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REMARKS PREPARED FOR DELIVERY BY
THE HONORABLE FRANK G. ZARB, ADMINISTRATOR
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BELLEVUE STRATFORD HOTEL, PHILADELPHIA, PENNSYLVANIA
WEDNESDAY, SEPTEMBER 24, 1975, 12:00 NOON, EDT

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WEDNESDAY, SEPTEMBER 24, 1975, 12:00 NOON, EDT

Thank you. I'm happy to be here today to talk with you. I want to hear what you have to say and to answer as many of your questions as I can, so I will be brief. But I would like to take a few minutes to put our energy situation in perspective.

The energy crisis came into sharp focus with the 1973 oil embargo. We measured the seriousness of the crisis then in terms of gallons of gasoline and lines at service stations. But that shortage situation no longer pertains. There has, in fact, always been enough oil in the world to meet our needs if we were willing to pay the price for it. Today, it is that price that is the yardstick of our energy problems.

While I am speaking to you this afternoon, that price will cost the United States around three and a quarter million dollars. By this same time tomorrow, we will have spent \$70 million dollars to bring imported oil into this country.



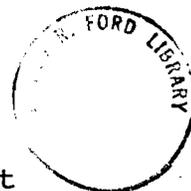
From a total of \$3 billion dollars in 1970, our oil import costs jumped to \$25 billion last year -- and that's enough money to pay the yearly salaries of over a million and a half American workers, or fully 20 percent of those who are unemployed in the country today.

Yet our imports keep rising. By the end of December they will total almost 40 percent of American oil consumption. And if we don't come up with a comprehensive and effective national energy policy to restrict consumption and stimulate new domestic supplies, the nations who now control the world's oil can continue to use their stranglehold on prices and supplies to manipulate both our national economy and our national policies.

We will continue to rely to some degree on imports to meet our energy needs for the future. So, realistically, our goal is not one of energy isolationism. Rather, we hope to enact a national program that will cut our reliance on vulnerable sources down to manageable levels -- that will stanch the dollar drain to a trickle and make us impervious to the economic disruption and policy pressure of any future embargo.

Now any program that can accomplish those goals is going to be tough, it's going to be balanced, it's going to be comprehensive, and it's going to be realistic.

Energy is no longer cheap. That's one reality we have to live with -- but whether we choose to pay the inflated prices of the oil cartel or whether we choose to invest that



money to conserve and to develop our own domestic resources is something we can control.

We have the natural resources -- the technology -- the type of economic system and the people -- capable of developing those resources to significantly increase not only the production of domestic energy supplies but also our ability to use them more efficiently.

But neither development nor conservation will take place unless those debating a national energy program start looking beyond narrow concerns and come up with the necessary compromises that will get the job done.

And getting that job done does not have to mean environmental degradation -- windfall profits for the industry -- or consumer rip-offs.

We can accomplish our national goals for energy, the economy and the environment together. We may not be able to reach every goal as quickly as we would like, but we can eventually reach them all if we are willing to compromise a little now.

Coal can and is being deep-mined and strip-mined without turning the Rocky Mountains into Appalachia-West. And it can and is being burned without harming the air quality standards necessary to protect health. Nuclear energy can and is being developed safely and wisely without accidents or nuclear material being stolen. Offshore oil can and is being developed without covering our coastline with a giant oil slick.



Industry incentives for increased development and production can be provided along with the necessary rebates to help low and middle income taxpayers adjust to higher energy prices. And government can help provide the capital investment necessary to stimulate new domestic energy development without becoming directly involved in or usurping industry's role in the marketplace.

A national energy program can achieve all these objectives for energy development -- and can help bring us to energy independence by 1985.

But energy development isn't the sole answer. A major part of our goal -- especially over the short-term -- depends on conservation -- the development of a national energy ethic to cut consumption by using energy more efficiently.

There is, in fact, plenty of room for improved energy use in the United States.

