally assured him of direct access to the Oval Office. Zarb's predecessor, John C. Sawhill, never enjoyed that kind of access and, in frustration, began advocating policies, such as a higher gasoline tax, without White House clearance. He was ousted for his independence.

The controversy over the nomination of Andrew E. Gibson is still so fresh that Zarb will not spell out his plans for the FEA in advance of confirmation hearings. But one indication of his views on energy comes in an as-yet-unannounced White House decision to support the Environmental Protection Agency's requirement that all coal-fired power plants have stack gas scrubbers.

WW

Zarb: He may reverse the trend toward relaxing environmental rules to save energy.

The 39-year-old Zarb acted as a mediator in this controversial decision. As associate director of the Office of Management & Budget (OMB), specializing in both energy and environment, and as director of Ford's Energy Resources Council (ERC), Zarb helped turn around White House and Cabinet opposition to the scrubbers, which most utilities claim are ineffective. The best that power companies can hope for now is a delay in installing them. Zarb's role in this case suggests that he may not favor much relaxation of environmental standards to gain flexibility with energy supplies.

Another money man. Zarb, whose confirmation by the Senate is likely, will be the third FEA administrator with a financial background. Treasury Secretary William E. Simon, first head of the agency, was a Wall Street investment banker, and Sawhill was vice-president of Commercial Credit Corp. Zarb was executive vice-president of Hayden, Stone, Inc., before joining the government in 1971 as Assistant Secretary of Labor. He moved to the OMB to work on government reorganization, later taking over scientific, environmental, and energy affairs.

He has a penchant for long hours that will come in handy at the FEA. Energy officials involved in last winter's crash program to deal with the Arab embargo say that the next three or four months will be just as difficult. "Zarb will be faced with finding a delicate balance between limiting energy growth and increasing oil production, and a storm is brewing in Congress over energy policy," says one former FEA official.

Zarb: 'Morton and I see eye to eye. No single agency can do the energy job alone'

Last December, Simon asked Zarb to leave the OMB to organize the FEA's complex fuel allocation program. Zarb stayed long enough to help settle the truckers' fuel strike. Associates also credit him with putting together the successful legislative strategy that led to the creation of the Energy Research & Development Administration which will oversee the government's energy research. He also played a leading role in hammering out a crude-oil equalization program that will make smaller oil companies more competitive with major ones.

When Interior Secretary Rogers C. B. Morton named Zarb executive director of the ERC, Zarb promptly stressed a team approach, making sure, for example, that the FEA would be involved with the Transportation Dept. in negotiations with auto makers on improved gasoline mileage. Zarb says he will keep his ERC post if he becomes FEA chief. "Morton and I see eye to eye," he says. "No single agency can do the energy job alone." But he wants the FEA to be a lead agency in recommending and carrying out energy policies. "The FEA has the only substantial energy staff in town," says Zarb.

Zarb may clash with Morton over whether energy conservation should be voluntary, as Morton prefers, or mandatory. For now, Zarb says, "I strongly feel we need to conserve energy. I'm keeping my options open." ■

THE SUN

Ford handed 'option paper' on energy

12/74

By STEPHEN E. NORDLINGER
Washington Bureau of The Sun

Washington—President Ford received yesterday his most comprehensive review to date of the nation's energy crisis as he moved toward proposing conservation measures to reduce the nation's imports of crude oil.

The President met for three hours with 14 of his top economic, energy and environmental advisers who presented an "option paper" outlining the various steps that could be taken to reduce consumption and expand the supplies of energy.

Mr. Ford will select some of the recommendations from his advisers for his State of the Union message to Congress next month.

The proposals placed before the President were understood to include short-range conservation measures with emphasis on voluntary rather than mandatory actions.

In addition, the recommendations incorporated long-term supply development actions such as increased production of coal in the Western states and a speed-up in the leasing of offshore oil lands.

The list of possible steps to achieve a reduction in oil imports resulted from a meeting of about 20 advisers, including Cabinet officers, last weekend at Camp David in the Catoctin Mountains of Maryland.

Following this meeting, the energy planners drew up the "option paper" for Mr. Ford.

Those attending the White House meeting included Rogers C. B. Morton, Secretary of the Interior and Chairman of the Energy Resources Council; Frank G. Zarb, head of the Federal Energy Administration; Arthur F. Burns, chairman of the Council of Economic advisers; William E. Simon, Secretary of the Treasury; and Russell E. Train, head of the Environmental Protection Agency.

Even though the President has repeatedly expressed his opposition to an increase in the gasoline tax, the list included this proposal, which is strongly favored by a majority of his energy advisers. The revenue from the tax could be used to finance an income tax cut as a stimulate to the economy.

In addition, the comprehensive Camp David report included such other possible actions as an import quota and a fuels allocation program and gasoline rationing as ways to reduce oil imports.

Other possible actions to reduce consumption in the short-run were understood to include shortening filling station hours and a return to the alternate day fill-up plan of last winter during the Arab oil embargo.

The long-run measures to conserve fuel include such measures as a tax on automobile horsepower, encouragement of more efficient industrial processes and a surtax on electricity and natural gas consumption.

The list also was said to include the oft-repeated administration proposals to remove federal price control from natural gas and ease environmental standards to allow an increase in the burning of high sulphur coal by power plants and greater car exhaust pollution than present law allows for future models.

The energy program is designed to achieve the President's goal of reducing oil imports 1 million barrels a day by next autumn from the level that would otherwise occur, estimated at 6.9 million barrels a day. This would permit a sharp reduction in the outflow of oil payments, now $25 billion a year.

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Opinion

MONDAY, DECEMBER 2, 1974

And Now Zarb

President Ford made a surprising but, from all indications, a commendable choice in nominating Frank G. Zarb to head the Federal Energy Administration. Zarb is widely experienced in this field, and hardly a better prospect for the position comes to mind. Only Zarb himself need worry about the appointment, for the turnover of energy administrators has been such that few observers can recite from memory the names of his numerous predecessors. He will need all the luck he can get.

As to the other necessary endowments, ability and vigor, he seems well supplied with these, along with a certain vocal restraint that may help him get along in this administration. In the past, he hasn't been noted for preaching his own version of energy salvation, which is what brought about the fast eclipse of his predecessor, John C. Sawhill. When Sawhill "went public" on repeated occasions in favor of mandatory fuel conservation measures (including a high gasoline surtax) he incurred the displeasure of the President and the new overall energy chief, Interior Secretary Morton.

Still, Zarb will have to be more talkative, by virtue of his higher profile, than he has been heretofore as an energy planner in the background. His new job will require, in the public interest, a good deal of candor about national requirements, and even salesmanship for needed remedies. But no doubt we shall see less inclination to run ahead of the White House, as Sawhill did, in proposing solutions. Whether this is for good or ill depends on whether the White House itself, with Zarb's assistance, proposes any strong solutions to the energy disarray.

In any case, Ford decided rightly in elevating a competent federal energy specialist to the helm of FEA, rather than bringing in some glamor figure from outside to serve merely as a front man. Zarb has displayed a high talent for management in several government positions, including his present directorship of the Energy Resources Council, and as the top energy official in the Office of Management and Budget. His powers of analysis in this field are said to be considerable.

We hope, for the country's sake, that he measures up to that estimate. And Ford must hope so more than anyone else, embarrassed as he is by having to withdraw his first choice for the post, Andrew E. Gibson, whose background simply was not checked well enough in advance to avoid a conflict-of-interest issue. Surely Zarb, a former Wall Street management expert, has been investigated with sufficient thoroughness to remove any need for lengthy delay in his confirmation by the Senate. We certainly hope so, because of his primary role in helping Ford to shape an energy program, presumably for presentation early next year. There are grim choices and grave dangers ahead, as fuel inflation saps the economy, and no time to waste in dealing with the dilemma.

DECEMBER 20, 1974

President Offers a Compromise On Bill to Regulate Strip Mining

By BEN A. FRANKLIN
Special to The New York Times

WASHINGTON, Dec. 19—The White House said today that President Ford would agree to sign the bitterly disputed Federal strip mine control bill if Congress would pass a companion bill before adjournment correcting its "deficiencies." Adjournment was scheduled for tomorrow.

Mr. Ford had said as recently as last Friday that he intended to veto the bill. The conditional offer was put forward by Ron Nessen, the White House press secretary, but there seemed to be no practical hope that Congrass could prepare and enact a companion bill in time.

Mr. Nessen's lunchtime statement was described later by one of his aides as "an attempt to posture ourselves as still willing to reach some kind of compromise."

But, according to another spokesman for the Ford Administration, Mr. Nessen's statement "showed the emperor without any clothes, because what he is really saying is that we are confused."

Rumors that the President would stick to his veto announcement, or that he was on the verge of changing his mind, swept through Capitol Hill, the Interior Department, hte Federal Energy Administration and other interested Government offices for the third day today. There were widespread reports of a struggle within the Administration for the President's ear.

'One-Sided Briefing'

Secretary of the Interior Rogers C. B. Morton, who has the title of the President's Chief Energy Policy Adviser, was known to have urged him again to sign the measure. An aide to Frank G. Zarb, the new head of the F. E. A., said Mr. Zarb had eased his original recommendation of a veto on the ground that he had been given a "one-sided briefing on the issue" by officials of the agency.

Secretary Morton and Mr. Zarb, among others, spent several hours conferring with Mr. Ford this afternoon on energy policy matters. Later a White House press spokesman said, "I've seen no change here to indicate anything other than a veto." But there still was no formal action by Mr. Ford.

Such congressional sponsors of the bill as Senator Henry M. Jackson, Democrat of Washington and Representative Morris K. Udall, Democrat of Arizona, had called upon the President to exercise his veto by today, at the latest, if he concluded he must do so. This would have given each house of Congress a chance to vote on overriding the veto.

Mr. Ford now has the option of a formal veto message, which Congress will not be in session to challenge, or a so-called pocket veto. If he leaves the strip mine bill on his desk for 10 days without action, it will die.

Week Ending December 21, 1974

'If he ever leaves FEA, you'll know we won't have any energy for the next 25 years.'

—UPI

'Poor Boy from Brooklyn' Moves Into Top Job At Federal Energy Agency

By Barbara J. Katz
FROM WASHINGTON, D.C.

WHEN Frank G. Zarb was nominated to head the Federal Energy Administration a few weeks ago, congratulatory telegrams and letters poured into the office of the 39-year-old associate director of the Office of Management and Budget. Among the bouquets of praise was one of another kind—six long-stemmed red roses, accompanied by a note from American Indian spokeswoman LaDonna Harris. "Congratulations!" she wrote. "But what are we ever going to do without you at OMB?"

Not many Washington bureaucrats receive bouquets of any sort these days, especially from groups with long-standing grievances against the Government. But Frank Gustav Zarb has built an unusual reputation for himself in less than three years here—a reputation as a politically savvy administrator who is both sensitive and tough. The combination, says more than one observer, makes Zarb "a perfect candidate" for Federal Energy Administration (FEA) chief, one of the most politically sensitive spots in the Federal bureaucracy today.

'Watch for Things to Happen'

With the Senate last week confirming Zarb as President Ford's choice to succeed the ousted John Sawhill, the problems of dealing with the nation's limited energy resources now fall to a man known for almost an excess of energy. Zarb, who gave up a $110,000 job on Wall Street to take a $38,000, high-pressure, critical Government job, seems to have a penchant for 14-hour days and a talent for cutting to the heart of issues, resolving political "turf fights," and getting things done. "When Frank's around, things happen," says a former colleague. "Watch for things to happen in energy."

Zarb worked long and hard to get where he is today—but doesn't appear certain that's where he really wants to be. There's little doubt, though, that he's proud of the distance he has traveled since he was "just a poor boy from Brooklyn," as he puts it, and that much of what he learned in those early days has become part of his political style.

The '40s in Brooklyn

Zarb, a dark-haired, medium-built man with deep-set piercing blue eyes, leans back in one of the colonial chairs in his brick- and wood-paneled den and talks intently, if a little reluctantly at first, about what life was like back in the '40s in Brooklyn. "It was a different kind of life from what these characters have known," he says, affectionately tossing peanuts at his children, Krista, 14, and Frank, Jr., 12. "We didn't have much money, but we learned what life was like at a young age, and we got to know a real mix of people." He surmises that what ability he has in dealing with people today stems from those days growing up on the outside looking in.

His immigrant father was born in Turkey, although the family name has been traced back to the island of Malta. His father worked as a refrigerator mechanic, and son Frank brought in extra money delivering groceries and taking other odd jobs. In "true family tradition," Zarb says, he went to a vocational high school with the aim of becoming a mechanic—an airplane mechanic. But in his senior year, a teacher convinced him to try something else—college.

Zarb did earn a business degree from Long Island's Hofstra University in 1957 with the help of scholarships and part-time jobs. His leadership abilities and knack for working with people were noticeable even then, recalls Harold Lazarus, one of Zarb's professors and now dean of the business school. When he was student-council president in his senior year, he also held a paid job in the school administration, as co-ordinator of student activities. "Frank was the fellow who if you wanted something to get done, he'd get it done," says Lazarus. "He wasn't a threatening person, though. You knew he was ambitious, but you felt his ambitions were going to help you."

Blond, soft-spoken Patricia Koster, also a scholarship student, knew he was ambitious too. She was student-council vice president while Zarb was president. "I tell people I had to marry him," she laughs. "If I couldn't beat him, I had to join him."

After Hofstra and a tour of Army duty, Zarb got his first taste of work in the energy field. While earning his master's degree in business administration at Hofstra at night, he became a management trainee at Cities Service Oil Co., learning the grass-roots operations of the business, even pumping gasoline, and eventually moving into the industrial-relations department.

Zarb moved over to Wall Street in 1962, beginning what some persons now refer to as his "meteoric rise." "I have to laugh when I hear that," Zarb says with a trace of bitterness. "A lot of people rise quickly on Wall Street. What they're *really* saying is that unlike most people on the Street, my dad didn't belong to one of the firms, I hadn't gone to the 'right' schools, didn't come from a wealthy family—so I didn't have the normal political base."

Despite his absence of a "political

base," Zarb moved up the Wall Street ladder, developing his reputation as a tough-minded manager because of successes in setting up and expanding "back office" operations—that part of a brokerage firm handling customer accounting and securities processing. Some Wall Streeters, though, question whether Zarb was really that effective an administrator. They note that less than two years after Zarb left his first investment house, Goodbody & Co., the firm collapsed, partly because of back-office problems. But Zarb's former bosses say the firm's collapse was more related to problems with capital than back-office operations, and that Zarb's department was functioning smoothly when he left.

At the very least, some observers note, Zarb is "politically streetwise." "He can see the handwriting on the wall," says one industry source. "If he ever leaves FEA, you'll know we won't have any energy for the next 25 years."

A Job at Labor

If Zarb does have any weaknesses that showed up on Wall Street, says one former associate, it's that "he relies a little too much on assurances from his people that everything is okay. Because he tends to develop personal relationships with people, he continues to rely on them even though his technical expertise should tell him to look elsewhere." Other colleagues disagree with that assessment.

It was Zarb's management abilities that the Nixon Administration wanted.

In 1971 he was named assistant Secretary for administration in the Labor Department, which he helped decentralize under President Nixon's "New Federalism." "It was a difficult job," recalls Laurence H. Silberman, Zarb's superior at Labor and now Deputy Attorney General. "But Frank did it in a fashion that muted the inherent antagonisms."

After a brief return to Wall Street, Zarb was once again lured back to Washington, this time as an OMB executive. He moved through a succession of jobs there, leading to his current dual role as associate director for science, energy and natural resources, and executive director of the Energy Resources Council, a new Cabinet-level body charged with shaping energy policy recommendations for President Ford. (Zarb will retain his council position while heading the FEA.)

Envoy to Indians

Zarb also developed a reputation at OMB as an effective trouble-shooter—someone who could be sent off on just about any Government assignment and produce results. Interior Secretary Rogers C. B. Morton, for example, has come to rely on Zarb as his intermediary with Indian groups around the country. And during last winter's oil embargo, Zarb helped set up the FEA's operations-and-compliance division. Zarb helped resolve the truckers' strike, for which he receives exceptionally high marks from the truckers.

As Bill Hill, chairman of the Truckers Unity Committee, put it: "Zarb wasn't a typical Washington bureaucrat. He was a guy who could roll up his sleeves and bring himself down to the level of a trucker. He seemed to have real insight into the problems of our people and to understand what it was like to live in good old Pittsburgh next to the steel mills."

Some men who have worked with Zarb both on Wall Street and in Government question the scope and depth of his knowledge of particular problems. But Mahlon Frankhauser, a Washington, D.C., lawyer who worked with Zarb in New York and now considers him a personal friend, calls him a "generalist"—someone able to transfer his abilities from one field to another. "One of the beauties, but one of the drawbacks, of a generalist is that you don't know a hell of a lot about the subject yourself and you have to depend on other people. But also you aren't encumbered by past approaches to problems and can hopefully bring a new perspective to things."

John Hill, one of Zarb's deputies at OMB, notes that "Frank's not a Kissinger-type genius, although he's smart as hell. But his real strong point is with people—and that's what's needed for the FEA job: someone who can work with different egos, agencies, viewpoints, and interests."

Zarb won't say much yet about what specific policies he hopes to carry out at FEA, but his current mission, he says, is to help the President formulate a new national energy policy, which will be announced next month. Zarb says he personally hopes that the country can be free of dependence on other nations' oil by 1985 and that conservation measures can achieve a drastic reduction in consumption by 1977. Like President Ford, Zarb says he doesn't think "we've really done enough to make voluntary conservation work," and would like to see "a real massive campaign to explain things to the American people before going in for mandatory measures."

Relaxing With Wallpaper

Week-end work sessions and 70-hour work weeks have cut heavily into Zarb's personal life. He obviously enjoys his home life with his wife, children, and three dogs, but he doesn't have much time for it these days. The family hasn't taken a vacation of more than a few days at a time for years; there's almost no time for reading anything other than newspapers and magazines; and about the only recreation he gets is wallpapering the rooms in the two-story colonial home the family bought recently in suburban McLean, Va. "I get home about 10 and put up one roll a night," he laughs. "It's my therapy."

Why does he work so hard? "In Government you drive yourself because there's always more to be done than you can possibly do," he explains, "and the urgency to get things done seems so critical." Is that all? "Well," he replies thoughtfully, puffing on his pipe, "maybe it goes back to my early background. You know, I always had to work a little harder than most of the people around me—at Hofstra I had to earn my tuition, on Wall Street I had no automatic launching pad. You just don't give up ingrained traits like that."

Some who know Frank Zarb say he really didn't want to be FEA administrator now. He had, in fact, accepted an offer to become executive vice president of the Export-Import Bank just a few weeks ago—a job that would have meant more normal hours, more time with his family, and travel abroad. "But when you get calls from the President, from [Secretary of the Treasury] Simon, from Morton, and a note from [Secretary of State] Kissinger, you really can't say no," comments an aide who suffered through the decision with him.

Zarb himself will say only that "after a few conversations with people," he finally decided the FEA was the place to be for the next few years. "And besides," he says, shrugging his shoulders and taking his pipe out of his mouth, "it should be fun."

"When you place the whole burden on gas, you're being unfair geographically and to various segments of the economy. I know it's popular to say 'take it all out of gasoline and out of the motorist,' but the notion just doesn't hold up. And it doesn't get the whole job done."

FEA's Zarb: time for action on energy

In an exclusive interview with *Service Station Management* editors, Federal Energy Administrator Frank Zarb said U.S. must achieve energy independence. Stern measures are needed, but he emphasized that the whole burden should not be on gasoline

Editor's note: SSM is featuring a series of reports that reflects the thinking of people in and out of government on our nation's energy problems. This month we present highlights of a March interview with FEA head Frank Zarb. This discussion of the Administration's belief that by the end of 1977 we should cut imports 2 million barrels of oil daily is particularly interesting in light of a proposal now being submitted to government officials by a special energy conservation committee within our service industry. This proposal suggests ways the country could save 1 million barrels of gasoline daily — chiefly through a system of engine tune-ups and vehicle inspections on an annual basis.

It is 6 p.m. in the Nation's Capital. The setting sun steadily pushes a gray shade line up the Washington Monument and federal commuters clog the Potomac River bridges in retreat to the suburbs.

For Frank Zarb, the work day is only two-thirds over. The Federal Energy Administrator braces a foot against his desk, tilts back in his chair and tells *Service Station Management* that unless the U.S. cuts oil imports 2 million barrels a day by 1977, Americans could face astronomical gasoline prices and a disastrous oil embargo.

In fact, it is Zarb's opinion that any continued ignoring of the energy problem by the country could lead to a situation where "an embargo in '77 as effective as the last one would have twice the impact. It would bring Los Angeles County to a halt, three-quarters of the service stations wouldn't open their doors and another 700,000 people would be out of work."

National policy needed

But before any safeguards against a doomsday embargo can be devised, the Ford Administration and Congressional Democrats must hammer out the grillwork of a national energy policy. And, as both sides grope warily for a compromise, the only certainty is that gasoline prices will rise and demand will fall. Depending upon the outcome of negotiations between the White House and the House Ways and Means Committee, the pump price could rise from 10¢ to 40¢ a gallon.

In order to reduce dependency on imported oil, the Administration seeks a $3 a barrel tariff on imported crude oil ($1 is already in effect, with the remaining $2 postponed by President Ford until May 1). Ways and Means Chairman Al Ullman's (D-Ore.) plan calls for a gradually reduced quota on imported oil combined with a gradually increased tax on gasoline.

Ullman's plan would slash oil imports 1 million barrels a day by '77 — just half what the Administration is aiming for. And, despite the rhetoric of compromise, that million

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(Photo at right) Frank Zarb, left, discusses energy problems with Service Station Management executive editor Don Smith.

FEA's Zarb

(continued from page 21)

barrel-a-day difference may be a sticking point.

"It would create inordinate economic disruptions. My view is that this nation can't afford to put itself in that position, and it doesn't need to. It's going to be tough, but not all that tough. And we can do it," Zarb believes.

Zarb feels that the use of quotas "to get the full job done" runs the risk of shortages and a return to "severe allocations."

In the Administration's view, a quota system is equivalent to a self-imposed embargo. "You remember the last time around," Zarb remarks, "we had just gotten to the point of equitably distributing supplies" when the embargo was lifted and the allocations ended. "Some states really hadn't yet been affected. So there are still many parts of the country that still don't know what it was like."

Ullman's gas tax plan would soften the blow somewhat by a form of coupon rebates. Each motorist would receive coupons equal to the tax on nine gallons of gasoline. But coupons smack of rationing and President Ford has asserted that — unless a dire emergency develops — rationing would occur only "over my dead body."

"The idea of putting such a large tax on gasoline troubles me," says Zarb, "because gasoline is only 40% of the crude oil barrel. We've got to save 100% of the crude barrel.

"Besides, when you place the whole burden on gas, you're being unfair geographically and to various segments of the economy. I know it's popular to say 'take it all out of gasoline and out of the motorist,' but the notion just doesn't hold up. And," adds Zarb, "It doesn't get the whole job done."

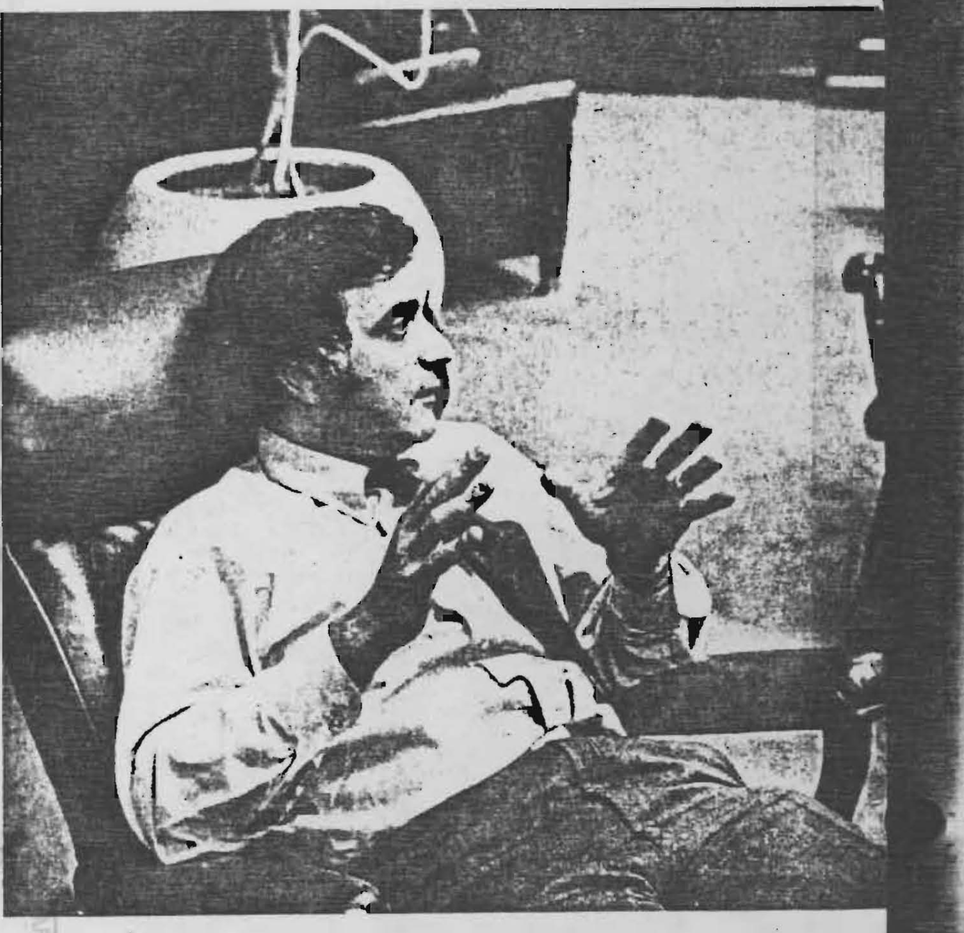
"Everyone would get the same coupon, right? Well, I have one neighbor who drives a short distance to work and another who drives a long distance. The fellow who drives the long distance makes a hellova lot less than the one who drives a short distance. Now, where's the equity in something like that?"

The White House is willing to "tilt" towards gasoline for the first three years, explains Zarb "and then phase out so that there's parity. But every sector has to share in this, not just gasoline. We have to have energy efficiency across the board. Hard decisions are going to have to be made by plant managers, equipment manufacturers and homeowners over the next 10 years," he stresses, "and anything short of that isn't going to do the trick.

"We have 6% of the world's population and yet we use 30% of the world's energy. Something's wrong!"

Dealer margins

The White House plan also calls for decontrol of crude oil prices later this spring, but the program does not include decontrol of gasoline prices. Service station dealers are currently allowed a 3¢ a gallon margin to reflect increased non-product costs. But FEA officials are mulling written industry comments (with a public hearing likely) on proposals to revise the margins. With wages, utilities,



workmen's compensation rates and other costs of doing business steadily rising, it seems likely that an increase in the margin would be approved.

In the meantime, the National Congress of Petroleum Retailers as well as state dealer associations have complained to FEA of alleged hard sell pressures from oil companies. With the government seeking reduced gasoline consumption and the refiners reportedly demanding longer operating hours, many dealers fear being pinned in a no-win situation.

"We're trying to get the facts on this right now," Zarb told interviewers. "There's talk of pressure. What kind of pressure? Is it from one company, or six companies. Is it a case of some middle level company executive making his own policy decisions? We're going to find out pretty quickly."

(Hours after the interview, Zarb announced that FEA officials would meet with dealer groups and oil company representatives to resolve the dispute.)

Although the authority to control gasoline prices expires later this summer, Zarb is convinced that Congress will renew the authority.

"If we ultimately went to full decontrol," says Zarb, "the competition of the marketplace would take over again. But," he warns, "if we created a shortage through a quota system, then there's no doubt that we have to revert to price controls again — and tough controls. You'd have buyers out bidding on higher prices and Congress would absolutely insist on iron-clad controls. And," Zarb adds, "Congress would be right because you can't have a shortage in our economy and permit

(continued on page 54)

"If we created a shortage through a quota system, then there's no doubt that we have to revert to price controls again"

The Philadelphia Inquirer
MAY 5 - 1975

Oil Crisis Getting Worse, Zarb Says

From Inquirer Wire Services

WASHINGTON — The U.S. energy crisis is worse today than it was before the 1973-74 Arab embargo, and any new cutoff of foreign oil might bring gasoline rationing within 90 days, according to Federal Energy Administrator Frank G. Zarb.

Zarb said that "everything is going the wrong way" in America's energy equation.

"Production in this country is declining, and at the same time demand is rising," he said in an interview published yesterday. "Imports make up the difference.

"The crisis, when you look at the facts, is worse than before the Arab oil embargo of 1973-74. We are now vulnerable to the extent that 38 percent of our supply comes from abroad and this soon will rise to 40 percent.

"Another embargo, which we could have at any time, would be more crippling than the first."

Zarb said also that the United States was "price-hostage to the cartel of producing nations that already have used their power to increase our payments for foreign oil from $3 billion in 1970 to $25 billion in 1975."

He disputed Treasury Secretary William Simon's prediction that oil prices would fall, saying that a sustained world economic recovery would mean heavier demand for oil and little incentive for producers to cut prices.

THE NEW YORK TIMES, MONDAY, MAY 5, 1975

ENERGY CHIEF SAYS CRISIS IS WORSENING

WASHINGTON, May 4 (UPI) —The energy crisis in this country is wore now than it w a country is worse now than it was before the 1973 Arab embargo, and any new cutoff of foreign oil could bring gasoline rationing within 90 days, the head of the Federal Energy Administration, Frank G. Zarb, said today.

