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The Center for Strategic and International Studies *JH*

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Cable Address: CENSTRAT

August 12, 1974 *File*

Mr. Jack Marsh
Room 294
Old Executive Office Building
Washington, D. C. 20501

Dear Mr. Marsh:

I am enclosing a copy of an article carried in last week's "U. S. News and World Report" concerning an interview with David Rockefeller. I think this is one of the best balanced interviews on this subject that I've seen. The last paragraph is particularly fitting--it advocates what amounts to operation "Interdependence." It emphasizes how real the turn of events is on our energy situation, but also that a cooperative approach between all of the nations of the world, both producers and consumers, should enable us to change what appears to be a disastrous situation into one that can be of benefit to all.

Also notice page 39, which is a fairly optimistic report from Secretary Simon. For your information, it appears that the Saudi's have just abruptly cancelled the auction that was so glowingly referred to. There are other aspects of this situation that I still think we need to discuss on a person-to-person basis if you can ever shoe-horn a few minutes in.

We have now tentatively scheduled a trip for Senators Humphrey, Brock, and Nunn to the Middle East area in mid-November. It looks like they will spend at least four days in Saudia Arabia, two or three in Iran, and possibly have time to make some observations in Yemen, Israel and Egypt. I'll keep you informed how it shapes up.

Sincerely yours,

Jack H. Bridges

Jack H. Bridges
Director, National Energy Programs

Enclosure

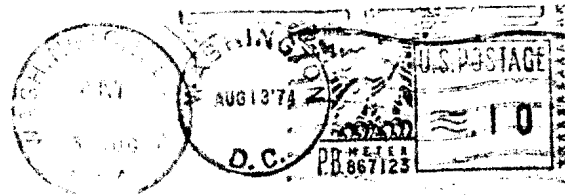
OIL MONEY: A CRISIS AS THE BILLIONS PILE UP?

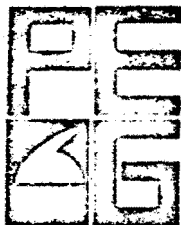
Interview With David Rockefeller, Chairman, Chase Manhattan Bank



The Center for Strategic and International Studies
Georgetown University / 1800 K Street Northwest / Washington DC 20006

Mr. Jack Marsh
Room 294
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The Petrochemical Energy Group

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"Raw Material Needs of the Petrochemical Industry"

speaking for
The Petrochemical Energy Group

E. S. Robson, Jr.
Vice President
Monsanto Company
St. Louis, Mo.

Midwest Regional Hearing
on Project Independence,
Federal Energy Administration

Sept. 11, 1974
Kansas City, Mo.



Mr. Chairman, my name is Ernest S. Robson, Jr. I am a vice president of Monsanto Company of St. Louis. However, I am here today speaking on behalf of the 23 independent petrochemical companies comprising PEG, The Petrochemical Energy Group.¹ The purpose of my testimony is to describe the unique role of petrochemicals -- and how they are intertwined with Project Independence and alternate possibilities for fuels.

The members of PEG produce the majority of the petrochemicals our nation converts into countless end products which support our lives. We are vitally concerned with meeting the basic human needs of food, clothing, shelter and health. For example:

1. Nitrogen fertilizers for corn, wheat and cotton are made from petrochemicals, as are pesticides which save consumers \$20 billion a year by fighting weeds, insects and fungus.
2. The vast majority of our clothing is made from petrochemical fibers like nylon and polyester. And there is not enough land left to return to natural fibers, unless we cut food production.

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1) PEG companies are listed on Attachment A.

3. Home construction costs are held down by the expanding use of plastics in pipe, insulation and modern paints -- all petrochemical products.
4. The nation's most widely used pharmaceutical, aspirin, is made from petrochemicals -- as are numerous other medicines.

Beyond these extremely basic needs, our nation's transportation system is completely dependent on synthetic rubber tires, made from petrochemicals. In communications, our telephone and television systems could not operate without plastic insulation.

One indication of the importance of petrochemicals to our economy is a recent survey on material shortages undertaken by the U.S. Senate's Permanent Subcommittee on Investigations.²⁾ It concludes, "By far the most universal shortage is in petrochemicals." Another survey has shown that a 15 per cent decline in petrochemical production would result in a loss of 1.6 to 1.8 million jobs in our economy.³⁾

✓
✓
✓
✓

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- 2) Refer to Attachment B, p. 23 of Committee Print on shortages.
- 3) See Attachment C, summary from Arthur D. Little, Inc.

