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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

TOP MANAGEMENT AWARD NIGHT
SALES AND MARKETING EXECUTIVES ASSOCIATION
CAMELOT INN
LITTLE ROCK, ARKANSAS
FRIDAY, MAY 9, 1975
7:30 P.M., CDT

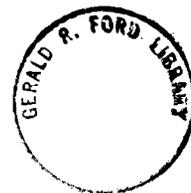
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7:30 P.M., CDT, FRIDAY, MAY 9, 1975

Energy Prospects: Where Do We Go From Here?

Thank you, Congressman Hammerschmidt, for your introduction. I must admit that not all of the comments made about me by Congressmen and Senators are as kind as yours.

However, in the many trips I have made to Capitol Hill since becoming Federal Energy Administrator, I have discovered that the process of debate and compromise which goes on there is a productive one, and one which can lead to genuine solutions.

In fact, I felt right at home when I saw your State Capitol building here in Little Rock, and I began to wonder whether I was here to testify before a Congressional Committee or to honor the fifteenth recipient of your Top Management Award.



First, I would like to congratulate Senator McClellan on the well-deserved award presented to him tonight by your group. Since the Senator first came to Congress as a member of the House of Representatives more than 40 years ago, he has provided continuing proof of the fact that sound management is every bit as important in Government as it is in business and industry.

The Senator worked for many years, along with the late Senator Kerr, to accomplish the completion of the Arkansas River project. The dredging, locks, and dams included in that comprehensive project have benefitted this entire section of the country.

The water-borne transportation which now has access to Arkansas and Oklahoma has meant new industry, new employment, and new economic stimulus to this region.

And, as a side benefit, I am told that some of the best fishing in the country is available near here, along with extensive facilities for pleasure boating and other recreational activities which would not have been available without Senator McClellan's persistent support of the development of the Arkansas River.

Arkansas can make an important contribution to the energy future of the United States. This state has reserves of crude oil, natural gas, and coal. In fact, this is the only state which boasts significant reserves of anthracite, bituminous, and lignite coal.



For example, Arkansas Power and Light is an outstanding example of what utilities can do on their own to make the most of the energy resources available to us.

Nuclear power and increased utilization of coal for electric generation are two of the most important avenues open to us to reach energy invulnerability by 1985.

Arkansas Power and Light is active in both these areas, with its nuclear installation at Russellville, and its planned major coal-fired generating facility southeast of Little Rock.

I am confident that the environmental problems surrounding increased use of our nation's vast untapped coal reserves can be resolved in a way which allows us to take advantage of this huge resource, while developing consistently better ways of burning coal cleanly and efficiently to meet the future needs of industry and the consuming public for more electric power.

Arkansas was the 25th of our fifty states to be admitted to the Union, it is situated in America's heartland, and -- along with its neighboring states -- it will be right in the middle of our plans to increase the optimum utilization of our domestic energy resources.

This State's slogan, "Land of Opportunity," is no simple gimmick or catch phrase. This is a land of opportunity, both in the traditional agricultural base of the State's economy, and in the burgeoning industrial development.



The key to success in assuring economic growth and a reliable supply of energy is management -- not just top management, but management on a personal and business basis by every citizen of the country.

This nation's history is one of Government, business, and the general public working together to solve urgent national problems. I am convinced that we can and will do so again now to solve the energy problems we face.

There are two critical elements to the President's energy proposals. These are to conserve energy now, to enable us to decrease our ever-increasing oil imports; and to begin now to develop our ability to supply our future energy needs from secure domestic sources.

It was to help accomplish both these aims that the President proposed last week a gradual phase-out of price controls on domestically-produced crude oil.

The near-term effect of this action would be to increase oil prices gradually, to the point where gasoline would cost about five cents more per gallon two years from now. This would encourage conservation of petroleum supplies, and experience has shown that higher prices are a good inducement for energy conservation.

But the long-term effect -- and the one much more important for our nation's energy future -- would be to provide needed economic incentives for increased domestic exploration, and production of our available energy resources.



The President also postponed last week a decision on imposing a second one-dollar-per-barrel fee on oil imports. This is a clear indication of the President's conviction that Congress and the Administration are moving closer together on issues remaining to be resolved in formulating an effective and viable national energy policy.

Each of us can and must support the vital national energy conservation goals which will allow us to reduce our mounting dependence on foreign energy supplies. And each of us can support national energy policies which will actively encourage the development of our domestic potential energy resources.

Business and industry leaders such as yourselves can be of great value to this national effort in many ways. Through communications and public information campaigns to your employees, stockholders, customers, and to the general public, you can set firm examples of support for sound national policies aimed at solving our energy problems.

Every citizen must be convinced that cutting oil imports now and preparing now to meet our own energy needs in the future is tantamount to taking out an insurance policy on his own job, and on the economic health and safety of his own community.

It will be expensive, and -- to a certain extent -- a bit uncomfortable to take the steps necessary to meet our energy challenges.



But the premium for that insurance now is far less than the price of continued and increasing dependence on foreign energy sources.

The oil embargo which occurred during the winter of 1973 and 1974 made it all too clear to the American public that gross distortions in the American economy could occur suddenly, and as a result of decisions by foreign governments beyond our control.

Long gasoline lines and skyrocketing utility bills brought home the lesson of the dangers inherent in over-dependence on foreign oil with crystal clarity.