Mr. Zarb said that "everything is going the wrong way" in the United States' energy equation. "Production is declining, while demand is rising," he said in an interview in the current issue of U.S. News & World Report. "Imports make up the difference," he said.

"We are now vulnerable to the extent that 38 per cent of our supply comes from abroad, and this soon will rise to 40 per cent," Mr. Zarb said, adding that "another embargo, which we could have at any time, would be more crippling than the first."

"The first step [in the Government's embargo-emergency plan] would be immediate implementation of a state-by-state fuel allocation plan with fairer distribution than we had the first time around," he said. "The most extreme step would be gasoline rationing."

He disputed the prediction of the Treasury Secretary, William Simon, that oil prices would fall, saying a sustained world economic recovery would mean heavier demand for oil and little incentive for producers to cut prices.

Monday, May 5, 1975 The Washington Star

Zarb Sees Oil Crisis Unabated

United Press International

The U.S. energy crisis is worse today than it was before the 1973 Arab embargo, and any new cutoff of foreign oil might bring gasoline rationing within 90 days, according to Federal Energy Administrator Frank G. Zarb.

Zarb said "everything is going the wrong way" in America's energy equation.

"Production in this country is declinging, and at the same time demand is rising," he said in an interview in U.S. News and World Report. "Imports make up the difference.

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"Another embargo, which we could have at any time, would be more crippling than the first."

In addition, Zarb said, the United States is a "price hostage" to the oil producing nations. U.S. payments for foreign oil have increased from $3 billion in 1970 to $25 billion this year, he said.

THE UNITED STATES now has an emergency plan ready for immediate use in the event of a new oil embargo, Zarb said.

He said the major goal would be to minimize unemployment that might result from embargo-caused fuel shortages, adding that industries and businesses generally continued their conservation efforts after the last embargo was lifted, and would be hard pressed to find new ways to conserve.

"The first step would be immediate implementation of a state-by-state fuel allocation plan with fairer distribution than we had the first time around," Zarb said.

"The most extreme step, if necessary, would be gasoline rationing. We have a plan for that, which could be fully operational within 90 days."

OIL IMPORTS fell off sharply in the first three months of 1975, but Zarb said the trend would reverse itself as the nation pulls out of recession.

He disputed Treasury Secretary William Simon's prediction that oil prices will fall, saying a sustained world economic recovery would mean heavier demand for oil and little incentive for producers to cut prices.

The only way to get Americans to reduce consumption, Zarb said, is to increase the price. He said administration plans would boost gasoline prices about 15 cents a gallon and would add 6 to 8 cents a gallon to other petroleum products.

CONGRESS and the administration have agreed in principle on many specifics of an energy plan, including ways to boost U.S. energy production, but are blocked by a debate over how far and how fast to go in raising energy prices and cutting consumption.

"We in the administration feel that by the end of 1977 this country must be using 2 million barrels of oil a day less than would be consumed if nothing is done," he said.

THE NEW YORK TIMES, THURSDAY, MAY 22, 1975

Energy Impasse: Lack of National Consensus and New-Style Congress Delaying Action on Legislation

By DAVID E. ROSENBAUM
Special to The New York Times

WASHINGTON, May 21—The decision yesterday by the House Democratic leadership to set aside indefinitely a major piece of energy legislation, when it appeared that the bill was about to be killed on the floor of the House, illustrates two political axioms that often determine how Congress works. The first is that Congress cannot normally legislate on a significant issue in the absence of at least a vague national consensus on the issue.

News Analysis

The second is that the ability of Congress to act quickly and decisively declines as the breadth of interest of its members increases.

Virtually every time that Congress has set a national policy that changed the way people live—the imposition of a Federal income tax, for example, or the enactment of civil rights laws—the action came after a consensus had developed, bit by bit, over the years, that a problem existed and that there was one best way to solve it.

There is no such general agreement throughout the country that an energy crisis exists, much less that there is a best way to solve it.

Gasoline and other fuels are seemingly available in abundance. It would be nice if the United States could become "energy independent," just as it would be nice if the country could become "sugar independent," or "coffee independent."

But the American people, at least as they are perceived by members of Congress, are not willing to pay vastly more to drive their cars, to work in offices without air-conditioning or to make other sacrifices to conserve fuel.

It is, as Representative Al Ullman, chairman of the House Ways and Means Committee, says, "an invisible crisis, and that's why it's so hard to legislate."

In theory, members of Congress should be out ahead of their constituents, leading them along the path of wisdom even though the constituents themselves may not realize the wisest course.

More than 200 years ago, Edmund Burke, one of the great philosophers of representative democracy, voiced that ideal when he told his constituents in Bristol:

"Your representative owes you, not his industry only, but his judgment: and he betrays instead of serving you if he sacrifices it to your opinion."

After he made that speech, incidentally, Burke was rejected by the electors of Bristol and was required to seek election to Parliament from another borough.

Representative Sam M. Gibbons, a Florida Democrat, may have been more practical. "A lot of guys who have marginal districts can't vote for a gasoline tax," Mr. Gibbons said recently, "because, if they do, they won't be back here next time."

A clue to the breadth of disagreement on energy policy throughout the country can be seen in the array of lobbyists on the issue.

The Ford Administration wants to reduce consumption of fuel and increase production by raising the tariff on foreign oil and removing price controls on domestic oil and natural gas. The producers agree with that plan, but most Democrats and organized labor believe it would be disastrous for the economy.

The unions generally agree with the idea of taxing gasoline more heavily. But the American Federation of Labor and Congress of Industrial Organizations would like to place a steep additional tax on automobiles that get low gasoline mileage, while the United Automobile Workers vigorously oppose such a measure.

The Administration and most Congressional Democrats accept the idea of placing the revenues from energy taxes in a trust fund to be used for research and development of new energy sources. But that proposal is vigorously denounced by environmental organizations.

Until the American people are persuaded that there is a serious problem that warrants their sacrifice and until the interest groups reach some accord on the way to solve the energy problem, it is highly unlikely that Congress will be able to legislate.

The Government in a democracy, the late Adlai E. Stevenson once said, "cannot be stronger or more tough-minded than its people. It cannot be more inflexibly committed to the task than they. It cannot be wiser than the people."

The principle that Congress becomes less efficient as the scope of interest of its members rises is more subtle but no less axiomatic politically.

In the years when Senators and Representatives tended to be political hacks who were returned to office year after year because they dealt well with matters of local concern, strong national leaders could muster a majority behind issues of broad, national importance.

A Lyndon Johnson or a Sam Rayburn could mobilize votes with a snap of the finger, often pledging a dam or a highway in return for a vote on a large policy matter.

The new breed of Congressmen, however, are from a different mold. They tend to be better educated, more self-confident and less willing to bide their time to gain seniority. Many more of them owe their allegiance to consumer groups and other grass-roots movements rather than to political machines. And, most important, they are well-versed in the national issues of the day and have their own viewpoints that they want to press.

"Even if there were a strong speaker, I doubt if he would have been able to ram through an energy program," a long-time Congressional aide says.

There are many in Washington who view the inefficacy, unpredictability and, often, immobility of the new-style of Congress as increasingly troublesome. They sympathize with an executive who no longer knows with whom to deal on a given issue.

In commenting on the energy impasse today, Mike Mansfield, the Senate majority leaders, said that Congress was simply "going off in too many directions."

But there are others who applaud the fact that more voices are heard on major issues, even at the expense of a lack of decisiveness and, sometimes, inaction. What, they ask, would have been the result if Congress, for example, had quickly approved President Ford's request last fall for strong anti-inflation legislation?

As a staff member who has spent years assessing the operations of Congress commented today, "Democracy is the worst form of Government, except for any other."

Ford Energy-Policy Action Likely Soon

By EDWARD COWAN
Special to The New York Times

WASHINGTON, May 21—Administration officials said today that President Ford was virtually certain to announce a major energy-policy action before he leaves for Europe on May 28.

The President's press secretary, Ron Nessen, indicated as much when he said that Mr. Ford was meeting with senior economic and energy advisers late this afternoon to discuss "steps he would take if Congress goes home" without taking action on energy-conservation legislation.

The near certainty of such inaction by tomorrow night, when both houses of Congress are scheduled to begin a 10-day recess, was signaled yesterday when the Democratic leadership in the House deferred until June floor action on energy conservation.

The choice before the President was described by key officials as follows: to initiate by executive action a gradual phaseout of price controls on crude oil, to raise to $2 a barrel from $1 the special import fee on foreign crude oil, or to do both.

After the White House meeting, Mr. Nessen said that Mr. Ford would make a decision this weekend on the timing of his actions. Another Administration source said that the question was only one of timing and that both actions were likely, with the fee increase probably to come first.

Mr. Ford's economic and energy advisers would preder to set decontrol in motion. They hold that it would be the more useful step because they believe that higher prices and increased revenues will spur oil operators to undertake special efforts to increase production from oil fields now under price controls.

However, either the House or the Senate could stop decontrol by a simple majority vote. Plainly, the Administration's chances of surviving such a test in the heavily Democratic House are slimmer than its chances of making an increase in the fee stick.

It would take a two-thirds vote in both houses to override Mr. Ford's veto of the bill, which would suspend for 90 days the President's power to impose suce fees.

Representative John J. Rhodes of Arizona, the House minority leader, confirmed that he would like Mr. Ford to raise the import fee first, to beat back the attempt to override the veto, then to submit a deregulation notice and try to muster a simple majority to defeat a resolution of disapproval.

The plan formally proposed earlier this month would gradually shrink at a rate of 4 per cent a month the volume of crude oil subject to the price ceiling of $5.25 a barrel. The Administration contends that the economic impact of such deregulation would be spread out and therefore would not jeopardize a business recovery or impart a sudden spurt to energy prices.

Foes of Deregulation

Opponents contend that deregulation would unjustly and unnecessarily enrich oil producers, burden consumers and effectively let the international oil cartel determine American energy prices.

Frank G. Zarb, the Federal Energy Administrator who is chief spokesman for Mr. Ford on energy issues, reiterated in a statement the Administration view that the 13-nation Organization of Petroleum Exporting Countries was moving toward another price increase and that therefor the United States—by legislation or Presidential action—had to act to "reduce our vulnerability to foreign oil."

Mr. Zarb in effect disputed a Washington Post article that associated him with a forecast of a price increase of $2 a barrel by autumn.

"I can't confirm or deny that figure, but the direction is clear," the statement said.

Officials of the State Department, Federal Energy Administration and Council of Economic Advisers said they knew of no basis for the $2 figure and that it might have arisen from casual, speculative discourse by Mr. Zarb during an interview.

A well-placed industry source said speculation in the trade about an autumn price increase had ranged from 10 per cent, or roughly one dollar a barrel in the Persian Gulf, to 25 per cent, or about $2.50.

"The seat of the pants feeling around here is around $1.50," the oil executive said. "And that's not at all justified by fundamental demand-supply factors. It could just be an exercise in monopoly power by O.P.E.C."

The Senate majority leader, Mike Mansfield of Montana, expressed criticism of the Democratic Congress rather like that being voiced by the Republican Administration.

Senator Mansfield told reporters that "the President has at least presented us with a program. He's done his share. If there is any blame to be attached, it's ours."

THE CHRISTIAN SCIENCE MONITOR Tuesday, July 15, 1975

Ford 'sells' revised oil price plan

Gradual decontrol for domestic output

By David T. Cook
Business and financial correspondent of
The Christian Science Monitor

Washington

The Ford administration is about to embark on a public-relations offensive to sell the second revision of its plan to decontrol the price of domestically produced oil.

The administration plan — released Monday (July 14) — would gradually remove the price controls on domestically produced oil over a 30-month period while at the same time placing a ceiling on the price of the 40 percent of U.S.-produced oil not now under price controls.

Presidential press-secretary Ron Nessen said it would "be wise to take a few days to have a policy discussion" on the proposals and as a result administration officials would be "making speeches and holding news conferences" to explain the plan's economic impact. To make time for this discussion, the administration revised its plan to send the proposal to Congress Monday.

The administration decontrol would push up gasoline prices one cent a gallon this year, another three cents a gallon by 1976, and by 1977 would have produced a cumulative price increase of seven cents a gallon, administration estimates indicated.

Meanwhile, the plan would cut oil imports 25,000 barrels a day this year and 300,000 barrels a day by 1977, the administration says.

Mr. Ford told reporters at the White House that "our economic recovery will continue" unhampered by the proposals, but congressional Democrats were not so sure.

Before details of the administration plan were formally released, Sen. Henry M. Jackson (D) of Washington called the proposal "intellectually and morally bankrupt" and claimed it would cost American families an additional $50 a month in energy costs and throw at least 200,000 people out of work.

Senator Jackson was one of several Democratic energy experts who were slated to hold a news conference shortly after the President spoke Monday morning to outline the Democratic energy program which contains an extension of price controls on domestic oil.

Senate Majority Leader Mike Mansfield (D) of Montana said he was concerned that the nation "may return to double-digit inflation with an increase in the cost of gasoline."

Meanwhile congressional Republican leaders, Sen. Hugh Scott of Pennsylvania and Rep. John J. Rhodes of Arizona, lauded the President's plan and said it would have no significant adverse impact on the economy.

The administration had announced its intention to formally submit the decontrol plan to Congress Monday. But after the joint congressional leadership had a breakfast meeting with the President, press-secretary Ron Nessen announced that the submission date could be changed.

Federal Energy Administration Administrator Frank Zarb said the delay was "not based on a vote count" indicating lack of congressional support for the President's plan. He said the package would be sent to Congress "midweek or around that period."

After the decontrol proposal is sent to Congress, either house has five legislative days to formally disapprove and keep the plan from taking effect. Existing authority to control domestic oil prices expires Aug. 31.

In a brief statement, the President again warned Congress that he would consider vetoing any measure for continued oil-price controls which did not contain a gradual phase-out of control authority.

NEW YORK, TUESDAY, JULY 15, 1975

PRESIDENT URGES DECONTROL OF OIL OVER 30 MONTHS

Says Phase-out of Curbs on Domestic Prices Would Stimulate Production

FIGHT SEEN IN CONGRESS

Ford Threatens to Veto Any Extension of Current Law If His Proposal Loses

By PHILIP SHABECOFF
Special to The New York Times

WASHINGTON, July 14—President Ford announced today a plan to remove gradually all price controls on domestic oil over a 30-month period. He said it was a "reasonable compromise" that would stimulate production of oil in this country.

If accepted by Congress, the President's proposal would raise the price of gasoline and fuel oil by about 7 cents a gallon by the end of the period, according to Administration calculations.

However, Democratic leaders on Capitol Hill, where legislation to extend the controls program is now under consideration, say that the President's plan is likely to be rejected by the House of Representatives. The plan will automatically go into effect unless rejected by either house of Congress within five days from the time it is sent to Congress by the President.

Threat of a Veto

Mr. Ford, meanwhile, set the stage for a test of will with Congress, which is controlled by the Democrats, by threatening to veto any measure to extend the current legislation controlling domestic oil policies if his own plan is rejected.

The legislation is due to expire Aug. 31. If it is not extended and the current controls on "old oil"—generally defined as oil from wells producing before 1972—are allowed to expire, the price of gasoline and fuel oil would presumably rise immediately to reflect the higher world price set by the cartel of producing countries.

Under the plan announced by the President today, the amount of "old oil" now under price controls would be decreased by 3.3 per cent a month starting Aug. 1. The price of this old oil, currently $5.25 a barrel, would thus rise gradually until controls were completely terminated at the end of two and a half years.

The increasing price would give domestic oil producers, according to the Administration's argument, the incentive required to develop additional oil reserves within the United States.

Under the President's plan, a ceiling would be placed on

President Urges Decontrol of Oil Over 30 Months

Continued From Page 1, Col. 8

the price of "new oil" from wells that started producing in or after 1972. That ceiling would be the price of uncontrolled domestic crude oil in January, 1975—$11.50 a barrel —plus the $2-a-barrel tariff on oil imports already imposed by the President—a total of $13.50 a barrel.

The President said that, along with his decontrol plan, he would urge Congress to enact energy taxes, including a windfall profits tax, with provisions enabling profits to be plowed back for the purpose of developing additional wells.

Mr. Ford also said that Congress should act on his proposed refunds to reimburse American consumers for the higher energy costs that would result from his plan to decontrol oil.

This morning the White House put out a statement saying that the President would send his proposal to Congress today. Shortly thereafter, however, following a meeting between Mr. Ford and members of Congress, the White House press secretary, Ron Nessen, said that the proposal would not be sent up today, but probably later in the week. The reason, Mr. Nessen said, is that more time is needed for public discussionon such a complex issue.

Other White House aides said that the President wanted extra time to press for his legislation. The White House legislative staff is expected to lobby heavily on Capitol Hill over the next few days, and the President may take his case to the public with a nationally broadcast speech, one aide said.

Politically Crucial Issue

The decontrol issue is politically crucial to Mr. Ford, who has made energy policy the heart of his domestic program. The President has frequently stressed the necessity of developing domestic energy supplies to achieve independence from foreign oil products.

However, Democrats in Congress and other critis of the President's policy say that the price of fuel is already too high because of the pricing policies of the oil producing countries. If the President takes action to drive the price up further, the critics say, that will slow recovery from recession, touch off a new round of inflation and put an additional economic burden on those who can afford it least.

Meanwhile Frank G. Zarb, the director of the Federal Energy Administration, said that because of changed circumstances including the phasing out of the depletion allowance for oil producers, the tax changes recommended by the President when announcing his energy program in the State of the Union Message last January were no longer appropriate.

However, the President and his aides did not makes any specific new proposals today for refunds to consumers or for windfall profits taxes.

Controlled oil currently accounts for about 60 per cent of domestic production and 40 per cent of total United States consumption..

The price of fuel in this country reflects three elements: oil imports, which account for about 40 per cent of consumption; uncontrolled domestic "new oil," which at the current price of $13 a barrel is slightly below the import price, and the controlled "old oil."

Timetable for Increases

Eric Zausner, deputy to Mr. Zarb in the energy administration, said at a news briefing today that the President's decontrol plan would mean that, on average, Americans would pay $200 a year more for energy and energy-related costs at the end of the 30-month period.

This figure is contested by critics of the administration. For example, Ralph Nader, the consumer advocate, said that the President's action would mean additional costs averaging $900 a year for each American family.

According to Administration calculations, the President's decontrol plan would mean that fuel would cost 1 cent a gallon more than now. By the end of 1975, 4 cents more at the end of 1976 an 7 cents more at the end of 1977. After that, all domestic oil would presumably reflect the world market price.

The Administration also said that the decontrol, not countin gthe $2 a barrel levy on imports already imposed by the President, would result in an import savings of 25,000 barrels a day by the end of this years and 300,000 barrels a day by the end of the decontrol period.

President Ford's original proposal to conserve energy, made in his State of the Union Message in January, called for the immediate decontrol of old oil on April 1 and contained no ceiling for new oil. That is why the President described the plan he announced today as a compromise.

The five-day period during which Congress will be able to reject the President's plan will not begin until Mr. Ford sends his proposal to Capitol Hill. Among other things, Mr. Ford's delay means that Congress will be that much closer to the Aug. 31 expiration date on controls before it can act on the President's proposal.

Some observers who follow the energy issue believe that the delay mean that the President may be allowing time for further compromise — perhaps stretching out the decontrol period a bit longer.

The President, announcing his plan to reporters in the briefing room at the White House this morning, said, "I would hope the Congress would give this matter the very serious consideration that it deserves and not take hasty action."

"I will continue to urge the Congress to accept this reasonable compromise," he said. "It it does not. one alternative to insure continued progress toward energy independence would be to veto an extension of the present oil price control law, which will expire in August."

Frank Zarb

Energetic energy czar

newsmaker

By John Barbour

WASHINGTON (AP) — Frank G. Zarb's eyes seem to burn with a smokeless blue flame. Even at day's end, even at rest, the pilot light is still on.

And now it flares briefly brighter as President Ford's superenergetic energy chief measures his powers, personal and political, and his impatience with those who do not believe as he does in the United States' ability to sacrifice when it has to.

He recalled the night some months ago when he was summoned to the Oval Office by the President, who was working on his first State of the Union message.

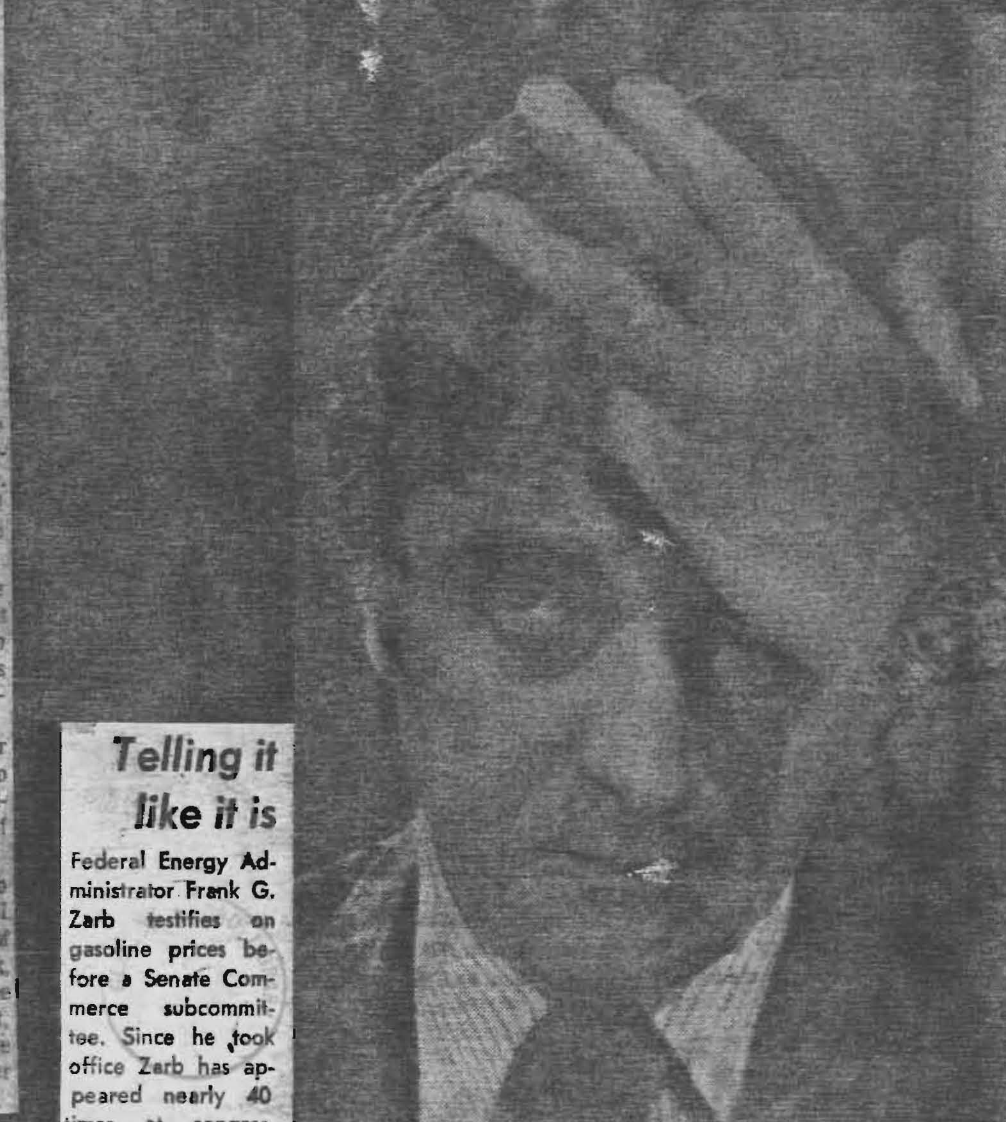
It was 9 p.m., and for six hours, over uncounted cups of coffee, they hammered out a tough federal energy policy. When Frank Gustav Zarb left the White House, he took with him the duty of selling that policy to a skeptical Congress and an abiding faith in his new boss, "a guy who's really willing to dive in the trenches with you."

It is that singular regard between Zarb and his boss — plus Zarb's unrelenting, head-to-head approach — that has made him a man to be reckoned with from the White House to Capitol Hill; even to the point that he advocated a politically dangerous veto of Rep. Morris Udall's strip-mining bill, which would have put the burden of repairing the land on the mining industry.

"He's obviously bright," Udall said in the wake of the veto. "He's obviously very good at bureaucratic in-fighting. It's just incredible to me the hold he's got on Ford. . . . There's something about Zarb that's got Ford mesmerized.

"It has to be in terms of a Ford attitude or basic philosophy that was always there: no feel for environmental considerations, a readiness to accept industry arguments on each of these close questions."

The decision on the strip-mining bill, Zarb said, "was probably the hardest decision I made in this job. Because I knew the roof would cave in. But here it was on my desk, two separate analyses giving me the same conclusion: There was no question but that, because of the vagaries of the bill and the way some aspects were written, we'd suffer a coal loss for the first two years.



Telling it like it is

Federal Energy Administrator Frank G. Zarb testifies on gasoline prices before a Senate Commerce subcommittee. Since he took office Zarb has appeared nearly 40 times at congressional hearings — with frankness his trademark. (UPI)

"Now how in the world could I stand up and tell the American people that we should have that legislation right now? . . . And how could I feel that I was fulfilling the mandate of my responsibility if I said 'let's take the political, easy way out' even if this had made our energy problem today more severe two years from now.

"Somebody's got to stand up and be counted."

Zarb's reputation as a common-sense, lay-it-on-the-line persuader is seldom denied, even by political opponents, some of whom say he is in bed with industry. But not everyone has the same view of this man who appears as Mr. Cool in the often-manufactured hot-blooded public confrontations of the Washington scene.

"He has a certitude about him that is part of the strength, I guess," said Udall. "But it can also be a very great weakness. He reminds me of the old saying, 'Often wrong but never in doubt.'"

William Anders, the Apollo 8 astronaut whom Zarb talked into becoming head of the Nuclear Control Council, was asked if Zarb would make a good astronaut.

"He'd make a pretty good one," Anders answered. "But he'd make a better fighter pilot. He's an aggressive guy who knows his equipment and uses it to the full. If he has a fault, it's that he works so hard."

And hard is the way Zarb works.

His days as head of the Federal Energy Administration often run to 16 hours; his weeks to six days or seven.

He's a shirt-sleeve manager who prefers person-to-person confrontations, hates red tape and barely tolerates his suit jacket, which comes off as soon as official situations permit. It more often adorns the chair next to him or the table behind.

"Zarb's one of the most effective people in this administration," said Alan Greenspan, head of the President's Council of Economic Advisers. "He's a useful combination of understanding analytical problems and knowing how to deal with the political environment.

"He has a capability of knowing what is causing other people's problems."

At 40, Zarb has climbed the government ranks almost as dramatically as he did on Wall Street, where he earned a reputation as an effective administrator. For five years he was chairman of the executive committee of the securities firm of Hayden Stone & Co.

The Nixon administration called him to the Labor Department in 1971 to centralize internal operations. He left in 1972 to return to Wall Street, and later came back to the Office of Management and Budget, where he trouble-shot problems in Indian affairs, agriculture and energy.

The reputation he won in dealing with a truckers' strike and a coal strike led to his appointment last December as federal energy administrator.

LaDonna Harris, head of the Americans for Indian Opportunity, found Zarb a friend at OMB. He cared, she says, and visited several Indian reservations to see their problems first-hand.

"He has a kind of machinegun manner," she said. "He wants all the available facts, and he gets impatient when facts aren't available. But he listens. . . . He cuts through a lot of red tape."

"He has a rare talent in this town," said Richard Cheney, an assistant to the President, "which is to take an opposing point of view and not let it affect the personal relationship. He can disagree with you and still leave you smiling. . . .

"He's a pragmatist on what will or won't fly. And he's not inclined to question people's motives."

Brooklyn-born, Zarb came on his pragmatism early. He remembers being part of the Knot-Hole gang, watching the Dodgers play through cracks in the outfield fence when "the cops didn't give us tickets to Ebbetts Field to keep us off the street."

His father, Maltese by birth, emigrated to the United States via Turkey and Italy, and plied his trade as a refrigerator repairman. Frank Zarb wanted to be an aviation mechanic, but a teacher in high school pressed him to go to college.

He worked his way through Hofstra University on Long Island with odd jobs. He was president of his fraternity and president of the student body. He married the vice president of the student body, and he and his wife, Patricia, now have two children, Krista, 15, and Frank Jr., 13.

At the end of a long day, fatigue shows on Frank Zarb only through an increased tendency to slur his sibilants. But the alertness never leaves him.

He has some simple rules for getting along and avoiding frustrations:

"In the first place I usually tell it like it is, no matter who it's to. So frustration doesn't really get to me. And I get out and punch a tennis ball around and take a swim, and that really helps a lot."

Zarb is devoted to the Ford policy that oil and natural gas must be priced realistically to reflect their true value in the economy. In the market place, that would mean higher prices and hence lower consumption. But price differences between new and old domestic oil, and between domestic and imported oil, argue against the Zarb-Ford approach.

Won't domestic oil producers get rich, the critics ask? Zarb says a windfall profits tax would take care of that, and much of the tax revenue would be turned back to lower- and fixed-income families as tax deductions or rebates on their electric bills.

That is the short term — into the 1980s. The long-term answer requires the short-term answer plus new energy development to make the nation independent of foreign oil and gas, Zarb says.