Today the U.S. petrochemical industry employs nearly 300,000 people in 1,900 plants. The industry, with sales in excess of \$20 billion annually, is one of the largest contributors to a favorable U.S. balance of trade.⁴⁾ As another measure of size, consider that petrochemical product manufacturing is significantly larger than the manufacturing of petroleum products for fuel. The petrochemical industry has almost three times the employment, over double the value added in products, and nearly 50 per cent more capital investment than does petroleum fuel refining.⁵⁾ And yet petrochemicals consume only 6 per cent of our nation's oil and gas. Now that's a real return on the investment of a scarce natural resource!

I am not here today just because Kansas City happens to be close to St. Louis. I am here because the petrochemical industry is vitally concerned with the new government policies to be encompassed by Project Independence. We are totally and utterly dependent on the crude oil and natural gas involved in your considerations.

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4) Attachment D, U.S. Department of Commerce report.

5) 1972 Census of Manufactures, Attachment E.

The members of PEG strongly support the fundamental objective of Project Independence to increase energy self-sufficiency and reduce vulnerability to embargoes on foreign supplies. However, it is vital that we recognize two points -- 1) petrochemicals are basic to our entire economy and 2) the petrochemical industry must compete on a global basis.

Let me expand on that last point. The economics of fuels are generally restricted to a national market. But the absence of significant trade barriers makes chemicals an international market. Seven of the top 10 chemical companies in the world are not U.S. companies -- they are headquartered overseas.⁶⁾

And we are losing ground in petrochemicals. Today the U.S. has about 40 per cent of the world's petrochemical capacity. But this year, only 11 per cent of the new petrochemical plants are being built in the United States.⁷⁾ Why? Because developing nations have recognized the contributions petrochemicals can make to their standard of living. Whereas U.S. investment in petrochemicals peaked in 1966-67,⁸⁾ due in part to uncertain national policies, such expansions have taken a preferred position elsewhere. This year 58 per cent of the new petrochemical plants are being built in developing countries.

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6) List of companies from Chemical & Engineering News, Attachment F.

7) Attachment G, Oil & Gas Journal report.

8) Annual Survey of Manufacturers, Attachment H.



Without proper consideration of petrochemical needs, Project Independence could mean "dependence" in an even greater form. Today we are concerned about importing crude oil costing us about four cents a pound. Unless the U.S. petrochemical industry stays competitive, tomorrow we will be importing rubber, plastics, fibers, pesticides and medicines worth 30 cents to \$1 a pound. What will that do to our independence and balance of payments?

The inherent goals of Project Independence also place new and key responsibilities on petrochemicals. For example, energy conservation means an increased demand for home insulation bound together by plastics -- or light weight plastic automobile parts and radial tires to increase gasoline mileage. Reduced energy consumption in drying or ironing our clothing calls for more man-made fibers. An expansion in coal production will require ammonium nitrate for explosives manufacturing. And more use of electrical energy means a higher level of plastic insulation.

To meet all these needs, petrochemicals are going to need an increasing share of the nation's oil and gas over the next 10 to 20 years. We are uniquely dependent upon these resources for our raw materials. There are no feasible alternatives during the lifespan of Project Independence.

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So what are the answers? Can enough oil and gas be reserved for petrochemicals? Let's take a look at the nation's demand. There are three primary markets for the hydrocarbons found in petroleum -- basic fuels, transportation and petrochemicals. Fuels take 62 per cent of our petroleum, transportation demands 32 per cent -- and petrochemicals need 6 per cent.

In basic power generation, such as the production of steam and electricity, the main requirement is the amount of BTUs or heat in the combustion material. BTUs in natural gas are equivalent to BTUs in coal, nuclear energy or solar energy. The unique structure of the molecule is of no value. There is an alternative for power via coal and nuclear energy -- given a reasonable time to solve environmental problems and a significant amount of capital investment. Basic fuel markets are the most flexible for switching to alternate sources of energy. And that's a solution for 62 per cent of our energy consumption.

Transportation markets need a fuel which has a rapid and controlled release of energy. In internal combustion engines, the critical fuel requirements are the ability to convert into a vapor, rapid burning and ease of transportation. Many kinds of products fill this bill. Excellent fuels can be made today from liquids as diverse as methanol to propane. With a limited number

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of critical requirements, it is entirely feasible to manufacture motor fuels from coal or oil shale. It will take work. It may not be gasoline. But it is a viable, practical alternate. After all, Germany ran its cars on fuels from coal 30 years ago. And again, this is an answer for a major energy consumer -- now 32 per cent of our petroleum demand.

