

The original documents are located in Box C29, folder “Presidential Handwriting, 10/13/1975 (1)” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

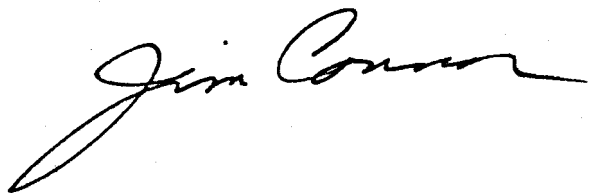
THE WHITE HOUSE
WASHINGTON

October 13, 1975

MEMORANDUM FOR THE VICE PRESIDENT

A copy of your remarks at the Energy Conference with Business Executives in Washington, D. C. on October 6, 1975 was returned in the President's outbox with the following notation:

"Excellent - Get someone to put in Congressional Record so it can be distributed."

A handwritten signature in cursive script, appearing to read "Jim Conner". The signature is written in dark ink and is positioned in the lower right quadrant of the page.

Vice President

Excellent / get
some one to put
in Congressional
Record so it can
be distributed.

The following summarizes the reactions that Bill Whyte got after the Vice President's remarks:

The general reaction was that the Vice President had done an excellent job of selling a difficult subject. Most of the businessmen that were there had opinions that were based on the bad press that the idea had been getting, but when they heard the Vice President's explanation and his answers to the many questions, they saw merit in the program. The feeling was that the Vice President or someone else has to do a selling job and an explaining job to the American people.

REMARKS OF THE VICE PRESIDENT
AT THE ENERGY CONFERENCE
WITH BUSINESS EXECUTIVES
WASHINGTON, D. C.

October 6, 1975

This country, up to the 1960's, was the major producer and exporter of oil, and had the reserves to export additional amounts if necessary. So when on two or three occasions other nations around the world tried to raise the prices of oil substantially, we just exported more and were able to hold the price.

Then as we got into the mid-60's, OPEC had been formed and we became a net importer. We didn't have the reserves to dominate world prices and therefore, triggered by the conflict in the Middle East, the Arab countries finally moved and in two years raised prices 500 percent.

At that point, the Eastern Seaboard particularly suffered quite a setback because of the boycott and the price increase. The boycott wasn't as overwhelming as it might have been because there were enough leaks and there were enough countries that didn't join it. I was at that point Governor of New York and deeply concerned, but Libya allowed oil to go to one of the British islands in the Caribbean and to be refined there and to come into New York for power and so forth. If they had really tightened down, we would have been in a much more difficult situation.

The President, as you all know, spent a lot of time discussing the economics and having the summit meetings when he first took office last fall, a year ago. One of the major subjects was this question of energy. He came out of those meetings with a clear determination to achieve energy independence as essential to this country's national security; secondly, that this should be achieved by 1985.

He then worked out the details of legislation which would encourage private enterprise to accelerate production domestically because energy has always been a private enterprise operation in this country, except for the Naval reserves. I don't think we really have recognized quite as clearly as it seems to me we should that the free market system should do this without Government intervention, except through a framework of laws which would give incentive.

The framework of laws has never been achieved. It was complicated when the United States Government controlled the price of interstate gas at a very low price so that the most desirable fuel turned out to be the cheapest fuel. It really hit the coal industry over the head, so that our greatest resource was the least developed. Gas when it was first controlled was in surplus, a byproduct of oil and being burned to get rid of it. The price was set so low that, as people shifted to gas, they were unable to get the increased production needed; or even if they could get production, -- as in the case of Texas -- they couldn't ship it on the interstate lines.

We had a meeting in this room with a group of Governors who came in, organized by Jim Rhodes of Ohio, pointing out that they had lost 600,000 man-days of work last year due to the shortages of gas. That was a warm winter -- and it is going to be worse next year. The industrial groups in his State were willing to finance production of gas at higher prices if they could just get permission to move it on interstate pipelines -- if the concept of a common carrier to be adopted rather than a regulated price. That has been very slow in coming because the Federal Power Commission was afraid that if it made such a ruling, they would be challenged in the courts by the ecologists and would then be overruled. So they wanted legislation.

