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THE FEDERAL ENERGY ADMINISTRATION  
FEDERAL BUILDING  
12TH AND PENNSYLVANIA AVENUE, NW.  
WASHINGTON, D.C. 20461

REMARKS OF THE HONORABLE FRANK G. ZARB  
ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION  
BEFORE THE

NATIONAL CONFERENCE OF STATE LEGISLATURES  
STATLER-HILTON HOTEL  
16TH AND K STREETS, N.W.  
WASHINGTON, D.C.  
FEBRUARY 28, 1975  
7:45 PM, EST

EMBARGOED FOR RELEASE UNTIL:  
FRIDAY, FEBRUARY 28, 1975, 7:45 PM, EST

I APPRECIATE THIS OPPORTUNITY TO BE WITH YOU THIS  
EVENING TO DISCUSS OUR EFFORTS AT THE FEDERAL LEVEL TO  
COPE WITH THE NATION'S ENERGY PROBLEMS.

IT'S CRUCIAL THAT YOU KNOW THE FOUNDATION OF THE  
PRESIDENT'S ENERGY POLICY. AFTER ALL, THE SUCCESS OF OUR  
EFFORTS TO MAKE THE UNITED STATES INDEPENDENT OF FOREIGN  
ENERGY SOURCES WILL HINGE, TO A VERY SIGNIFICANT DEGREE  
ON YOUR ABILITY TO INTERPRET AND ENACT LARGE SECTIONS OF  
THE PROGRAM. THIS IS STILL A FEDERAL SYSTEM OF GOVERNMENT,  
AND ANY NATIONAL POLICY MUST BE TAILORED TO THE NEEDS OF  
EACH REGION.



IN THE PAST YOU WERE INDISPENSABLE IN EASING THE EFFECTS OF THE EMBARGO, THAT WAS NOT A SIMPLE TASK, AND I'M GLAD THAT THE FEDERAL GOVERNMENT WAS ABLE TO ASSIST YOU IN IT BY PROVIDING \$10 MILLION DOLLARS FOR THE OPERATION OF YOUR STATE ENERGY OFFICES, BUT YOU HAVE CONTINUED TO HELP IN OTHER WAYS.

FOR EXAMPLE, THROUGH YOUR ORGANIZATION AND FIVE OTHER ASSOCIATIONS OF STATE OR LOCAL OFFICIALS INVALUABLE WORK HAS BEEN DONE UNDER CONTRACT WITH THE FEDERAL ENERGY ADMINISTRATION, KEEPING US INFORMED OF THE IMPACT OF OUR POLICIES ON STATE AND LOCAL GOVERNMENTS AND KEEPING THE STATE LEGISLATURES IN TOUCH WITH WHAT IS GOING ON IN WASHINGTON. WE NEED THIS KIND OF CONTACT--ALL OF IT THAT WE CAN GET--IF WE ARE GOING TO SOLVE OUR ENERGY PROBLEMS.

ALTHOUGH THE OIL EMBARGO THAT SHOOK US OUT OF OUR COMPLACENCY WAS IMPOSED WELL OVER A YEAR AGO, WE ARE STILL SEARCHING FOR SOLUTIONS.

HERE ARE SOME OF THE UNPLEASANT FACTS:

IN 1970 WE PAID \$3 BILLION FOR IMPORTED OIL. THAT IS A LOT OF MONEY, BUT LAST YEAR WE PAID EIGHT TIMES THAT MUCH: \$24 BILLION. THAT'S THREE AND A HALF TIMES MORE THAN THE FEDERAL GOVERNMENT'S TOTAL REVENUE SHARING AID TO THE STATES AND LOCALITIES IN FY 1974.



IN EFFECT, LAST YEAR WE BOUGHT FOREIGN OIL AT A RATE OF MORE THAN \$100 FOR EVERY MAN, WOMAN AND CHILD IN THE COUNTRY.

FURTHERMORE, IF WE DO NOTHING ABOUT THE SITUATION -- IF WE JUST PRETEND IT ISN'T THERE -- WE WILL BE PAYING \$32 BILLION FOR IMPORTED OIL IN 1977. THAT'S NEARLY A 1000 PERCENT INCREASE IN JUST SEVEN YEARS.

THE PRESIDENT'S PROGRAM IS DESIGNED TO AVOID THAT DISASTROUS RESULT, TO TURN THINGS AROUND AND RESTORE OUR SELF-SUFFICIENCY WITHIN A DECADE.