The story for petrochemicals is different. If the required molecules are not present in nature's material, or if the technology for change does not exist, the petrochemical product can not be made. All petrochemicals have a specific chemical structure with purities in the 99.8 per cent range. For example, butadiene -- a key ingredient in synthetic rubber -- is now made commercially only from straight-chain carbon molecules which exist only in petroleum.

Each of the three markets I have mentioned are in different stages of technology. The ability to create power from coal or nuclear energy exists now. The ability to make motor fuels from other sources is practiced in several countries -- and has possible application here. The ability to make petrochemicals from coal applies now only to a few products like ammonia and methanol. There is active research in this area, but we can not hope for relief in the near future. It will be close to the year 2000 before we know how to make significant amounts of petrochemicals from other resources.

A final point before my conclusion. You will remember I mentioned that PEG companies are independent petrochemical producers. By this I mean they are predominately purchasers of oil and gas -- and are dependent upon petroleum refiners for their supplies. These same integrated refiners are also our competitors in the petrochemical field. The distinction between these two classes of petrochemical suppliers must always be remembered as government policies, details and procedures are finalized.

When the nation's attention became focused on energy last fall, due to the embargo on Mideast oil, the bulk of our concern naturally turned first to heating, power and transportation. It was some months later before we recognized that petroleum was also a raw material for man-made products vital to every part of the economy. We must remember the following points in our work on Project Independence:

1. The police car or ambulance which has gasoline can not run without tires. Generated electricity is worthless without wire insulation. Food supplies will wither without the nutrition and protection of agricultural chemicals.
2. The petrochemical industry is not protected by high or absolute trade barriers. It must compete worldwide.

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3. Coal and nuclear energy are practical, available alternates now for the generation of power.
4. Motor fuels can be made in a number of different forms.
5. Petrochemicals are completely dependent upon petroleum raw materials for the next 15 to 25 years.

I think we might take a bit of advice from the Shah of Iran who was reported to have said he did not want to waste his nation's oil reserves in selling fuels to the world -- but would rather market them as petrochemicals. He evidently knows the best and highest priority for shrinking petroleum resources. I suggest the United States have the same wisdom as we chart our future. Project Independence represents a real opportunity for this nation to set priorities in the use of our natural resources.

Thank you.

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THE PETROCHEMICAL ENERGY GROUP

Borg-Warner Chemicals

Celanese Corporation

Chemplex Company

Dart Industries, Inc.

The Dow Chemical Company

E. I. duPont de Nemours & Co., Inc.

Ethyl Corporation

Firestone Tire & Rubber Company

Foster Grant Company, Inc.

The B. F. Goodrich Company

Goodyear Tire & Rubber Company

Hercules Incorporated

Monsanto Company

National Distillers & Chemical Corporation

Nipro, Inc.

Olin Corporation

Oxirane Corporation

Petro-Tex Chemical Company


PPG Industries, Inc.

Publicker Industries, Inc.

Rohm and Haas Company

Texas Eastman Company, Div. of Eastman Kodak Company

Union Carbide Corporation



MATERIALS SHORTAGES

INDUSTRY PERCEPTIONS OF SHORTAGES

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON GOVERNMENT OPERATIONS UNITED STATES SENATE



AUGUST 1974

Printed for the use of the Committee on Government Operations

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1974

35-776

PETROCHEMICALS

By far the most universal shortage was in petrochemicals, with 181 companies reporting shortages. Essentially all hydrocarbon-based chemicals are in short supply because of the limited availability of petroleum feedstocks. The products made from petrochemicals include compounds which are necessary components of lubricating and industrial process oils, greases, waxes, and some fuels. Detergents, dispersants, viscosity improvers, anti-oxidants, emulsifiers, pigments, defoamers, and friction modifiers are also largely based on petrochemicals. Some of the petrochemicals that were mentioned in the survey as being difficult to obtain are the following:

phenolic resins	acetone
ethanol	isopropane
styrene	vinyl acetate
acrylates	ethyl acetate
phenol	solvents
xylene	methyl ethyl ketone
glycerine	toluene
acetic acid	benzene
methanol	glacial acrylic acid
polyvinyl chloride	neoprene latex
cellophane	creosol
polyester film	polymeric resins
polyethylene resin	pitch
nylon resin	glycols
polyethylene film	ammonia
aldehydes	ethyl alcohol
polypropylene	isopropyl alcohol
adhesives	oil alkyd resins
emulsifiers	epoxy resins

Many manufacturers are reportedly allocating sales of their products. Resins are especially hard to get and are being allocated on the basis of purchases during a previous period. Part of the shortage of some resins is due to the shift by producers of feedstocks to the most profitable products, leaving the others in very short supply.

