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

WHITE HOUSE FIELD CONFERENCE
AT THE
CINCINNATI CONVENTION AND EXPOSITION CENTER
CINCINNATI, OHIO
1:30 PM, EDT
WEDNESDAY, JULY 2, 1975

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WEDNESDAY, JULY 2, 1975, 1:30 PM, EDT

Bill, thank you very much for introducing me.

Ladies and gentlemen, I want to answer as many of your questions as I can, as fully as I can. But I do want to take a few moments at the outset of this period of the conference to set the energy crisis in the perspective of economics and national security, and to describe the response that has so far been made to this ominous problem, not by the Administration, but by the Congress.

While I am speaking to you today, the United States will pay roughly three and a quarter million dollars to import oil and by this time tomorrow afternoon, we will have spent about \$70 million -- all of it to bring oil into this country from overseas sources.

In 1970, it cost the United States \$3 billion to import oil from other countries, in 1974 almost \$26 billion. In 1977, if we do not have a policy to restrict energy consumption and stimulate new, domestic supply, it will cost us \$32 billion.



Now most of us have never seen a billion dollars, so let me convert those figures into something we can all recognize -- our paychecks, for instance. Every billion dollars we send overseas for imported oil is enough to pay the salaries of almost 70,000 American workers.

In fact, the money we spent for imported oil in 1974 could have built 600,000 new homes.

But that money didn't pay American workers, and it didn't build American homes. It paid for oil from overseas sources.

And those sources are painfully insecure; the embargo should have taught us that. However, it is not just Middle East oil whose supply is uncertain. Canada, for example -- our largest supplier -- has notified us that she intends to completely eliminate oil exports to this nation eventually.

We have seen not only how powerful the oil weapon is, but how willing other countries are to use it in pursuit of their own interests -- interests which have differed sharply with ours in the past, and may well do so again in the future. And with the United States growing more and more dependent on overseas oil, you can be sure that another embargo would be even more damaging than the last.

That kind of economic peril, that kind of threat to our national security demands a reasonable response in plain self defense and sheer self-interest.



As a result, we have no strip mining legislation with reasonable environmental safeguards, and the coal markets of this country are still as uncertain of the future as they were when the legislation was pending.

And that uncertainty is compounded by the fact that the Clean Air Act Amendments proposed by the Administration to allow the use of coal, without endangering public health, still await Congressional action.

Bear in mind, that each new ton of coal mined and burned saves slightly more than 4 barrels of oil. With reasonable strip mining legislation and the Clean Air Act amendments, we could reduce our consumption by almost 2 million barrels of oil daily -- imported oil. Yet Congress continues to delay, and six months have gone by.

Natural gas reserves are being depleted at an alarming rate because consumption is being encouraged by artificially low prices, depressed by government regulation. At the same time, those controlled prices make exploration for new sources of gas unprofitable.

The only remedy for that situation -- a situation which imperils the jobs of many American workers and deepens our dependence on foreign oil -- is to remove controls from the wellhead price of new natural gas.



We have asked the Congress to amend the Natural Gas Act and lift those controls -- to reduce consumption of natural gas and stimulate exploration and development of new supplies. Yet Congress chooses the timid approach. They propose only to raise the price ceiling -- to re-regulate natural gas at a slightly higher level, and even to extend regulation to the price of gas sold within producing states.

The Administration proposes decontrol of "old" oil prices to cut our oil imports by some 350,000 barrels a day by 1977. Yet Congress wants to postpone most of those savings for five years.

And finally, when the President announced his intention to impose a three dollar import fee on oil, he promised the Congress that he would remove the fee if they would substitute a \$2 tariff. Congress reacted by trying to eliminate the President's authority to reduce imports.

I might add that the Administration coupled tax reforms and rebates with the import fees to soften their effect on lower and middle income groups. That is the only measure connected with energy that mustered enough Congressional support for passage. It really took statesmanship to cut taxes.

Sometimes I feel that the White House will soon receive a battered package in the mail containing all the Administration energy proposals that were sent to Congress six months ago. And the package will be stamped: "Moved, Left No Forwarding Address," or, at least, "On recess, Do Not Disturb."



That is only a partial -- and, I might add, dismal -- record of Congressional inaction on the energy crisis, Congressional indecision in the face of a growing danger, and Congressional immobility when confronted by this urgent national problem.