IN DEVELOPING THAT PROGRAM, WE CONSIDERED--AND CONSIDERED CAREFULLY--EVERY OTHER OPTION, INCLUDING GASOLINE RATIONING, ALLOCATION, AND A GASOLINE TAX.

WE JUDGED EACH ONE BY TWO CRITERIA: WHETHER IT WOULD BE EFFECTIVE, AND WHETHER IT WOULD BE FAIR. THESE PROPOSALS FLUNKED BOTH TESTS.

LET'S TAKE RATIONING. SAY WE USED RATIONING TO CUT BACK OUR CONSUMPTION OF GASOLINE BY A MILLION BARRELS A DAY. WE COULD DO IT -- JUST LIKE THAT.



AN ADEQUATE RATIONING PROGRAM WOULD GUARANTEE ONLY 9 GALLONS OF GASOLINE PER WEEK PER MOTORIST -- AND THAT WOULD NOT BE A SHORT-TERM, TEMPORARY HARDSHIP -- IT MIGHT WELL LAST FOR YEARS. TO GET HIS TENTH GALLON, A MOTORIST WOULD HAVE TO BUY A GASOLINE COUPON ON THE SO-CALLED "WHITE MARKET" FOR AN ESTIMATED \$1.20 -- AND THEN PAY ANOTHER \$.55 PER GALLON AT THE PUMP. IN OTHER WORDS, HE WOULD THEN BE PAYING \$1.75 PER GALLON FOR HIS GASOLINE. AN OPEN "WHITE MARKET" IN COUPON SALES BETWEEN CONSUMERS WOULD DISCRIMINATE AGAINST LOWER-INCOME PEOPLE WHO COULD NOT AFFORD TO BUY EXTRA COUPONS. RURAL AREAS WITHOUT ADEQUATE PUBLIC TRANSPORTATION, WHERE PEOPLE MUST DRIVE MORE AND FURTHER, WOULD SUFFER.

AND, DESPITE ITS COST AND UNFAIRNESS, RATIONING WOULD DO NOTHING TO ENCOURAGE DOMESTIC ENERGY PRODUCTION.

THESE, AND A LOT OF OTHER NEGATIVE CONSIDERATIONS, LED US TO DISCARD RATIONING AS AN INEFFECTIVE AND INEQUITABLE METHOD OF REDUCING OIL IMPORTS.

WELL, WHAT ABOUT GOVERNMENT MANAGEMENT BY ALLOCATION? THIS WOULD ENTAIL CREATING A SHORTAGE ARBITRARILY, THEN PARCELING OUT LIMITED SUPPLIES. NO GOVERNMENT SYSTEM CAN DO THIS ENTIRELY FAIRLY; CERTAIN INDUSTRIES AND INDIVIDUALS WOULD INEVITABLY SUFFER. AS WITH RATIONING, A HUGE BUREAUCRACY WOULD BE NEEDED FOR ADMINISTRATION.



SO, IN WEIGHING THE POSSIBLE OPTIONS, WE SCRAPPED ALLOCATION AS BEING INEFFECTIVE AND INEQUITABLE. AND THAT IS THE SAME CONCLUSION YOU COME TO WHEN YOU CONSIDER GOVERNMENT MANAGEMENT BY A NEW DIRECT TAX ON GASOLINE. AGAIN, THIS WOULD DEAL WITH ONLY ONE PETROLEUM PRODUCT, AND WOULD HAVE MANY OF THE SAME DISADVANTAGES AS RATIONING. IT WOULD CREATE INEQUITIES FOR THOSE REGIONS, INDUSTRIES, AND INDIVIDUALS WHO ARE MOST DEPENDENT ON GASOLINE, AND IT WOULD DO NOTHING TO INCREASE DOMESTIC ENERGY PRODUCTION.

THE DIFFICULTY -- IF NOT THE IMPOSSIBILITY -- OF ACHIEVING NECESSARY IMPORT REDUCTIONS THROUGH A NEW GASOLINE TAX IS ILLUSTRATED BY THE DISARRAY OF ITS PROPONENTS IN CONGRESS. A SENATE GROUP FAVORS ONE PLAN; A GROUP IN THE HOUSE FAVORS ANOTHER. AND WITHIN THE HOUSE THE OPPOSITION IS SPLIT, WITH ONE PANEL ADVOCATING A TAX INCREASE OF AS MUCH AS FIFTY CENTS A GALLON BY 1980 -- ADVOCATING, IN OTHER WORDS, ALMOST A DOUBLING OF THE COST OF GAS. AND, THEY MIGHT BE RIGHT -- THAT MIGHT BE WHAT WE WOULD HAVE TO PAY, IF WE WERE TO TRY TO CUT IMPORTS SOLELY THROUGH REDUCED GASOLINE CONSUMPTION.