Price controls were felt by many of the respondents to be responsible for aggravating the shortage of some petrochemicals. Price controls were also blamed for suppression of chemical prices far below export value, which resulted in the exportation of badly needed materials. Many producers, caught in the price squeeze, cancelled expansion plans, which further tightened the supply situation. Several of those replying expressed concern over a possible reimposition of price controls in the future.

Another problem affecting the industry is the uncertainty created by environmental regulations which might be changed or imposed after new plants are completed. Environmental laws can also affect the demand for the product as well as the facilities where it is produced. The requirement that 1975 automobiles be able to operate efficiently on lead-free gas has generated a search for replacements for lead compounds in gasoline, such as benzene, toluene, and xylene. These

SUMMARY

U.S. PETROCHEMICAL INDUSTRY IMPACT ANALYSIS

The current shortages of oil and gas in the United States have forced the Federal Government to implement a Mandatory Fuel Allocation Program, a Mandatory Allocation Program for Propane, and to supervise an expanding level of curtailments in natural gas supplies to interstate pipelines. These shortages will have a significant impact on the whole economy and the petrochemical industry as a major consumer of oil and gas hydrocarbons will be directly affected. However, the impact on this industry and its customers will be significantly greater than on other industries because these hydrocarbons are used not only as fuel but also as the primary raw materials or feedstocks for this business.

As a result of the current shortages, it is not unrealistic to expect that petrochemical production will decline in the near future. To assess the impact of a decline in petrochemical production on the nation's economy as a whole, the Petrochemical Energy Group (PEG) asked Arthur D. Little, Inc. (ADL) to develop an estimate of the effect of a 15% decline in the organic chemicals industry on consuming industries. Through the use of input-output economic analysis, ADL estimates that a sustained 15% reduction in the output of the organic chemicals industry could result in a loss of 1.6 to 1.8 million jobs in consuming industries and a loss of domestic production value of \$65-70 billion annually.

While our analysis assumes a decline in production of 15%, it is difficult at this time to anticipate just how extensive a decline will actually result from the current allocation and curtailment programs. Should these programs not provide for the feedstock and process fuel needs of the petrochemical industry, its output will be reduced with the effects cascading throughout the economy.

Note: The full text of this report can be obtained from the Petrochemical Energy Group, Suite 335, 1701 Pennsylvania Avenue, N.W., Washington, D.C. 20006

U.S. BALANCE OF TRADE IN PETROCHEMICALS
(millions of dollars)

Trade Class		1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
1. Dyes, Organic Pigments 531	Exports	33.0	31.4	34.7	31.7	35.1	32.7	43.0	44.6	53.2	25.8
	Imports	21.1	26.8	35.4	35.0	49.9	63.4	69.7	97.2	100.8	103.6
2. Plastics (except cellulose)	Exports	11.9	4.6	-0.7	-3.3	-14.8	-30.7	-26.7	-52.6	-47.6	-17.8
	Imports	349.8	377.2	422.6	423.0	530.9	533.8	593.0	593.3	620.9	944.3
3. Synthetic Rubber 231.2	Exports	—	36.5	53.6	54.9	87.2	91.5	115.0	126.2	168.7	197.7
	Imports	349.8	340.7	339.0	368.1	443.7	442.3	478.0	467.1	460.2	746.6
4. Detergents & Surface Active Agents 554.2	Exports	179.0	163.1	175.1	170.0	180.3	139.6	176.0	172.7	161.0	195.8
	Imports	14.5	19.0	23.6	20.7	29.3	37.6	42.2	56.3	53.6	64.3
5. Carbon Black 513.27	Exports	164.5	144.1	151.5	149.3	151.0	102.0	133.8	116.4	107.4	131.5
	Imports	36.0	47.2	50.9	53.7	64.7	62.9	69.3	71.9	76.8	95.8
6. Aromatics & Olefins 521	Exports	—	2.5	3.5	4.5	5.5	7.0	7.2	8.4	9.2	12.7
	Imports	36.0	44.7	47.4	49.2	59.2	55.9	62.1	63.5	67.6	83.1
7. Synthetic Fibers	Exports	32.0	26.7	28.8	25.1	15.4	12.6	14.0	14.9	10.4	17.1
	Imports	0.2	—	1.2	—	0.2	1.4	1.1	1.4	1.6	2.9
8. Organic Chemicals* 512.599	Exports	31.8	26.7	27.6	25.1	15.2	11.2	12.9	13.5	8.8	14.2
	Imports	33.0	40.5	26.2	28.3	66.8	62.1	49.2	32.5	30.7	72.2
9. Ammonia	Exports	—	1.2	—	1.1	—	—	—	—	—	—
	Imports	33.0	39.3	26.2	27.2	65.8	62.1	49.2	32.5	30.7	72.2
Grand Total	Exports	156.1	129.7	133.3	123.7	136.8	155.0	175.4	186.5	191.6	343.5
	Imports	20.4	46.7	54.7	56.6	98.8	85.5	201.3	340.1	297.9	247.9
	Exports	135.7	83.0	78.6	67.1	38.0	69.5	25.9	-153.6	-106.3	95.6
	Imports	865.5	759.0	802.7	864.8	992.3	1016.4	1183.2	1143.0	1219.5	1683.7
	Exports	110.7	144.4	189.0	194.6	221.6	263.3	293.7	345.3	432.5	549.6
	Imports	754.8	614.6	613.7	660.2	770.7	753.1	684.5	797.7	787.0	1134.1
	Exports	10.1	14.0	16.2	22.6	26.5	33.0	30.2	18.3	21.9	41.2
	Imports	6.9	9.5	15.3	19.1	18.6	20.7	20.7	20.5	17.0	15.5
	Exports	3.2	4.5	.9	3.5	7.9	12.3	9.5	-4.2	4.9	25.7
	Imports	1694.5	1588.8	1690.5	1742.9	2048.8	2048.1	2333.3	2275.7	2394.0	3479.4
	Exports	173.8	286.6	376.3	376.5	511.1	570.4	755.9	895.4	1081.3	1194.2
	Imports	1520.7	1302.2	1314.2	1366.4	1537.7	1477.7	1577.4	1280.3	1312.7	2285.2