Thus we see where government stepped in to regulate one phase of the energy industry, it totally disrupted the industry. This shows very clearly what can happen through government regulation. The President, as you know, has fought regulation; he has been for decontrol. He wanted an orderly decontrol on oil. He wanted 39 months. But then we go back to what has happened in Congress. He sent up a 500-plus page bill. This bill was complicated. I don't think the public has really paid attention to it since the energy crisis that they saw two years ago, when there were lines waiting for gasoline. It was really sort of personified at a meeting of the Midwestern Governors, where none other than Governor Exon asked me if there really was an energy crisis. He said, "How can there be an energy crisis when there is plenty of oil and gas around?" I said, "You have really expressed the whole thing right there. There is plenty of oil and gas around because we are importing now almost 40 percent of our consumption. The fact that we are importing is the crisis."

"Domestic consumption is going down. So as long as we import it, there isn't a crisis in the sense that you are thinking of it; but if the Middle East situation blew up again, or if for some other reason the imports were shut off, we could then find ourselves in the middle of a full-blown crisis which for certain parts of the country would be total disaster. I don't think anyone has really figured out how this country would survive a really effective boycott; we don't have transportation from the west to the east to handle the movement of energy in sufficient quantities to keep our operations going, our society going."

We have just seen a 10 percent increase take effect in the world oil prices and Congress has not taken any effective action; little pieces of action, but no comprehensive action. Finally, the management-labor committee had some concepts as to how to encourage industry through incentive to invest more domestically. That legislation hasn't gotten off the launching pad in Congress.

So we find ourselves in a free market industry, but the free market has been a world market. Now national policy expressed by the President is that we should be a self-sufficient, independent producer of energy. We have the resources -- nobody knows yet at what price. That is a national policy superseding a free market position because the free market was an international one.

A great many people have felt that this OPEC price structure would break down as production increased. Walter Levy, who is one of the most sophisticated people in the business has said right along there wasn't a chance this would happen; that they would do exactly what they did do. He predicted that six or eight months ago, or even longer, that they would not decrease the price; they would not break the price; they would hold and they would increase the price. That is what has happened.

So when people say that the use of Federal funds through a structure that is in a sense comparable to the RFC, conceptually, but not for bailouts, but for stimulating new industry or new production, and they say this is an allocation of capital and this is going to take it from a whole lot of other things, the answer on the allocation of capital is very simple. The President has said our national policy is self-sufficiency by 1985.

The estimates vary but between \$600 billion and \$800 billion will be required to achieve that objective out of about \$4 trillion \$300 billion that has been estimated as industry's capital requirements during this ten-year period for meeting needs of the American people and our responsibilities in the world.

We will fall short of that estimate by about \$600 billion.

Nobody knows how much money will come back into investments from Arab countries where the accumulation of capital is taking place. But I would imagine that Saudi Arabia alone is up to about \$7 billion now in investment in Treasuries. These

securities, were this corporation to be passed by the Congress on the \$100 billion basis, with ten years as the life of the corporation, would probably average out to about \$10 billion a year. If this country moves towards self-sufficiency, it would take a total of \$60 billion to \$80 billion a year and so \$10 billion is 12 to 14 percent of the total capital that will be required.

The conditions determining how this money would be used are two, basically: One, that it contribute to the self-sufficiency; two, that it be used for financing through private enterprise where sufficient capital cannot be obtained by private enterprise alone.

Take a look at the utility industry. Atomic power is the great potential we have in this country for energy. The others are important, but the long-term, major producer of energy is atomic, for the time being; solar and thermal are out further in time.

Seventy percent of the atomic power plants that were planned have been cancelled. There is a complicated series of reasons as to why. One factor is local regulations of the State Public Service Commissions, where they can't get rate increases so they can't earn enough money to be able to borrow the money. You can't get the increase until you are on line with your power. These atomic power plants, the most efficient ones, cost about \$1 billion. Therefore, you would have \$1 billion tied up -- not for four years as it used to be, but now with all of the filings that you have to make on impact statements and with the local suits, it is up to between 10 and 11 years -- \$1 billion tied up for 10 or 11 years with no basis forearning. That is one very good reason.

Another is the uncertainties as to all kinds of laws and regulations from Washington. The labor-management recommendations were to encourage a greater accumulation of capital by corporations.