Zarb's basic quarrel with Congress boils down to cheap energy and the political popularity of holding down oil and gasoline prices. "When they start rolling back oil (prices) in the public interest to save the life of the consumer, they'll run our consumption up and the cartel will stick it right in our ears."

If he has one key priority, it's to get a workable program through Congress.

"If we could take John Dingell (D-Mich.) and Al Ullman (D-Ore.) and two key guys from the Senate side—I don't know who they're going to be—and myself, and we could go into a room for two days, maybe one day, and leave politics outside, forget who's running for President, I believe we could walk out of that room with a program that we could submit to both houses and to the President that would be acceptable.

"That's how close we are in terms of getting it done, and yet how far. If we were unrestrained by politics, it would be no problem."

But for all that, Zarb knows the political constraints. He continues his man-to-man art of persuasion.

"You get things done in this town like you do in any other job — between two people," he said. "Your ability to create, develop, innovate gets done through people.

There is at times a kind of pixie-like quality to Zarb. In the President's inner-council meetings, when someone begins to wax pompous, Greenspan and Zarb lighten their boredom by passing humorous notes back and forth.

Zarb says his big goal is a workable energy policy, and "I'm prepared to battle this through until we get one."

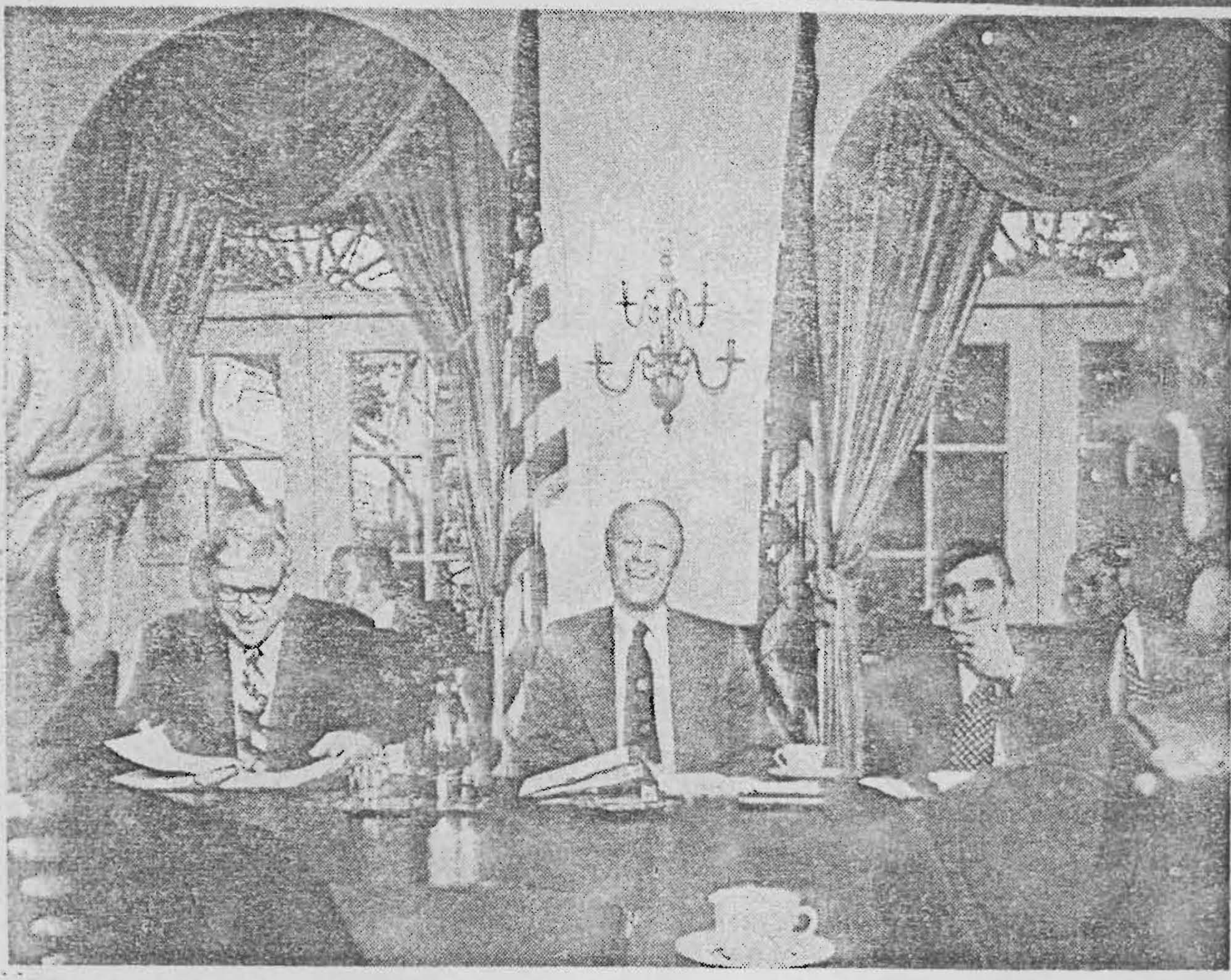
But then, he admits with a smile, there are limits. As much fun as this all is, the pay doesn't satisfy a former Wall Street executive who gave up leisurely weekends sailing on Long Island Sound and who has two children entering college age.

And besides, Frank Zarb considers himself a visitor in Washington — here only to get a job done. That may be his greatest strength.

LONG ISLAND PRESS, SUNDAY, JULY 20, 1975

FRANK ZARB:

President Ford's super-energetic energy chief



Frank Zarb sits on President Ford's left during a meeting of White House energy advisers. (AP photo)

By JOHN BARBOUR

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* * *

THE DECISION ON the strip mining bill, Zarb says, "was probably the hardest decision I made in this job. Because I knew the roof would cave in. But here it was on my desk, two separate analyses giving me the same conclusion: There was no question but that, because of the vagaries of the bill and the way some aspects were written, we'd suffer a coal loss for the first two years.

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* * *

AND "HARD" IS THE WAY Zarb works: His days as head of the Federal Energy Administration often run to 16 hours; his weeks to six days or seven.

On one recent day, he was picked up at his northern Virginia home at 6:45, arrived early for an interview on CBS Morning News, told the make-up lady. "Give me a good night's sleep," and told the nation there would not be a summer gasoline shortage. Then he headed for Capitol Hill for rapid-fire meetings with minority members of the Interior Committee and with two Massachusetts Democrats, Sen. Edward Kennedy and Rep. Thomas O'Neill. He was already running late and ducked a White House meeting.

Back at his office, his staff briefed him on efforts to decontrol the price of natural gas, and on gasoline prices, which they expect to climb almost a nickel a gallon this summer. Zarb told a staffer to get on the governors about enforcing the 55-mile speed limit, and told his staff he has the loan of 2,000 Internal Revenue agents to police the nation's 220,000 service stations as a guard against profiteering.

Then he met with asphalt industry people, skipped lunch, and met with the winners of a New York City school system energy awareness contest—"Aren't they impressive? It gives you hope." Next came a briefing for regional men on the progress of energy legislation and a quick meeting with the board chairman of Texaco before going back to the Hill for a meeting with the New England Senate delegation.

Zarb stands only 5-feet-9, and many of the senators towered over him, in height, seniority and political clout: Sens. Kennedy and Brock of Massachusetts, Pell of Rhode Island, Ribicoff of Connecticut, Muskie of Maine, McIntyre of New Hampshire, Leahy and Stafford of Vermont.

The first part of the meeting was closed. But for the secnd part the press was allowed in, in time to see Kennedy leaning forward and shaking his finger at Zarb, saying, "We'll pursue you to the wall on this

Later Zarb says smilingly that the meeting was amiable until the press entered.

* * *

THE NEW ENGLANDERS have a problem, he admits, and says he'd like to help. Their region is almost totally dependent on foreign oil at $14 a barrel while some other parts of the country have access to domestic oil at $7.50.

But first, Zarb says, the New Englanders will have to help themselves, perhaps by tapping their offshore oil, or building refineries.

Back again to his office. He meets a newsman, explains that half of his job is persuasion, half is running his watchdog agency to make sure the nation has enough of what it needs and is not exploited. He talks to his wife on the phone about a househld prblem. Then he admits he is taking half a day off Friday for her birthday. HIs secretary says she has heard that story before. He leaves the office at 7 p.m. with one more meeting to go.

Zarb is a shirt-sleeve manager who prefers person-to-person confrontations, hates needless red tape and only tolerates his suit jacket, which comes off as soon as official situations permit. It more often adorns the chair next to him or the table behind.

"Zarb's one of the most effective people in this administration," says Alan Greenspan, head of the President's Council of Economic Advisers. "He has a useful combination of understanding analytical problems and knowing how to deal with the political environment. He has a capability of knowing what is causing other people problems."

* * *

AT 40, ZARB HAS CLIMBED the government ranks almost as dramatically as he did on Wall Street, where he earned a reputation as an effective administrator. For five years he was chairman of the executive committee of the securities firm Hayden Stone & Co.

The Nixon administration called him to the Labor Department in 1971 to centralize internal operations. He left in 1972 to return to Wall Street, and later came back to the Office of Management and Budget (OMB) where he trouble-shot problems in Indian affairs, agriculture and energy.

The reputation he won in dealing with a truckers' strike and a coal strike led to his appointment last December as federal energy administrator.

LaDonna Harris, wife of former Democratic Sen. Fred Harris and head of the Americans for Indian Opportunity, found Zarb a friend at OMB. He cared, she says, and visited several Indian reservations to see their problems first hand.

"He has a kind of machine-gun manner," she says. "He wants all the available facts, and he gets impatient when facts aren't available. But he listens . . . He cuts through a lot of red tape."

When he took on his new job as energy chief, she sent Zarb roses and a note saying, "Now that we've found you, we've lost you."

* * *

"HE HAS A RARE TALENT in this town," says Richard Cheney, an assistant to the President, "which is to take an opposing point of view and not let it affect the personal relationship. He can disagree with you and still leave you smiling . . . He's a pragmatist on what will or won't fly. And he's not inclined to question people's motives."

Brooklyn-born, Zarb came on his pragmatism early. He remembers being part of the Knot-Hole gang, watching the Dodgers play through cracks in the outfield fence when "the cops didn't give us tickets to Ebbetts Field to keep us off the street."

His father, Maltese by birth, emigrated to the United States via Turkey and Italy, and plied his trade as a refrigerator repairman. Frank Zarb wanted to be n aviation mechanic, but a teacher in high school pressed him to go to college.

He worked his way through Hofstra University with odd jobs ranging from refrigeration repair to selling ads for a Long Island newspaper. He was president of his fraternity and president of the student body. He married the vice president of the student body, and he and his wife, Patricia, now have two children, Krista, 15, and Frank Jr., 13.

At the end of a long day, fatigue shows on Frank Zarb only through an increased tendency to slur his sibilants. But the alertness never leaves him, and his penetrating blue eyes are alternately sad, intense and bred beneath his heavy brows.

"Needless red tape I hate," he says, his feet up on the huge walnut desk which dominates his elegant and cavernous office, once the lair of postmasters-general when that job denoted political power.

* * *

HE HAS SOME SIMPLE RULES for getting along and avoiding frustrations: "In the first place I usually tell it like it is, no matter who it's to. If it's to a congressman or a senator I just let them know it like I feel it. The same around here. So frustration doesn't really get to me. And I get out and punch a tennis ball around and take a swim, and that really helps a lot."

His fingers are bandaged from running into a fence trying to save a point playing tennis with his son.

Since he took office he has appeared nearly 40 times at congressional hearings, and his trademark has been frankness.

"I was in a congressional hearing earlier in the week, and I was asked about the outer continental shelf. Somebody had an amendment up that said the President had to come to Congress for approval of every tract we leased. I was asked for my opinion on that, and I told them I was going to be honest with them.

"The room was very quiet. And I told them this was just an opportunity for political demagoguery. In any issue somebody is going to be unhappy or try to impress his constituent back home. So all you're doing is hanging up energy progress . . . and it's just wrong."

"About half the guys were delighted that I was frank and honest with them, and the other half were shocked that I would be so brash," Zarb recalls. "But it's the only way really to survive."

* * *

ZARB IS DEVOTED to the Ford policy that oil annd natural gas must be priced realistically to reflect its true value in the economy. In the market place, that would mean higher prices and lower consumption. But price differences between new and old domestic oil, and between domestic and imported oil, argue against the Zarb-Ford approach.

Won't domestic oil producers get rich, the critics ask? Zarb says a windfall profits tax would take care of that, and much of the tax revenue would be turned back to lower-and fixed-income families as tax deductions or rebates on their electric bills.

That is the short term—into the 1980s. The long-term answer requires the short-term answer plus new energy development to make the nation independent of foreign oil and gas, Zarb says.

"I think when you get to the guy on the street who works for a living and thinks a little bit about his country; when he understands we've given up our independence to these cartel people and foreign producers, and they have been holding us up, he's ready to roll up his sleeves.

"But he wants to understand that we're climbing out of the problem. He doesn't want to hear about the Congress and the President and all that crap. He really wants to hear that his government understands the problem and has a solution."

Zarb's basic quarrel with Congress boils down to

cheap energy and the political popularity of holding down oil and gasoline prices. "When they start rolling back oil prices in the public interest to save the life of the consumer, they'll run our consumption up and the cartel will stick it right in our ears."

If he has one wish, one key priority, it's to get a workable program through Congress. "We'll get to that," he says, "but it's going to be a long, hard row.

"If we could take John Dingell (D-Mich.) and Al Ullman (D-Ore.), and two key guys from the Senate side—I don't know who they're going to be, probably (Russell Long D-La.) and Scoop Jackson (D-Wash.) and myself—and we could go into a room for two days, maybe one day, and leave politics outside, forget who's running for president, I believe we could walk out of that room with a program that we could submit to both houses and to the President that would be acceptable.

"That's how close we are in terms of getting it done and yet how far. If we were unrestrained by politics, it would be no problem."

THE NEW YORK TIMES

Zarb Is Praised as Man in Middle on Oil Price Dispute

7/22/75

By EDWARD COWAN
Special to The New York Times

WASHINGTON, July 22—As President Ford and the Democratic Congress head for a showdown on oil price controls, the man in the middle, depicted today by a Democratic Congressman as a man "willing to go the extra mile" to reconcile differences, is Frank G. Zarb, the Federal energy administrator.

Although outranked by Cabinet officers and men with more experience in government and politics, the 40-year-old Mr. Zarb has emerged as one of Mr. Ford's more intimate and probably influential advisers.

"There's good chemistry there," said someone who has attended small White House meetings. "You can see Ford really likes him."

Mr. Zarb, the son of immigrants, is a native of Brooklyn who studied business administration at Hofstra UN University, then went on to substantial status and earnings in Wall Street.

Harmonious Relationships

In the first Nixon Administration he served as an Assistant Secretary of Labor. In July, 1973, he joined the Office of Management and Budget as an associate director, with responsibilities in resources and energy. That led to his present assignment in December, 1974.

Since early in the year, Mr. Zarb has been representing the President in dozens of private talks with Democratic Representatives and Senators. He has forged harmonious backstage relationships with several Democrats who regularly criticize Administration energy policy.

"He has always been honorable in his dealings with us," said a key staff aide on Capitol Hill. "Even though you might say we have an adversary relationship, we have never caught Frank doing anything crafty or behind the back."

Mr. Zarb has been an enthusiastic exponent of the Administration view that higher energy prices will deter consumption. He shares instinctively the abhorrence that Mr. Ford and Treasrury Secretary William E. Simon have for rationing or for other proposals that would increase the Government's regulatory role.

This Administration position is seen by some liberal Democrats as a thin facade of advocacy for oil company profits, and some members of Congress would attribute that motive to Mr. Zarb.

Yet, he is regarded by those who have spoken with him privately as less ideological than Mr. Simon or Alan Greenspan, chairman of the Council on Economic Advisers.

"Ideology is a word I wouldn't apply to him," says an Administration official.

A Congressional Democrat who has hit it off with Mr. Zarb in numerous unannounced lunches, five o'clock meetings, weekend huddles and telephone calls agrees.

A 'Reasonable' Person

"Some people up here regard Frank as one of the hawks in the White House," said the Representative. "They see him as a hatchet man for Simon and the hard liners who want to end price controls on oil as fast as possible. I don't think so. I believe he is one of the more reasonable people down there."

Since taking over as energy administrator in December, Mr. Zarb has become caught up in the process of Presidential policy-making and negotiating with the legislative branch. Earlyin the year, Mr. Ford took Mr. Zarb on several trips for question-and-answer sessions, with the public and the press, on the newly announced energy policy.

These trips and the many hours a week that Mr. Zarb spent—and still spends—at the White House led to some grumbling within the fledgling energy agency, which was and is troubled by growing pains.

In one instance, Mr. Zarb's preoccupation with policy led to an administrative miscue that proved to be embarrassing. Weeks after the fact, Mr. Zarb found that he had sent to the head of another agency a letter that conflicted with what he was saying orally.

When the discrepancy was called to Mr. Zarb's attention, he checked and reported that the letter had been drafted by a senior associate, a routine practice, and had been signed by a machine, not by Mr. Zarb personally. The use of such machines, which reproduce an original signature, is intended to save the time of busy senior officials whose signatures are required many times a day.

By and large, however, Mr. Zarb is regarded as a good administrator Various subordinates have reported that he is sensitive to the problems and feelings of his staff. On a visit to a regional office of the energy agency, Mr. Zarb met with all employes and invited questions after a few opening remarks.

"His manner made people feel they could ask him anything," a regional official said. "They asked him a lot if of questions, from prices to opportunities for women employes."

Mr. Zarb is perceived by many in Washington as uncommonly candid. Yesterday at a White House briefing, for example, he was asked if he had been negotiating a compromise on oil prices with Congressional Democrats.

"I'm sorry you asked that question," Mr. Zarb nuttered. He then not only confirmed that negotiations were under way, he gave details on when, where and with whom that officials usually withhold on the ground that negotiations are sensitive and confidential.

There are several reasons Mr. Zarb has emerged as the President's chief energy spokesman even though hogers C. B. Morton, the Cabinet officer who recently shifted from the Interior to the Commerce Department, retains the topmost title, chairman of the Energy Resources Council.

As one senior administration official put it, "Frank has a very useful combination of a technical understanding and a good feeling for the politics of a problem. He can talk with the technicias. He can talk with the politicians. He can talk with the President. And no ust talk, but communicate."

Cutting across all of the Mrs. Zarb's zestful enjoyment of a good fight—maneuvering, calculating, cajoting, wiinning.

When a congressional assistant told Mr. Zarb that someone in the White House had been thinking about possible changes in Administration energy policy, Mr. Zarb turned to his own aide and ordered: "Find out who that was."

"Frank, you don't think you're the only guy making deals," someone quipped.

"You're goddam right Ilam, he countered. "I represent the President in this area. Nobody else does."

DAILY NEWS, WEDNESDAY, JULY 30, 1975

Ford Firm On Energy Plan: Zarb

Washington, July 29 (UPI)—Energy Administrator Frank G. Zarb told Congress today that compromises on energy policy have gone far enough and that President Ford will accept nothing less than his latest oil-price proposal.

"The President has come a long, long way," Zarb told the House Rules Committee. "All reasonable pieces of a compromise are now on the table."

Ford had changed his original proposal to "answer all the substantive objections in Congress," Zarb said. "He feels very strongly about any further delay" and will insist on "his program—as soon as possible."

Zarb said Ford would agree not to veto an extension of the current oil allocation law—which expires Aug. 31 and under which prices are controlled—only if Congress accepts his 39-month plan for gradually lifting price controls from domestic production.

The President will work with Congress, meanwhile, on the wording of a tax to capture any excess profits from higher prices, Zarb told the committee, which had before it a resolution to reject the presidential plan. Ford's proposal can be killed by a majority vote in either house within five days of its presentation, and the deadline is Friday.

THE NEW YORK TIMES, WEDNESDAY, JULY 30, 1975

Associated Press

Ray J. Madden, left, chairman of the House Rules Committee, and Federal Energy Administrator Frank G. Zarb, center, conferring with Ralph Nader at a hearing yesterday on oil prices. The committee cleared the way for a floor vote on Presidential plan.

Senate Votes to Authorize Use of Naval Reserve Oil

By EDWARD COWAN
Special to The New York Times

WASHINGTON, July 29—The Senate voted today to authorize production of oil from the naval petioleum reserves in California and Wyoming, chiefly the Elk Hills Reserve near Taft, Calif.

Although the Senate bill, which was approved 93 to 2, differs in some respects from one passed by the House earlier this month, it appeared likely that this authority, long sought by the Nixon and Ford Administrations, would become law in the fall.

The Senate's petroleum reserves bill would authorize pro duction of up to 350,000 barrels a day and retain the Navy's jurisdiction over the reserves. The House bill would transfer jurisdiction to the Interior Departmant.

The House bill would set no roduction limit, but there has been expert testimony that Elk Hills could pump no more than 300,000 barrels a day. Additional production from the Buena Vista reserve in California and the Teapot Dome reserve in Wyoming would be slight.

Meanwhile, the House Rules Committee cleared the way for a floor vote on President Ford's plan for a gradual rise in prices of the domestic oil that is now at ceiling of $5.25 a barrel.

Could Block Plan

The House is expected to consider the plan and related amendments to a pending ener gy bill tomorrow or Thursday. Either the House or the Senate can block the President's plan by a majority vote if it is taken by Friday.

A weary House Rules Committee, which manages the flow of bills from legislative committees to the floor, acted after five hours of testimony by Frank G. Zarb, the Federal Energy Administrator, and Ralph Nader, the consumer advocate, who opposes the Ford plan.

Mr. Nader contended that the Administration could not justify with cost data its plan to let $5.25 oil, which now accounts for 56 per cent of the domestic production, to rise over 39 months to a new ceiling. That ceiling would be $11.50, starting Sept. 1, and 5 cents a month higher after that, up to $13.45 in the 39th month, November, 1978.

Mr. Zarb sstressed that the $11.50 ceiling represented a rollback for most uncontrolled oil, which now sells at about $13 a barrel. Consequently, he said, the Presidential plan along would cause no price rises for several months. However, he said that other forces, such as a price increase by the 13-nation oil cartel, could lift the cost of imported oil, which would not be under the ceiling.

Rises Not Passed Alone

Even without a price rise by the cartel, most American refiners could raise prices because they carry on their accounts with the Federal Energy Administration tens of millions of dollars of 1974 cost in creases that they have not passed along to their customers. These so-called "banks" of costs are an increasingly controversial aspect of the price control program. There has been speculation that these accounts would be the oasis for gasoline price increases in Agust or September.

Energy agency analysts estimate that under the plan the average cost to refiners of all crude oil, high priced and low priced, would regain its present level of about $10 a barrel by next March or April. Thereafter, the increases would give refiners justification under the Federal rules for raising prices of gasoline, heating oil and other refined products.

Mr. bzarb said the plan alone would bring about a rise of 2 cents a gallon in 1977 and an additional 3 to 4 cents in 1978.

Called Trivial in 1976

The 1976 increase would be trivial, according to the Administration, because until September, 1976, the $5.25 limit would rise by only 1.5 per cent a month. In the next 12 months the monthly rise would be 2.5 per cent. In the final 15 months ending in November, 1978, it would be 3.5 per cent.

Mr. Zarb sought to reassure the rules Committee by saying that even if Congress let the Ford plan take effect on Sept. 1, it would have another opportunity to halt it within 90 days. Under the Emergency Petroleum Allocation Act of 1973, he explained, a proposal of this kind must be renewed by the President every three months.

However, Mr. Ford has also asked Congress to revise the act, incorporating his plan, and extend it for three years from Nov. 30. If Congress does so, it would then have to enact a new law to change the plan.

The Philadelphia Inquirer
July 30, 1975

No More Compromise On Energy, Zarb Says

United Press International

WASHINGTON — Energy Administrator Frank G. Zarb told Congress yesterday that compromises on energy policy had gone far enough and that President Ford would accept nothing less than his own latest oil price proposal.

"The President has come a long, long way," Zarb told the House Rules Committee. "All reasonable pieces of a compromise are now on the table."

Ford already has changed his original proposal to "answer all the substantive objections in Congress," Zarb said. "He feels very strongly about any further delay" and will insist on "his program—as soon as possible."

Zarb's testimony came as the Senate voted 93-2 to permit oil production for civilian use from the naval reserves at Elk Hills and Buena Vista, Calif., and at Teapot Dome in Wyoming.

Zarb said that Ford would agree not to veto an extension of the current oil allocation law—which expires Aug. 31 and under which prices are controlled—only if Congress accepts his 39-month plan for gradually lifting price controls from domestic production.

The President will work with Congress, meanwhile, on the wording of a tax to capture any excess profits from higher prices, Zarb told the committee, which had before it a resolution to reject the presidential plan. Ford's proposal can be killed by a majority vote in either house within five days of the presentation, and the deadline for a vote is Friday.

Zarb had testified Monday night that Ford's formula for decontrolling oil prices would cost each American only pennies a day.

Some lawmakers immediately challenged the figures. Rep. William Brodhead (D., Mich.) said, "Maybe what we are seeing here is a conspiracy to flim-flam the American public."

The Federal Energy Administration said that the decontrol plan would cost the average household only [illegible] a year by 1978 in additional heating prices, and would cost motorists only about 2 cents more per gallon of gasoline by that time.

The Senate bill to open up mi[illegible] oil reserves differed sharply from a House version. The Senate measure would limit production to 350,000 barrels a day for the next five years, or about 2 percent of the amount consumed daily in the United States. Ford would have the discretion to order the oil sold on the open market or placed in the strategic reserve.

The House measure would not limit production or the number of years the reserves could be diverted. It would allow only 25 percent to be placed in a strategic reserve.

In other energy developments:

- The Federal Trade Commission voted to move ahead with its investigation of 11 natural gas producers for allegedly creating a false impression there is a natural gas shortage.

The commission rejected a staff recommendation that the agency drop the individual cases against the 11 producers and move instead against the American Gas Association.

The Evening News, Harrisburg, Pa., Monday, August 25, 1975

Zarb wants private enterprise to solve energy problems

By HARRY McLAUGHLIN
Staff Writer

YORK — The nation's chief energy administrator today strongly urged the federal government to get out of the way of private enterprise and let them help solve the energy problems facing this country.

Frank G. Zarb, the 38-year-old administrator of the Federal Energy Administration, told 150 persons at a $25-a-plate breakfast in the Yorktowne Motor Inn that "it's time we show old-fashioned American guts in resolving our problems." His appearance was sponsored by the 19th Congressional Club, which is raising funds for U.S. Rep. William Goodling, of York County, to finance various communication projects.

Zarb fielded questions from his audience, which included mostly businessmen and industrialists, about the decontrols on oil which will take effect Labor Day.

He said the price of gasoline would eventually rise by about 2 or 3 cents per gallon and that other predicted figures — some as high as 6 cents per gallon — were too high. He reminded the guests that President Ford wanted to continue the controls on imported oil, but that Congress failed to join him in a compromise before it recessed.

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"Would you ask for new controls if the price of a barrel of oil skyrocketed after the decontrols are lifted?" a guest asked.

Zarb replied that he would "put caps on the prices" if they went too high.

It is anticipated that the price of a barrel of oil will jump from around $5.25 to roughly $11.50 per barrel. He told a questioner that "if it got as high as $20 a barrel I would have to seriously review the matter."

The energy administrator said that the top priority in his office today is "to tell the truth about the energy situation and not as it was told over the past years." He said it is important that the American people realize a serious energy situation does exist.

"we, the American people, are still reluctant to make hard decisions and take an eyeball-to-eyeball look at the problem." Zarb said.

Zarb said Americans can utilize the "300 years of coal that is still underground and I recommend that we get to using it."

Zarb quieted a fear that the proposed reorganization of the railroads would benefit oil companies, which could transport coal from the area of Wyoming and neighboring states to the East Coast. "I would seriously frown upon any such move by the oil companies to bring coal that distance," Zarb said. "The transportation cost would be prohibitive and I certainly would prefer to use the coal from the Eastern states to help the Eastern states."

The energy chief said that if the U.S. Supreme Court ruled that the recent tariffs imposed on imported oil by the president were illegal, "I believe that the money already collected would have to be returned to the oil companies." He said the court would have to make that decision.

The attorney general of Pennsylvania and five East Coast states are preparing to go to court to have the returned money directed to the state treasurer. It is know that Pennsylvania has one proposition to have the money returned to the motorists in the form of a reduction of next year's license fees.

The Washington Post
September 1, 1975

Oil Tariff Need Zarb Stresses

Associated Press

With price controls on most domestic oil about to expire the Ford administration said yesterday that any congressional compromise on oil prices would have to retain the President's \$2-a-barrel special tariff on imports.

And, said Federal Energy Administrator Frank G. Zarb President Ford will not accept any compromise that would reimpose gradually reduced controls on oil prices for longer than 39 months.

Appearing on "Face the Nation" (CBS, WTOP) 12 hours before all oil price controls ran out, Zarb repeated the administration's willingness to work with Congress to ease the consumer impact of the higher energy prices that will follow.

The price controls that had been in effect for four years and two weeks expired at midnight, leaving the U.S. oil industry free to raise prices at all levels — from the well to the service station pump.

Although the major oil companies are not expected to raise prices immediately, the result of Mr. Ford's energy policy aimed at reducing dependence on foreign supplies would be gradually rising prices for gasoline, heating oil, electricity and most other energy sources.

[The Exxon Oil Corp. yesterday suspended its crude oil postings and price notices until Congress and Mr. Ford finalize a compromise agreement, United Press International reported. An Exxon spokesman said his company will not make public any future price changes until "things get worked out in Washington."