Sources: U.S. Department of Commerce, Bureau of the Census FT110, FT135 U.S. Imports, and FT410 U.S. Exports.

THE U.S. PETROCHEMICAL INDUSTRY

(1972)

		<u>Employment</u> (000)	<u>Value</u> <u>Added</u> (\$ MM)	<u>Capital</u> <u>Investment</u> (\$ MM)
2869	Organic Chemicals	100	4,922	565
2865	Cyclic Intermediates	28	914	152
2821	Plastics and Resins	55	2,192	279
2822	Synthetic Rubber	12	487	34
2824	Synthetic Fibers	78	2,084	369
2843	Surface Active Agents	7	204	21
28411	Detergents	5	376	11
2895	Carbon Black	3	138	12
	Ammonia	5	323	20
	Total Petrochemical	293	11,640	1,463

By Comparison:

2911	Petroleum Refining	101	4,627	1,067
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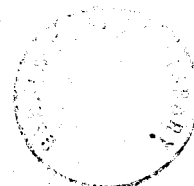
Sources: U.S. Department of Commerce, 1972 Census of Manufactures, and Arthur D. Little, Inc., estimates.



MAJOR INTERNATIONAL CHEMICAL COMPANY SALES - 1973

<u>Company</u>	<u>Total Sales</u> (\$ billion)
BASF	5.9
Hoechst	5.7
Bayer	5.4
Du Pont	5.3
ICI	5.2
Montedison	4.3
UCC	3.9
Pechiney-Ugine Kuhlmann	3.6
AKZO	3.6
Dow	3.1

Sources: C&EN, June 3, 1974, page 30; March 18, 1974, page 10;
and August 12, 1974, page 13; Chemical Week, June 26, 1974,
page 34.



NEW INVESTMENT IN THE PETROCHEMICAL INDUSTRY
NUMBER OF ACTIVE NEW PLANT CONSTRUCTION PROJECTS

	<u>1971</u>		<u>1974</u>	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
United States	41	8.5	76	10.8
Western Europe	204	42.2	164	23.4
- Japan	56	11.6	50	7.1
Developing Countries	183	37.7	413	58.7
Total	484	100.0	703	100.0

Source: Oil & Gas Journal, March 11, 1974, page 80.

PETROCHEMICAL INDUSTRY EXPENDITURES FOR NEW PLANT AND EQUIPMENT IN THE U. S. - II

(millions of dollars)