Of course, the bill was immediately tagged by the opposition as being just a special interest bill for big business and big industry and for capital rather than for the people -- which is an easy, cheap shot politically, but it isn't going to help the country. So that bill hasn't gotten off.

The real question has to be, first does government -- when it has set a national policy that cuts across a free market operation -- work with the industry involved -- in this case domestic oil production?

The first approach of the President was this very comprehensive legislation.

One has to ask whether the Congress -- going through the same evolutionary change that all of our establishment institutions have gone through -- is unable to organize itself in spite of the oppositions overwhelming majorities in both houses. Is the structure of 300 different committees, which the Congress has in both Houses, so cumbersome that when you have a comprehensive piece of legislation of this kind, it makes it impossible for the Congress to act effectively and rapidly in the national interest because of jurisdictional disputes within the House and between the Caucus and the committees?

Or does one come reluctantly to the suspicion that there would be those in Congress in the opposition party, who would just as soon have the issue -- who would just as soon see us run short of energy, have the President take off controls because they lapsed and not be able to work out an orderly extension, and then have chaotic conditions in 1976 -- and maybe this would be politically advantageous.

One hesitates to even think that anyone, for political purposes, would be willing to see the Nation run the risks which we are running and have the people suffer in a way that they might suffer very easily were such a chaotic situation to exist. But one can't eliminate that possibility entirely.

Whatever the situation is, there is no action. We are in a stalemate and the problem is getting worse. We are now close to \$30 billion a year for imported oil. Luckily, our farmers have been tremendously productive, a major new source of foreign exchange, and other areas have been also able to export, so our balance of payments is reasonable at the moment. But with consumption going up, with production going down, with the depletion allowance taken off, with the old oil still likely to be under control, nobody can afford to put the money into the secondary retrieval of oil because it falls under old oil.

So we have a situation where our production is declining and our consumption is increasing and nobody thinks there is a crisis.

Let's go to the areas that this corporation might serve. The best illustration is Rubber Reserve under Bernie Baruch in World War II, which did a great job. They contracted with six or seven private companies to develop synthetic rubber production; of that group, I think four or five came through with processes or variations of a basic process which were successful. They sold the company, the plants and the process, to private enterprise and we have a new industry in the United States. It was a self-liquidating operation.

The concept is a self-liquidating corporation to finance those risks which private enterprise cannot or will not undertake at the present time to contribute to self-sufficiency and to do it to the maximum degree possible with private capital participation and through private industry and then sell it as rapidly as possible.

Some people ask what we need this for if we have ERDA? ERDA's powers go to laboratory experiments relating to energy. But they do not have the funds or the authority to take those laboratory experiments into a full commercial production. Of course, here you move from a limited expense to a much larger expense, but the commercial production is essential to find out what the cost of energy would be.

For instance, gasification of coal is being done and so is liquefaction of coal in South Africa. It comes out between \$30 and \$40 a barrel of oil in equivalent energy, but it does produce gas. It is essential.

There are new methods which might reduce it to \$20 a barrel equivalent of oil, or even down to \$11. There is the possibility of in-situ operations, drilling a hole down into a deep coal mine, setting off an explosion, setting it on fire; the heat does the same thing underground that is done on top and you would draw up the gas that is created by the burning of the coal underground. There are those who feel that this will be a far cheaper method but an experiment like that would cost \$200 million to find out.

A surface gasification plant costs about \$1 billion. There is a need for 18 to 24 surface gasification plants to be built right now if we are to meet the demand for gas. This is what the gas industry is looking for. There, right away, is \$18 billion to \$24 billion needed to produce gas by the traditional, most expensive way.

Coal, of course, gets tied up with the whole ecological problem. I visited one of the most fascinating mines near Gillette, Wyoming, where they took off 23 feet of surface, then 70 feet of coal. They took the topsoil off first and stacked it; then took the rest off, put it behind where they are digging the hole, and then they end up by putting the topsoil back on, making six lakes on 6,000 acres. The only difference you will find is you will have lakes which you never had before, and it will be 123 feet lower than it was before. The growth is as good as before or better. I was there: The antelope were grazing still, right around the mining operation.