[A Gulf Oil Corp. spokesman said: "One thing that seems apparent to us is that we have no intention of changing our wholesale prices for the immediate future. If there is any increase in the price of (crude) oil we may have to eat it to avoid the possibility of having to make reimbursements later."]

The expiration of controls follows the failure of Congress and the administration to agree on an energy policy. While Mr. Ford has urged higher prices to cut consumption, the Democratic-controlled Congress has been pushing for mandatory conservation and a reduction of imports through quotas.

Under a compromise proposed last week by Senate Majority Leader Mike Mansfield (D-Mont.) and House Speaker Carl Albert (D-Okla.) and accepted tentatively by Mr. Ford, price controls would be reimposed for up to 39 months but prices would be allowed to rise gradually during that period.

Although the House already has twice rejected a similar plan, Zarb said he thinks the new compromise will be accepted by Congress once it is assured that windfall profits of the oil industry would be taxed away. Congress reconvenes on Wednesday.

Under the expiring controls, the price of 60 per cent of the oil produced in the United States has been held at an average \$5.25 a barrel. The remainder of U.S. production sells near the world market level of about \$13.50.

The administration has predicted that the end of price controls would mean an increase of about 6 cents in the cost of a gallon of gasoline if the \$2 tariff is retained. Congressional critics estimate the impact would be at least double that estimate.

Rep. Bob Eckhardt (D-Tex.), an administration critic who appeared on the television interview with Zarb, said Congress is willing to work with the President on oil policy but added that Americans find it hard to understand why the oil industry needs ever-higher prices.

will try and get original

[8/1/75]

Los Angeles Times 1

CAPTURES HIGH GROUND FOR FORD

Zarb Brings Energy Team Together

BY RICHARD T. COOPER
PAUL E. STEIGER
Times Staff Writers

WASHINGTON—With hopes for a compromise apparently gone and instant decontrol of oil prices looming, the Ford Administration faces the prospect of politically unpopular increases in the cost of gasoline and other petroleum products. With a little fumbling or bad luck, economic recovery could be blighted, too.

Thanks in good part, however, to the adroit maneuvering of Frank Gustav Zarb, an immigrant refrigerator repairman's son from the streets of Flatbush and the Ebbets Field bleachers, the Ford Administration is in surprisingly good shape to survive whatever storms may come.

President Ford's troops appear united. His image as a bold leader on tough energy issues is freshly burnished. His Democratic opponents have been forced to display both their own disarray and their unwillingness to accept compromise after compromise.

To be sure, the Administration's

Frank Zarb
AP Wirephoto

commanding position on energy is fragile. Mr. Ford could damage his resolute image by backing down at the last minute on the price control issue. Some unforeseen accommodation could emerge before controls expire on Aug. 31 and improve the Democrats' position. And the huge Democratic majorities in Congress could conceivably pull themselves together after their August recess and take the initiative away from the President.

Yet as things stand now, an issue that could have been a fatal liability looks instead like one of Mr. Ford's most visible assets. And much of the credit belongs to Zarb, who was not even the President's first choice to head the Federal Energy Administration, much less become his chief lieutenant for handling the stickiest domestic problem facing the country.

How has Zarb been able to capture the high ground for Mr. Ford on the energy issue while enhancing his own position within the Administration? Not by perfect performance. Zarb has suffered some defeats, including the failure of his efforts to reach agreement with congressional Democrats on a formula for gradual oil price decontrol that would have spared both sides the political risks of instant decontrol.

Zarb's secrets are an infectious good humor that soaks up tensions, a shrewd sense of footwork, unflappable concentration on basic goals, careful attention to necessary details, more toughness than meets the eye, and a persistent belief that success depends on keeping people working together.

Inside the Administration, these qualities have enabled Zarb to pull together the notoriously disorganized FEA, to act as Mr. Ford's chief catalyst in forging a consensus on what energy policy should be, to move steadily closer to the President himself and to forestall the personal or interagency feuding that tends to break into public view and hobble the efforts of any administration.

In his dealings with the Democratic Congress, Zarb has found ways of building good personal relationships with those who deal with energy issues and has usually avoided alienating those he must work with over the long haul, even when they are all struggling over such vexing and potentially partisan issues as decontrol.

At the same time, Zarb has presented Democratic opponents with a small target and generally has managed to make the President appear a little more reasonable, a little more accommodating, a little fairer in the public eye than the Democrats.

During a White House meeting with a small group of reporters at the height of the decontrol confrontation, for example, Zarb launched into what at first appeared to be a self-mocking story about his experience in a secret meeting with Democratic leaders earlier that day.

Zarb said he had "naively" suggested that the Democrats avoid public criticism of the President's latest compromise offer until they had time to study it. As soon as the meeting broke up, he said, the Democrats rushed before television cameras to denounce the White House plan. So unsophisticated had his plea for restraint been, Zarb said with a comic grin of embarrassment, that "I'll be hearing about it for the rest of my days."

Beneath the sugar coating, of course, Zarb was also gently suggesting that the Administration was virtuously pursuing compromise in good faith, while the irresponsible Democrats were rushing out to criticize a plan they had not taken time to understand.

So deftly does Zarb deliver such barbs, however, that he seldom seems to make the personal enemies that eventually destroy the usefulness of many officials in dealing with congressional opponents.

For one thing, Zarb has a way of using his sense of humor to take the heat out of potentially explosive situations. Again during the confrontation on oil pricing when Mr. Ford was threatening to veto extension of the controls law unless his compromise was accepted, a prominent Democratic negotiator called Zarb one day to ask what the Administration's reaction would be to a counter-proposal.

Informed of the congressman's question, Zarb picked up the telephone, grinned at an aide, and without preliminary greeting shouted "Veto!" The Congressman burst out

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CLOSE AT HAND—Frank Zarb sits beside President Ford at a meeting of energy advisers in Cabinet Room of the White House.
AP photo

laughing and an amicable discussion ensued, though Zarb had already made his central point.

He also has a way of avoiding tension among those who work for him at FEA. "It's not Frank's style to have people's stomachs float up into their mouths when he calls them on the telephone," says one FEA veteran, who contrasts Zarb's style with that of the first energy czar, William E. Simon, now secretary of the Treasury.

"Bill Simon didn't give a damn what anybody thought. He'd make a decision in nine minutes, expect it to be implemented in six minutes, and if it wasn't he'd try to kick somebody down the stairs," the FEA veteran said.

Simon's two-fisted tactics, which former FEA aides say occasionally "made grown men cry," may well have been necessary during his tenure, when the 1973-74 Arab oil embargo was threatening to halt the U.S. economy unless red tape could be cut and quick actions taken. In the present era of the invisible energy crisis, however, Zarb's milder style may get better results.

"Frank has a very charming way of telling people they're screwed up," says Eric Zausner, an acerbic deputy director of FEA. "When I do it, they get mad. When he does it, they smile. It never ceases to amaze me."

When decisions must be made, Zarb likes to assemble everyone involved and to provoke the most thorough debate possible. "That way it's clean, it's open, everybody gets his shots beforehand," Zarb says.

Zarb's personal history is cut so neatly out of the American poor-boy-makes-good mold that somebody may have to do a bicentennial minute on him. His father was a Maltese who wandered across Europe and into Canada before settling as a commercial refrigerator repairman in Brooklyn.

While "we didn't go hungry," Zarb recalls, there was little money for things like baseball games. If he wanted to see the Dodgers he either had to peer through a knothole in the rightfield fence of Ebbets Field or garner a bleacher ticket from a friendly policeman.

Zarb went to a vocational high school and was all set to become an airline mechanic ("There was a kind of Depression mentality then that said if you had a trade, you could get by," he recalls), when a teacher urged him to try college.

So Zarb put away his pegged trousers, shortened his ducktailed hair, and "with some trepidation" entered the strange, crewcut world of Hofstra University on Long Island in the early 1950s.

After Hofstra and six years of training service station operators for Cities Service Co., Zarb discovered Wall Street. In the 1960s, the stock market was expanding rapdily, and the antiquated systems that brokerage firms used for handling paperwork could not cope with the immense new volume. Zarb put his native managerial skills to work devising more efficient ways to manage the back offices of borkerage houses and soon became known as a star in a world where stardom previously had been confined to the salesmen and deal makers.

But in 1970, just after his firm had made him one of its top three executives, Zarb got a call from the White House asking him to take an administrative job in the Department of Labor. To do so meant giving up a six-figure salary for one less than half as large, "but I had never gotten a call from the White House before," Zarb says, and he took the job.

Another stint on Wall Street, another government job, and Zarb found himself at FEA as the energy crisis mushroomed into a major issue. He hasn't slowed down since.

Truths About Energy

By FRANK G. ZARB
Federal Energy Administrator

9/29/75
The Elkhart Truth

Broadway musicals and some Hollywood movies over the last few years have profited from the public's longing for an uncomplicated past. Both have focused on the 1930s and 1940s though it is difficult to understand what was so uncomplicated about the Great Depression and World War II.

Strangely, there is an element in that retrospective entertainment trend common to much that is said about today's energy problem. The shared theme is nostalgia.

In a theater it can be a harmless diversion from day-to-day problems, but nostalgia has no place in the debate on an energy policy that will affect the economic stability and national security of the United States for years to come. It simply entertains the public with the idea that the era of cheap energy will return and ignore the truths which characterize our real situation, truths which must be confronted before we can establish a national policy to deal effectively with the real conditions of the world in which we live.

These truths, while difficult to face, are relatively easy to enunciate:

TRUTH NUMBER ONE: The Energy Crisis Is Real.

As a nation, we became accustomed to cheap energy. We sold out and abandoned our own resources, such as coal, and relied on unstable foreign sources. The era of cheap energy is over. It's time to reduce our consumption of foreign oil and produce energy from our own resources.

While the United States had surplus domestic oil capacity and American-based companies dominated the international trade in petroleum, cheap energy made productive economic sense. But the United States, which easily withstood three embargoes before 1973, is no longer the world's leading oil producer and it is now other nations which control the oil export trade.

That control allows producing nations to dip into the American economy for constantly increasing revenues — from $4 billion in 1970 to $25 billion in 1974, more than $400 for every family in America. Had it remained in our own economy, that money could have paid the salaries of a million and a half American workers.

TRUTH NUMBER TWO: OPEC Is Not Going To Go Away.

The Organization of Petroleum Exporting Countries (OPEC), the business agent of those producing nations, is a cohesive international bloc in business to maximize profits. It is a monopoly which has cornered a market — us. And anyone who thinks we can continue to do nothing and the cartel will disappear out of deference to us should resign himself to remaining cornered — economically and politically.

FRANK G. ZARB

Frank G. Zarb, federal energy administrator for the Ford administration, wrote this article about energy and America which The Truth reprints for this Full View Editorial page. Zarb outlines what he calls the "seven truths" about energy and challenges every American to "stop savoring the past and start saving and producing for the future."

TH NUMBER THREE: There Is No 'ay Out.

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In short, we can change our economic early warning system from free choice to the bureaucrat's memo, altering the foundations of our economic system.

But building that kind of federally controlled system will only sink us deeper into energy dependency.

The truth is that those who call for controls, whether an allocation system, or continued regulations on the price of oil and natural gas, are proposing a nightmare — an expensive nightmare made even more frightening by the government's tendency to give at least equal weight to political as well as economic profit in making decisions. And besides, where in the history of our republic have we seen that government controls as a means of achieving a national goal have been anything but counterproductive?

The best course for government is to clear a path for consumers to make their own decisions. We can make that path smoother by reforming the tax codes and returning excess profits to consumers, as the President has proposed, so that low and middle income Americans do not carry the burden.

But deregulating oil prices is not just a conservation measure; it means more supply from fields that were in operation in 1972 — nearly a half billion additional barrels of oil produced in this country in 1985.

Producing that oil will require expensive, sophisticated technology that costs more than the oil can be sold for under controls. Because of an artifically controlled price, those fields could be abandoned with more than half of the oil still in the ground.

TRUTH NUMBER FOUR: The Question Is Not Whether Oil Prices Will Be Decontrolled, But When.

If the U.S. does not lift oil price controls, it will mean less domestic production to satisfy growing consumption. That demand will be filled by insecure, foreign sources of high-priced oil. Our consumption of imported oil will grow, and there is no way the federal government can control the price of oil produced in another country.

In effect, the oil producing countries of the world will decontrol our prices for us, and you can be sure that they will not offer to return the money to low and middle income Americans as the administration has proposed.

TRUTH NUMBER FIVE: Energy And The Environment Can Coexist.

We can attain both our energy goals and our environmental objectives.

Energy independence requires coal, nuclear power, oil shale and additional oil and natural gas from Alaska's North Slope and the Outer Continental Shelf. We can develop those resources and still preserve our environment if apparently conflicting interests will sit down and discuss objectives rather than polarizing and politicizing the issues and communicating through press releases.

TRUTH NUMBER SIX: The United States Has a Ready-Made Energy Solution.

The only realistic approach to the energy problem — the only approach not paralyzed by nostalgia for oil at $3 a barrel — was presented in the State of the Union Message almost nine months ago.

TRUTH NUMBER SEVEN: The American People Can Handle The Truth.

The entire premise of democratic government is that the people can reason their way to the right decisions and make the hard choices that self-government requires. We must tell the public the truth about the energy problem and its solutions and stop making political promises of cheaper energy that cannot be delivered. Let's have a frank discussion of the issues involved in the energy situation, bring all the facts out into the open and let the people decide.

It is time to stop savoring the past and start saving and producing for the future.

reprinted from THE WALL STREET JOURNAL.
Issue of September 10, 1975

The Seven Truths of Energy

By FRANK G. ZARB

Broadway musicals and some Hollywood movies over the last few years have profited from the public's longing for an uncomplicated past. Both have focused on the 1930s and 1940s though it is difficult to understand what was so uncomplicated about the Great Depression and World War II.

Strangely, there is an element in that retrospective entertainment trend common to much that is said about today's energy problem. The shared theme is nostalgia.

In a theater it can be a harmless diversion from day-to-day problems, but nostalgia has no place in the debate on an energy policy that will affect the economic stability and national security of the United States for years to come. It simply entertains the public with the idea that the era of cheap energy will return and ignores the truths which characterize our real situation, truths which must be confronted before we can establish a national policy to deal effectively with the real conditions of the world in which we live.

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While the United States had surplus domestic oil capacity and American-based companies dominated the international trade in petroleum, cheap energy made productive economic sense. But the United States, which easily withstood three embargoes before 1973, is no longer the world's leading oil producer and it is now other nations which control the oil export trade.

That control allows producing nations to dip into the American economy for constantly increasing revenues—from $4 billion in 1970 to $25 billion in 1974, more than $400 for every family in America. Had it remained in our own economy, that money could have paid the salaries of a million and a half American workers.

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The Organization of Petroleum Exporting Countries (OPEC), the business agent of those producing nations, is a cohesive international bloc in business to maximize profits. It is a monopoly which has cornered a market—us. And anyone who thinks we can continue to do nothing and the cartel will disappear out of deference to us should resign himself to remaining cornered—economically and politically.

TRUTH NUMBER THREE: There Is No Easy Way Out.

The only course that we can take to extricate ourselves from that corner is to establish a policy that reduces our reliance on imported oil by making our consumption more efficient and supplying more of our own needs without sacrificing a large part of our economic freedom.

The key to that policy is to recognize reality: Energy is costly to produce and that means that energy is valuable. The only successful means our society has yet developed to measure the actual value of a commodity is its real price.

Simply stated, if we allow price to reflect the economic facts of energy—that it is a scarce and valuable commodity—then consumers, both industry and individuals, will begin to react to reality. They will begin to use energy efficiently in the home, in the factory and on the road.

Faced with the real value of energy, a homeowner will put up storm windows, add to his insulation and take all of those other prudent steps required to make home use of energy more efficient.

Faced with that same reality, a factory manager will have to decide between a more expensive piece of machinery using energy more efficiently and one which may be cheaper initially but will be more costly every month when the utility bill comes in.

That same realism will also begin to convert our automobile industry from the production of fleets of chromium-plated battlewagons to efficient cars that get us

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where we are going without emptying the gas tank every 200 miles. This is already starting to happen.

Over the last two years, more efficient compact and subcompact cars have gone from a little more than 41% of the market to 54%. Average mileage for new cars has gone from a little more than 14 miles-per-gallon in 1973 to better than 17 for the 1975 model year. The 520,000 barrels of gasoline consumed every day by new cars in 1973 has steadily declined and is expected to drop to 385,000 barrels by 1977.

The major factor in those gains has been market demand. The consumer in the showroom is aware of the new reality. He is making his awareness known to the people who make cars. And there is no way he or the factory manager or homeowner can make their feelings known, or even become aware of the real value of energy unless a true price tells them what is going on.

That is the only course a free society can take and still remain free. The other alternative is increasing government control over some of our most basic decisions.

Instead of attaching a price tag to an article to warn a consumer of what he is about to do, we can create bureaucracies to *tell* us that energy is scarce; to *tell* the homeowner that his thermostat is too low this summer; to *tell* the factory manager that he *must* buy a particular item, or that he *cannot* expand his business because his allocation can't be increased, all of which have, in effect, been proposed.

In short, we can change our economic early warning system from free choice to the bureaucrat's memo, altering the foundations of our economic system.

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The truth is that those who call for controls, whether an allocation system, or continued regulations on the price of oil and natural gas, are proposing a nightmare—an expensive nightmare made even more frightening by the government's tendency to give at least equal weight to political as well as economic profit in making decisions. And besides, where in the history of our republic have we seen that government controls as a means of achieving a national goal have been anything but counterproductive?

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It is time to stop savoring the past and start saving and producing for the future.

Mr. Zarb is the Federal Energy Administrator. An editorial related to this subject, and to two of the letters below, appears today.

Chicago Tribune, Monday, September 1, 1975 Section 1

National briefs

$2 oil tariff is a must: Zarb

From Tribune Wire Services

WASHINGTON—With price controls on most domestic oil about to expire, the Ford administration says that any congressional compromise on oil prices will have to retain the President's $2-a-barrel special tariff on imports. And, said Federal Energy Administrator Frank G. Zarb, President Ford will not accept any compromise that would reimpose gradually reduced controls on oil prices for longer than 39 months. In a televised interview Sunday, Zarb repeated the administration's willingness to work with Congress to ease the consumer impact of the higher energy prices that will follow.

LONG ISLAND PRESS, WEDNESDAY, OCTOBER 1, 1975

No lines, no gas if Arabs cut off oil again, warns Zarb

Another embargo by Arab oil-producing states would force the United States into an energy allocation program that would "make the last one look like a picnic," Federal Energy Administrator Franck G. Zarb said yesterday.

"You won't have to worry about long lines at the gas station because there won't be enough gas to have a line," Zarb said.

He issued the warning at a seminar on energy conservation sponsored by the conference board, an independent business research group. He ruled out federal energy allocation except "in the event or another embargo."

"If we should have one," he said, "it will make the last one look like a picnic. Our primary thrust is going to be to save jobs and keep industries going."

Zarb was referring to the withholding action taken by Arab oil producers following the 1973 Arab-Israeli war. At that time, the government tightly restricted oil and gasoline supplies, creating long lines at gas stations, higher prices and restricted hours of operation and limited purchases.

He added he does not anticipate a shortage of heating oil this winter.

But, Zarb said, "the natural gas situation is where we have a problem." The administration has proposed emergency measures that would allow intrastate suppliers to make up shortages in the inter-state system as a short-term solution. It the long run, natural gas needs to be deregulated at the wellhead to provide adequate supplies, Zarb said.

NY, NY

DAILY NEWS, WEDNESDAY, OCTOBER 1, 1975

Zarb Sees Dire Effect of Arab Boycott

By ROBERT CARROLL

Federal Energy Administrator Frank Zarb said yesterday another Arab oil embargo against the United States would not create long lines at gas stations, because "there won't be enough gasoline to stand in line for."

News photo by Evelyn Straus
Frank Zarb as he spoke of effect of possible embargo.

Zarb, speaking to a meeting of the Conference Board at the Americana Hotel, said a six-month embargo "would put a million people out of work here" and cut the gross national product by $40 billion.

Zarb was so pessimistic, he said, because the nation "appears to be missing an element of courage" in attempting to deal with its oil and other energy problems.

Says We've 'Abandoned' Our Capabilities

While this country has "the richest energy supply of any nation in the world," the administrator said, Americans have "abanboned our own capabilities" by relying so heavily on foreign nations for oil.

The United States, Zarb said, "sold out to a cheap natural resource and became vulnerable to a group of foreign nations."

Zarb, repeating his earlier reaction to last week's 10% rise in oil prices imposed by the Organization of Petroleum Exporting Countries, said he was "damned outraged" by the boost. The increase, he said, will raise gasoline prices in this country by at least a cent and a half a gallon.

Over the next few years, Zarb said, he sees only two sources of domestic "new energy" — coal and the Navy's petroleum reserves, the latter a source of 300,000 barrels of oil a day. "We haven't begun new offshore drilling," he said, "and we have let nuclear power drag along."

Sees a Sunny Future for Solar Energy

Zarb said he had "a lot of confidence" in solar energy. "It's moving along a lot faster than people give it credit for," he said. The development of shale oil, on the other hand, he said, "has a long way to go."

Zarb predicted a natural-gas shortage in the coming months "somewhat more serious than last winter." New supplies must be developed, he said, through the gasification of coal and the manufacture of synthetic gas.

As an incentive to conserve energy, Zarb suggested that tax credits be offered builders who incorporate energy-saving features in their buildings.

Richmond Times Dispatch 10/12/75

Zarb Assails Energy Drift By Congress

By Elliott Cooper
Times-Dispatch Business Editor

HOT SPRINGS — With domestic oil production at a nine-year low and natural gas output having peaked two years ago, Federal Energy Administration Chief Frank G. Zarb said Saturday it was intolerable for the nation to continue to drift without a national energy policy.

Talking with reporters after a presentation to members of the Business Council, Zarb said it was "rather sorrowful" to see Congress leave for a recess before adopting more measures to deal with the expected natural gas shortage this winter.

Zarb said he told council members, who were concluding their two-day, semiannual meeting at the Homestead, that the energy consumption patters of Americans are shifting.

"IN THE HOME," he said, "the trend is toward conservation, but not nearly what we need to have."

Both automobile manufacturers and motorists, he continued, are seeking increased efficiency. "Our judgement is the American consumer is beginning to make his decision and register his vote in the showroom."

In replying to a question on the short-term outlook for states such as Virginia that face a natural gas shortage, Zarb predicted economic disruptions in several months. "We are going to have some people not employed because of the shortage," he said.

With the current reluctance of Congress to end regulation of natural gas prices, Zarb indicated that apparently it will take plant closings and unemployment to make the issue surface again. "The sight of the gallows helps to focus the mind," he added.

THE ENTIRE question of pricing, Zarb said, has become a stumbling block for Congress and is a situation that needs to be cleared up before other important matters, such as development of the outer continental shelf or use of naval oil reserves, can be addressed.

In addition to Zarb's energy message, the council, a group of more than 125 of the nation's leading business executives, also heard a talk on nuclear power from Harold Brown, president of California Institute of Technology.

Brown told reporters that his message to the businessmen was that the country was going to have to depend on coal and uranium to provide the nation's energy requirements through the end of this century.

"If we are going to get the energy we need to maintain our standard of living, we will have to use both coal and nuclear [power]," he said.

BROWN PREDICTED continued opposition to the construction of nuclear generating stations but said that "as the power shortage begins to bite" it will be easier for the utilities to convince consumers that the plants must be built.

To advance their case, Brown urged the electric utilities to concentrate on standardizing the design of nuclear plants and to become more agreeable to building the plants underground.

The council also heard talks by William J. Baroody Jr., an assistant to President Ford; Ray Garrett Jr., chairman of the Securities and Exchange Commission; Frederick B. Dent, special representative for trade negotiations, and George D. Webster, a Washington lawyer.

Webster, in a speech on political contributions, said the Federal Election Campaign Act will be tested next month in the U.S. Supreme Court.

"TWO SECTIONS of the law which may not survive the court's scrutiny are the limits on individual contributions and expenditures," he said.

Unless certain sections of the law are ruled unconstitutional, Webster argued that incumbent politicians will gain a significant advantage over their opponents.

"It will be impossible for new ideas or candidates without a following to obtain a voice without the expenditure of greater amounts of money than allowed by present law," he said.

Frank G. Zarb
'Helps Focus the Mind'

Livermore, California
Tri-Valley Herald
(Cir.D.10,158)

OCT 3 0 1975

Zarb pledges to work with states to develop new energy

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ALBUQUERQUE (UPI) — Federal Energy Administrator Frank Zarb promised yesterday to form a new partnership with the states to develop energy.

"We recognize and understand that state and local officials have felt cut off from the decision-making process," Zarb told a national conference on financing energy development. "We recognize and appreciate the concern that 'those Washington bureaucrats' are running the whole show on their own."

Zarb said the nation must discard its selfishness and complacency over the urgency of the entire nation, despite the 1973 oil embargo, has become increasingly dependent on foreign energy, he said.

He said this "growing dependency on foreign sources of energy...could well put us back into political and economic bondage to other nations."

Dependency on foreign oil has increased 3 per cent since the embargo and dependency on oil from the Organization of Petroleum Exporting Countries has risen from 49 to 60 per cent, he said.

"The key toward energy salvation today and for the next decade," Zarb said, "is development of our own domestic resources." But he said domestic oil production is at a nine-year low and natural gas production is down 11 per cent since 1973.

"Of course, recognition that a crisis exists is just the first step in overcoming it," he said. "Americans are by nature independent. They have to be convinced that their contributions and their sacrifices are necessary parts of a national effort to solve a national problem."

The federal government, he said, realizes it must help state and local governments finance energy development.

President Ford is considering two proposals to provide financial guarantees for small communities that cannot raise the capital for new energy facilities, Zarb said.

If a small community cannot raise its own revenues for new energy projects, Zarb said the federal government could guarantee the financing. If the project then failed, he said the federal government would offset any debt.

The FEA administrator also said the Energy Resouces Council was setting up a liaison office for two-way communication with

Some of the governors attending the National Conference on Financial Requirements for Energy Development in the Western States Region told Zarb and Interior Secretary Thomas Kleppe they were concerned about federal mandates on energy developments.

Los Angeles Times Tues., Nov. 18, 1975

The Need to Deregulate Natural Gas

Energy Chief Says Only an End to Price Inequities Can Avert Shortages

BY FRANK G. ZARB

The nation has a natural gas shortage that is deepening each year. Its cause is pricing inequities. The result is a curtailment of gas deliveries to industries—and that means the possibility of factory shutdowns and unemployment. The only long-term solution to the problem requires an end to price controls on newly discovered natural gas.

President Ford, the Federal Energy Administration and the Federal Power Commission have all urged this course. The Senate has responded with a bill including short-term provisions to relieve this winter's shortages and permanent steps to end federal regulation of the price of new gas supplies. The House should follow suit—promptly.

The problem is this: For more than 20 years, the price of gas produced in the field has been kept at unrealistically low levels—too low to economically justify high-cost, high-risk exploration and development.

For example, the U.S. Bureau of Mines estimates that the average wellhead price of natural gas is now about 38 cents per thousand cubic feet, equivalent in energy to a barrel of crude oil costing about $2.20. New U.S. oil production and oil imports now sell for more than $11 a barrel.

Moreover, under federal regulation, a producer can expect to obtain for new gas only some 52 cents to 60 cents per thousand cubic feet if he sells to a pipeline that transports his gas across state lines to markets in other parts of the country.

On the other hand, he may sell the same gas for $1.25 to $1.75 per thousand cubic feet to an industrial or utility customer who will consume the gas in the state where it is produced. Interstate pipelines cannot compete for new supplies of gas because the regulated interstate price is far below the unregulated price for gas sold locally.

It is no wonder, then, that production of natural gas in the United States declined about 6% in 1974—equivalent to 230 million barrels of oil. The deficiency in supply for the 12 months ending next March is projected at 2.9 trillion cubic feet, or about 15% of requirements.

The unreasonableness of our natural gas pricing is easy to understand when thought of in terms more familiar in everyday life.

The nickel candy bar disappeared from America when the cost of producing it rose to the point where confectioners could no longer make a profit selling the same candy bar at the same old price. In that case, candy manufacturers, unhampered by federal regulations on price or size, either raised the price of their wares, or reduced the size of the candy, or did both.

Gas producers, unfortunately, are not in the same boat. They do not have the option of increasing their price, so their only course of action when their costs of finding and producing natural gas rise sharply—this has happened over the past few years—is to produce gas only from the areas most easily and economically discovered. The result: shortages in much of the country.

Large industrial and commercial customers wind up suffering the most, especially in the deep of winter. In most areas residential customers continue to enjoy uninterrupted service, but in some communities severe cold spells may occasionally make it necessary to shut off service even to them.

The economic consequences of gas curtailments include loss of industrial production,

Frank G. Zarb is administrator of the Federal Energy Administration.

loss of jobs and increased manufacturing costs resulting from the need to switch from gas to far more costly alternative fuels.

Natural gas shortages will continue to grow each year if nothing is done to increase incentives for new production. By deregulating the price, Congress will spur producers to increase supplies while allowing interstate pipelines to compete on an equal basis with gas buyers in the state where the gas is produced.

In the long run, deregulation is the best way to attack the problem. Alternative supply supplements such as imported liquefied natural gas or synthetic gas will be much more costly to the American consumer than new natural gas obtained from conventional domestic sources, even if prices of new gas are allowed to reach free-market levels.

