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REMARKS PREPARED FOR DELIVERY BY
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FEDERAL ENERGY ADMINISTRATION, BEFORE THE

FLORIDA PETROLEUM MARKETERS ASSOCIATION
SONESTA BEACH HOTEL, KEY BISCAYNE, FLORIDA
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Thank you, Doug (Mr. Buchan). And thank you all for that warm welcome.

Before I go any further, I would like to take a minute and express my special thanks to your Association and to Tom Love and the National Oil Jobbers Council for the support you have given to enact a strong national energy program. Too often, those debating energy policy seem to lose sight of the national importance of a tough and effective program. They seem to forget that we set out to gain energy independence for the good of the country. And they tend to deny or ignore the realities of our energy situation.

The basic reality is that we are still in a crisis -- a crisis that can be measured in terms of American dollars and American dependence.

This morning, during the twenty minutes or so I'll be talking to you, we will spend nearly a million dollars to buy imported oil. By this same time tomorrow, that bill will have soared to more than $70 million dollars -- an average of nearly $50,000 a minute.

Last year those imports cost this nation more than $25 billion dollars -- an increase of $350 for every American family over what we paid just four short years before.

As businessmen you know what that kind of dollar drain means for the economy. It means more than just money being shipped abroad -- it also translates into the salaries of 1.6 million American workers -- 20 percent of the people who are unemployed in the country today. And, it translates into the construction of over 600,000 brand new homes -- enough construction to infuse new life in the construction industry.

But those salaries weren't paid and those homes weren't built. Instead, that money went to pay for oil imports -- imports that continue and deepen the nation's dependence on other governments for the very lifeblood of our industrial economy.

And as we saw during the 1973 oil embargo, that dependence is nothing to take lightly. With only 14 percent of our imports involved, the embargo cost our economy between $10 and $20 billion dollars, threw half-a-million Americans out of work and helped push us into a recession.

Today, our situation is even worse and by the end of this year, we will be 40 percent dependent on other countries for the oil we use.

And each additional barrel of oil we import is another round of ammunition that can be used against us -- making us ever more vulnerable to continued political and economic blackmail.

The choice is ours to make.

We can surrender and pay the higher prices that the oil producing nations demand. We can accept the political and economic dependence that course entails. Or, we can fight -- face the truth of our situation and make the hard decision that will cut our energy consumption and increase our production. In short, we can adopt a policy that will achieve U.S. energy independence.

I think we should fight.

The President has drawn up a sound plan to gain that independence. It is comprehensive. It is balanced. And at its heart is the same system that for the past 200 years has been the basis for American success and American prosperity -- the competition of the free marketplace.

In virtually every field, that success and that prosperity have resulted from the incentives of economic competition. In fact, the areas where we have seen the most remarkable technological development and productivity -- the electronics industry in recent years, for example -- are the same areas in which competition has been most vigorous.

Competition in the private energy sector can and will assure success in the battle for energy independence. And that competition -- vigorous, prolific, productive -- will depend on the viability of the smaller, independent segments of the industry.

After all, it is the independent drillers who have accounted for two-thirds of all the exploration for new supplies of oil and gas in this country.

It is the smaller and independent refiners who have kept a viable operating refinery industry alive in this country while the larger companies were transferring their operations abroad.

And it is the independent marketers -- you -- wholesalers and retailers alike -- who have kept the "big boys" honest with your competition for the consumers of petroleum products.

Where would we be today without that competition?

Where would we be without that two-thirds of oil and gas exploration provided by the independent drillers?

Where would we be without that refinery capacity developed by the independent refiners?

And where would we be without that competition for the consumer dollar that you marketers have supplied?

Where would we be? Well, as consumers we would be considerably poorer -- for having gone without the price benefits that that competition has brought to the marketplace. And as a Nation we would be that much more dependent on foreign energy supplies -- that much farther away from energy self-sufficiency -- for having gone without the contribution to industry productivity that that competition has made over the years.

In short, without that competition from the independent segments of the industry, we would be a hell of a lot worse off than we are today. Although that's a lesson that a lot of people do not seem to have learned, it is a fact of life that this Administration fully recognizes. And it's a fact of life we intend to apply in our battle for energy independence: we must assure maximum competition in the private sector if we're going to win the fight.

That victory will require a return to free market pricing: a recognition that the era of cheap abundant energy is over -- that the value of energy to society -- and its cost -- has gone up.

And it will mean getting government out of the marketplace and allowing individual citizens and private business to make their own economic and energy decisions.

Those of you who believe in a free market won't find it hard to buy either the logic or the philosophy behind the President's program.

But reliance on the free market, does not mean that government has no role to play in its operation.

In normal times, the government has a responsibility for continuing regulatory oversight to protect both consumers and competitors within the marketplace. Its role is like a policeman's who sees that the rules which govern our system are obeyed. In the government's case, the rules are that competition must be open, free and fair -- and that those who break the rules must be penalized.

In times of severe market dislocations, direct government involvement is sometimes necessary to maintain as much economic equilibrium as possible -- in much the same way a policeman will step in to direct traffic at the scene of an accident. But, once the accident is over, the normal rules of the road should take over to allow the traffic flow to get back to normal.

In that sense, the Emergency Petroleum Allocation Act was needed during the embargo period to deal with a unique circumstance.

And in the same way, with adequate supplies of oil, allocation and price regulations are no longer needed. You know first hand how those regulations began to disrupt historic market mechanisms and distribution patterns -- impeding growth and competition within the industry to the detriment of our national energy efforts.

To eliminate these distortions -- to put government back on the regulatory sidelines -- the President proposed to gradually decontrol the oil industry. He paced that plan to fit changing circumstances -- to produce an orderly transition back to free market principles -- consistent with economic stability and adequate protection for the viability of the small and independent segment of the industry.

