The original documents are located in Box 49, folder "1975/07/30 - Ross Gilpatric, et. al. from Eastern Airlines" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

MEETING WITH ROSS GILPATRIC
FLOYD HALL AND FELIX ROHATYN
(Eastern Airlines)
Wednesday, July 30, 1975
12:00 p.m.
Mr. Cannon's Office

national Air Policy —
Interstate Commerce

Presented to DOT
July 28, 1975

1. De-control crude over a period of no less than 48 months based on current level of old crude.

Argument:
- We have consistently argued the need for a gradual return to the free market.
- This period is within a reasonable proximity to the President's proposal.
- A return to the marketplace through gradual de-control will decrease demand, encourage conservation and apply increasing price pressure upon the OPEC cartel.

2. Remove the effect of the February 1 import tariff of $1 per barrel as well as the June 1 $1 per barrel tariff and any subsequent tariff imposition on imported crude.

Argument:
- The administration by limiting the price of new oil to $11.50 per barrel has eliminated the impact of the import tariff.

3. Price increases for jet fuel and other industrial fuels would be limited to raw material increases and the proportion of the refiners' production of those fuels effective January 31, 1975.

Argument:
- The pursuit of the "motor gasoline tilt" concept is politically unacceptable and administratively virtually impossible.
- Acceptance of our proportional share has an intuitive ring of fairness and one that is easily defended.
- In today's world, the refiners are now finding it difficult to pass on increased costs to the motor gasoline pump as purchasers are able to shop. Therefore, they have a strong incentive to pass on these costs to captive customers such as the airlines. This incentive will, of course, increase proportionately to the speed of de-control.

- Proportionate pass through is easily administered by the refiners and subject to audit by the FEA.

- Were it possible, a tilt to motor gasoline would most likely be preferable, as the carriers would be buying time. However, one might make a case that a sudden return to the marketplace at the end of the three-year de-control period might be more painful than a gradual acceptance of de-control moving in step with the general economy.

4. A fuel cost surcharge must be developed to pass through, up or down, changes in fuel costs on a six month basis.

Argument:

- Affects the industry universally.

- An uncontrollable cost that cannot be forecasted and whose end point is controlled by a foreign entity, i.e., it's "unique."

- Fuel costs are easily measurable.

- The surcharge will reinforce the seriousness of the energy crisis in the public's mind.

- Airlines have no alternate fuel.

- Utilities now enjoy flow-thru of fuel costs. This industry competes with airlines for kerosene.

- By using the surcharge approach, the escalator will not be imbedded in the rate base.

Presented to DOT
July 28, 1975

1. De-control crude over a period of no less than 48 months based on current level of old crude.

Argument:
- We have consistently argued the need for a gradual return to the free market.
- This period is within a reasonable proximity to the President's proposal.
- A return to the marketplace through gradual de-control will decrease demand, encourage conservation and apply increasing price pressure upon the OPEC cartel.

2. Remove the effect of the February 1 import tariff of $1 per barrel as well as the June 1 $1 per barrel tariff and any subsequent tariff imposition on imported crude.

Argument:
- The administration by limiting the price of new oil to $11.50 per barrel has eliminated the impact of the import tariff.

3. Price increases for jet fuel and other industrial fuels would be limited to raw material increases and the proportion of the refiners' production of those fuels effective January 31, 1975.

Argument:
- The pursuit of the "motor gasoline tilt" concept is politically unacceptable and administratively virtually impossible.
- Acceptance of our proportional share has an intuitive ring of fairness and one that is easily defended.
- In today's world, the refiners are now finding it difficult to pass on increased costs to the motor gasoline pump as purchasers are able to shop. Therefore, they have a strong incentive to pass on these costs to captive customers such as the airlines. This incentive will, of course, increase proportionately to the speed of de-control.

- Proportionate pass through is easily administered by the refiners and subject to audit by the FEA.

- Were it possible, a tilt to motor gasoline would most likely be preferable, as the carriers would be buying time. However, one might make a case that a sudden return to the marketplace at the end of the three-year de-control period might be more painful than a gradual acceptance of de-control moving in step with the general economy.

4. A fuel cost surcharge must be developed to pass through, up or down, changes in fuel costs on a six month basis.

Argument:
- Affects the industry universally.

- An uncontrollable cost that cannot be forecasted and whose end point is controlled by a foreign entity, i.e., it's "unique."

- Fuel costs are easily measurable.

- The surcharge will reinforce the seriousness of the energy crisis in the public's mind.

- Airlines have no alternate fuel.

- Utilities now enjoy flow-thru of fuel costs. This industry competes with airlines for kerosene.

- By using the surcharge approach, the escalator will not be imbedded in the rate base.

85%
1 TV
consumption
of energy
within the
households,
in Ethiopia