	<u>Cyclic Intermediates</u> (2815)	<u>Organic Chemicals</u> (2818)	<u>Plastics</u> (2821)	<u>Synthetic Rubber</u> (2822)	<u>Synthetic Fibers</u> (2824)	<u>Surface Active Agents</u> (2843)	<u>Carbon Black</u> (2895)	<u>Total Investment</u>		
								<u>Current Dollars</u>	<u>Plant Cost¹⁾ Factor</u>	<u>Constant Dollars</u>
1960	98.9	297.7	155.0	48.2	48.1	1.9	10.3	660.1	102.0	647.2
1961	69.6	380.6	157.3	59.5	117.6	12.3	10.2	807.1	101.5	795.2
1962	80.3	267.9	149.5	41.9	118.4	10.5	9.6	678.1	102.0	664.8
1963	106.8	401.0	137.8	32.3	170.3	7.2	4.0	859.4	102.4	839.3
1964	103.5	496.4	209.5	23.3	163.6	5.8	8.0	1010.1	103.3	977.8
1965	91.9	641.2	219.8	35.1	363.0	7.2	10.1	1368.3	104.2	1313.1
1966	88.4	886.2	300.0	41.9	384.7	9.1	13.3	1723.6	107.2	1607.8
1967	136.1	781.2	310.1	75.2	309.7	8.0	23.4	1643.7	109.7	1498.4
1968	99.3	884.8	270.3	78.1	244.7	9.1	27.0	1613.3	113.6	1420.2
1969	140.4	711.7	295.9	79.8	246.4	8.3	15.8	1498.3	119.0	1259.1
1970	289.2	716.6	307.4	49.3	310.3	14.0	11.9	1698.7	125.7	1351.4
1971	279.6	659.4	315.0	49.0	351.6	19.8	17.8	1692.2	132.3	1279.1
1972	151.8	565.2	278.7	34.2	368.9	21.3	11.9	1432.0	137.2	1043.7

¹⁾ Chemical Engineering Plant Cost Index 1957-59 = 100

Source: Annual Survey of Manufacturers, U. S. Department of Commerce.

October 30, 1974

ECONOMIC INITIATIVES AND FOLLOW-UP

DEPARTMENT OF AGRICULTURE

File
Energy

LEGISLATIVE INITIATIVES

Current Status

Schedule for Implementation

Removal of restrictions on

Rice

A bill is now pending before the House Rules Committee. An earlier attempt to obtain a rule on the bill ended in a tie vote.

Efforts will be made to clear the bill for floor action after the House reconvenes on November 18.

Peanuts

House Agriculture Committee has unacceptably modified Administration proposal.

USDA will start discussions with industry representatives in late November leading to the development of a target price program. A legislative proposal will be submitted to OMB by late December or early January for consideration by the next Congress.

Extra-long staple cotton

Target price bills have been introduced in both the House and Senate. There appears to be only a small possibility of favorable action in this session.

Strong push needed next year.

Amendment of P.L. 480

Agriculture has prepared draft legislation.

Legislation to be submitted to OMB on November 1.

ADMINISTRATIVE INITIATIVES

Voluntary monitoring of exports

Systems for the prior approval and daily reporting of U.S. export sales of certain agricultural commodities are completely operational.

The Department will expand its weekly report to include information on shipments and events of major significance to the grain trade.

DEPARTMENT OF AGRICULTURE (cont'd)

<u>ADMINISTRATIVE INITIATIVES</u>	<u>Current Status</u>	<u>Schedule for Implementation</u>
Review marketing orders	A Marketing Order Task Force will review and evaluate the process by which changes are effected in Market Order and Agreement regulations.	Marketing Order Task Force to report by January 1, 1975.
Review other Department Regulations		One or more other task forces must be established to review the need for changes in regulations pertaining to cooperatives, packers and stockyards, food imports, timber exports and others. These task forces are scheduled to report between January 1 and July 1, 1975.
Fertilizer		
Reporting System	The reporting system was terminated when supply problems eased after the 1974 crops were fertilized.	The reporting system can be reactivated immediately, whenever the situation warrants. The assessment of the need for an allocation system will be completed January 15, 1975.
Voluntary effort with companies		Efforts to have companies cut back on nonessential uses of fertilizer are scheduled for completion on December 1, 1974.

DEPARTMENT OF COMMERCE

ADMINISTRATIVE INITIATIVES

Current Status

Schedule for implementation

Industry conservation audits

During October meetings were held with six major energy-consuming industries, resulting in a commitment to develop through their trade associations industry-wide plant-by-plant energy conservation reporting system to be effective January 1, 1975.

During November meetings will be held with four additional industries to undertake the same program outlined under Current Status. The total of those ten industries represents 75 percent of industry and business energy consumption. On November 14 a meeting will be held with trade association executive secretaries to install the system beyond the ten key industries. January 1, 1975 industry conservation audits in place and operating.



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

LEGISLATIVE INITIATIVE

Current Status

Schedule for Implementation

Conventional mortgages eligible for purchase by GNMA.

Signed into law October 18, 1974.

Implemented on October 22.