This country uses six times more energy than the world average; and fully one-third of that energy is wasted. We estimate that the total potential for energy savings in all areas of the economy could equal more than 10 million barrels of oil a day over the next ten years. / Even at current prices, that could save the nation more than \$175 billion dollars in imported oil costs between now and 1985.

And much of those savings can be realized in the sector you are concerned with -- the transportation sector. Nine million of the 16 million barrels of petroleum used daily in the United States are consumed in the transportation sector.



And 75 percent of those nine million barrels is used to fuel cars and trucks. Over the past 20 years new car fuel economy has decreased 10%, while the total amount of gasoline consumed by automobiles has risen nearly 50 percent.

If these historic rates were to continue, it would add significantly to the danger of growing national dependence on imported oil. But the latest figures show that highway consumption of gasoline has been declining, and auto fuel efficiency has been increased.

Part of the reason for this turn-around was the enactment of the 55 mile-per-hour speed limit. Part of the reason was an increase in the number of passengers per car through increased use of car and vanpooling.

But the major factor is that consumers have begun to react to the real price of energy and the fact that using less gasoline and using gasoline more efficiently saves them money.

This type of consumer reaction has also worked in concert with the agreement the President obtained from Detroit to improve fuel efficiency.

The 1976 auto fuel economy results that were released Monday show a 26.6 percent improvement over 1974 averages -- up from a little less than 14 miles-per-gallon to an average of 17.6 miles-per-gallon for all new car models. More importantly, this year for the first time, two of the cars in the top five are American makes -- which indicates that the manufacturers are not just paying lip service to our energy goals.

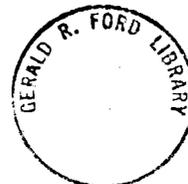


I think a big part of the reason for mileage improvements in the American fleet is that, in just the past year more fuel efficient compact and subcompact cars have increased from 37 percent to 46 percent of the new car market. Consumers in the showroom have begun to make their awareness of the new price of energy known to the manufacturers in the marketplace and the manufacturers are responding -- certainly more quickly and more efficiently than Capitol Hill has responded to the same realities.

This type of market response is one of the primary reasons the President has chosen to utilize our free market system to get us to energy independence. I want to commend you on the Triple-A "Gas Watchers" program and your other initiatives that are helping to make these efforts successful.

With continued improvements in the fuel economy of new cars and trucks, we anticipate that the growth rate for highway fuel consumption can be maintained at very low levels despite the 40 percent increase that has been forecast for auto travel between now and 1985. Even with this increased travel, a 40 percent fuel efficiency improvement in new cars could save the U.S. 630,000 barrels of gasoline and \$15.8 million dollars a day over the next five years.

But achieving this magnitude of conservation in transportation is dependent on revising the Clean Air Act emission standards for new cars.



FEA has worked closely with the Environmental Protection Agency and the Department of Transportation to come up with a plan that will help achieve both our energy and environmental goals.

We calculate that freezing emission standards at current levels for the next six years, will have only negligible effects on air quality. At the same time, delaying more stringent standards will save consumers money on the cars they buy and give manufacturers time to make incremental improvements in emission control systems without locking them into the exclusive use of catalytic converter technology.

The President has proposed amendments to the Clean Air Act that will accomplish these ends. These initiatives and others in combination with the proposed highway bill can provide us with the flexibility to shape a balanced and efficient transportation system for the country -- a system that will save energy, help our economic growth, and continue to improve the quality of the air we breathe.

Consumers and auto manufacturers alike have shown their willingness to accept the kind of compromise we are talking about.

If we can get the same type of measured response from the Congress -- the kind of comprehensive national perspective that balances our national interests instead of setting them against one another -- then we will be well on our way to a clean environment, a strong economy, and energy independence.



As I said before, it will mean that some of these goals will not be achieved as quickly as we would like, but with a little compromise now, they can all be accomplished in the future.

Thank you.