WHAT THESE PROGRAMS OF GOVERNMENT MANAGEMENT BOIL DOWN TO -- AND THIS IS THE VERY REASON A LOT OF PEOPLE ARE ATTRACTED TO THEM -- IS THAT THE FEDERAL GOVERNMENT WOULD BECOME THE U.S. OIL LORD -- THE BUREAUCRATIC BARON OF PETROLEUM, OR, IN THE POPULAR PHRASE OF LAST YEAR, A GENUINE AND PERMANENT FEDERAL ENERGY CZAR.

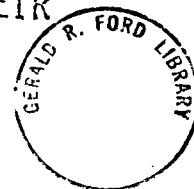


WHAT WE ARE LEFT WITH, IF WE DISCARD THESE ALTERNATIVES AS MORE HARMFUL THAN HELPFUL, IS A MARKET APPROACH, WHICH ATTEMPTS TO BRING ABOUT CHANGE IN OUR ECONOMIC WAY OF THINKING WITH A MINIMUM OF DAMAGE TO THE ECONOMY ITSELF. THE PRESIDENT'S PROGRAM IS SUCH AN APPROACH, AND WE THINK, OF ALL APPROACHES, THE BEST AND THE FAIREST THAT COULD BE DEvised.

I AM SURE THAT YOU ARE ALL FAMILIAR WITH THE VARIOUS ASPECTS OF THE PROGRAM, BUT I WOULD LIKE JUST TO GO THROUGH IT BRIEFLY TO SHOW WHAT IT WILL DO.

FIRST, DE-CONTROLLING DOMESTIC OIL PRICES AND THOSE OF NEW NATURAL GAS AS WELL AS A SYSTEM OF IMPORT FEES AND EXCISE TAXES WOULD SAVE ONE MILLION BARRELS OF IMPORTED OIL A DAY THIS YEAR, AND TWO MILLION BARRELS A DAY BY 1977. THE \$30 BILLION ESTIMATED REVENUES FROM THESE WILL BE RETURNED TO THE ECONOMY THROUGH A SERIES OF TAX CREDITS AND REBATES TO PRIVATE CITIZENS AND TO INDUSTRY.

AS YOU KNOW, CONGRESS LAST WEEK DEALT PRETTY ROUGHLY WITH THAT PART OF THE PROGRAM. BUT, BELIEVE ME, WE ARE STILL FIGHTING. WE ARE CONVINCED THAT THIS RECIRCULATED MONEY WILL HELP TO STRAIGHTEN OUT THE INFLATION DISTORTIONS THAT PENALIZE MIDDLE AND LOWER INCOME GROUPS, BY RETURNING MONEY TO THESE PEOPLE WHICH WILL MORE THAN OFFSET THEIR INCREASED ENERGY COSTS.

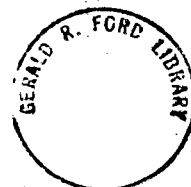


OF COURSE, NOT JUST INDIVIDUALS AND INDUSTRY ARE AFFECTED BY THE OIL IMPORT FEE. THE PRESIDENT IS WELL AWARE THAT SOME NON-PROFIT INSTITUTIONS MIGHT HAVE DIFFICULTY SUSTAINING THE IMPACT OF HIGHER OIL PRICES.

BECAUSE OF THIS, HE HAS ASKED THE FEDERAL ENERGY ADMINISTRATION TO ANALYZE THE EFFECT OF THE PROGRAM ON NON-PROFIT ORGANIZATIONS, SUCH AS EDUCATIONAL INSTITUTIONS, HOSPITALS, MUSEUMS, AND OTHERS. WE'RE INTERESTED IN THIS, NOT JUST FOR THE SAKE OF THOSE INSTITUTIONS, BUT FOR THE PEOPLE THEY SERVE.

AND A CONTINUED HIGH LEVEL OF PUBLIC SERVICE IS WHY PRESIDENT FORD HAS REQUESTED \$2 BILLION IN REVENUE SHARING FOR STATE AND LOCAL GOVERNMENTS. SOME OF YOU, I'M SURE, FEEL THIS WON'T LESSEN THE IMPACT OF HIGHER ENERGY COSTS ENOUGH. IF YOU HAVE ANY IDEAS THAT WILL IMPROVE IT, THEN WE WANT TO HEAR THEM.