ADMINISTRATIVE INITIATIVES

Determination of level of commitments under the Conventional Home Mortgage program

The conventional home mortgage plan announced an initial FNMA program of \$1.5 billion. A second FHLMC program of \$1.5 billion is contemplated.

Both programs would end November 30, 1974, and future programs will depend upon a review of mortgage market conditions, the anticipated mortgage interest rate and other factors.

Joint effort with Congress to develop solutions to mortgage credit problem

HUD is in the process of soliciting the views of the major interest groups.

By November 10 Treasury and HUD will complete a summary of views of major interest groups. November 26 - December 6--HUD will prepare a major options paper for the EPB covering issues discussed, stressing areas where there is reasonable chance for compromise and general acceptance. Mid-December--after review and revision of options paper, President will be asked to meet with key industry officials and Members of Congress to discuss most viable options and seek their support for compromise package. Late January--outline of new reform package announced in State of Union message. February--new legislation sent to the Hill.

DEPARTMENT OF THE INTERIOR

LEGISLATIVE INITIATIVES

Current Status

Schedule for Implementation

Deepwater port facilities

House and Senate have passed different bills. Conference expected after recess.

Review House and Senate bills and develop position for conference by November 18.

Surface mining

Legislation delayed in conference until after recess. Interior Domestic Council and OMB are re-examining bill.

Continue to work with conferees (due to meet November 19) to obtain passage this Congress of an acceptable bill.

ADMINISTRATIVE INITIATIVES

Arctic Gas

Interior is issuing research proposal for study of alternative gas line routes from Alaska. Interior with FPC is preparing Environmental Impact Statement (EIS) for El Paso and Arctic Gas Line applications.

Feasibility study of alternative routes, and environmental impact statements, will be completed by April 15, 1975.

Coal leasing

Interior is developing coal leasing program and preparing programmatic EIS.

Final environmental impact statement will be completed by December 15. OME expected to review proposed program by December 15.

NPR #1 and #4

Interior, Defense and Navy studying means to expedite development.

Study and recommendations to be completed by January 8, including recommendations for legislation if necessary.

DEPARTMENT OF THE INTERIOR (cont'd)

ADMINISTRATIVE INITIATIVES

Current Status

Schedule for Implementation

OCS leasing

Lease 10 million acres in
calendar year 1975.

Secretary to meet with coastal
state governors November 14.
Tentative leasing schedule
ready by November 15.

Oil shale and Geothermal
leasing

Reevaluation and report to see
if more rapid development of these
resources is appropriate, is
being prepared for the President.

Reevaluation to be complete by
January 8.



DEPARTMENT OF JUSTICE

LEGISLATIVE INITIATIVES

Current Status

Schedule for Implementation

Increased penalties for
antitrust violations

S. 782 has passed the Senate increasing penalties for corporations to \$500,000 but keeping individual penalties at \$50,000. HR 9203, increasing the penalty to \$500,000 for corporations and \$100,000 for individuals, has been reported by the House Judiciary Committee but the report has not been filed.

The Committee should be requested to recommit HR 9203 to the full Committee to increase the penalty for corporations to \$1 million.

Strengthen investigation
powers of Antitrust
Division

Administration's proposal was forwarded to Congress in April 1974 and introduced in the House and referred to the House Judiciary Committee. The proposal has not been introduced in the Senate.

Justice will continue to push for action.



DEPARTMENT OF LABOR

8 -

LEGISLATIVE INITIATIVES

Special unemployment
insurance assistance
program

Community improvement
program

Current Status

Both proposals contained in National Employment Assistance Act of 1974, HR 17218, referred to House Select Committee on Labor; S. 4129 referred to the Committee on Labor and Public Welfare, then to the Committee on Public Works for 10 days. On October 9 Secretary Brennan appeared before an extraordinary joint session of two subcommittees. The Senate Subcommittee on Employment, Poverty and Migratory Labor held hearings on S. 4129 and other bills on October 16 and 17 at which time public witnesses were heard. General hearings held in House.

Schedule for Implementation

Develop draft regulations for the Special Unemployment Assistance Program on November 22. Develop draft regulations for the Community Improvement Program on December 13. Submit request for appropriations as soon as the NEAA is enacted.

DEPARTMENT OF TRANSPORTATION

- 9

LEGISLATIVE INITIATIVES

Current Status

Schedule for Implementation

Surface Transportation Act

House Committee has reported bill. DOT working with Senate Commerce Committee to obtain speedy Senate action.

Need vigorous all-out effort to secure enactment of legislation this year. The President should endorse the legislation as an anti-inflationary measure soon after the end of the election recess.