Today, the highly visible symptoms of that over-dependence are not as obvious as they were a year or eighteen months ago, but they are every bit as dangerous to our nation's economic health.

The threat now is much more subtle. But whether we choose to call it a crisis, or a problem, or a dilemma, it is no less dangerous and no less persistent. It has simply taken a different form.

Those who feel that the energy crisis has somehow gone away, or that temporary surpluses of gasoline and other petroleum products are cause for comfort are simply kidding themselves and the rest of us.

And those who think that the Organization of Petroleum Exporting Countries will make the magnanimous gesture of lowering oil prices significantly are -- quite frankly dreamers.



The facts are that the cartel of oil producing nations is not about to break up, and that the price we must pay for imported oil can and may well increase in the years ahead.

The only way we can meet the problem head-on, and insure our energy and economic future, is to demonstrate clearly to the world that we are serious about cutting our energy consumption to minimize our imports, and equally serious about developing our own domestic supplies to meet our future needs.

Until we solve the energy crisis, we will remain vulnerable to exorbitantly high oil prices and to another embargo, with its adverse economic impacts.

We simply cannot afford as a nation to take those chances.

In 1970, we paid \$3 billion for foreign oil. In 1974, we paid foreign countries \$24 billion for oil.

Last year, the United States suffered a balance of trade deficit of more than \$5 billion. If our oil import payments had remained at their 1973 levels, that deficit could have been a surplus of some \$14 billion. Had we paid even twice as much for imported oil in 1974, our balance of trade still would have been in the black by as much as \$7 billion.

But, as all of you are well aware, our foreign oil payments were not only doubled, but more than tripled to add to this nation's debt.



And that means less for workers in Little Rock, and more for merchants in the Middle East.

The dreamers in this country who would have us do nothing, and pretend that the energy crisis is no longer with us, just do not understand the economic consequences of that inaction.

Doing nothing would mean, by 1977, agreeing to a 1000 percent increase over 1970 in the annual cost of imported oil. It would mean \$32 billion drawn out of the American economy and transferred to other nations in a single year.

That's not "inflation on the installment plan," as one distinguished member of Congress called the President's plan for gradual decontrol of oil prices. That's an outright kick in the wallet to every American consumer and every American business. And, most importantly, that money would be going to enrich foreign interests, not to developing America's energy potential and our economy in general.

Of course that is not the entire picture. The dollars we send abroad do not go into permanent exile. They are repatriated or, in the words of the economists, "recycled."

Those dollars -- some of them -- are sent back to us in return for goods and services produced here in the United States -- food, machinery, technology, and so forth.



And those same dollars can come back in the form of investment in American firms. Investment means ownership in varying degrees, and ownership, in turn, means control, in whole or in part.

Foreign investment in American enterprises is not, of itself, an evil phenomenon. It does provide necessary capital, for example. But what it does not provide is an effective, permanent solution to the disparity between domestic energy demand and domestic energy production.

Recycling may be necessary crisis management, but it is not crisis solution.

Unless we take decisive steps to protect ourselves now, the gravity of that threat and the potential impact of an actual embargo will grow with each additional barrel of oil we import.

Let's see what that means for the future.

In two years' time, if we do nothing, almost half of our petroleum supplies will be coming from overseas sources. If all those supplies were cut off, a six-month embargo could bring a \$45 billion drop in the gross national product.

It's difficult to say exactly how much it would increase unemployment, but it's estimated that the 1973 embargo -- which involved only 14 percent of U.S. petroleum consumption -- threw half a million people out of work.



That is the sort of future this country can anticipate unless we are willing to take firm and convincing action in the present to alter it. We can let the American ship of state run rudderless in the unpredictable tides of rising energy consumption and diminishing supply, or we can take command of our own future.

And no nation is so capable of molding its energy future as the United States. Yes, it will cost billions of dollars, but this is a trillion dollar economy. It will require some sacrifice, but we have never shrunk from that. It will require resources, but we have those in abundance.

Perhaps the greatest single resource we have is our free-market economic system, which has worked so well in the past to provide the goods and services needed by the American public, with a minimum of governmental regulation and interference.

The Administration's comprehensive energy and economic proposals depend on the proven operation of the free market.

Energy would be priced higher, costing consumers more, but tax rebates and reform would channel money back to the nation's citizens, with lower-and middle-income groups even achieving a net benefit from the full effect of the interlocking proposals.

While this may seem like taking money from one pocket and stuffing it into another, there are important side benefits accompanying the transfer of funds.



First, higher energy prices would encourage energy conservation -- history proves that. Second, allowing higher prices for our own domestic producers of natural gas and oil will provide the badly-needed economic incentives for accelerated new development and production of energy within this country -- and within our own control.

Arkansas' history includes the only diamond discoveries in North America. But the diamonds we need for our energy future are farther under the ground -- oil, natural gas, and coal.

With the El Dorado and Smackover oil booms of the 1920's, Arkansas began its role as one of the Nation's major energy producers.

Given appropriate economic and regulatory incentives, this State can and will continue to make an important contribution to the growth of the Nation's domestic energy supplies.

I'm looking forward to your help and the help of all Americans in solving our mutual energy crisis.

Again, my heartiest congratulations to Senator McClellan, and my thanks for this opportunity to speak to you.

-FEA-

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10:15 am