Along with this progam, the Administration is also considering changes to improve the FEA regulatory role that will be in force during the phase out of controls. The numerous allocation directives that were required under continuing controls should and will be simplified. One of these initiatives will be to phase out middle distillate and gasoline price controls at the retail and wholesale levels as soon as possible after the overall decontrol plan is enacted. Through these efforts we hope to get away from the type of overregulation under which FEA was forced to issue complex and unwieldy rules for market operations and decisions that properly belong with the private sector. We hope to return to a system that will allow flexibility in the industry and still preserve adequate market share protection for the various industry sectors.

These objectives -- all vital to our national goal of energy independence -- can be achieved by the President's program.

Energy priced at its real value will provide consumer incentives to cut consumption and use energy more efficiently, while energy tax rebates help lower and middle income consumers adiust to the new reality of the value of energy.

Energy priced at its real value -- combined with the plowback provisions from the windfall profits tax will also provide producer incentives to invest in developing more domestic supplies.

In addition the readily available supplies of crude oil and petroleum products that exist now along with surplus refining capacity are circumstances similar to those that prevailed in the 1960's and early '70's when independent refiners and marketers grew and prospered. With the windfall profits tax to prevent the major oil companies from subsidizing their other operations, and undercutting independent refiners and marketers, we believe the small and independent segments of the industry can and will flourish without massive regulatory protection.

At the same time, there are certain problems that arise from our present situation which -- at least for the short term -- could adversely affect the independent segments of the industry -- from oil drilling to tank filling. These factors warrant special consideration now that the Emergency Petroleum Allocation Act has expired. On the exploration and drilling end, options such as Royalty bidding are being considered that could help independents take part in the more expensive operations necessary for offshore and Alaskan ventures.

To help protect small and independent refiners, the Administration has asked Congress to extend the oil entitlements program -- with a gradual phase-out over the next three years. This action, will assure a gradual transition from controls to the free market by providing an effective subsidy for small refiners and equalizing access to domestic and imported crude oil for refining during this period.

As far as you -- the marketers -- are concerned, the President has proposed a "Dealer Day in Court" bill designed to protect independent gasoline, diesel and fuel oil dealers and distributors -- to preserve both their share of the market and a competitive market environment.

The proposal will permit a dealer or distributor to go to court if he believes his retail lease or franchise has been terminated because of improper or coercive business practices by a supplier.

Spokesmen from your industry have expressed some reservations about the bill, but have also indicated that it is something you can live with. The Administration believes that just as small and independent refiners and jobbers needed protection during the period of oil shortages, and just as all independents need continuing protection from some of the effects of foward integration by the majors, so, too, do these dealers and distributors deserve to be protected from improper supplier actions.

Let me emphasize that the President's bill focuses on the viability of independent marketers in general. It does not seek -- as other proposals have -- to protect not just the independent retail segment of the industry, but the individual marketers within that segment. Those proposals would not foster competition, they would, in actuality, eliminate it, to the detriment of the marketplace and the consumer who would wind up subsidizing inefficient operations.

In contrast, the President's bill simply codifies a fair business practice. It establishes a general test for lease or franchise terminations or non-renewals. Under the Administration proposal, such actions must be for valid economic and business reasons from the suppliers' point of view and must be performed in good faith.

In another effort that will affect your segment of the industry, FEA this week began contract negotiations for an in-depth, independent survey to assess national market share trends in the final retailing, wholesaling and refining of gasoline. We want to determine the extent of forward integration that is being carried out by the refiner-marketers, and other actions that dictate how market shares are distributed within the industry. This information will help us to assure the continued economic viability of independent marketers and retailers.

In addition to these actions, specific and limited legislation has also been proposed to deal with the natural gas shortages we'll experience this winter. Nationally, these shortages are expected to reach 15 percent of total consumption.

In Florida alone, we estimate natural gas curtailments this winter will reach the equivalent of almost 9 million barrels of fuel oil. I want to assure you, however, that based on present inventories and projections, there should be ample stocks of heating oil available to you to meet the expected increase in demand. In fact, the latest figures indicate that stocks on the East Coast are up 10.5 million barrels over last year's levels at this same time.

Some of the actions I have mentioned may seem inconsistent with the Administration's desire to get government out of the marketplace. But the proposals have been drawn to address specific problems on a limited contingency basis. This allows us to deal with possible emergencies and dislocations, and still keep government involvement to a minimum.

We have seen what massive Federal regulation can do to stifle competition, disrupt the marketplace and produce shortages. The decline in domestic oil and gas production is mainly a function of unrealistic price controls set by the government. These controls -- originally designed to protect consumers and domestic industry -- have, in fact, harmed the very people they sought to help.

They have encouraged consumption, discouraged production and left this nation in a state of dependency on high-priced and insecure imports.

They have resulted in higher costs for industry and higher prices for consumers.

Last January, the President presented Congress with a comprehensive energy program to turn this situation around -- to put government back on the sidelines where it belongs and to harness free market competition to reestablish this nation's energy independence.

Your industry has provided us with strong support in these efforts over the past nine months. And I know that you have sometimes had to go out on a limb to do so. But we cannot afford to let down now. The critical issue of oil decontrol is again being considered by the Congress. And, again, we need your support on the issue.

Decontrol represents the first positive step back toward a free market system for energy. It is a keystone in our drive for energy independence. We have the resources, the national drive and the economic system that can harness those forces if we let it.

Andrew Jackson, the first territorial governor of Florida, had a saying about speaking out for what's right. He said that, "One man with courage makes a majority."

I know that you have that courage and that with your continued help we can raise that majority in Congress -- we can win the effort for decontrol and go on to final victory in our national fight for energy independence.

Thank you.

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