This mine produces 20 million tons of coal a year with 55 people. Everything is automated; it is a superb operation. In other words, it can be done. If, as a nation, we decide to produce low-sulphur coal in the west, I am confident the ecological problems can be worked out. This whole thing has got to be done so that we don't get our energy at the expense of our environment. I am confident that production and the ecological research can be done together.

But then you come to the problem that a lot of railroads can only move coal cars at the rate of ten miles an hour, because of the condition of the roadbeds. There is about \$11 billion of roadbed work to be done in this country. It is conceivable that this corporation could lend but I don't think the railroads can borrow the money. Therefore, the corporation might buy preferred stock in a railroad to give them the funds to fix up their roadbeds and those funds could then be earned out of coal -- all of this being contingent upon a conversion of eastern power plants from oil to coal. This this happens, the coal has got to be produced. It has got to be transported. You have to have the government in a position, or somebody in a position, to be the catalyst -- the fallback position where private enterprise cannot or will not finance the effort to achieve this independence.

As to oil, we have tiwice as much oil in shale in this country as the Arabs have oil in the Middle East in known reserves. The problem is to get it out. You can mine the shale. You can cook the oil out. Then you end up with what I call talcum powder, which is in a much larger volume than the shale you have mined, because it has been cooked and so it is not dissolved. There is very little water where the shale is. Therefore, what do you do with the stuff? You could fill a valley -- but if you have a heavy wind, this stuff is going to blow all over the west.

Again, you can do an experiment (for \$200 million) of trying to develop in-situ production of shale oil: drill down, put off an explosion, set it on fire, draw off the gasified oil and condense it. The Livermore Laboratories have done some work on this with Edward Teller. They feel, although nobody else is willing yet to agree with the, that this might be produced at a cost of \$7 and \$8 a barrel.

This could be one of the great bonanzas in the history of this country if that cost could be achieved. It would be fantastic.

Occidental Oil is the only company that I know of that has done any major work in the field, but they can't afford to carry through on an experiment of this magnitude.

Many companies bought over \$1 billion total in leases in Colorado for shale, but they were going to do surface mining. None of them have gone ahead because of the uncertainties and the ecological problems.

One of the standard methods of financing, is the lease-purchase operation. It is perfectly conceivable that an atomic power plant costing \$1 billion could be financed by the government under a contract with a private company for lease-purchase, and with a contract with the Public Service Commission that as and when that plant comes on line, the rates will be such that this company can earn, the funds necessary to pay back.

The President in his message to the Congress last January said we need 200 atomic power plants by 1985. We now have about 60. Of the remaining ones, 70 percent were cancelled. California will vote on proposition next June banning all atomic power plants in California. Oregon has the same issue. If this country bans atomic power plants, and we don't move in these other fields, we are going to be totally in a situation which some ecologists would like to see -- a no-growth society. A no-growth society means no jobs for the young people that are coming on. Our whole society has been geared to increased employment based on increased productivity. I happen to think that is the hallmark of America. It is our strength. It is our success. I happen to think that we can meet the ecological side of this problem as well as the development side.

Industries in 18 States are going to be in a serious condition if they don't get gas this winter. If we have a cold winter, even if the interstate pipelines are allowed to be used there is still going to be a shortage because there isn't enough gas being produced to sell.

That means that industry which depends on gas would probably buy up propane gas that the farmers depend on to dry their crops and to heat their homes. Farmers are small buyers, so the next thing you would have to have would be control of propane. This is just going to take this government, one by one, further and further into controls -- and the more government gets into controls, in my opinion, the more they distort the economy and make it difficult for us to get back on a sound basis.

Therefore, in conclusion, it seems to me that this idea of the government acting as a catalyst to help get us off dead center in becoming self-sufficient in energy as a nation, across the board, in all of these fields and on a self-liquidating basis, is essential to our national security, to our industrial growth, and to employment.

If we don't do it, in my opinion, there are elements in this country, some of them in the Congress, who would like to see industry fail -- not be able to meet the needs of the country. These elements would then say, fine, we told you the system was no good; that capitalism doesn't work; that private enterprise doesn't work. Therefore, we have got to take it over.