If new gas supplies are deregulated, the added cost to residential consumers will be relatively small, because the higher cost of new gas production will be averaged in with the lower cost of old gas.

For example, assuming a doubling of the price of new gas upon decontrol, and assuming the fact that in the first year production of new gas will probably amount to 10% of the total national gas production, this is what would happen: A gas utility would buy, on average, 90% of its gas at the old price and 10% at the new. As a result, from one year to the next, the utility would pay only 10% more for its gas supply.

Furthermore, the average price of gas in the field, including both old and new supplies, represents only about 20% of the total cost of service paid by the residential consumer. (Approximately 80% of his bill goes for the cost of pipeline transportation and distribution.) Thus, a doubling of field prices for new gas might increase residential gas bills by as little as 2% or 3%.

If Congress fails to pass the pending new gas price decontrol legislation, the natural gas shortage will inevitably become greater, more consumers will be forced to convert from natural gas to oil or electric service. In that event, the bill for consumers would be much higher than if they were able to continue burning natural gas—even though they would have to pay somewhat higher prices for that gas.

The American free-enterprise system, when allowed to work in a competitive atmosphere unhampered by unnecessary regulation, has traditionally provided U.S. consumers with adequate supplies of goods and services at reasonable prices. Allowing free market forces to provide economic incentive for natural gas producers can accomplish dramatic increases in domestic exploration for gas and production of gas—and at the same time hold consumer price increases to moderate levels.

In addition, we can promote more effective use of a highly desirable and efficient fuel by allowing prices which reflect the true value of natural gas. A further bonus is that, assuming increased domestic gas supplies, we can reduce the need for imported oil that is now needed in parts of the country where gas is unavailable.

The conclusion is clear and inescapable: Congress must act—and quickly—to remove price controls on new natural gas found and produced in the United States. The result will benefit all consumers over the long haul, in terms of both cost savings and enhanced energy supplies.

Tues., Nov. 18, 1975 ST. LOUIS POST-DISPATCH

Zarb: Bill Won't Cut Oil Price

BOCA RATON, Fla., Nov. 18 (AP) — Consumers will not save even a penny on gasoline under the national energy bill now before Congress, President Gerald R. Ford's energy adviser says.

Federal Energy Administrator Frank G. Zarb told a group of newspaper publishers yesterday that congressional proponents of the bill were wrong when they estimated that it would cut gasoline prices 3.5 cents a gallon at the pump.

"I should warn you that congressional claims the bill will mean a 3.5-cents-a-gallon rollback initially can't be substantiated," Zarb said. "If it rolls back the price of gas by as much as a penny a gallon, I'll be surprised."

Zarb has reportedly urged President Ford to sign the compromise energy proposal but said yesterday he did not know whether the President would sign or veto the bill.

Under the terms of the compromise, an initial average price of $7.66 a barrel would be set on all domestic oil. That cost is down from the current average of $8.75 a barrel for oil coming from American wells.

Zarb told the Southern Newspaper Publishers Association that the bill's proponents did not take into account recent hikes in the cost of producing domestic oil — increases that have not yet been passed along to consumers.

He said that figures showing a decrease in gasoline prices at the pump also do not acknowledge a recent decision by the Organization of Petroleum Exporting Countries to increase the cost of its oil.

"Actually, I don't think it would be a good thing if this bill did bring a reduction in the cost of gasoline," he said. "Anything that would drop the price and encourage an increase in consumption would not be a positive development in our energy program."

Frank N. Ikard, president of the American Petroleum Institute, echoed Zarb's warning.

"I understand the politics of this," Ikard said. "It's been highly publicized that this bill will bring a reduction of 3.5 to 4 cents a gallon in the cost of gasoline, but that is just not true.

"I want to tell you this now because when the cost of gas doesn't go down, I know who's going to get blamed for it. I don't want to see a flood of editorials blaming big oil because prices didn't fall."

Provisions of the bill include pushing the per-barrel cost of oil down initially, then allowing it to rise by as much as 10 per cent a year over the next 40 months.

Meanwhile, the leader of Republicans in Congress who oppose the compromise bill says President Ford is understandably thinking of politics as he weighs the measure.

Seantor Paul J. Fannin (Rep.), Arizona, said of Mr. Ford: "He doesn't want it to be an issue at the time of the primaries" in New Hampshire and Massachusetts in February and March.

"It's a political decision and I can understand that. A veto could result in turmoil at just the time of the primaries," Fannin said.

Higher oil and gas prices urged to guarantee supply

By GRANT E. SMITH

Prices for gasoline and oil must be allowed to go up or the nation will regret its penny-pinching, Frank Zarb, head of Federal Energy Administration told the Phoenix Rotary Club Friday.


Zarb

"To solve our supply problems, we must have high prices," Zarb said.

The higher prices will give American industry and business the capital it needs to develop American sources, he said.

"There is no secure, reliable source of energy outside the U.S.," said Zarb.

He called oil a very dear commodity, which "we cannot continue to use the way we do now." Increasing prices is one of the few effective means of getting people to conserve, he said.

If people don't conserve and American sources aren't developed, Zarb said the higher prices will be paid anyway, but the money will go to the Arab nations.

The nation is in this mess because "we sold out to cheap oil in the '60s," said Zarb. "You did it, I did it, we all did it."

The United States went on an energy binge typified by "chromium-plated gunboats we call cars" and forgot to keep working on other energy sources.

"We just did not realize oil was not going to be around forever," he said.

Then, in 1973, the Arabs clamped an embargo on their oil. Zarb emphasized that it was the fourth time the Arabs had used an embargo, but the first time the U.S. public noticed.

"We noticed it because we had to stand in line for gas," he said. "Since then, the situation has gotten worse. The next embargo will make the last look like a picnic. You won't have to stand in line, because there won't be any gas. We'll be using all of it just to keep industry and people at work."

Almost 400 Rotarians and guests were at the Adams Hotel for Zarb's luncheon speech. Sen. Paul Fannin, R-Ariz., and Phoenix Mayor Margaret Hance were at the front table.

The major components needed to bring the United States to a self-sufficient stature in the 1980s, Zarb said, are conservation, expanded use of nuclear energy, expanded use of coal and maximizing the use of natural gas and oil.

To become self-sufficient, Zarb said, the nation is going to have to use mining methods some people dislike, to drill where some people oppose it, to use nuclear energy though some oppose it and to burn coal though the emissions may not be desirable.

At the same time, the nation must continue developing other energy sources such as solar, geothermal, coal gasification and oil shale.

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BEIRUT FIGHTING—Battles between Moslems and Christians intensify to "genocidal" proportions. **Page A-2.**

ARGENTINA—The United States recognizes new three-man junta as lawful government of Argentina. **Page A-3.**

CAMPAIGN—White House views Jimmy Carter as a more likely Democratic opponent than Hubert Humphrey, Ford spokesman says. **Page A-10.**

POSTAL CUTBACKS—A congressman says the Postal Service has ruled out new cutbacks but the agency fails to confirm his statement. **Page A-24.**

arizona 3/26/76

The State Journal-Register, Springfield, Thursday, April 22, 1976

Oil embargo chances called 'great' by Zarb

CHICAGO (UPI) — Federal energy Administrator Frank Zarb said Wednesday there is a "disturbingly great chance" of another oil embargo that could be worse than the one two years ago.

Addressing the American Power Conference, Zarb said the nation "has been living on borrowed time for much too long, and if countries which sell us crude oil and petroleum products decide to stop the clock again, we'll be in for a crash refresher course in what life was like during the last embargo."

Zarb was reported to have said in an interview with editors of the Chicago Tribune that the Federal Energy Administration would be disbanded June 30, but upon his return to Washington Zarb said he either had been misunderstood or had not made himself clear.

"The President has sent to the Congress a bill to extend the agency through Sept. 30, 1979," Zarb said. "It is my hope and belief that the Congress will see fit to support his extension."

The law establishing FEA provided for it to go out of business automatically on June 30, 1976.

Other FEA officials said it appeared a House panel that has completed hearings on extending the FEA's life would recommend an extension to the House.

Frank Zarb

They said Senate hearings on the fate of the 3,400-person agency would begin after the Easter recess, and that although there is some opposition they expect the Senate to go along with an extension.

Zarb said in his speech that another embargo could mean not just long gas lines but perhaps no gas or lights at all.

"But I want to emphasize that this is not idle doomsday talk. It is an all too real possibility.

"I am personally convinced that we stand a disturbingly great chance of being subjected to another embargo. The Organization of Petroleum Exporting Countries has the oil we need, and they can be expected to make the most of the sellers' market they enjoy."

The problem could be averted, he said, if the U.S. embarked on a four-step plan to make itself embargo-proof by 1985. His plan includes maximum conservation of all energy resources, maximum domestic oil and natural gas production to bring it up to a pre-1974 level, a doubling of domestic coal production and a harnessing of nuclear power.

"As long as we continue to become increasingly dependent on the OPEC nations for our petroleum supplies, we will be increasingly subject to arbitrary OPEC decisions on price and supply," Zarb said.

"And that will simply mean that we didn't learn the history lesson."

NEWS RELEASE

مطالب مطبوعاتی

MAY 9, 1976

U.S. ENERGY CHIEF COMPLETES MIDDLE EAST TRIP

Frank G. Zarb, Administrator of the United States Federal Energy Administration, expressed appreciation for the welcome he has received from Iranian officials during a three-day informal visit to Tehran.

Mr. Zarb stated that he had had cordial conversations over a wide range of energy topics of mutual concern to the United States and Iran. He met with Dr. Jamshid Amouzegar, Minister of the Interior and Representative to OPEC; Mr. Hushang Ansary, Minister of Economic Affairs and Finance; Dr. Reza Fallah, Deputy Managing Director, National Iranian Oil Company; Mr. Taghi Mossadeghi, Managing Director, National Iranian Gas Company; and Dr. Parviz Mina, Director for International Affairs, NIOC.

Mr. Zarb has also visited Saudi Arabia, where he met with Saudi officials, including Sheikh Zaki Yamani, Minister of Petroleum and Mineral Wealth.

Mr. Zarb returns to Washington on Monday, May 10th.

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NEWS RELEASE

مطالب مطبوعاتی

رئیس ادارهٔ انرژی امریکا سفر خود به خاور میانه را بپایان رساند

فرنک زارب ، رئیس اداره انرژی فدرال امریکا ، از پذیرایی مقامات ایرانی طی سه روز دیدار غیر رسمی خود از تهران ، سپاسگزاری کرد .

آقای زارب اظهار داشت که در بارهٔ مباحث مربوط به انرژی که مورد علاقهٔ مشترک امریکا و ایران میباشد مذاکرات صمیمانه ای انجام داده است . او طی اقامت خود در ایران با آقایان دکتر جمشید آموزگار وزیر کشور و نماینده ایران در اوپک ، هوشنگ انصاری وزیر امور اقتصادی و دارائی دکتر رضا فلاح معاون مدیر عامل شرکت ملی نفت ایران ، تقی مصدقی مدیر عامل شرکت ملی گازایران ، و دکتر پرویزمینا مدیر امور بین المللی شرکت ملی نفت ایران ملاقات کرد .

آقای زارب همچنین از عربستان سعودی نیز دیدن کرده و در آنجا با مقامات آن کشور ، از جمله شیخ زکی یمانی وزیر نفت و ثروت معدنی ، ملاقات کرده است .

دکتر زارب روز دوشنبه ۲۰ اردیبهشت به واشینگتن باز خواهد گشت .

The Washington Post MAY 10 1976

FRANK ZARB
... barters discussed

A-24

Zarb Urges OPEC to Hold Price

By William Branigan
Special to The Washington Post

TEHRAN, May 9—Federal energy administrator Frank Zarb said today he told Saudi Arabian and Iranian officials during a 10-day Middle East trip that the oil-producing nations should adopt "an absolute freeze" on oil prices until the end of the year.

The Organization of Petroleum Exporting Countries, in which Saudi Arabia and Iran are the leading producers, is to meet May 27 in Bali, Indonesia, to decide whether to raise oil prices after a freeze imposed last year. The freeze is to end in June. It took effect after OPEC raised prices 10 per cent last October.

Zarb, winding up his trip today, also told a news conference that he discussed the possibility of oil-for-weapons barter deals between Iran and private U. S. firms. But he said he did not try to "negotiate purchases for any particular purpose," including supplies for the Federal Energy Administration's billion-barrel strategic oil reserves program.

Zarb said the world economic recovery was still in "a tender state" and that a new OPEC price increase would run "counter to the rate of speed or very momentum of that recovery."

He said that in his talks with oil officials, including OPEC representatves Jamshid Amouzegar of Iran and Sheikh Zaki Yamani of Saudi Arabia, he found "very keen sensitivity to the role an oil price rise might play" but he would not speculate on any eventual OPEC price decision.

"Nobody made any commitment, nor did I ask for any," Zarb said of his talks on the OPEC price.

But he said a 10 per cent increase would be "excessive" and that "an absolute freeze for the remainder of the year would be the correct step from my point of view."

Zarb, confirming that discussions are under way between Iran and three private U. S. companies on bartering Iranian oil for American weapons, would not name the companies. But he indicated that the aircraft maker McDonnell Douglas was not among them as previously reported.

Press reports have also said Iran was seeking to barter for warplanes with Boeing and Northrop. Sources in Tehran say Grumman Aerospace Industries may be the third firm.

Iran has already contracted for 80 Grumman F-14 Tomcat jet fighters in a $2.2 billion deal.

Zarb said that no American oil company has yet "signed up as part of the transaction," involving barter. As it is envisaged here now, any eventual deal would involve an American defense contractor and an American oil company as partners in dealing with Iran.

Zarb speaks out

Last energy crisis 'a picnic'

SACRAMENTO (AP) — The top federal energy official says the United States can't afford to slow down nuclear energy development because he expects another Arab oil embargo.

Frank Zarb, head of the Federal Energy Administration, said Friday he opposes the notion of any moratorium on nuclear development and that movements such as Prop. 15 in California could put a crimp on the federal government's plan for an "embargo-proof" energy future.

Zarb was in Sacramento to give the FEA's opinion of the $100,000 University of Texas study that it ordered on the impact of California's nuclear power initiative on the June 8 ballot.

The initiative would ban new power plants and phase out existing ones unless the state legislature decided thermal power was safe, and utilities forego public liability limits if there is an accident.

The more than 700-page report was criticized as biased by five of the eight "oversight" committee members appointed after initiative proponents objected to FEA conducting such a study.

Assemblyman Charles Warren, D-Los Angeles, conducted the hearing as chairman of the Assembly Committee on Resources, Land Use and Energy, and he said he was dismayed by the report's contents.

"The problems of nucler power are consistently underplayed in this report," said Warren. "This seems to me to be a serious imbalance."

Zarb said the university's Center for Energy Studies produced the report without input from the FEA. He said it is a fair, unbiased and credible document.

Zarb said the single most important conclusion of the study was that California needs more energy, and can't expect to produce all it will require without nuclear reactors.

He said that he expects another Arab oil embargo in "three to five years" that would make the 1973-74 cutoff seem "like a picnic."

That's because the nation has increased its imports of foreign oil by 11 per cent since 1974, he said.

The percentage of electricity produced from nuclear power should be increased from 9 per cent to 25 per cent of the nation's total by 1985, and electricity from coal-fired plants should be doubled, to allow the nation to weather another embargo, he said.

In California, about 3 per cent of the electricity is produced by nuclear plants.

By 1995, when the nation could have 150 nuclear plants, the nation could be independent of Arab oil, Zarb said. There are 57 atomic plants certified for operation now, including three in California. Four more reactors are under construction and six more in planning stages in California.

A new 20-year forecast of utilities has as many as 35 reactors planned by 1995 in California.

6/76

Frank Zarb: Energy conservation—a no-risk venture

What are we going to do when the well runs dry? How close is decontrol? Tax incentives? Is coal the answer? An on-the-spot interview with Frank Zarb: the man with the answers.

by Jeff Forker, editor

Frank G. Zarb, Administrator of the Federal Energy Administration, is a principal advisor to the President on national energy policy and programs. Zarb also serves as executive director of the cabinet-level Energy Resources Council. Before joining FEA, Zarb oversaw budgeting for all Federal energy, natural resource, agriculture, ahd science programs as associate director of the Office of Management and Budget. Previously, Zarb served five years as chairman of the executive committee of Hayden, Stone & Co., a New York investment firm.

EDITORS: How important is a strong energy conservation program in the institutional, business, and industrial sectors?

ZARB: Well, since most of our energy is consumed by the commercial and industrial sectors, conservation has to be most critical in those sectors. If we're going to use energy more wisely as a nation, business and industry are going to have to make a fairly massive contribution.

EDITORS: How much would a strong energy conservation program — a Spartan effort — reduce our nation's independence on foreign sources?

ZARB: Well, in a ten-year period, it can amount to five to six million barrels of oil per day — perhaps more. This is with a modest effort. We historically have had, as a nation, a startling energy growth rate — about 3.6% per year. We're headed now at about 2.8%. With a little strain we can get that down to 2.2%. Which means by 1985 — and all this is cumulative — we're going to be saving a whale of a lot of oil. In the industrial sector, the fact is that energy has become a line item on the profit statement. The factory manager has become sensitized to the need to find ways to produce a unit of product with less energy consumption. Some of the industrial companies reporting to us have shown it can be done — not only from a national energy conservation standpoint, but in improvement in the companies' profits.

"Where you stand on energy policy," says Frank Zarb, "depends on where you sit." Zarb sits in the old postmaster general's office (center) in Washington, D.C. Energy Management editors are Sam Milnark, right, and Jeff Forker.

"We sold out the cheap oil at 19 cents per gallon and got 6 free glasses with a fillup. It was an orgy."

Some people of late have shown an urge to lop off a few of FEA's tentacles: regulatory, policy, or even public relations. A bill has even been written that does away with FEA altogether. However, our Washington sources tell us that another bill, S-2872, extends the life of FEA for three more years, until September 30, 1979. The bill is out of committee, and seems to stand a good chance of passage. A similar bill must also get through the House, however. Whatever the case, an extending bill must pass by June 30, or FEA dies a natural death. Even if FEA should be done away with (not very likely at presstime), the situation won't really change much. Other government departments would simply pick up FEA's major programs and people—rearranging the bureaucracy as it has been rearranged so many times before.

EDITORS: What major conservation policies and programs is FEA recommending to Congress to accelerate and promote conservation? It seems to us that the potential energy savings in refitting and replacing inefficient equipment has barely been touched.

ZARB: The first thing you have to do is price your energy product at its real value. If you sell natural gas below its real replacement value, then people are not going to make a change. I don't care how much jawboning you do or legislation you try to pass, it won't do the job. Until you move the price to where it represents its true value to the country, people are going to look at a piece of equipment; they'll look at their capital investment, their write-off rate, the cost of their product and the return on that product with new equipment, and they won't make the changeover until the numbers are right. True energy pricing is the most important step forward.

EDITORS: What about tax incentives for refitting or replacing existing equipment to increase efficiency?

ZARB: I've always supported and will continue to support the notion of investment tax credits as a way to promote refit activity.

EDITORS: How do you feel about legislative penalties or standards?

ZARB: We have mandatory standards now in the automobile sector — although I think the automobile industry is well ahead of the standards set by government — at least for the next 5 years. They're reacting to the fact that gasoline is now 50¢ a gallon instead of 30¢. That's what made the change. In appliances — we'll be labeling them so that consumers can make the judgment as to miles-per-gallon-per-dryer. And we'll probably have to have some mandatory standards in buildings. But by and large, the notion that mandatory standards will be the driving force toward energy conservation is not a very good one. What drives a nation and an economy to use a resource more wisely is a reflection of the value of that product in its marketplace. Every nation in western Europe that has had an energy problem — even those nations less oriented to the free enterprise system than ours, with every reason to go to mandatory standards—have instead all gone to adjusting the market price to induce a different energy-consumption pattern.

EDITORS: It looks like decontrol is coming, but probably not until after the election. Your reaction?

ZARB: I don't know. A lot of people feel the way you do. But we hope there will be at least one more try before the election to get natural gas legislation that will raise prices to the point where there's enough inducement to go out and develop more domestic natural gas rather than to rely increasingly on foreign imports to replace American products. We are convinced that, under existing controls, natural gas production levels will be such that in 10 years we will be importing two million barrels a day more oil than if we remove those controls. There's a lot of resistance to that. The compromise worked out in the Senate, which did not get through the House, freed the price of new natural gas, explored and developed after enactment. We're hoping for one more try before the election.

EDITORS: Do you feel encouraged about the bill's chances for passage?

ZARB: I feel more encouraged about energy policy in toto. I think the body politic, after a year of intense debate, has become more educated, more understanding about how the market works. If we weren't facing election this year, I'd be twice as optimistic about getting some tough legislation to get the job done.

EDITORS: Let's say you're the president of a manufacturing firm faced with a decision on whether to invest $1 million in energy-saving equipment. You'll cut operating expenses by reducing consumption, and the return on investment will run 5 years at today's energy prices. How confident would you be about making that investment when you're not positive whether the price of energy will go up, stay the same, or go down in that time frame? Most execu-

"Most of our energy is consumed by the commercial and industrial sectors. Conservation has to be most critical in those sectors."

tives face a great demand for their available capital, such as expanded production capability, stronger marketing programs, new product development, EPA requirements, OSHA requirements, and many others. They are much more confident about spending their capital for traditional uses than for the new kid on the block — energy conservation. They can be forced by law to spend capital on EPA and OSHA requirements. But if any doubt exists about energy prices, they're simply not going to make the investment in conservation in the face of all those other demands.
ZARB: If you're saying it will take 5 years to get my money back in energy

"Energy: where you stand depends on where you sit."

savings — and the life of the equipment is 15-20 years — if the critical path to my decision is whether or not energy prices are going to go up, then I'd make the decision in favor of the new equipment. There's no question in my mind that energy prices are going to go up. They're going up in one of two ways: if we want to increase our domestic production we're going to have to increase prices to allow a reasonable return on invested capital. If we don't increase domestic production, then we'll be paying more money to foreign oil producers to get the job done. One way or another, the American businessman is going to spend more per unit of energy.
EDITORS: FEA's Energy Outlook 1976 is a voluminous, scholarly work. Though necessary for long-term analysis, it doesn't provide the vital day-to-day, short-term data on availability and prices, so that executives — and their accountants — can make confident decisions for investing in energy conservation. Do you believe that FEA should attempt to forecast availability of energy and energy prices 5 years out — updating every 60 days — so that businessmen and the public can make sound financial decisions? Could FEA fund or initiate such a program? Could such a program be treated like the consumer price index, reporting to the public every 60 days?
ZARB: I think government's role is to make information available that we're aware of: how much oil costs; why its [illegible] has risen; the position of the cartel as we see it; how much oil comes from the cartel; how much oil can be produced domestically; what's likely to be the change in domestic cost. What we can't do is predict what OPEC or Congress will do. Others must make those judgments. The business community is used to taking risks, based on its own conclusions while looking at the facts. I haven't seen a government decision made yet that can come anywhere close to the competency of conclusions reached in the private sector after all the facts are laid down. It's not hard to come to the conclusion that over the next 5 years, anyway, at minimum, you're going to have a rate of increase in energy prices at least equal to the national inflation rate. And possibly more, depending on what OPEC does and how public policy is put into place.
EDITORS: If businessmen knew better what prices they would be paying for energy in the months and years ahead, they would be more likely to put money into refitting their energy-inefficient equipment.
ZARB: I'm not any more qualified to make a judgement as to what Congress is going to do than the individual businessman — or what OPEC will do. All I can do is release the studies we've made giving history and general projections. In the final analysis, the businessman has to make his own decisions based on the facts available. I don't think you have to be a Houdini to come to the conclusion that energy costs and prices are going to rise in the years ahead. I know when I was in business ,I had an accountant or economist who gave me his best estimates and I had to make a decision on my own judgment of those facts. I didn't want the government or anyone else to help me in those decisions because if they went bad, the government wasn't going to share in the responsibility. I sympathize with the fact that businessmen don't know what oil prices are going to be a year from now — no one else knows either. Business has to make its own judgments.
EDITORS: Once we get solid reaction from Congress at basic levels and have firm energy programs and policies under way, we won't have so many factors to contend with. Then the major thing to deal with will be OPEC — not a small problem, but a simpler problem.
ZARB: While we can project oil prices roughly — you just never know whether OPEC will jump the price higher, or skip a year. I think a businessman who makes a decision to invest in energy-saving equipment based on his best engineering calculations isn't taking much of a risk at all. Demand for energy is going to continue to grow. There are finite sources for this energy and, so long as that's the case, we're going to have a driving force upward on prices. To build a nuclear plant today costs $1 billion — and nuclear energy is still the cheapest form of power we can put out. Imported oil is $13 a barrel. It was under $5 per barrel 2 years ago. The price of domestic oil is up considerably. New oil is priced at $11.30 or more per barrel; four or five years ago, it was around $4. So, you have to base your projections on history and come up with your best judgment of how the world's going to change. Then you take your risks. If you sit too long without taking risks, then you pay the price.
EDITORS: Within 94-163 (EPCA), FEA's responsibility was greatly broadened. Is coal our real energy ace-

"In a recent Wall Street Journal article I was attacked by both Ralph Nader and the American Petroleum Institute. We must be doing something right!"

in-the-hole? If coal is a major solution, then our utilities and large industrial boilers will somehow be required to convert to coal-burning equipment at a tremendous refitting cost — yet still meeting EPA requirements. What incentives and regulations are you planning to make coal conversion happen?

ZARB: Of course, the bill gave us the authority to mandate the conversion to coal — with certain restrictions, some environmental and some feasibility. We plan to use this authority particularly in the power sector. We have more coal in this country than the Mid-East has oil, and it seems to us that it is logical for us to find ways to properly mine, transport and burn that resource. When you get beyond the current period, past the next 10 years, we can look forward to taking coal and turning it into a liquid or gas. We have the technology. That removes the transportation problem — use existing pipelines — and removes some environmental problems, since some impurities can be removed during liquefaction or gasification. All in all, coal is going to be a major contributor. To achieve a reasonable degree of self-sufficiency we have to do four things:

• Conserve and drive down our energy use growth rate to 2.6% or 2.2% per year. • We have to maximize our coal production — take our 600 million tons of coal produced this year and double it within 10 years. • We have to maximize our domestic oil and gas production — getting the most out of our hard-to-reach reserves in Alaska, the continental shelf, and out of secondary and tertiary reserves in already-tapped oil fields.

• Finally, we must expand our nuclear capacity from 9% to 26% of our total electric output. If we do those four things, we'll be modestly self-sufficient by 1985. If we drop out in any one, I don't see any substitutes available. Beyond the next 10 years, other technologies can make a more important contribution: solar, coal gasification and liquefaction — perhaps shale. But over the next 10 years, we have only those four bread-and-butter sources to work with. Coal is mighty important.

EDITORS: You mentioned mandatory requirements for coal conversion. Is the major thrust going to be at utilities? Will it also include large industrial boilers which generate some electrical power — or large commercial buildings, say office buildings?

ZARB: It will cover only the very major establishments — for the most part, utilities. Office buildings will convert when they find that the gas they burn is no longer subject to artificial price suppression by government controls. Or sometime when we have a very wet fall and farmers have to use gas to dry crops — followed by a very cold winter — then commercial buildings will find they have to cut down on their heat. They won't be able to get the gas they need.

EDITORS: Have regulations for a curtailment program been developed yet?

ZARB: Oh yes. Some 75 facilities have already been ordered to convert from gas and oil to coal, including 22-25 utilities. By June there will be more.

EDITORS: A number of utilities use natural gas to operate gas turbine peaking generators, to handle summer air-conditioning peaks instead of firing up coal boilers. Will the program get into these plants?

"In the industrial sector, the fact is energy has become a line item on the profit statement."

ZARB: It depends on the size of the facility. Generating electricity with natural gas is probably the worst possible use of that valuable fuel. Some utilities are examining ways of lowering their peak, using incremental pricing mechanisms. People who use power during peak periods pay more for that use than those who don't. This has the net effect of lowering the peak. Lowering the peak means you don't have to go to alternative fuel sources.

EDITORS: Currently, there is legislation under consideration in California, and in some form in 20 other states, that may greatly hinder construction and operation of nuclear power plants. Your reaction?

ZARB: We don't presently have any control over that situation. But I can tell you this: moratoriums at the state level, in general, will be very detrimental to the national energy program. In my view, if they're successful, they won't hold. Because two or three years from now, as events unfold and imports increase, or there's a threat of another embargo — which would have much more serious consequences than the last embargo — the views will move back toward realism. I hope that kind of extra question is not injected into the system. There are adequate means for debate, nuclear plant by nuclear plant, at every state level. I just don't know what the outcome of the California debate will be. I can just tell you what the final result will be.

EDITORS: Could Congress pass an overriding national law in this area?

ZARB: I think it's more likely that the California law, or one like it, would be challenged in the courts — and that takes years.

EDITORS: There's some overlap between FEA and ERDA. Is there any plan to restructure FEA?

ZARB: The idea of separating regulatory functions and policy decisions has some merit. And maybe, eventually, one central agency over FEA, ERDA, and others will be the answer. But you don't spend your time rearranging furniture on the deck of the Titanic. Get a national energy policy first.

EDITORS: How do you rate the job FEA has done?

ZARB: In a recent Wall Street Journal article I was attacked in the same paragraph by both Ralph Nader and the American Petroleum Institute. We must be doing something right.

EDITORS: What are the chances for a breakup of the oil companies — say legislation forcing them to divest themselves of some satellite functions — like the pipeline distribution system?