IN ADDITION, BECAUSE OF POSSIBLE SPECIAL HARDSHIPS THAT THE PROGRAM MIGHT OTHERWISE IMPOSE ON CERTAIN SEGMENTS OF SOCIETY OR THE ECONOMY, WE HAVE UNDER CONSIDERATION THE POSSIBILITY OF CUSHIONING ITS EFFECTS ON THE AIRLINE, PETROCHEMICAL AND HEAVY CONSTRUCTION INDUSTRIES. IN ADDITION, WE ARE GIVING SERIOUS CONSIDERATION TO POSSIBLE REBATES OF UP TO \$1000 FOR FARMERS.





THEN THERE ARE SOME STRONG CONSERVATION PROPOSALS:

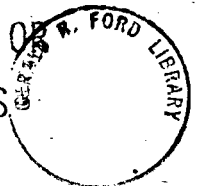
NEW HOUSING AND COMMERCIAL BUILDINGS WOULD HAVE TO FULFILL FEDERAL STANDARDS FOR THERMAL EFFICIENCY TO REDUCE ENERGY WASTE.

NATURALLY, FEDERAL STANDARDS FOR THERMAL EFFICIENCY WILL AFFECT THE DEVELOPMENT OF LOCAL BUILDING CODES, BUT NONE OF THIS CAN -- OR WILL -- BE DONE IN AN ARBITRARY FASHION. WE'LL BE SEEKING ADVICE FROM LOCAL OFFICIALS THROUGH AN ADVISORY BOARD WHICH WILL HELP TO DEVELOP FEDERAL STANDARDS.

AND, IN THE MANY AREAS WHERE IT WILL BE APPROPRIATE IN DEVELOPING AND ADMINISTERING OUR NATIONAL ENERGY PROGRAM, WE'LL BE SEEKING THE ADVICE OF OFFICIALS AT THE STATE LEVEL. WE KNOW THAT WE NEED YOUR HELP.

JUST AS THE PRESIDENT'S PROGRAM NEEDS YOUR ASSISTANCE, IT ALSO NEEDS THE SUPPORT OF INDUSTRY. AND WE'VE ALREADY MADE GAINS IN THAT AREA BY SECURING AN AGREEMENT FROM THE AUTO MANUFACTURERS TO INCREASE FUEL EFFICIENCY BY 40 PERCENT BY 1980. WE INTEND TO MONITOR THE INDUSTRY'S PROGRESS CLOSELY.

ALSO, ENERGY EFFICIENCY GOALS FOR MAJOR APPLIANCES WOULD BE OBTAINED BY AGREEMENT WITH THE MAJOR MANUFACTURERS, MANDATED. THIS WOULD SAVE ANOTHER HALF MILLION BARRELS BY 1985.



TAX CREDITS TO HOMEOWNERS MAKING HEATING AND COOLING EFFICIENCY IMPROVEMENTS IN EXISTING HOMES WOULD SAVE STILL ANOTHER HALF MILLION BARRELS.

THERE WOULD BE A LOW-INCOME ENERGY CONSERVATION PROGRAM OF DIRECT SUBSIDIES FROM THE FEDERAL GOVERNMENT TO LOW-INCOME AND ELDERLY HOMEOWNERS, FOR ENERGY-CONSERVING HOME IMPROVEMENTS LIKE INSULATION.

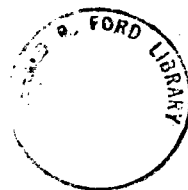
WE ARE VERY STRONG ON CONSERVATION BECAUSE THIS CAN RESULT IN IMMEDIATE, POSITIVE BENEFITS, COMPARED WITH THE LONGER-RANGE BENEFITS OF RESOURCE DEVELOPMENT.

AND I WILL MAKE THE POINT, TOO, THAT WE CAN'T EXPECT MUCH SUPPORT FROM OTHER INDUSTRIAL NATIONS UNLESS WE CAN PROVE THAT WE KNOW HOW TO TIGHTEN OUR OWN BELT.

THEN THERE IS THE QUESTION OF MOVING QUICKLY TO DEVELOP THE ENORMOUS RESOURCES WE KNOW THAT WE HAVE.

DEREGULATION OF NATURAL GAS WOULD PROVIDE INCENTIVE FOR FURTHER EXPLORATION FOR GAS, AND ALLEVIATE THE SERIOUS SHORTAGE WE ARE NOW FACING -- A SHORTAGE THAT IS GROWING YEARLY IN SIZE AND EFFECT.