Then we will move as the British moved, taking over one industry after another, with all the problems that grow out of that; then they start subsidizing; then unions demand far higher wages because they say the government has unlimited capacity to pay and, therefore, you get into the most difficult situation and the most dangerous situation where you have neither a capitalist system nor a socialist system and you have the worst of both. Nobody can make an investment because they don't know what the conditions are going to be, what the regulations are going to be, what the resources are going to be. Therefore, you have higher unemployment and demands for more expenditures by the Federal Government -- which the President has had the courage to resist to a degree that is perfectly extraordinary. If he didn't, we would have even more inflation.

Fabian socialists like inflation because that is the quickest way to equalize capital. You don't have to expropriate anything. People's values are gone because inflation just wipes them out. The Germans went through that and we know what happened as a result.

The President has already said we have to have an allocation of capital when he announced the goal of energy self-sufficiency. He has asked private enterprise to do it. So it isn't a question of taking the capital from housing and all of these other areas that people talk about. There is plenty of money right now in the savings and loan associations. People haven't got enough confidence to invest in housing. So it isn't that.

Secondly, as far as the EIA's being a step towards socialism is concerned, I think it is exactly the opposite. I think it is government's showing their concern for the present system -- free enterprise and capital -- trying to help stimulate and bridge over this period.

The Energy Independence Authority would have the responsibility of acting as the clearing house for ecological and regulatory functions of government at State, Federal and local levels. It would make recommendations to simplify these structures, based on experience. A private operation which was investing in capital to achieve energy self-sufficiency could also use this corporation as the clearing house for its contacts with government. The objective is a system which would cut down on the time lost through bureaucratic delays and law suits, a very, very serious thing in terms of cost, expense and delayed production.

The way the legislation is being drafted would give the EIA's five-man board the discretion to make all of the key decisions so we can get it rolling and get action fast and decisions made the way they are made in private enterprise as distinct from the way they are done too often in government.

What makes me think it will go through Congress?

This is something that labor wants very badly. It means jobs through industry and not jobs through a dole. Therefore, I am pretty sure labor is going to give it very strong support. If industry at the same time feels it is desirable and worthwhile and gives it support, then I think its passage has got very great potential.

But if industry is opposed to it, that will nullify labor support and probably nothing would happen.

I think this is a turning point for this country and if we don't have energy we are not going to have growing industry. If we don't have a growing industry, we are not going to have jobs and we are going to have a lot of problems. We have got them, but they will be worse.

Are there any questions?

QUESTION: Mr. Vice President, could you relate this program to the \$6 billion synthetic fuel program that we read about recently? Is it part of it?

THE VICE PRESIDENT: The \$6 billion synthetic fuel program is one that Senator Jackson has proposed. It hasn't passed yet. So what we did in the thinking on this was to just make a provision that they would be complementary if that passes. The Jackson proposal would be an outright expenditure -- putting the money in the federal budget. EIA would provide a loan, or an investment, or a guarantee of a loan, all on a self-liquidating basis. That is the difference. But if the Jackson proposal passes, fine; whatever they do with that wouldn't have to be done by EIA. They would be totally complementary.

QUESTION: Mr. Vice President, you know there is a process of drafting in Washington whereby you can direct a piece of proposed legislation that will go to a standing committee. My question is addressed to where would the thrust of this legislation lie so that we could determine what the standing committee would be or is it a multiple reference to the standing committees?

THE VICE PRESIDENT: You are obviously very well aware of the whole committee structure and the sensitivity of this and of course there are the jealousies as to who gets what. That is being analyzed very carefully by experts. It could be considered as a financial question. It could be considered as an energy question. There are two or three different ways it could go. I think the effort will be to find out where it could be most expeditiously dealt with. But if you have a suggestion, I would be very grateful.

QUESTION: Mine is a negative suggestion, Mr. Vice President. Don't make it so that it is a multiple reference.

THE VICE PRESIDENT: Absolutely; on that, we are all in agreement. If you want to tell me confidentially afterwards which one of the group, I would appreciate it.

QUESTION: Mr. Vice President, you mentioned many of the traditional sources of energy but you hardly touched on solar energy. I wonder. Here is one that has few ecological problems and would it be participating in this program and how?

THE VICE PRESIDENT: Solar energy and thermal energy are very important parts. They are large scale producers of energy immediately, but they are very important parts of the program. Any group which wants to produce any new process or develop equipment or whatever it may be for solar energy would, if they can't get the funds themselves, be eligible for assistance in the way of a loan or a loan guarantee from this authority. Conservation is included here, support for the conservation of energy. Pipelines are included in this as eligible if they can't get the private financing.