ZARB: There'll be no divestiture bill this year. I'm for any legislation that will produce more oil, quicker, and cheaper. But prove it first, before you chuck the existing system.

EDITORS: What do you think OPEC will do next?

ZARB: OPEC will probably try to keep its oil at 1975 values. This means either an increase this year, or a larger increase next year.

EDITORS: What's your opinion of allocation?

ZARB: It appears we'll be better off without allocation controls. Removal of allocation controls will restore competition. Propane, however, is a problem area and probably will need some type of control.

"The decisions we make today will make the difference. It's grim for the next five to ten years, more positive after 10 to 20 years."

7/76

NATIONAL TOWN MEETING

JOHN F. KENNEDY CENTER
Wednesday, 10:30 to 11:30 a.m.

July 23

HAVE WE AN ENERGY POLICY?
Frank G. Zarb (Fed. Energy Administrator)
Rep. Al Ullman (D-Ore.) (Chairman, House Ways and Means Comm.)
Moderator: Roberta Hornig (Washington Star)

July 30

TV AND OUR CHILDREN
Joan Ganz Cooney (Producer, Sesame Street and Electric Co.)
Richard Wiley (Chairman, FCC)   Rep. Torbert MacDonald (D-Mass.)
Moderator: Sally Quinn (Washington Post)

Aug. 6

AMERICA – VIEWED FROM ABROAD
Adelbert de Segonzac (France-Soir Bureau Chief)   Vladimir Vashedchenko (Tass Bureau Chief)
Moderator: Marilyn Berger (Washington Post)
Plus other foreign correspondents.

Aug. 13

CHANGING HUMAN RELATIONSHIPS
Dr. W.H. Masters and Virginia Johnson (Reproductive Bio. Research Center)
Elizabeth Janeway (author)   Moderator: Shana Alexander (Newsweek)

ADMISSION FREE
WEEKLY–MORE TO COME

QUESTION THE PEOPLE WHO MAKE THE NEWS!

Made possible by a grant from Mobil Oil Corporation

BUSINESS WEEK: July 12, 1976

World roundup

Japan: U. S. Federal Energy Administrator Frank Zarb last week dashed the hopes of the Japanese that they could gain access to Alaskan crude oil. Zarb told top Japanese oilmen and government energy officials that the first flow of Alaskan oil is earmarked for California's growing energy needs and that any surplus will go to the U. S. Midwest. Zarb also said that a Congressional ban on exports of Alaskan oil is unlikely to be lifted. The Japanese had been hoping that they could deliver Mideast oil from the emirate of Abu Dhabi to the U. S. east coast in return for crude from Alaska's North Slope.

Zarb: None for Japan.

Italy: The Italian subsidiaries of Compagnie Française des Pétroles and Mobil Corp. have brought an unusual civil action against the Italian state for improper price-fixing. The cases derive from a ruling last October by the Italian Council of State, a court that handles matters involving public administration, that Italy's pricing committee had inaccurately calculated price ceilings for oil products on several occasions. The committee had failed to follow the established method of basing prices on the costs incurred by the refiners. The oil companies reportedly lost $11 million because of low price ceilings. A decision against the pricing committee could result in similar suits by other oil companies.

West Germany: Bonn and Washington have signed a pact that may make it easier for the two governments to investigate—and prosecute—multinational companies for antitrust violations. The cooperation agreement calls for an exchange of information by antitrust authorities. The agreement is very limited, since it does not supersede national laws. U. S. agencies, for example, can't pass along to their German counterparts confidential data subpoenaed from U. S.-based parent companies.

But for the first time, the two governments will be able to exert subtle pressure on their own nationals by acting as agents for each other in requesting voluntary release of data from companies. Authorities will also swap relevant information on evidence turned up in domestic antitrust probes. The Germans hope that the agreement is only the first step in international cartel-busting. Eventually they want a tough agreement that calls for in-depth exchange of hard information.

7/29/76

Congress Is Urged by Zarb to Permit Suspension of Fuel-Oil Price Controls

Opponents of Decontrol Fear Sharp Rises in Heating Season

By EDWARD COWAN
Special to The New York Times

WASHINGTON, June 29 — The Administration moved today to dispel Congressional opposition to suspension of price and allocation controls for heating oil and diesel fuel.

Unless the House or Senate disapproves by midnight tomorrow by a simple majority vote, the Federal Energy Administration will put the controls on a stand-by basis as of Thursday.

No immediate price rises might occur, but the opponents of decontrol fear that prices might rise sharply during the heating season, especially if next winter is unusually cold.

The New York Times
Frank G. Zarb

Despite the lobbying for suspension by several hundred New England fuel-oil dealers who visited Congressional offices today, anti-Administration forces appear to have a good chance of victory, at least in the House.

Testifying before the House Commerce subcommittee on energy and power, Federal Energy Administrator Frank G. Zarb offered a qualified promise "to take certain actions" if next winter's heating-oil prices rose more than 2 cents a gallon because controls had been shelved.

Mr. Zarb did not promise flatly to reimpose controls. Instead, he raised the possibility of requiring domestic refiners to make cost-sharing payments to heating-oil importers to keep the price of foreign oil from pulling up prices generally.

His testimony indicated that the determination of whether prices had climbed more than 2 cents above the level that would be authorized were controls in place would turn partly on cost estimates and might itself be a matter of considerable contention.

Mr. Zarb also disclosed t the subcommittee that the energy agency would not let domestic crude-oil price ceilings rise in July and August. Oil industry lobbyists at the hearing apparently already knew this.

Energy Chief Promises 'Certain Actions' to Curb Increases

An associate of Mr. Zarb's said later that this two-month delay in the scheduled upward trend of crude-oil prices was not a tactical political action but a necessary regulatory action. Its timing appeared linked to decontrol of so-called refinery middle distillates, chiefly heating oil and diesel fuel.

The subcommittee chairman, Representative John D. Dingell of Michigan, alternated between praising Mr. Zarb and three senior associates as dedicated public servants and challenging the accuracy and reasonableness of their analysis that decontrol would not lead to higher heating bills.

Gorman C. Smith, assistant administrator for regulatory programs, told the subcommittee that the differences between the Federal Energy Administration's initial and revised estimates of future demand for heating fuel fell within the range of normal statistical variation and were of little significance.

Similarly, Mr. Smith debated with subcommittee members and a staff analyst, Walter W. Schroeder 3d, the way refinery productive capacity had been calculated.

The vote, at least in the House, is likely to be presented by Mr. Dingell and other Demo-

Continued on Page 59, Column 8

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...alers ...s that ...on con- ...them to ...op... ...essively for sup- ...es ... pass on savings to consumers.

John G. Buckley, a vice president of Northeast Petroleum, a large wholesaler, said that his company would be able to cut its costs by 1.3 to 1.5 cents a gallon, keeping half for itself and passing along half as a price reduction.

Retail dealers such as Ed Scott of Manchester, Mass., also said they would be relieved of "a lot of paperwork," a comment heard frequently.

Robert W. Fawcett Jr., who with his father is in the heating-oil business in Cambridge, Mass., said the allocation controls adopted in 1973 to protect independents from being cut off by major companies now tend to lock the dealers into paying more than the lowest price that might be available.

Organizations such as the Consumer Federation of America expressed some interest in modifying allocations controls, but they opposed putting price controls on a stand-by basis. Also opposed to any action that might lead to price increases were such major consumers of fuel as the airlines and the truckers, including some teamsters union locals.

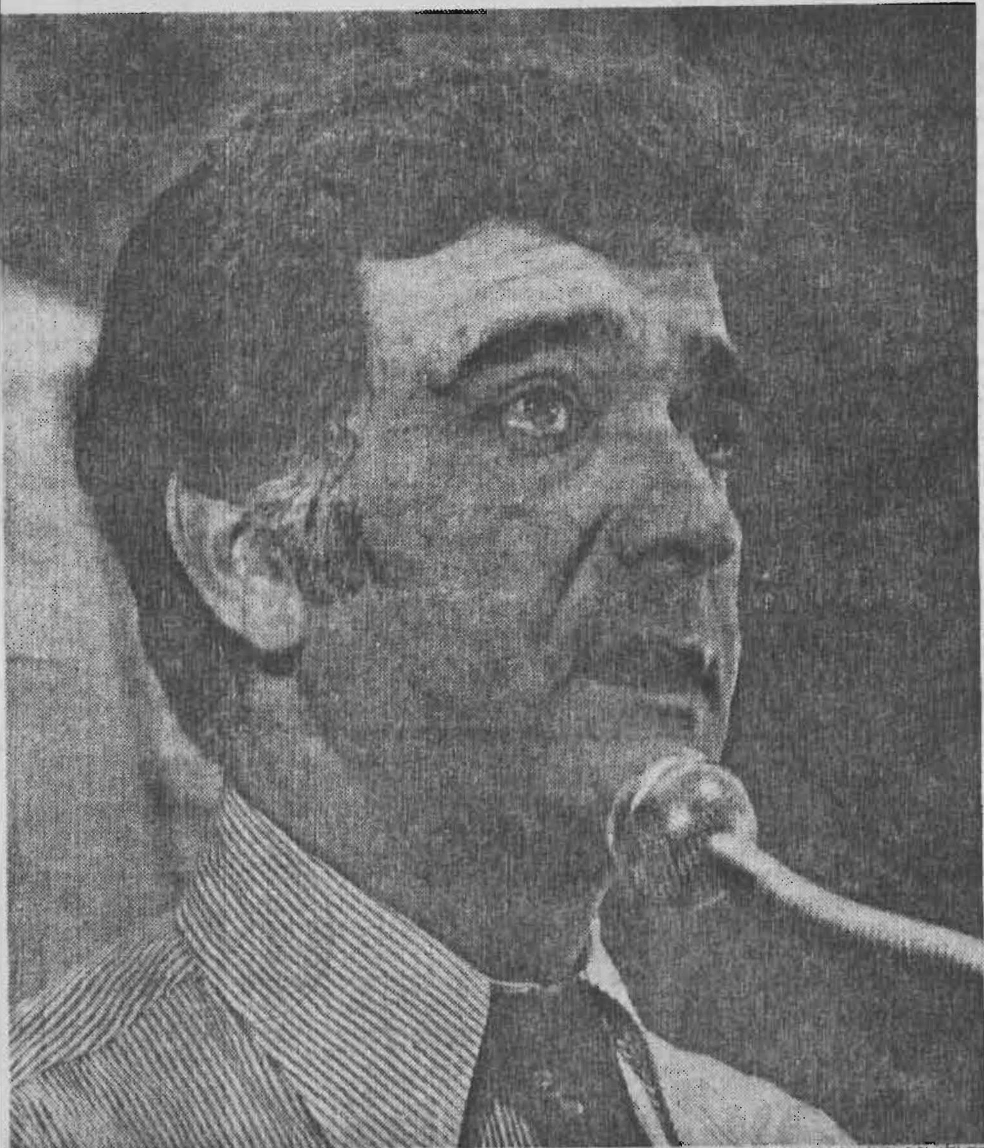
A scattering of fuel dealers, such as the Independent Heating Oil Dealers of Rochester, also favor retention of controls.

Open Interest

Tuesday, June 29, 1976
(In bushels, 000 omitted)

	Sales Tues.	Open Interest Mon.
Wheat	75,675	215,585
Corn	121,335	445,665
Oats	3,300	16,660
Soybeans	186,965	474,300
Soybean meal	8,287	32,498
Soybean oil	8,213	48,531
In contract Monday		
Sugar (No. 11 contract)	...	40,561
Sugar (No. 12 contract)	...	344
Cocoa	...	9,954
Coffee	...	4,774
Copper	...	49,588
Live hogs	...	13,348
Shell eggs	...	2,465
Orange juice	...	3,804
Live beef cattle	...	693
Platinum	...	8,182
Potatoes	...	5,799
Pork bellies	...	9,831
Silver	...	137,853
Wool	...	68

Nuclear power answer to embargo — Zarb



NEWS PHOTO BY MEL SCHIELTZ

Frank Zarb sees major role for nuclear power in nation's energy future.

By CLAIRE COOPER
News Staff

Nuclear power must produce 26 per cent of the nation's electricity if the United States is to achieve its target of becoming "embargo-proof" by 1985, Federal Energy Administrator Frank Zarb said in Denver Monday.

Nuclear energy accounts for 9 per cent of electricity generated now.

Zarb refused to speak specifically about the proposed state amendment on the November general election ballot, which would require approval of nuclear generating plants by two-thirds of each house of the Legislature and impose other tight controls on nuclear development.

But his remarks countered claims that such a constitutional provision is necessary.

Speaking of his call for a dramatic increase in nuclear production, Zarb said, "We can pursue our program. . . . We can do it safely." The United States has 25 years of experience with nuclear power, Zarb said, and "the state of the art has improved" in that time.

He spoke of seeking "the most acceptable forms" of nuclear waste storage rather than assuring safety.

Zarb spoke also on several related issues, among them:

—The natural gas supply. Zarb said he doesn't anticipate cutbacks in residential supplies this winter, although a cold winter could cause cutbacks in industrial supplies.

—Oil shale development. It isn't a dead issue in Colorado, he said. Some day its "economic viability" will be proved, he said, noting that imported oil is the most expensive energy source. Forty per cent of oil used in the United States is imported now, at an estimated 1976 cost of $34 billion, Zarb said.

—The chances of an oil price rise in the near future. The Organization of Petroleum Exporting Countries (OPEC) will meet in December. "Another increase is not warranted, (but) the levers are in their hands," Zarb said. The price of oil increased from $4 to $14 "in a very few years," Zarb said. However, OPEC didn't raise prices at its last meeting in May, and pressures for an increase have been building recently.

—Gasoline shortages caused by restrictions on lead content. There won't be any, Zarb said, because he and Russell Train, administrator of the federal Environmental Protection Agency, have worked out a "phase-down" to cut lead content without disrupting gasoline supplies.

—Coal development. The vast Western coal supplies must be tapped, but "the states and local communities have every right to expect the federal government to stand behind such a project." That commitment, according to Zarb, includes an "iron-clad guarantee" of proper federal attention to socio-economic problems of new and abandoned mining towns.

—Synthetic fuels legislation. If Congress passes a synthetic fuels bill this week (as it may), it will be just "a starting point," Zarb said. The federal government will have to work with the Western states to find an acceptable way of implementing it. Otherwise, "it's just insane to think the bill will work." He noted that the Western governors want strong state control over development

Because oil is a "finite fuel," Zarb said, the synthetic fuel industry will have to be developed within the next 10 years. If development is held back until the last possible moment, no attention will be paid to the environmental and social consequences, he said — or another oil embargo will put a premium on "vigor and speed" in synthetic fuel development without consideration of any need other than that for a new energy source.

Zarb said the best way to deter countries that could impose a new oil embargo on the United States would be to store enough oil here to provide 3 million barrels a day for a year, so the United States could "ride out a supply interruption."

The storing of oil was one of five "key actions" he listed for holding oil importation to a "manageable" level. The others involved expansion of domestic oil, gas and nuclear power production, increased use of coal and conservation.

10/76

Zarb takes a shot at Proposition One

By ROBERT L. PEIRCE
Globe-Democrat Staff Writer

Frank G. Zarb

Although maintaining he could not take a stand on a local issue, Federal Energy Administrator Frank G. Zarb struck a blow against Proposition One during a campaign appearance for President Ford in St. Louis Friday.

Proposition One seeks to stop Union Electric Co. from recovering ahead of time some of the construction costs of its nuclear power plant in Callaway County.

ZARB SAID that as a federal official he could not comment on the proposition. But then he said, "We have urged all states to adopt construction work in progress (the practice which Proposition One seeks to eliminate)."

He said it was to the nation's advantage "to insure an orderly rate of growth in electrical generation facilities."

Zarb also said nuclear power must be expanded from supplying its current 9 per cent of the nation's energy needs to 26 per cent within the next decade if this country is to become "embargo-proofed."

Coal production also must be doubled, natural gas production increased and domestic oil production increased from 8 million barrels daily now to 12 million.

ENERGY conservation also must continue, Zarb said, adding that "the entire nation participated in an (energy) orgy during the 1960s, symbolized by the chromium-plated gunboat we call tbe automobile."

Today, "conservation is alive and well among the American people. But I'm not so sure if it is alive and well among the American Congress," he said.

He criticized Congress for not adopting Mr. Ford's proposal of a 15 per cent tax credit to persons who spend money to improve home insulation. He said Congress also watered down a Ford bill on building standards to improve energy savings.

ALASKAN OIL FOR JAPAN RULED OUT

10/12/76

By Roberta Hornig
Washington Star Staff Writer

The Ford administration has ruled out shipping any Alaskan oil to Japan, Federal Energy Administrator Frank Zarb says.

Zarb said the decision is final and was made by the the President's Cabinet-level Energy Resources Council.

"We have ruled out any exports to Japan," Zarb said in an interview yesterday.

But the energy administrator acknowledged that the White House still has no firm plan on how to get the oil moved to where it is needed — the Midwest and the East Coast — rather than to the West Coast, where it is not.

"EXCHANGING" Alaskan oil, once it becomes ready for delivery next year, with oil purchased by Japan from the Middle East had been mentioned as a solution to the transportation problem. Among those advancing the exchange option were Interior Secretary Thomas S. Kleppe, as well as Exxon and British Petroleum, two of the oil companies involved in the Arctic drilling.

Zarb said the Japanese exchange was ruled out on "common sense" grounds: that in the event of another Arab oil embargo, Japan presumably would be forbidden to ship oil to the United States and thus would be an insecure supplier.

The administration still must decide what to do about the West Coast "surplus" of 600,000 or more barrels of oil a day when the Alaskan oil becomes available.

Among the leading options, Zarb indicated, are working out an exchange agreement with Canada and shipping the remainder through the Panama Canal to the Gulf Coast.

One or both of these options could be short-range solutions, Zarb indicated. The hope of the administration is to get west-to-east oil pipelines built — construction that could take up to two years.

UNDER THE CANADIAN exchange, the United States would supply Canada oil in the West while Canada would supply oil to the heavily import-dependent Northeast United States.

Moreover, this is a move favored by Sen. Henry M. Jackson, D-Wash. and chairman of the Senate Interior Committee, because of the shortage of crude oil in the so-called Northern Tier states of Washington, Montana and Minnesota.

The Northern Tier shortage has developed because Canada is gradually reducing its oil exports to the United States. Its current plans call for dropping shipments from 791,000 barrels a day in 1974 to 166,000 barrels daily in 1978.

The use of the Panama Canal likely would mean higher costs for Alaskan oil because of the distance involved. Zarb said, though, that the distance is certainly no greater than between Saudi Arabia and the East Coast.

The administration shortly will announce five possible routes for moving Alaskan oil eastward and will hold public hearings on them all, Zarb said.

THE ROUTES include:

• Shipping the oil from Valdez, Alaska, the terminus of the trans-Alaska pipeline, to Kitimat, B.C., where a trans-provincial pipeline would link up with existing lines in the upper Midwest.

• A Northern Tier pipeline that would carry the oil across the United States to Minnesota.

• The Sohio-B.P. plan to add on to an existing gas pipeline that starts in Arizona. The pipe would be expanded on both ends, beginning at Long Beach, Calif. and ending at Midland, Tex.

• Shipping the oil via a canal through Guatamala.

• Carrying the oil through the Panama Canal.

The Wilmington, Del. Morning News, Tuesday, October 5, 1976

Zarb sees embargo-proof economy

By WALLACE C. JUDD JR.

The United States can achieve an embargo-proof economy with stable energy prices by 1985, according to Frank G. Zarb, head of the Federal Energy Administration.

Zarb spoke yesterday at the dedication of a rebuilt hydroelectric plant along the Brandywine Creek at the Hagley Museum.

After hearing Zarb's speech, Robert D. Weimer, president of the Delmarva Power & Light Co. and a guest at the dedication, said he was delighted at the prospect but he thought Zarb's remarks were optimistic.

Those skeptical of any energy self-sufficiency timetable point to how oil imports have risen from 36 per cent of U.S. consumption before the 1973 oil embargo to 40 per cent today at a time when the nation is supposed to be conserving energy. But Zarb, in an interview before the speech, said oil import statistics are a false barometer.

"I always knew that (rising imports) was going to happen. And, imports will continue to grow in the short run as our national economy grows," Zarb said. "But, I truly believe we've turned it around."

He cited several reasons why he believes the country is headed toward self-sufficiency:

■ Automakers now are turning out cars 34 per cent more ener[illegible] future efficiencies are required by law.

■ "Counter-productive" price controls have been removed from crude oil and petroleum products to encourage greater domestic exploration and production.

■ A domestic storage program has been begun which, if it had been in effect at the time of the embargo, would have offset the shortfall by 50 per cent.

■ Consumer information programs have required energy information labelling.

■ [illegible] the nation's power plants, including DP&L at Edgemoor, have been ordered to switch generating fuels from oil to coal.

■ Military oil reserves have been tapped for domestic short-term needs.

■ The Alaskan pipeline is nearing completion.

Zarb also pointed to several additional measures the nation must take to insure self-sufficiency. Growth of energy use must be cut from 3.5 to 2.5 per cent a year through "eliminating wasteful habits, not prosperity," he said. Also the United States must step up efforts to find and produce more domestic oil and natural gas; double domestic coal production with technology and laws which will allow its mining and burning without damage to the environment; expand nuclear power from 6 to 26 per cent of the nation's electricity generating capacity, and continue research in alternative energy technologies.

Charleston Daily News, October 8, 1976

Maximum Coal Output Goal Of Energy Chief

By JEFF KOSNETT
Of The Daily Mail Staff

Federal energy administrator Frank Zarb said today he would like to see all the coal mined in the next 10 years that could possibly be produced.

The federal official was in Charleston to speak at a campaign rally for President Ford at noon at the Capitol.

Asked about the clean air act, which proposes to set standards on the sulfur content of coal burned, Zarb said he would like to see a rational approach to achieve clean air and modify the existing act to allow coal burning in conventional form over the next five years.

Zarb did not differentiate between eastern and western coal. He said that "we need all the coal we can find as well as domestic sources of oil and gas."

The administrator said he was troubled by plans to import liquified natural gas (LNG) from Algeria. "The movement toward importing this fuel at very high prices could mean we could become vulnerable to foreign actions," he said.

Zarb, who said he had not been to West Virginia for some months, said he had read of a recent natural gas find in several counties (estimated at 50 billion cubic feet) but that he was not familiar with its specifics. "Any natural gas find is significant," he said.

Zarb was met at the airport by state treasurer Ronald Pearson and Tom Huzzey, state oil and gas commissioner.

Pearson described Zarb as a "down to earth" person who had previously worked with state officials on securing emergency fuel supplies for the state and advancing the cause of West Virginia coal.

ARRIVAL — Energy chief Frank Zarb arrives in city. Met by State Treasurer Ron Pearson, in background. — Daily Mail Photo By Earl Benton.

THE INTELLIGENCER—Wheeling, W. Va. Saturday, October 9, 1976

Energy Talk

Republican 1st District Congressional candidate John McCuskey, left, discusses local energy needs with, from left, Frank Zarb, director of the Federal Energy Administration, and George H. Seibert Jr., state chairman for the Ford for President campaign. Zarb and McCuskey took part in a campaign press conference Friday at the Wheeling-Ohio County Airport.

(Photo by Zastudil)

Bluefield Daily Telegraph, Saturday, October 9, 1976

Weather Blocks Bluefield Visit

Zarb Calls For Maximum Coal Production In East And West

BY JIM GILREATH

A scheduled Bluefield visit by Federal Energy Administrator Frank Zarb was cancelled Friday after Zarb's private plane was unable to land at the Mercer County Airport because of inclement weather.

Zarb's plane was held in a traffic pattern over the airport for more than 30 minutes and returned to Washington shortly before 3:30 p.m. when air controllers reported it would be at least another hour before the aircraft could land.

Zarb had scheduled a 2:30 news conference in Bluefield which was to be followed by a meeting with more than 20 selected coal industry officials. A spokesman for the West Virginia Coal Association said the meeting was arranged to provide an exchange of ideas between the energy chief and coal company representatives.

The Bluefield visit was the last of three West Virginia appearances scheduled by Zarb Friday. Earlier in the day, Zarb stopped in Wheeling and then attended a Charleston rally by supporters of President Ford.

During his stay in Charleston, Zarb said the Ford Administration is dedicated to increasing U. S. coal production but not necessarily West Virginia coal.

Zarb further reported politicians who say West Virginia coal will be given priority over the Western variety simply arn't telling the truth.

"One of the President's five points in making us energy independent in the next 10 years is to double coal production," he said. "And that means we'll have to have maximum proucuctiion from both the East and the West."

Zarb spoke with reporters after making a two-minute campaign pitch for the President in an appearance beneath the Capitol rotunda. He conducted a 30-minute news conference in which he outlines and defended the Ford Aministration's energy policy.

"We definitely have a policy," he said. "Last year, President Ford sent 13 pieces of legislation to the Congress and so far seven of them have been approved. But we can't fully implement our program until Congress makes the tough choices. These are no free rides.

Zarb said the administration is pushing full steam ahead on "the first generation of coal gasification and liquification plants. We hope to have them operating within the next 10 years."

"From there," Zarb added, "we'll go into such areas as solar and thermal energy. Energy research is one area where the President isn't cutting back."

In order to realize the goal of increased coal production, Zarb said the Ford Administration was working toward stepping up the demand for coal. He reported such related problems as shipping and mining technology would be dealt with if there were an increased demand.

"Along that line," he said, "we have moved toward mandating that the utilities either use coal or at least retain a coal-burning capability. And we've tried to rebalance the Clean Air Act so more coal can be used in our power plants."

He said the administration was committed to the continued growth of nuclear power despie warnings from environmentalist. He also noted he was confident adequate safegurads would be developed.

Zarb told newsmen he did not feel dollar-a-gallon gasoline would be on the scene in the foreseeable future. "I don't expect the price of gasoline to increase any faster than the rate of inflation," he added, "unless the oil producing countries hit us with another price increase."

As for natural gas, Zarb said he felt this winter's supply would be adequate to meet demands unless the weather was unduly severe. In that event, he said, some areas of the county would experience "disruptive shortages."

The Herald-Dispatch — Huntington, W. Va., Saturday, Oct. 9, 1976

Zarb Explains Policy

Double Production Of Coal Is Goal

Associated Press

CHARLESTON — Federal Energy Administrator Frank Zarb said yesterday the Ford Administration is dedicated to increasing U. S. coal production but not necessarily West Virginia coal.

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ZARB SAYS EX-OFFICIALS KNEW OF ENERGY DRAIN, LACKED COURAGE TO ACT

SPEECH MADE HERE

Gas Deregulation Needed as a Profit Incentive, Administrator Says

—Times Staff Photo by Philip Schmidt

Federal Energy Administrator Frank Zarb, who addressed the annual meeting of the Chattanooga Manufacturers Association Tuesday night, confers with association executives. From left are Lloyd H. Perry, chairman; Zarb, Oliver Benton, exofficio chairman, and Walter Stamper, president. The meeting was at the Chattanooga Choo-Choo.

By LIBBY WANN

Hitting hard at previous administrations that lacked "political courage" to face the crisis of energy dependence and its subsequent costs, Frank Zarb accused high level officials Tuesday of ignoring what has developed into one of the most critical challenges the United States will ever encounter.

"The facts are clear," said the head of the Federal Energy Administration. "I'm convinced that the body politic, especially at the high levels, knew about" the eruptive problem of energy shortage.

Speaking to more than 400 members of the Chattanooga Manufacturers Association and their guests at an annual dinner Tuesday night, Zarb fielded questions on a variety of subjects, ranging from uranium shortages to electric cars, and from the relationship between energy and environment to the development of a solar storage battery.

Zarb, who was perhaps the most influential shaper of America's year-old attempts at energy independence, raised his voice to support gas deregulation which went down to defeat by seven votes in Congress' last session.

Under a program of deregulation, a developer can be assured of "a reasonable return on his investment," Zarb argued.

But far more important than ensuring a developer a profit as incentive is to ensure the American people that without "marginal increase in domestic prices, we're going to be paying the other fellow," Zarb said.

In a press conference earlier Tuesday, Zarb predicted that the mining and distribution of coal will become more significant than it has ever been.

"In the next 10 years," he said, "we're going to use every bit of high and low (sulphur) coal we can get to market."

Responding to questions concerning his personal plans regardless of the presidential election outcome, Zarb said, "I've had two years as federal energy administrator. That's a year and a half longer than any of my predecessors, and that seems like a long time for any man to serve the public."

"I'll be here through January, and then I'll take a whole new look at the future to decide what my next step in life will be," he said.

Expressing an optimism not often indicated by those who discuss the President's energy policy, Zarb told the overflow crowd, "We're a little more than half-way there" in achieving legislation to set a U.S. energy

Zarb Claims Ex-Officials Knew of Energy Shortage

From Page One

program on its feet again.

Seven of the 13 major categories of Ford's energy policies have become law, and Zarb explained that funding a program of technological advancement which would result in U.S. energy independence by 1985 would cost "about $600 billion."

In implementing a comprehensive energy production and conservation program, "It's not the financial capabilities that are lacking, but the human factor we have to deal with as a nation," Zarb continued.

"Energy conservation means we have to take some very tough policy steps, and we have to take them in the next few years . . . if they are to have any effect in the next 10 years."

Through the passage of an energy labeling bill which requires manufacturers of cars and major appliances to inform customers of the amount of energy used and through a coal conversion law which extends the authority of the government to require large users of electricity to switch to coal, conservation will become a major factor in limiting energy use, he said.