And that is only part of the "Hill's" history of inaction on energy. Believe it or not, Congress didn't learn of the energy crisis in October of 1973 when the embargo was instituted. Congress was -- or at least should have been -- well aware of the impending crisis.

For instance, in May of 1971 -- four years ago -- the Senate passed Resolution number 45, the monumental National Fuels and Energy Study Act. It was supposed to be ready by February 19, 1972 with an analysis and recommendations for ensuring this country's energy future. But by that date the study had not produced a single finding of fact -- not one recommendation.

The Senate extended the study for another year with no results, and for another year, and another. The last deadline for a final report was February 28, 1975. And now -- after four years, one and a half million dollars and 60,000 pages of testimony -- there are still no results. In all likelihood, the study will be extended for another year. Perhaps the results will be more encouraging.



I hope so, because it is beginning to look as though Congress is the political manifestation of the law of physics which says that a body at rest tends to remain at rest unless acted upon by an external force. In short, inertia.

In all fairness, it must be said that Congress -- at least some members -- have tried to come to grips with the problem; have tried to achieve a workable compromise with the Administration. But those efforts -- commendable as they are -- have accomplished little because of a reluctance to choose between difficult alternatives, and the unwillingness of some members to look beyond their own districts to see the nation's problem, as well as sectional interests.

Perhaps I can illustrate that lack of perspective by briefly describing what I heard from several Congressional committees while testifying on energy.

During one Congressional Hearing, I pleaded the case for accelerated coal development. "What do you need all that coal for right away?" they asked. "You've got the Outer Continental Shelf, nuclear energy and the Naval Petroleum Reserves. You can afford to delay additional coal development until later."



Then I discussed with several critics of nuclear power, the need to expand our nuclear capability. "What do you need more nuclear energy for?" they asked. "You've got the Outer Continental Shelf, coal and the Naval Petroleum Reserves. You can afford to wait and take a good hard look at nuclear energy."

But the last straw came when I went before the House Armed Services Committee to speak in favor of the bill to open up the Naval Petroleum Reserves. "Why do you need to develop the Naval Petroleum Reserves now?" they asked. "You've got the Outer Continental Shelf, nuclear energy and coal."

The energy crisis and its solution is not just a question of fuel prices in New England; nor is it simply the issue of how to develop offshore oil in California; nor is it only a matter of how to reclaim strip mined land in the west. It is all these things and more.

It is a national question of delivering significant control over the economic stability of the United States into the hands of other nations. It is a national issue of allowing other nations to gain an increasingly decisive voice in the conduct of a major area of American foreign policy. It is a national issue, and demands a national perspective of all who propose to deal with it.

And it is that comprehensive perspective which seems to be missing from Congressional efforts to legislate for the nation's energy future. That lack of perspective may make for longevity in office, but it is not the kind of statesmanship and courage the people of this country deserve.



Congress has to begin thinking in terms not of one district, nor of one state, nor even of one region, but of the nation as a whole -- the United States.

Bear in mind that the Administration has never asked the Congress to go along totally and tamely with our program. We have not asked Members of the House to ignore the legitimate interests of their districts. We have not asked Members of the Senate to sanction the President's program without regard for the rights of their respective states.

But we do ask -- and will continue to ask -- that they balance those interests with the nation's needs. California has a right to preserve its environment, but the nation needs the oil off its shore. The western states have a right to protect their land, but the nation needs the coal under that land. New England has a right to reasonable fuel prices, but the nation needs to reduce the amount of oil it imports.

The resolution of all those issues requires balance. And so far the only program that has even attempted to strike that balance is the one submitted by the Administration in the President's State of the Union Message.

It is now up to Congress -- and has been for six months -- to act on that program in a statesmanlike and balanced fashion.



We have repeatedly asked various sections of the nation to share the contributions as well as the sacrifices necessary to manage the energy crisis. We have asked all our citizens to share the hardship of dealing with the country's energy problems.

Now we ask Congress to share responsibility with the President for establishing a national energy policy -- to act on the President's program, to assume the role of equal partner in managing the energy crisis.

Thank you and I'll be glad to answer any questions you may have.

-FEA-

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12:15 pm