Alaska could produce an awful lot more oil if they opened up more lands; five, six, seven million barrels a day. That would take four or five pipelines. So you are talking a lot of money and that has to be balanced out.

QUESTION: Mr. Vice President, you had mentioned the government-owned, contract-type of plant such as the rubber plants in World War II. Is there any way you are going to insure that this legislation is so worded that someone of a different philosophical outlook cannot turn this energy independence agency into a Federal oil and gas corporation running the same way as TVA?

THE VICE PRESIDENT: It requires that everything be sold and that it be self-liquidating and it be done through private enterprise and with private enterprise participation. I think the private enterprise participation is one of the most important aspects. For instance, if you build an atomic power plant under a lease purchase contract, with a contract with the Public Service Commission, you actually then have a contractual relationship that, the ownership is in the hands or will be in the hands of private enterprise. Nothing will be done where the government sets up some new form of TVA.

It happens that the Governor of Pennsylvania, who is a declared candidate for the Presidency, Governor Schapp, has got a program where he has been trying to get other Governors in the Eastern Seaboard to join in sponsoring which involves a TVA at the mine-heads to produce electricity at the mine heads, which would be owned by the government, mined and then distributed from there.

So I think we are on the verge. I flew to the coast Thursday night with a Senator who has introduced a bill to break up the oil business and have just producers, distributors, marketers -- each one would be in a separate company. I only mention that. This is a Republican and it shows that people are looking to Congress for ways of being responsive to the public but not, in my opinion, too clear as to what the impact would be on our system.

QUESTION: Mr. Vice President, you indicated that this authority would be able to produce hopefully about 14 percent....

THE VICE PRESIDENT: Of the capital needed to meet the self-sufficiency.

QUESTION: Is there some way this could be helpful if private industry does not come forth with the other 86? Do you think there is any problem in that other 86 being raised during that period of time?

THE VICE PRESIDENT: Let's take a case in point. Let's say they invested \$200 million in either an in-situ gasification of coal or in-situ gasification of oil project and it proved to be within, let's say, lower than the cost of present imported oil prices. I don't think you would have to worry about it because the government would not continue in the business. They would sell, either sell the process or make it available, whatever the procedure would be, whatever they did in the Rubber Reserve type of thing. I think you would find, then, a tremendous amount of private capital. Capital goes where it can get earnings. If capital can find attractive earnings in producing energy in this country for self-sufficiency, they will invest in it. If they can't, they will invest in the MacDonald Hamburger stands, not that I am against them. I am for them. (Laughter) But they are not going to solve our energy problem. We have a free capital market. They go where the returns are. The question is: Can the government help point the way to good returns?

QUESTION: Sir, you mentioned in connection with the nuclear power plants a contract between the Federal Government and the State Public Service Commission. I don't think you will get many States that will willingly enter into such contracts, but if you do you could do that right now without having to have the lease-back arrangement and the Federal Government build the plants.

THE VICE PRESIDENT: Great. Then we wouldn't have to put any Federal money in.

QUESTION: I would think that would be the place to look; is the Federal Government using its influence with the State commissions to get the rates up? That will bring the capital in and you won't have to build the plants through the government.

THE VICE PRESIDENT: There is only one flaw in your argument, if you will forgive me -- at least a political flaw; and, that is, as one who only two years ago left the Governorship and who saw the beginning of the pressures due to, first, ecology on using non-sulphur fuels and the increased cost in getting the non-sulphur coal, non-sulphur oil; then the embargo and then the world price increase of 500 percent. These poor public service commissioners have had to take double and triple the cost of electricity to consumers, if not more.

There problem right now is that they have gone through so many increases. When I got a new Chairman of the New York State Public Service Commission, who had been a strong consumer advocate, I said, "Look, in your advocacy of the protection of the consumer do you include -- (this is before I offered him the job) -- the protection of the consumers' need for additional power in the future? If so, so you visualize that that is going to take higher rates and more money in order to get the capital in?" He said, "I read you. I agree with you and you have no problem." I took him on.