Other steps that must be taken over the next 10 years include completion of a strategic petroleum storage to provide a cushion against embargo; increasing coal production from 640 million tons to one billion tons per year by 1985; increasing the share of nuclear power from 9 per cent to 26 per cent in 10 years, and increasing domestic oil and natural gas production.

"There is absolutely no mystery to a comprehensive energy program . . . and it can work," Zarb said.

But policy must translate into law . . . "because we can't afford to run this country and suffer the effects of another embargo," Zarb said.

11/76

Washington Update

Zarb indicates he will step down after '76 election

Frank G. Zarb, the Administration's top energy official, has indicated that he plans to resign after the November presidential election.

Zarb, 41, who is administrator of the Federal Energy Administration and executive director of the Cabinet-level Energy Resources Council, hinted at his plans in a speech March 11 to the Charlotte, N.C. Chamber of Commerce.

Zarb

Referring to critics who want him to leave the government, Zarb said they have an ally in Mrs. Zarb and that the family hopes to return to New York "as soon as possible."

Zarb, who has spent most of the past five years in various Administration jobs and took his present post in December 1974, was an investment banker in New York.

His remarks suggested that he had no intention of resigning immediately but planned to quit by the end of the year regardless of the outcome of the presidential contest.

Platt's OILGRAM News Service ESTABLISHED 1923

NOV 1 1 1976

ZARB COMMENTS ON OPEC; PRICE TRENDS; PAST, PRESENT, FUTURE

Chicago 11/10 – Following are excerpts from the notebook of an OILGRAM reporter who attended a 110-minute press conference held by FEA chief Frank Zarb at O'Hare Airport Tuesday evening:

—"I'm terribly perturbed by some so called OPEC experts who talk about inevitable 5% or 10% crude price increases next month," Zarb said. "No one know what OPEC will do because they don't know themselves. I don't think they're entitled to another penny. OPEC captured a lot of futures against inflation on their first big hike, so they can't use inflation as an excuse for another hike." Pressed for a prediction as to whether or not there will be any sort of OPEC hike, he said: "I don't know—all I can say is that it isn't justified, and it would be very damaging."

—The biggest energy problem facing the U.S. is whether it can accept a hike in domestic crude prices to the level of foreign crude prices without anyone realizing a windfall profit, he said. Domestic exploration and production must be encouraged. Yet if all domestic prices are permitted to rise without any limit, there would be no incentive for U.S. oilmen to try to keep foreign prices down.

—Zarb said the decontrol of light and heavy fuel oils has brought out a measure of price competition that so far has helped offset the "freeing effect" of decontrol. In the next week or so FEA will propose the deregulation of gasoline and hold hearings, then Congress will act, Zarb said.

—I told Zarb some refiners are unclear as to how FEA's trigger mechanism might work on distillate prices, for example, if some companies raise prices 4¢ gal while others go up only 1¢ or not at all, could this touch off an investigation of everyone, and a possible reimposition of controls on all companies? Zarb said he agreed that the trigger mechanism is "very complicated," but basically it means there's trouble if anyone hikes prices more than 2¢ gal more than they would have hiked them had FEA controls still been in effect.

—Zarb said he announced some time ago that he planned to quit as FEA chief regardless of who won the Presidential election, "and that's still my plan." He said he and his staff have nearly completed work on a "transition book" outlining his recommendations for the nation's next energy steps, including a possible recommendation as to his successor.

—The book will outline five key steps to be taken by the U.S. over the next 10 years: a. Strategic stockpiling, "well under way already;" b. Conservation; c. Production increases; d. Doubling of coal consumption, not just production, and e. A boost to 26% from 9% in the use of nuclear power for electrical plants.

—There's been a 50 million ton hike in the use of coal in the U.S. over the past year, Zarb said, but Texas still will have to import huge quantities of coal for electricity over the next few years. "They can mine it and transport coal OK, but we're not sure it can be burned, due to environmental considerations, and a natural reluctance to burn the dirty, lumpy stuff," Zarb said. "The government must continue to mandate conversions, because public policy won't move voluntarily in that direction. The utilities just cannot build so as to use oil."

—Conservation is the "most interesting" part of the future program, he said. The U.S. is using 3 million b/d less oil today than in 1973, with two-thirds of the reason being "outside forces" and one-third being voluntary conservation reasons. "The chrome-plated 1977 car uses 34% less gasoline than the '74 car, and the 1980 car will use 50% less than the '74 car," he said: "I see conservation beginning to turn the corner. Both industry and private citizens are using less; natural gas deregulation is getting more bipartisan support; partial crude price decontrol is getting more support, and in general, there is a healthier trend toward a better energy balance, replacing the rage and fear of the past."

—I told Zarb some independent refiners are expressing pique over the 5,000 b/d reverse entitlements program, arguing it's preventing them from putting needed residual fuel on the market. Zarb said hearings already have been scheduled on the overall East Coast entitlements program at which all gripes will be taken into consideration.

—"The whole New England problem," Zarb said, "is that it uses oil for 85% of its energy needs while the rest of the nation uses only 50%. And 95% of New England's oil is imported. How did we get there? The system made it happen. We can fix the blame on anyone and everyone. The question is, what do we do about it? We have to displace a good part of the 85% with some other form of energy. Meanwhile, we use entitlements. That's been the bane of my life as FEA chief, and I've got scars on my back to prove it."

—Zarb on oil's image: "You've got this perception by the American public that the oil industry won't behave unless it's controlled. The oil industry must change this image before we can achieve a solution to the energy problem. The solution doesn't lie in advertising or public relations. It lies in oil's day-to-day decision-making process."

—Much of today's energy problem stems from the 1950's and 1960's, Zarb said, when "political leadership was sadly lacking, and no one was willing to talk about higher prices. There's enough blame to go around for everyone. This country didn't embark on a bold energy policy until Ford's program of January 1975."

—I asked Zarb whether FEA committed any major mistakes under his leadership. Zarb replied, after a contemplative pause, that it might sound vain. but he didn't

Continued

Platt's OILGRAM News Service
ESTABLISHED 1923

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Continued

recognize any real errors. He said his decision to recommend that Ford sign the omnibus energy bill last December was a difficult one, but he still thinks it was right. A veto of the bill, if upheld, would have led to almost immediate 6¢-8¢ gal product price hikes; domestic crude price hikes from $5 bbl to $11 or so; huge profits to the multinationals, followed by drastic anti-oil legislation, he said.

—FEA will issue a study in the next two weeks showing the five most viable ways of "getting rid of" Alaskan oil, Zarb said. The idea of sending Alaskan oil to Japan, in exchange for Japan's making foreign material available on the East Coast, "stinks," Zarb said. "It stinks because, once you send oil to Japan, it's lost. We must solve the transportation problems within our own country."

—Zarb noted a multiplicity of ideas for disposing of the Alaskan oil. He said one Northeast-based major oil company, which he declined to identify, recently told him it might consider bringing Alaskan oil by pipeline to Valdez, thence by tanker to the Bahamas for refining, and then sell the product in the Northeast.

—I asked Zarb whether the oil industry in general has cooperated with the FEA's program, despite the industry's many vocal objections to it. "On balance they've cooperated," Zarb said. "I don't think the industry really is arguing about the FEA—they just want the government out of their lives, period. And on balance, they're correct, although I think a lot of the oil industry's analysis of energy problems has ignored coal, natural gas, nuclear energy, and other aspects of the overall problem. But an oil guy saying to me that FEA should get out of his business . . . I just don't know what he means. Take all us FEA people and stuff them in another agency and what have you accomplished? There has to be some sort of a regulatory agency as long as there are controls. And FEA itself is pressing for an end to controls."

—But Zarb added that, to achieve the national energy goals that are being laid down, "we need to set up an organization to enforce the national program."

—In answer to my question as to whether he'd yet picked a title for the book about his FEA experiences which I presume he's writing, Zarb winked: "No, but I've got something in mind along those lines."

—Finally, I asked the FEA chief if he has another job lined up should he leave FEA in January. Zarb said: "Not definitely, but I can tell you, it won't be with a major oil company."—Herb Hugo

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Editorials

THE STATE JOURNAL

Founded 1855

Zarb energy warning is very real

With the election games over, the winners will return to Washington to face the cold realities. It will take more than easy promises of the campaign to solve the harsh facts.

A reminder of what's in store came Wednesday from federal energy administrator Frank Zarb. In a talk at Michigan State University, Zarb warned that the nation's energy crisis is far from resolved and it will be an uphill fight for years to come.

He warned that if the nation does not drastically increase its energy production capacity, prices of heating fuel and gasoline will skyrocket during the next 10 years. He further warned that another Arab oil embargo is not an illusion and could happen again under a variety of circumstances.

Vulnerability of the United States and the western nations to such an embargo was painfully demonstrated in the 1973 cutoff of oil by the Organization of Petroleum Exporting Countries (OPEC), which helped set off an international recession. Since then the U.S. reliance on imported oil has risen sharply. It now stands at 42 per cent of the 18 million barrels we use daily.

The U.S. Commerce Department recently estimated that if the nation lost even half of its present imports for a year, without any new sources, it could result in a gross national product loss of up to $170 billion and millions of lost jobs because of industry shutdowns.

Zarb, who expects to depart with arrival of the new Carter administration, emphasized that there are no easy escape routes for the U.S.

He spelled out a five-part program to meet the problem.

Increase domestic gas and oil production; double the production and use of coal by industry; increase energy production through nuclear power; preserve energy through a variety of conservation programs; and stockpile as much oil and natural gas as possible in the shortest possible time.

Congress authorized a strategic petroleum reserve nearly a year ago but that program has barely started. Increasing natural gas and oil production is moving ahead — but slowly.

Nuclear power remains a controversial issue in many states as well as in congress. Little progress has been made in coal production.

Zarb stressed that deregulation of natural gas is a necessity to spur more production and control prices. Other energy experts have cautioned that private and industrial energy conservation programs, while important, are not a panacea.

One of the most overriding needs is more government action to help spur the development of more domestic sources of energy.

For too long politics has put up the roadblocks. And it has become fashionable to attack the domestic energy producers because they are big. Big is bad and it also gets votes.

Some of the criticism may be justified. But congress and the nation must put aside politicking in favor of a cooperative effort to move ahead swiftly in finding realistic solutions to the energy crisis.

No one will be immune from future energy breakdowns and the cost in terms of simple economics is one the nation cannot afford. It is an issue which congress and the new administration must give top priority starting in January.

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THE OIL DAILY

FEA Eyes Alternatives To Correct Oil Prices

P. 1

Follows Reg Changes, Wrong Estimates

By VICTORIA CHURCHVILLE

WASHINGTON -- The Federal Energy Administration is considering three alternatives to correct excessive crude oil prices caused by regulatory changes coupled with inaccurate price estimates, a House panel has been told.

The excess oil prices are expected to total at least $230 million by the end of January next year according to John Hill, deputy administrator of FEA. The three options under consideration will seek to rectify crude prices which exceeded the $7.66 per barrel legal limit for domestic crude under the Energy Policy and Conservation Act.

Hill said the three options, among which the agency will choose later this month, are a price rollback on upper tier oil in December and January of $1.40 per barrel, a one-time increase of 90¢ per barrel in the allowable price during January, or a price freeze from December through next July.

Hill testified Thursday before the House Energy and Power subcommittee on the eve of his resignation from the FEA to join a New York investment banking firm. He told the committee the FEA has to wait for additional data before it can equitably choose between the options.

THE DRAWBACK in the $1.40 per barrel rollback on upper tier oil, according to Hill, is that it may result in a substantial decline in production as producers waited for the price freeze to expire.

Under the flexible provisions of EPCA, FEA could ask Congress to grant a one-time increase of 90¢ in the January, 1977 composite price. Hill said this would be enough to cover the excess, but added, "This would have the advantage of avoiding any disruption to domestic production, but would also prevent consumers from gaining the benefits afforded by recovery of the excess receipts."

Extending the current price feeeze through next July, in order to acquire as much data as possible on the amounts involved, then a rollback on upper tier prices, if necessary, to recover all the excess, was the option Hill seemed to favor most. He said based on preliminary data, the rollback part of this option appeared unnecessary. A continuation of the current price freeze through July might be enough to recoup all of the excess while causing a minimal disruption of production, he said.

REP. JOHN DINGELL (D.-Mich.), chairman of the subcommittee, acknowledged that Hill and other FEA officials virtually amount to "lame ducks" because of the pending change in administration and made no directives on the issue to the energy-agency.

Hill said that even if FEA took no action to remedy the excesses, the agency expects to recover from crude producers, over twice as much money as they may have received in amounts over the allowable composite price. Agency compliance officials calculate they will collect over $500 million during 1977 in crude oil price violations. He said many audits had been delayed pending clarification of property definition but they are now proceeding. Hill promised the panel that every oil producer will be audited.

FEA's amending of its original definition of an oil "property" to provide more incentive to increased production has been a key factor in its price control scheme. Compliance with EPCA's mandated composite price was to be achieved by estimating the proportion of "lower tier" oil — produced in 1972 — and "upper tier" oil — from increased production over 1972 levels.

LOWER TIER ceilings were set at $5.25 a barrel and upper tier at $11.28 a barrel, with a composite price of $7.66 a barrel. EPCA, signed last August, has also brought about changes in price controls on stripper wells and heavy crude oils.

In setting price to achieve the allowed composite price, Hill said FEA had relied on the same estimates used by Congress in its deliberations on EPCA. Actual data later showed the estimates to be slightly inaccurate, thus the discrepencies, he said. The excess, however, will amount to less than 1% of the total dollar volume of crude oil transactions, according to Hill. FEA estimates the outcome of the changes may combine to shift about 2.3% of U.S. production from lower to upper tier oil prices.

The crude oil price discrepencies were first reported by The Oil Daily on page 1 of the Oct. 26 and Oct. 29 issues.

API To Publish FEA Import Data

P. 9

WASHINGTON — The American Petroleum Institute will publish monthly the data collected by the Office of Oil Imports of the Federal Energy Administration but not published by FEA. Rather, these data are placed in the FEA Public Information File.

The report, entitled "Imported Crude Oil and Petroleum Products," will include importer, port of entry, country of origin, recipient and destination, quantity of crude oil product, sulfur content, API gravity, and, when appropriate, viscosity. The first report will contain data for the month of September, 1976, and should be available for mailing on or about Nov. 15.

A subscription is available at a cost of $200 per year. Those interested in subscribing should address their request to: The American Petroleum Institute, Statistics Department, 2101 L Street, N.W., Washington, D.C. 20037.

FEA's Hill Resigns Effective Nov. 12

WASHINGTON — John Hill, deputy administrator of the Federal Energy Administration, has resigned effective Nov. 12 to join the New York investment banking firm of F. Eberstadt (see The Oil Daily, Nov. 1, p. 1).

In a warm letter sent to President Ford Friday, Hill said he felt mixed emotions about leaving the FEA, where he had worked since it's inception in December, 1973 at the time of the Arab oil embargo. In the letter, Hill called the energy task "unfinished," but told the President that due largely to his leadership, "the trends of energy policy have been established."

He told the President he had planned for sometime to leave government service in order "to spend more time with my family and to start a career in the private sector."

No replacement, acting or permanent, has yet been named for Hill.

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The Charleston Gazette

Charleston, West Virginia, November 16, 1976

• Page 1B

FEA Chief Says U.S. 'Sold Out' to Oil

Zarb, Randolph Cite Need for More Coal

By Edward Peeks
Business/Labor Editor

Only the vastly expanded production and utilization of coal can lessen the long-term dependence of the United States on unreliable foreign oil. Sen. Jennings Randolph, D-W.Va., said here Monday.

"Even the world's petroleum resources are limited when compared to coal," Randolph said at the Eastern Coal Forum sponsored by the Federal Energy Administration (FEA) at Morris Harvey College.

By 1980, oil imports are exected to reach $45 billion a year at current prices. Randolph told listeners at the luncheon of the all-day forum. "A 10 per cent price increase is expected before the end of this year so future costs will be even higher," he added. "We are at the crossroads. We must select the road to economic prosperity through energy independence."

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EARLIER, FEA Administrator Frank G. Zarb, keynote speaker, said oil imports this year will cost U.S. citizens $34 billion, money that could well be spent in this country to develop jobs.

This country created its own energy crisis by selling out to what he termed "cheap oil." Zarb said. "We sold out. We allowed our coal industry to slide backwards for cheap oil from foreign countries.

"We built chrome-plated gun boats instead of automobiles," he maintained referring to gas guzzlers.

U.S. coal production should be doubled by 1985 as one of five key actions needed to achieve energy self-sufficiency, Zarb said. Other keys call for maximum production of domestic oil and gas, orderly and safe expansion of nuclear electric generation, a curb on energy growth demands through conservation and storage of a billion barrels of oil by 1985.

"Let's do it right when we choose our course to energy self-sufficiency so that coal can help us achieve our goal," Zarb said.

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HOUSE SPEAKER Lewis N. McManus took exception to an FEA report on coal reserves in West Virginia. "I vehemently disagree that coal in West Virginia is unavailable in sufficient tonnage and low sulfur content to supply utility needs for all operations east of the Mississippi," McManus told listeners.

"Much of the coal classified for coking use is not good coking coal and is available in large quantities as good quality steam coal with excellent sulfur levels and high Btu content."

The small coal operator should be helped to stay in the production picture because of his worth to the industry and the aim of doubling production. "He can do the job, but too often he is at the mercy of larger operators in administrative, legal and solicitation activities," McManus said.

John E. Dolan, senior executive vice president of American Electric Power Services, said, "We need badly to develop a national energy policy. The present status of coal production and utilization can be summarized as follows:

"We can burn the coal that we cannot mine and we can mine the coal that we cannot burn."

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SCRUBBERS aren't reliable in removing the sulfur content from coal, Dolan said, disputing the comments of another speaker, Roger Strelow of the U.S. Environmental Protection Agency.

"If scrubbers worked reliably — which they don't — and if there were a semblance between their cost and supposed benefit — which there isn't — it would still be interesting to note that, in burning the high-sulfur coal, the sludge byrproduct of these devices would devastate a land area larger than that which would be required to surface-mine an equivalent quantity of low-sulfur coal in the West."

No AEP plants are burning Western coal in West Virginia, Dolan said.

Strelow said some Eastern utilities burn Western coal because they can pass on to consumers the high cost of transportation through the fuel-adjustment clause.

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THEY PREFER to do this than install scrubbers or other systems that would allow them to burn high sulfur coal and meet pollution control standards, Sterlow said.

Dr. Colson E. Blakeslee of the Pennsylvania Environmental Council said, "The fuel adjustment clause is detrimental to Appalachian coal producers. It permits the recouping of transportation cost of Western coal from consumers."

Western coal with 1 per cent sulfur is lower in Btu than Eastern coal with the same or higher sulfur content, Blakeslee said, adding that Western coal requires doubling, in instances, to produce heat equivalent to Eastern coal.

Because of this Btu deficiency, Western coal lacks the low sulfur advantage that it appears to have, Blakeslee said.

"There are 35 billion tons of low sulfur coal in the Eastern United States," he observed. "There are 14 billion tons right here in West Virginia."

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MORE SHOULD BE learned about reclamation and the cost of reclaiming the soil for agriculture and other means before increasing strip mining in the nation's effort to double coal production, said Blakeslee, a physician.

UMW President Arnold Miller and Thomas E. Boettger, vice president and general counsel for Eastern Associated Coal Corp., agreed that better safety training programs should be conducted jointly by the union and management at the mine site.

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By Federal Energy Czar

Disclosures by Oil Firms Urged

By Jerry Tune
Star-Bulletin Writer

Frank G. Zarb, the federal energy administrator who describes himself as "just a poor businessman from Brooklyn," believes that oil companies should disclose to government officials in Washington the major details of their agreements with foreign governments.

Zarb believes that the reports should cover not only agreements that have been signed but also "significant negotiations in progress."

Discussing his remarks to the New York Times, Zarb told Star-Bulletin editors yesterday that it is important for government to know the trends of contracts between the oil-producing nations and the multinational oil companies.

But then he added, "What are you going to do with it when you get it?"

ZARB DOESN'T THINK government should supplant the oil companies as the negotiator, so the question of using the information is left for the finer points of government diplomacy and maneuvering.

The entire matter of the oil companies' image is still one that concerns Zarb because it is working against a policy of decontrolling prices, which he believes is in the best interests of the energy economy.

"People are suspicious about what they don't see and don't understand and some degree of sunshine would help," Zarb said.

Oil cartels, international trading of oil, and the complicated oil economy itself just are not easy to explain to the general public.

ZARB THE 41-year-old former

Frank Zarb

chairman of the executive committee at Hayden, Stone & Co., a New York investment and securities firm, may be going back to Wall Street in January.

He said yesterday that two years have been enough in dealing with the complex oil and energy problems. Zarb has been approached about job offers but said nothing is definite as yet.

"There is only one thing—I won't go to an oil company. Not that it would be illegal, but I think its image has suffered enough."

Zarb says the oil companies are doing a better job now of improving their image but in the past there have been times when they "have shot themselves in the foot."

The suggestion that the government needs to know more about the foreign oil deals comes at a time of transition from the Ford to the Carter administration. It is questionable whether the matter will be left to Zarb or his successor for a decision.

ZARB IS IN Honolulu for the conference of the National Association of Regulatory Utility Commissioners. He spent much of yesterday answering questions and reciting his "litany" of energy accomplishments and the status report of the nation.

The United States is still very much dependent on foreign oil and Zarb pointed out that the United States will be sending $34 billion in oil payments abroad this year compared to $27 billion last year and only $3 billion in 1971.

But he says the stockpile program is moving ahead and the United States will have 150 million barrels in storage by the end of 1978 and 500 million barrels in storage by 1980.

This, together with other energy policies, is what Zarb calls the program to make the United States safe from the threat of embargoes.

Speaking about the future, Zarb said the Federal Energy Administration will release a report next week with four alternatives for transporting the North Slope oil from Alaska to places where it can be refined.

HE EXPECTS THE final decision may involve two of the four alternatives.

Zarb says he opposes the shipment of Alaskan oil to Japan on a trading basis with other oil from foreign countries because the plan would confuse the public at a time when government is calling for conserva-

"The public perception would be awful," he said. Zarb also noted that once the arrangement was started, the Japanese connection "could not be unplugged overnight" if the United States decided it was not in the country's best interests to do so.

Zarb, who believes the best long-term policy is to let the price of oil reflect its true value in the economy, said the energy problem really stems from the cheap supply in the past.

"In the 1960s we just sold out to cheap oil, pure and simple," Zarb said referring to the oil companies going to the Middle East instead of exploring for oil in the United States.

Now Zarb believes government must help private industry get back into the energy race by pump-priming those scientific adventures for new energy sources.

A COAL GASIFICATION plant, for example, costs about $1 billion and this means "government has to take some of the risk."

Zarb says government involvement is essential if private industry is going to take the plunge in the next five years.

He does see, however, Congress passing a tougher bill next year to require more conversion from oil to coal at utility plants.

Carter seen keeping Ford energy policy

12/76

By CHRISTOPHER WILLCOX
News Lansing Bureau

EAST LANSING — Federal Energy Administrator Frank Zarb yesterday predicted little or no change in U.S. energy policy under the Jimmy Carter administration.

At Michigan State University for an energy conference, Zarb told a press conference that "there are only a few relevant facts (determining policy) and they haven't changed."

Zarb, who expects to leave his post after Carter's inauguration, said this country must continue to work to reduce its reliance on imported oil and develop nuclear power and coal as alternative energy sources for the next decade.

Zarb defended his record as energy czar under the Ford administration, saying the country is moving quickly to stockpile oil for use in the event of another oil embargo.

He said other energy initiatives have been stalled in Congress or delayed because of the complexity of the issues involved.

"It takes a long time to implement energy policy in a Democracy," Zarb said. "It took this country 10 years to dig itself into this hole and it can't dig its way out overnight."

Zarb blamed the energy crisis on economic planning based on an infinite supply of cheap oil. Dislocations occurred, he said, when the oil exporting nations banded together and quadrupled prices in 1973.

But, he told reporters, the price increases, though not economically justified, were useful in that they alerted the industrial world to the fact that oil supplies were limited and running out.

Zarb listed five priority goals for reducing dependence on foreign oil:

- Conservation to be achieved through better fuel economy in autos, better housing insulation and increased energy cost consciousness.
- Spur domestic production of oil and natural gas by removing price controls.
- Double coal production and consumption over the next decade.
- Triple nuclear power reliances during the same period.
- Complete massive stockpiling of oil reserves for use in another embargo.

Zarb also emphasized the importance of solar and wind power as alternative power sources, but said development on a large scale is not probable in the next decade.

A former investment banker, the 41-year-old Zarb said he has no immediate plans after leaving office. But he said he had intended to return to private life regardless of the outcome of this year's presidential election.

Pittsburgh Post-Gazette

TUESDAY APRIL 12, 1977

Business Today

Zarb to Carter: Try Free Pricing

By JACK MARKOWITZ
Post-Gazette Business Editor

A punishing tax on gas-guzzling automobiles—so that you'd buy a more economical small car in self-defense-won't do it. A punishing tax on gasoline—say 25 cents a gallon—might do a halfway job, but Congress probably wouldn't pass it.

Zarb

No, says Frank G. Zarb, what would really do it—achieve a sound national energy policy to encourage new supplies as well as conserve old—is free market pricing of oil, natural gas, coal, uranium, what have you. In effect, higher prices.

Now, whether President Carter's much-anticipated April 20 energy message will tap the supply-inducing powers of the marketplace as effectively as Frank G. Zarb hopes it will is much to be doubted, judging by the sort of big-government-type ideas that keep being leaked out of Washington. But Zarb says he's not prejudging.

HEAD OF THE Federal Energy Administration under former President Ford, Zarb told reporters here yesterday that he has given his views to the staff of new energy boss James R. Schlesinger.

Though the latter's people are predominantly young, academic and government types—practically none have any industry experience—Zarb said he prefers not to characterize them "until after we see what's in the program."

He himself has gone back to Wall Street, as executive vice president of investment banking for Shearson Hayden Stone Inc., and it was to address local executives invited by that brokerage house that Zarb was in Pittsburgh.

Effective energy policy will require reduction of waste, he said, but also additional supplies—particular of coal and commercial nuclear power—to make up for dwindling oil and natural gas. The Carter program will stress conservation but Zarb warned against hoping too much from better habits—and even those are more soundly encouraged by a true, unsubsidized price. "Just to get the country to go from 3½ per cent annual increase in energy use to 2½ per cent *in ten years* will be an enormous task," he said. "It would take 15 years to achieve even moderate conservation goals."

Nuclear power, now providing 9 per cent of the country's electricity, should double its share to 18 per cent in the next decade, he said, contending that while the country probably has sufficiant uranium sources to build the needed nuclear plants of the next 10 years—after that, fuel from so-called breeder reactors that generate radioactive, hard to handle plutonium, probably will be a necessity President Carter has signaled grave reluctance to push breeder technology now.

Zarb said that coal production also has to "more than double" in the next 10 years; that the country should encourage fusion, solar energy and other advanced technologies; and that it can "stop the decline" in domestic oil and gas production and even make it go up somewhat—but only by "complete decontrol" of prices.

"Until we price every form of energy at real market value in terms of alternative forms, we won't get a good energy policy," Zarb said. He noted that oil prices are being phased toward decontrol by 1979, and if the lid were off now the free market effect might be "15 cents on a gallon of fuel."

A heavy excise tax on large autos with poor fuel economy presents practical-problems that would upset Congress, Zarb suggested, adding that the industry has already improved the fuel efficiency of the total fleet of new cars by 34 per cent and can reach 50 per cent by 1980. An onerous gasoline tax would likely be "ratcheted down" to a meaningless level by Congress, he said. "We started with a 33 cents a gallon plan. The House Ways and Means Committee cut it; the full House cut it more; then the Senate. It ended up a three-cent tax—and the vote failed!" And gasoline's only 40 per cent of the oilbarrel anyway, says Zarb.

He said energy conservation is a way of life in other industrial countries. "They've done it all through market price," he said. "Then people have the incentive to insulate their homes, put on storm windows and all of that. And then the little company working on some solar energy device has the incentive to bring it to market."

The country's coal production can be doubled in a physical sense, according to Zarb, "if we allow it to be burned." In fact, he declared, the total energy problem could be solved "if the government gets out of the way. If it tries to manage the system, it will interfere."

ZARB TOLD A reporter he doesn't make specific recommendations of stocks to buy for an investment in energy. But as an investment banker, he said, yes, he foresees financing this year for many kinds of energy facilities including low-BTU coal gasification plants. Ultimately, he says, the country's going to need coal gasification into a high-BTU fuel suitable for flaming in the home burners.

Southern California
Business

MAY 25, 1977 Vol. XLI, Number 21 8 PAGES

Zarb sees oil threat to economy

By LINDA EMANUELSON
SCB Staff Writer

The looming oil shortage — with the United States now importing 40% of its supply — does not constitute a crisis. But it is a threat to the nation's economy and national security.

That was the view of Frank Zarb, former administrator of the Federal Energy Administration. Keynote speaker at a Chamber-sponsored National Transportation Week (May 16-20), luncheon Zarb outlined ways to remedy the situation.

He cautioned almost 500 who attended that solutions to the shortage will have to be implemented simultaneously.

The cost of imported oil for the United States has grown from $3 billion in 1971 to $40 billion, Zarb said.

Claiming that there is an 80% certainty that in five of eight years there will be disruption in the availability of needed oil for the nation, Zarb said the threat to national security seems "rather clear."