THIS NATION HAS HALF THE COAL RESERVES OF THE FREE WORLD -- SOME ONE TRILLION, 500 BILLION TONS OF IT. THE SHIFTING OF UTILITIES AND INDUSTRY FROM PRECIOUS NATURAL GAS TO COAL WOULD SAVE THE CLEAN\_BURNING GAS FOR USE IN COMMERCE AND THE HOME, WHERE IT WOULD BE OF MORE VALUE.



INCREASED CONSTRUCTION OF ENERGY FACILITIES IS ENCOURAGED UNDER THE PROGRAM BY PROVISIONS WHICH EXPEDITE SITING AND LICENSING. WE ALSO HOPE TO PROMOTE EXPANDED NUCLEAR GENERATING CAPACITY BY SPENDING \$41 MILLION ON SAFETY, SAFEGUARDS AND WASTE MANAGEMENT. CONVERTING ELECTRICITY GENERATION FROM OIL AND NATURAL GAS TO NUCLEAR ENERGY WOULD AGAIN SAVE SCARCER FUELS FOR BETTER USE.

THE PRESIDENT'S PROPOSALS ALSO CALL FOR ACCELERATED EXPLORATION AND DEVELOPMENT OF THE OIL FIELDS OF THE OUTER CONTINENTAL SHELF, JUDICIOUS TAPPING OF THE VAST NAVAL PETROLEUM RESERVES OF THE WEST COAST AND ALASKA, AND DEREGULATION OF THE PRICE OF DOMESTIC OIL. THESE STEPS WILL ENCOURAGE INCREASED COMPETITIVE DEVELOPMENT.

NOW, I WOULD BE THE FIRST TO AGREE THAT ELEMENTS OF THE ADMINISTRATION'S PROGRAM COULD BE VIEWED AS FURTHER ENCROACHMENT BY THE FEDERAL GOVERNMENT INTO AREAS THAT HAVE TRADITIONALLY BEEN THE PROVINCE OF THE STATES AND LOCALITIES -- NOTABLY IN OUR PROPOSALS INVOLVING FACILITY SITING, UTILITY REGULATION, BUILDING STANDARDS AND THE ONSHORE EFFECTS OF OCS DEVELOPMENT. BUT I WOULD EMPHASIZE THAT OUR NATIONAL NEEDS DEMAND IN THESE AREAS THE KIND OF NATIONWIDE COORDINATION THAT ONLY THE FEDERAL GOVERNMENT CAN PROVIDE. AND I WOULD EMPHASIZE WITH EQUAL STRENGTH THAT WE HAVE SOUGHT TO HOLD SUCH ENCROACHMENT TO A MINIMUM, TO MAKE IT MORE OF A COOPERATIVE EFFORT AMONG THE VARIOUS LEVELS OF GOVERNMENT THAN AN INTRUSION BY WASHINGTON INTO



STATE AND LOCAL AFFAIRS. CERTAINLY, WHAT WE ARE TALKING ABOUT IN THIS PROGRAM IS A FAR CRY FROM THE BIG BROTHER APPROACH THAT OTHERS HAVE ADVOCATED AND THAT I MENTIONED EARLIER IN CONNECTION WITH RATIONING.

AT THE OUTSET OF MY REMARKS, I MENTIONED THE MUTUAL COOPERATION AND SUPPORT THAT ALL LEVELS OF GOVERNMENT -- FEDERAL, STATE, LOCAL, AND MUNICIPAL -- GAVE EACH OTHER DURING THE EMBARGO. THAT COMBINED EFFORT WAS FORCED ON US. AFTER ALL, IF YOUR SHIP HAS BEEN TORPEDOED. EVERYBODY IN THE LIFEBOAT HAS TO PULL AN OAR.

BUT THE SITUATION HAS CHANGED. WE'RE BUILDING A NEW SHIP, AND THAT SHIP WILL BE A LOT TRIMMER, A LOT MORE EFFICIENT, AND WILL HAVE A CLEARER DESTINATION THAN THE ONE THAT WENT DOWN IN OCTOBER 1973.

BUT IT WON'T GO ANYWHERE UNLESS WE ALL TURN TO WILLINGLY, AGREE ON ITS DESIGN, AND LAUNCH IT. AND THAT STILL DEMANDS COOPERATION -- NOW.

THANK YOU.

-FEA-

DATE: 2/28/75

TIME: 12:30 PM