He did a superb job. He was pilloried by the public. He was sued by my own Attorney General (laughter) -- it was purely political, I love him, too and he was sued by the City. In other words, these people have been in the most difficult political situations because every consumer of electricity -- I can only speak for New York, but I suppose it is very similar in other parts -- has just gone through the most unbelievable increase in cost.

So my reason for thinking what I say is that the Public Service Commissions would be so glad to see something built that will protect the needs of the community but doesn't have to raise the rates until further down the road when they may not even be on the commission. (Laughter) They would be very happy, in my opinion -- this is a political judgment -- to sign a contract for the future whereas they could not go through another major increase now, particularly as the people aren't going to get the benefit for 11 years. The alternative to this is, what is happening again in New York State, where we had an authority which was created to develop hydro-electric power on the St. Lawrence with Canada. Each of us has a power authority. We run it jointly.

This power authority now being the only one that could raise the money has already built one atomic power plant. It is now going into a second atomic power plant. It has built the grid to connect it and the first thing you know you are going to see this same thing happen -- that government is going to come into meet the demands. I just think if you believe in private enterprise, if you believe in the capitalist system, you have to stand us and see what it takes to help that system work? You have got the very simple and right answer-- if government would just get off our backs, then we wouldn't have any problem. But this is a democracy. Government is the creation of the people and it has got politicians like myself in it, and they may not always be as totally objective in their views of what is needed, because of political pressures. Therefore, I think here is a possibility. If we can do what you say, perfect. They will try. But we talked about shortcutting some of the environmental requirements. If you did that, the legislation would be killed. So we have got to live within this. Let's have a central point where we can clear all of this, and where you develop, perhaps, standard forms and so forth and to the degree we can get what you suggest, wonderful. Then no money would be needed.

QUESTION: Mr. Vice President, I am wondering about the effect of this plan on competition within the LNG industry. For example, if one small project were to be given substantial Federal help or one Alaska pipeline, what would the effect be on other applicants who didn't get help?

THE VICE PRESIDENT: There is a very interesting thought here and that is, I think -- don't hold me on this one -- but I think it will be in the legislation that no loan would be made below the rates of what a prime producer of energy can get in the open market.

In other words, the government won't come in and take a weak company -- this is not a bailout. This is not going to be for the bailing out of a defunct company. This will only be to produce energy to achieve these goals. But the rate of the loan would not be lower than what the prime rate would be for a successful company.

Most companies will not want to borrow from the government, I imagine, if they can get it from private sources.

QUESTION: What provision is made, Mr. Vice President, in the event that loan is in default?

THE VICE PRESIDENT: I think the plant, the operation, whatever it is, would be completed and the property sold. They take a loss. If you are in this business of trying to produce at risk or go into risk areas, you are going to have some major successes and some failures. I think that is why 25 percent of the capital or 25 percent of the \$100 billion will be equity and 75 percent loans.

I hope that they will make enough successes which they can sell at a profit to overcome the losses where there would be a default. But then they have just got to sell it. This is specifically stated not to become a government operation.

QUESTION: Mr. Vice President, please detail a little more of this clearing house concept. What authority would that have? Is it advisory primarily? Is it in the ecology field only? Or could it spread to other areas of agencies?

THE VICE PRESIDENT: This authority would specialize in government clearances of all types, and so if there is a project which contributes towards energy self-sufficiency, financed or not financed, partially or not by the government, they would be eligible to have all of their clearances done through this division.

This could very well lead to recommendations -- I think it will be so stated in the legislation -- as to simplification of clearances. A most interesting case: A friend of mine who is a lawyer in New York tried to set up a corporation for the seven utility companies in New York State last year, which would be a financing-construction company. The credits weren't strong enough to do it themselves so they wanted to set up a joint company.

He said there were, I have forgotten, 14, 17 different regulatory bodies, State and national, which were involved. He could not devise a corporation which could meet all of those, including antitrust, and so forth and so forth. So they finally had to give it up.

If there is a central group and you get some very able people who understand the law, the ecology, production, and so forth, I think this unit could become an extremely efficient unit.

I am not sure why in many cases these things can't be standardized. Why do you have to spend a great deal of money each time you file an impact statement, starting from scratch? The impacts can't be that different. There are certain criteria that go into them. I have a feeling this could be a very interesting and useful step.

#####