"The oil shortage is just the first blip on the screen," he said. He predicted that the "second

(Continued on page 5)

Lack of oil called threat to economy

(Continued from page 1)

blip will be a shortage of electricity in 1979-81."

Ways to combat the probable upcoming energy shortages for the nation must be developed now, Zarb stressed, and must focus in the areas of conservation, increased oil and gas production nationally, coal production, development of nuclear and advanced energy source technology and increased stockpiling efforts.

"The private sector has to get involved," he said. "It has to look at the facts, and make its own judgments. Don't be conned into looking to the government for the answers."

The first step to encourage development of solutions would be to eliminate all government price controls, Zarb said. The nation will have to reduce the growth of its energy consumption from 3½% to 2½% a year and price oil at its real market value, he added.

To stem the crisis of an oil or gas shortage, the United States has to develop technology to increase its energy productivity.

Although the increased production of coal may pose problems for the transportation industry and raise cries of outrage from environmental watchdogs, Zarb said, its production on the West Coast should be increased.

"I suggest that we make it (the use of coal) consistent with the energy program," he said.

The use of coal and nuclear energy "are big assets in our tool kits," Zarb said. "We must continue to expand in these areas or we will have serious problems. What we do now will have a direct bearing on how fast we move along."

Energy Crisis Can Be Solved — Zarb

By JAMES I. HELM
Staff Writer

A solution to this country's energy crisis will come, despite the federal government and other obstacles, said the man who headed former President Gerald Ford's energy administration last night.

Speaking to a Fort Lauderdale investors' seminar, Frank Zarb said the current crisis "is of our own making."

"It is manmade. We had options back in the 1960s — and we took the wrong options," he said. "Now it's time to pay the piper."

He took issue with President Carter's energy proposals on primarily one point — the proposed excise tax on gasoline.

"I am not sure it makes any sense to start that way. The excise tax is just a revenue raiser. It is not a conservation method," he said.

Zarb said bureaucratic debate on solutions to the energy problem would continue for four to five more years "before we get the job done."

Zarb is now an executive vice president for Shearson Hayden Stone, Inc., the Wall Street brokerage firm that sponsored the seminar at the Sheraton Hotel on Fort Lauderdale's beach.

He said there was nothing complicated about the current crisis nor with solutions.

He said this nation has six tools at its disposal "that can solve our problems by 1985 or 1990:

• Conservation. "It won't happen overnight and it won't be easy," Zarb said.

• Oil and gas. There's been a 12 per cent annual decline in domestic oil production and a 10 per cent decline in natural gas production, he said. "If the government does the right thing, provides the right incentives, we can start increasing this production," he said.

• Coal. Again, the government has to provide the right incentives, he said.

• Nuclear power. Doubling the capacity of this energy source should be done, he said.

• A national stockpile. "Another oil embargo would make the last one look like a Sunday picnic," he said.

• Technology. Development of so-called exotic energy sources — the sun, coal gasification and liquification, nuclear fusion.

Zarb said it took this country 60 years to convert from wood as its prime energy source to coal, and another 60 years to convert to gas and oil.

But to convert from those sources to something else must be done this time in 30 years, he said, because that's all we have left.

Staff Photo by BOB EAST III

Fr[illegible]Zarb paints a positive picture.

MAY 21, 1977

Zarb Says Energy To Cost More

By David Lore
Of The Dispatch Staff

Americans into the 1980s face a painful series of energy price increases, probably exceeding anything yet proposed by the Carter administration, warns ex-energy chief Frank G. Zarb.

"I still think we're only in Chapter 2 of at least a three-chapter story, and it won't be until 1981 or so before all the things that need to be done, get done," Zarb said in an interview.

FEDERAL ENERGY administrator for two years under former President Ford, Zarb was in Columbus Tuesday to speak about energy policy with business leaders and the Columbus Chapter of the Financial Analysts Society.

Zarb is now senior vice president of the New York-based brokerage house of Shearson Hayden Stone Inc., a job he relishes in contrast with his old post at the Federal Energy Administration.

"Washington is an island, surrounded on all sides by reality," he quips. "When I left, it took me about 10 minutes to adjust."

ZARB'S PHILOSOPHY is that government helped get us into the energy crisis and government must now back itself out of the regulatory maze, encouraging conservation and fuel production by letting natural gas, oil and coal be priced at real value.

"I think government regulations and government price controls are as big a factor in terms of irritating the energy crisis as anything else we have," says Zarb.

As national energy administrator, Zarb said he had no choice but to carry out Congressional mandates on energy, even though he felt many of these mandates were counterproductive.

"THE AGENCY isn't the problem — it's the underlying legislation that has to be changed," he said.

"It took us 10 years to build this problem for ourselves," he said. "Whatever we do is going to take 10 or 15 years to get the job done. But we have to go a lot farther than we're currently contemplating if we're really going to get this job done completely."

Zarb likes some of the Carter program, although he criticizes the President's disinclination to go to oil and gas production incentives and development of the breeder reactor.

Zarb raps government role in energy problem

By JOE GILLETTE
Citizen-Journal Staff Writer

Frank G. Zarb, former federal energy administrator, told a select group of Columbus businessmen Tuesday not to pay any attention to what the Federal Government does on the energy problem at any particular moment as they plan future growth.

Frank G. Zarb

Zarb said the nation is irrevocably headed on the path to energy self-sufficiency and there is litle government can do other than to speed up or slow down the process.

"THE QUESTION is not whether we're going to have conservation, but how much, how far, and how fast," he said.

Zarb spoke to a group of insurance, investment, banking, utility and corporate executives during an Athletic Club luncheon hosted by Shearson Hayden Stone Inc., a brokerage firm.

Chief energy advisor to former President Gerald R. Ford, Zarb is presently executive vice president of corporate financing for Shearson Hayden Stone.

"I WOULD LOOK to the Government to do a constructive job in areas where it can do well and get out of the way in areas where it doesn't," Zarb said.

He placed tax incentives to low and moderate income people and research and development money for new energy technology in the former category and price controls on oil and natural gas in the latter.

He said there are six tools to overcome energy shortages, including conservation, oil and gas development, coal, nuclear power, oil stockpiling, and advanced technologies such as solar, wind, geothermal and coal conversion.

CONTINUED PRICE controls on oil and gas is the worst thing government can do to hinder the development of all, he said.

Zarb noted on conservation that if oil costs $1 a barrel, "people will continue to use it as a $1-a-barrel product, instead of something that costs $2.40 to replace."

He also said controls hinder firms which might switch to coal as a prime fuel because artificially low gas and oil prices make coal conversion too costly, discourage the development of new energy sources for the same reason and impede development of the nation's few remaining oil and gas reserves.

Dingell Asks Zarb Help

WASHINGTON — Former Federal Energy Administrator Frank Zarb, now a New York investment broker, has become a consultant to the House Commerce subcommittee on energy.

The subcommittee is chaired by Rep. John D. Dingell (D-Mich.) who has, in the past, had sharply different views from Zarb on several important energy issues, including price controls for natural gas and oil. Dingell is an architect of the proposed natural gas compromise now pending in Congress, a bill that Zarb criticized in an interview last week (see story, page 20).

"He is an outstanding choice," Dingell said in a phone interview, adding that the entire subcommittee voted in favor of the appointment and that Zarb would advise both Democrats and Republicans on a wide range of issues. Both Dingell and Zarb acknowledged their past disagreements, but both expressed high admiration for each other.

Dingell would not say on what issues he would ask Zarb for advice, but said that he had already used the former FEA head on several financing questions for proposed pipeline construction. Zarb served at FEA during the Ford Administration and first came to Washington during the Nixon Administration.

ENERGY USER NEWS, MONDAY, SEPTEMBER 4, 1978

Energy User News 9/4/78

ENERGY POLICY/PROSPECTS

The Whale Oil Administration

By GERALD S. SAVITSKY

NEW YORK — Before there was Schlesinger, there was Zarb.

Frank Zarb was the head of the old Federal Energy Administration before the Department of Energy was a gleam in the Democratic President's eye.

The former energy czar is back in investment banking, traveling the world for Lazard, Freres & Co. And, he's just agreed to become an adviser to the House Commerce subcommittee on energy and power run by his old, but respected, adversary, Rep. John Dingell, the Michigan Democrat.

If Zarb was "czar" to the headline writers, there are some things he doesn't think the federal government can or should do to forge a national energy policy.

Forcing industry to switch to coal, for example, is the wrong way to reduce the use of oil and gas, he said in an interview last week. "I issued 30 conversion orders and none are effective yet," Zarb said. "The economics were wrong."

He sees the new conversion bill, which is the only part of the Carter energy plan passed by either house of Congress, as having as many exemptions as the old law. But he doesn't lament the lack of government power. He would rather see some incentives, like an extra investment tax credit, to encourage conversions.

"As soon as a plant manager can make a statement that he can convert and clean up (the pollution) and still save money, then conversion will happen right away," he said.

"Then the contracts for coal are let," he continued, "and the railroads will fix up their roadbeds ... The system falls into line."

But Zarb sees tax incentives as useful only if they are part of a pricing structure for gas and oil that reflects true costs." It (an incentive) takes a good decision that looks economically sound and sweetens it up so the factory may convert in 1978 instead of 1980."

Zarb wishes that Congress would give industry "a clear signal that it is going to pay market value for oil and gas." Will the proposed gas compromise be able to meet that goal? Not in Zarb's view.

He would rather see all new gas decontrolled after a set period of time, and would advise letting gas under old contracts alone. Politically, he acknowledges with understatement, that is more difficult to achieve.

Zarb's plan for oil pricing is attractive. He would decontrol the price of crude oil over a two-year period. But he would impose a windfall profits tax on the oil companies.

That tax would be a whopping 90 percent in the first year, with oil companies qualifying for a 25 percent rebate if they invest in specific energy projects approved by the government. Energy users would get some of the new tax revenues to help ease the transition to higher prices.

Zarb would phase down the excess profits tax and phase up the amount of the rebate to the oil companies over the years. His point is to encourage domestic exploration and get energy users to pay higher, replacement costs for fuel.

The economics of energy conservation would then take hold, and the use of coal would become more attractive, or as attractive as it can be once pollution costs are considered.

The President, on the other hand, would tax energy users for buying oil and would not give the producers much of an increased incentive. He never did come up with a plan for circulating those taxes back into the economy, though some money was destined to go to energy users. When Zarb and the President talk about user rebates, they are mostly talking about low-income persons and not business users.

What seems to bother Zarb the most about the President's crude oil tax is the extent of government involvement. "Pretty soon the government says, 'We don't like the way you're acting,' " Zarb warned. The oil companies, that can probably take care of themselves, have said the same. But Zarb is probably correct about the overall impacts of the President's tax — it doesn't do much for production incentives. And it's more complex than a windfall profits tax.

Zarb does give the President, and the current energy czar, James Schlesinger, points for trying to implement the strategic oil reserve plan. It's behind schedule, but they're trying.

He is sympathetic to the concerns of energy users in the Northeast about being at the end of the oil pipeline in case there is a future embargo or other shortages. Most of the oil will be stored in the Gulf region. His solution is a government commitment for an allotted share of oil for that region.

In general, Zarb sees most of the Energy Department's role as best directed at research and development of new energy sources, and for new policies for disposing of hazardous nuclear wastes. He also thinks standardized nuclear designs have been overlooked and could provide much more efficient use of everyone's time and trouble.

Zarb would rather see market forces carry the day. As he put it, "When the country ran out of whale oil, we didn't have a national whale oil administration."

SIDE LIGHTS

By Gerald Savitsky

9/15/78 American Metal Market

Ex-Energy Czar Knows Topic From A to Z (arb)

[Reprinted from Energy User News, another Fairchild publication]

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Zarb To Speak At CMU Event

Frank Zarb, head of the Federal Energy Administration, will deliver the keynote address Friday at Carnegie-Mellon University's annual management conference.

ZARB

The conference, sponsored by the university's Graduate School of Industrial Administration, will start at 8:30 a. m. in the Mellon Institute.

Zarb will speak at the luncheon at noon in the Webster Hall Hotel.

Zarb forecasts gas price hike

WASHINGTON (UPI) — Federal energy chief Frank Zarb said Wednesday he expects gasoline prices to rise another two cents a gallon by Labor Day — and then decline a bit — in a continuation of gas pump inflation.

Zarb made his prediction as President Ford and Congress reached a formal showdown on whether and how the nation shall legally restrain the price of oil products.

Ford was sending Congress his proposal for lifting price controls from so-called "old domestic oil" — the bulk of what the nation produces.

Even before that proposal reached Capitol Hill Wednesday, however, the Senate followed up its decision to continue "old oil" price controls by approving another bill that would slightly roll back the price of "new oil."

By a vote of 57 to 40, the Senate approved a compromise House-Senate bill which would require Ford to set price ceilings on "new oil" — that produced by wells drilled after 1972 — no higher than $11.28 a barrel.

It also would force Ford to get congressional approval for any increase of more than 50 cents a barrel in the price of "old oil" from wells drilled before 1973.

Republicans bitterly opposed the bill and refused to sign the Senate report. The House was expected to pass it but Ford almost surely will veto the legislation.

The bill runs directly counter to the conservation-by-price-hike philosophy contained in Ford's proposed decontrol bill.

After Zarb testified on Capitol Hill, Federal Energy Administration spokesman Robert Nipp said the energy administrator meant to predict further increases of no more than two cents a gallon rather than a possible five cents he mentioned. Nipp said the five-cent figure would include price hikes that recently took effect.

"What he meant to say was that, legally, prices could go up two to five cents a gallon depending on the individual oil companies' positions, but our assessment of market conditions indicates that the most we'll see gasoline prices go up is two to five cents at the pump including the late June and early July increase," Nipp said.

"In other words, another two cents at most."

Ford's plan, opposed by most Democrats and possibly destined to be killed by Congress, would gradually remove federal price controls from so-called "old oil" in wells drilled before 1973. "Old oil" represents about two-thirds of domestic reserves.

The Ford proposal would replace the current federal price control system, due to expire Aug. 31, and allow the price of old oil to rise over a 30-month period.

Ford vetoes oil rollback

Fears rise in consumption, cut production

By PETER J. KUMPA
Washington Bureau of The Sun

Washington—President Ford vetoed another congressional bid yesterday to decrease oil prices because he said it would increase consumption, cut domestic production and make the country more vulnerable to foreign imports.

The action stepped up the economic and political battle between the White House and Congress over energy policy. It moved both sides closer to a stalemate on oil prices with more chance that no compromise can be reached before controls on oil expire at the end of next month.

Should controls expire, all the country's domestic production would rise in time to the world price of approximately $13 a barrel.

For the consumer, administration officials estimate, this would mean a rise in gasoline prices of another 5 to 7 cents a gallon within six months or even sooner.

Congressional Democrats argue that the price jumps could be steeper, with damage to the economy by increasing inflation and dampening recovery. For example, Senator Henry M. Jackson (D., Wash.), an avowed candidate for the presidency, argues that oil decontrol could lead to $1-a-gallon gasoline by "sometime in 1976" with a "devastating effect" on the economy.

In his veto message, President Ford argued again for his "compromise" plan that would phase out price controls over a 30-month period. With a "windfall profits" tax and energy tax rebates to consumers, he argued, "the burden of decontrol will be shared fairly."

For the consumer, the Ford plan would cost as much, although gasoline increases would be stretched out for a longer period of time, with only half the impact coming by the 1976 election.

But the House today or tomorrow is expected to reject the President's gradual decontrol program.

Congressional Democrats have gradual decontrol proposals of their own, but these would take much longer, from five to seven years.

Primarily, they have pushed for lower rather than higher prices, arguing against hurting the consumer, against damaging economic recovery and questioning whether it was necessary to take harsh steps now to move the country toward long-range energy independence.

In the legislative maneuver-


AP

Frank G. Zarb (right), the federal energy administrator, briefs reporters on President Ford's veto of a bill that would have rolled back the price of new domestic oil. Alan Greenspan, Ford economic adviser, is at his side.

Ford vetoes oil price cut; fears higher usage

VETO, From, A1

ing, the Senate has passed another bill that would simply extend the authority to control oil prices for six months. If the President still allowed prices to rise, it could be argued politically that he was responsible for higher consumer prices. The House has not acted on this simple extension.

Mr. Ford promised in his message yesterday that he will veto any such simple extension unless Congress also accepts his phased decontrol legislation. Thus, the likely stalemate.

Another energy bill, however, the Dingell bill, is on the House floor this week. Some compromise could be inserted in this legislation.

And Frank G. Zarb, Federal Energy Administration chief, admitted yesterday that talks went on Saturday and Sunday with key House Democrats on possible ways out of the impasse. He said he was "heartened" by the "level of understanding" of the problem. One possible compromise might be stretching out Mr. Ford's phase-out decontrol beyond the proposed 30 months.

After a breakfast meeting with the President, Representative John J. Rhodes (Ariz.), the House Republican leader, said he was mildly optimistic that a compromise could be worked out.

Ronald H. Nessen, the White House press secretary, suggested to reporters that they should "go light" on compromise chances.

Mr. Ford, with some adjustments, continues to argue for the overall energy program that he proposed in January.

Break Up Big Oil? A Yes and No

NEWSDAY, SUNDAY, JULY 18, 1976

By Frank G. Zarb

Breaking up the big oil companies is worth supporting *only if* the new organizational structure would help the nation and the American consumer.

Reorganization would be acceptable *only if* it would improve our ability to insulate the American economy from the effects of an actual or threatened oil embargo, diminish the control of the Organization of Petroleum Exporting Countries over the world price of oil; and result in more abundant and secure oil supplies at lower prices for the American consumer. These should be the criteria for any evaluation of divestiture or reorganization proposals.

However, there is strong reason to believe that the bill now before the Senate actually would undermine efforts to produce more domestic oil, strengthen OPEC's power to determine oil prices and increase consumer costs. The legislation proposes a radical departure from the government's traditional antitrust function and seems to ignore the question of its impact on our need for energy self-sufficiency.

On June 15, the Senate Judiciary Committee approved a divestiture bill, thus setting the stage for a legislative battle which could determine the form of government-business relations for years to come.

The bill would essentially prohibit a large oil company from engaging domestically in any two of the following major industry functions: production, pipeline transportation, or refining-marketing. This could result in less abundant, less secure and more costly supplies of petroleum for American consumers.

Those who equate integrated oil company operations with anticompetitive behavior have made the false assumption that independent refiners and marketers do not have sufficient access to crude oil and finished products, such as gasoline, since the major integrated companies, through ownership of their own crude oil production and the pipeline transportation system, can exclude the independents, thereby limiting their ability to compete.

In actual practice, there is every indication that the major oil companies themselves do not have anything like the control of crude oil supplies that is claimed. The 18 major oil firms that would be affected by the pending legislation produce only 60 per cent of the crude oil necessary to run their refineries, the remainder being imported or purchased in the domestic market. Of the 18, only one is totally self-sufficient in domestic crude oil.

The facts also suggest that the independent marketers have a high degree of access to refined products. In 1975, for instance, almost 18 per cent of refiner gasoline production was bought by "unbranded," independent marketers. When you include the "branded independents"—privately owned enterprises that

Frank G. Zarb is administrator of the Federal Energy Administration and executive director of the Energy Resources Council. He formerly lived in Lloyd Harbor.

happen to trade under major company brands—domestic refiners in that same year sold more than 80 per cent of their volume of gasoline and more than half their volume of distillates (diesel fuel, No. 2 heating oil, etc.) to independent marketers.

Nor does the purported control of the majors over large volumes of crude supplies seem to have impeded the entry and expansion of independent refiners in the market. Between 1951 and 1975, eight companies began refining operations and a total of 22 independent refiners increased their individual refining capacities to more than 50,000 barrels a day. They built or acquired the new capacity to refine almost 3 million barrels a day over the same period, and as of Jan. 1, 1975, they accounted for 20 per cent of all the crude oil refining capacity in the United States.

In fact, as The Washington Post pointed out in a recent editorial opposing the Senate divestiture bill, ". . . since World War II a number of new independent refineries have been successfully established. One of them . . . has grown fast enough to now be on the list of companies that would be broken up by this bill."

Another area in integrated oil company operations where anticompetitive behavior could occur is in the pipeline transportation system, which is heavily dominated by the major oil companies largely because of the substantial amounts of capital needed to build and maintain it. However, the system is closely regulated by the Interstate Commerce Commission, which prohibits rate discrimination and requires that the system be operated as a common carrier serving all shippers.

The domestic oil industry as it is currently organized is clearly capable of meeting the extremely high capital and technical demands of increased exploration, development and production, given certain governmental actions to establish a stable, predictable climate favorable to those activities. The process of divestiture, on the other hand,

—*Continued on Page 11*

Don't Break Up Big Oil

—*Continued from Page 7*

would force the oil industry into a period of instability and uncertainty.

This period of flux could involve a decade or more of litigation to adjudicate the numerous conflicting claims of all those with a direct interest in the outcome of divestiture. During this period capital spending by the affected companies would be sharply reduced, and industry management efforts would be diverted from the development of environmentally sound energy supplies to the administrative problems associated with divestiture. The net result of both would be to reduce domestic energy supplies and increase dependence of imported oil.

It is simply naive to expect any corporation to restructure itself radically without experiencing a period of decreasing productive activity. In addition, companies affected by divestiture would have reduced incentives and capabilities to make large capital investments while they are faced with such uncertainty. In short, expecting the U.S. oil industry and the financial community to cooperate productively and efficiently and make an uninterrupted contribution to national energy goals during a prolonged process of divestiture is not realistic.

The process of divestiture might result in an industry in which capital could be raised only at comparatively higher interest rates, leading to increased operating costs, and, ultimately, to higher consumer prices—precisely the opposite of the effect sought by the proponents of divestiture.

And should the proponents of divestiture then seek to restrain the resulting higher prices through controls, the ability of the fragmented domestic oil industry to engage in greater productivity would be further curtailed, leading to even greater vulnerability to interruptions of supply and increases in the price of imported oil.

Apart from the effects of divestiture on the production of domestic oil, an equally important consideration is its impact on the relationship of the United States to OPEC. There is no evidence that nonintegrated U.S. oil companies could bargain with the cartel more effectively than larger, vertically integrated firms to assure more secure supplies at lower prices.

The assertion that the companies are the willing instrument of the cartel in setting and maintaining prices will not bear scrutiny. The price of oil is a function of supply and demand. If the cartel can control production so that available oil supplies will support the price they decree, they effectively control the market. And with the continuing nationalization of oil company assets overseas, it is the cartel and its member countries that are now in a position to decide the volume of oil that will be produced, not the companies.

It has also been said that when decreased cartel production is necessary to support increased prices, the companies act as a mechanism through which proportional shares of the reduced production are allocated to the member states of OPEC. But the fact remains that this pro-rationing of decreased production is simply not essential.

One member of the cartel, Saudi Arabia, has such a large production capacity and such a relatively small need for oil revenues that it can absorb the entire production decrease necessary to support any given price. As long as the Saudis are willing to support the stability of the cartel by shutting in their production—a decision over which the companies have no control—OPEC will continue to dominate the supply, and, therefore, the price of oil.

If we are to produce more energy at reasonable prices, we must complete the implementation of a five-point national energy program:

1. Decrease the growth rate of U.S. energy consumption from an historic 3.6 per cent to something less than 2.8 per cent;

2. Increase domestic oil production from the current 8 million barrels per day to 12 million barrels per day, and increase domestic natural gas production from 20 trillion cubic feet per year to 23 trillion cubic feet per year;

3. Increase domestic coal production from the present annual rate of 603 million tons to one billion tons;

4. Increase electricity generated by nuclear power from today's level of 9 per cent to 26 per cent; and

5. Complete a national oil stockpile program giving this nation sufficient protection against the threat of future embargoes.

The implementation of these five points, or equally effective substitutes, will require deliberate and painful policy-making on a number of complex issues. There is no easy way-out, but one thing is clear: We have the natural, financial and technological resources to get the job done.

As popular as the notion may seem, the divestiture legislation presently being considered simply does not help to provide or conserve more energy. Indeed, the debate only diverts attention from the tough energy decisions that this nation must face.

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Newsday 7/18/76

By Philip A. Hart

It happened in mid-sentence during a Senate antitrust and monopoly subcommittee hearing a couple of years ago: I went blank and couldn't think of a single example of a competitive industry. Stumped, I turned to the staff. No suggestions. I tossed the question to the audience—about 150 persons who work in industry or follow antitrust matters closely, or both. Silence.

That memory comes back now because it seems to typify a problem of those who favor divestiture for the oil industry. We argue that this will bring consumers the benefits of competition. We get back blank looks.

People are hard put to imagine what a competitive oil industry would look or act like. They are especially hard put to imagine how competition would affect consumers.

Frankly, I should have realized long ago that murmuring "competition" doesn't automatically bring blissful visions to consumers' minds. They don't often get a chance to see it practiced—even in this land supposedly dedicated to the free enterprise system.

Every one of our basic industries—such as steel, autos, copper, computers, communications—are dominated by a handful of companies that are able to control their market instead of being controlled by it. In a country of more than 200,000 manufacturing concerns, 200 control more than two thirds of total manufacturing assets.

The oil industry also suffers from a lack of competition. It is not defined as easily as some other industries in terms of concentration of ownership figures. But the bottom line is that there is no free market in crude oil or refined products.

The top oil firms own more than 70 per cent of crude reserves directly. When indirect control is added—in the operation of joint producing leases and such—the figure hits 90 per cent. The industry spokesmen tell us there are 10,000 producers. So the other 9,980 must control 10 per cent of the reserves.

Consider these other barometers of concentration in the industry. In 1972, the top eight refiners had 56 per cent of production. The top 20 had 84 per cent. Crude oil is generally sold to the pipeline on which it travels, and in 1973, 92 per cent of crude oil shipments were carried in the majors' lines (the top 18 companies in volume of crude production, refining and marketing are included among the "majors"). The same year the majors' pipelines carried 76 per cent of the refined oil products in the country. And in 1974, the top refiners held 80 per cent of the domestic market. That type of control by a group of companies that meet each other daily as partners in production, transportation and/or marketing thoroughly dilutes free markets in this industry and makes nonintegrated companies less than free-wheeling competitors. The loser, ultimately, is the consumer.

During the debate on the wisdom of divestiture for this industry, we are often asked: How much money will the consumer save? Frankly, I haven't the faintest idea. Nor, I am sure, does anyone short of God. We do know that if you take an industry that is not competitive and make it competitive, there is a downward pressure on prices.

At the moment this industry is dominated by an international cartel that may or may not hold together after divestiture. If it holds, the OPEC countries have announced they intend to continue to raise crude prices. But that will not be as easy after divestiture.

Then the companies buying the oil will not have an incentive to just pay the asking price. They will be the largest refiners in the world, the ones buying 95 per cent of the OPEC crude, and they will be getting their profits solely from refining and marketing. In other words, they will be tough negotiators and price-shoppers.

Today the major integrated oil companies have no incentive to bargain for lower prices. They have a stake in price increases. That's because their own reserves increase in value each time the world price is hiked. The magnitude of that incentive is impressive. For example, a means the value of the reserves that Exxon, Atlantic-Richfield and Sohio/BP hold just in Prudhoe Bay, Alaska, increases by $10 billion.

That's the kind of condition in which sweetheart contracts flourish. OPEC scratches the oil companies' back, and vice versa. On the other hand, we do know that with the 5 per cent of the OPEC production now being purchased by nonintegrated refiners there has been some eroding of the cartel price.

So there is every reason to believe that competition over the years would keep prices from rising as fast and as high as they would without competition. For consumers, the stake is considerable. Every time gasoline goes up one cent a

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Sen. Philip A. Hart (D-Mich.) is retiring at the end of this year after three terms in the U.S. Senate. He is chairman of the Senate subcommittee on antitrust and monopoly.

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Break Up Big Oil

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gallon, consumers spend $1 billion more each year to buy it.

But saving money is not the only benefit competition promises consumers. The almost universal trait of monopolists is their comfort. They don't have to hustle—and they usually don't. Therefore inefficiencies creep in; technological advances are slow to be made or implemented. In general, there are signs of stagnation in the industry. As Business Week magazine reported last month. "Compared with their sales volume, big oil companies have never spent heavily on research and development—at least the engineering kind. Ford Motor Company's budget alone exceeds the $715 million that oil companies, with combined sales of $175 billion, reported."

On the average, the oil industry last year spent less than one half of one per cent of sales dollars on research and development.

One company, Phillips Petroleum Company, broke down its research and development expenditures like this: More than 50 per cent went to research on chemicals, including fibers and plastic. Fifteen to 25 per cent went to finding improved techniques to discover and evaluate oil and mineral deposits.

Evidence of the inefficiency of the majors shows up at the service station: The nonintegrated independents traditionally undersell the majors by three to five cents a gallon. Robert Yancey, president of Ashland Oil, a large independent refiner, told the subcommittee he could "spot the majors a dollar a barrel and still beat them at the pump."

Clearly, the only noticeable competition in the industry comes from the independents. The independents, not the majors, came up with new marketing techniques, such as unmanned "gas-and-go" stations. Innovations like this and lower prices helped them capture about 25 per cent of the market. That took a bit of hustling.

Incidentally, after the subcommittee members thought about the competition question a bit, we did come up with a very good example of a competitive industry—the hand-held calculator industry. As you may recall, about five years ago when they first began appearing, you had to pay $300 to $500 for a model that today sells for less than $100. And you can now buy simple models for less than $10. What made the difference? Competition. That's what brought improvements in technology, lower prices and a good deal of other benefits for consumers.

Wouldn't it be nice to see a little of that in the oil industry? [illegible]

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