ADMINISTRATIVE INITIATIVES

Automobile fuel economy

Meeting with auto presidents held October 29 to get 40% mileage improvement program underway.

Meet with individual auto manufacturers by November 12 to discuss achievement of goals. By November 29 a firm plan to achieve the 40% target will be submitted to the President.

55 MPH limit and traffic control measures

Work with state officials to strengthen enforcement of 55 MPH limit and suggest improved traffic control measures for conserving gasoline. Have recommended legislation to make the 55 MPH limit permanent. Jointly reviewing the EPA, transportation control plans under the Clean Air Act.

Make tentative recommendations on using Federal incentives for enforcing 55 MPH limit by December 15: final recommendations by January 15. Begin to work with Advertising Council, State governments and law enforcement officials to induce voluntary compliance. By December 15 will develop recommendations to encourage more attention by state, metropolitan and local officials to traffic control measures and a plan to monitor progress and evaluate effectiveness in planning, implementation and operation of traffic management measures.

DEPARTMENT OF THE TREASURY

LEGISLATIVE INITIATIVES

Current Status

Schedule for Implementation

Financial Institutions Act

Pending in House and Senate Banking Committees.

Senate Finance Committee will continue to work on bill during lame-duck session. House Banking Committee will be urged early next year to launch hearings and serious consideration of the bill.

Elimination of withholding tax on interest and dividend income to foreigners.

Included as part of Title III of Tax Reform Bill of 1974 before the Ways and Means Committee.

Treasury will continue to encourage Ways and Means to report bill during lame-duck session. Senate Finance Committee consideration is out of the question until next year.

Increase Federal insurance on private deposits.

Signed by the President on October 28.

To be implemented by affected agencies.

Increase and restructuring of investment tax credit.

Legislation being prepared by Treasury for submission to the Congress upon its return.

Treasury will push for immediate consideration of this proposal as part of or separate from the Tax Reform Bill.

Preferred stock dividends.

Legislation being prepared by Treasury for submission to the Congress upon its return.

Treasury will push for immediate consideration of this proposal as part of or separate from the Tax Reform Bill.

DEPARTMENT OF THE TREASURY (cont'd)

<u>LEGISLATIVE INITIATIVES</u>	<u>Current Status</u>	<u>Schedule for Implementation</u>
Ways and Means bill including windfall profits tax on oil and relief for low-income families.	Included as part of Title III of Tax Reform Bill of 1974 before the Ways and Means Committee.	Treasury will continue to encourage Ways and Means to report bill during lame-duck session. Senate Finance Committee consideration is out of the question until next year.
Surtax	Legislation being prepared by Treasury for submission to the Congress upon its return.	Treasury will push for immediate consideration of this proposal as part of or separate from the Tax Reform Bill.
<u>ADMINISTRATIVE INITIATIVES</u>		
Request state and federal regulatory authorities to eliminate rate schedules which encourage excessive energy consumption.	National conference of state regulatory commissions held September 13. Resulted in better climate for cooperation. Further initiatives suggested for consideration.	Initiatives and issues forwarded to ERC for consideration and assignment of lead responsibility on October 30.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

LEGISLATIVE INITIATIVES

Current Status

Schedule for Implementation

ERDA and the Nuclear
Regulatory Commission

President signed into law
October 11.

Activation of ERDA and NRC
on January 1, 1975.

Amending the Employment Act
of 1946

Legislation introduced: HR 15420
June 17; HR 17124 October 7.
Some question exists as to whether
HR 17124 encompasses the pro-
posed addition, "...for all those
able, willing and seeking to
work..." as recommended in the
Fact Sheet.

Decision to accept or reject
language in HR 16124 or submit
new legislation to be made by
November 1. Congressional
testimony scheduled December 2,
1974.

Establishing a National
Commission on Regulatory
Reform

Administration bill forwarded to
Congress October 8, and intro-
duced October 16 (S. 4145, HR
17417). Referred to Government
Operations Committee in the
Senate and the Interstate and
Foreign Commerce Committee in
the House.

Prepare and clear testimony be-
fore Senate Committee Novem-
ber 21. Urge hearing in House.
Prepare preliminary specs for
Commission members and Executive
Director November 30. Finalize
specs and begin recruitment
December 26. (Assuming enactment)

ADMINISTRATIVE INITIATIVES

Require all major legis-
lation, rules and regula-
tions developed in the
Executive Branch to
include an Inflation
Impact Statement.

Submitted draft Executive Order
(authorizing OMB to establish a
circular) to the White House
October 30.

President signs Executive Order
November 1. OMB completes internal
review of proposed circular
November 4. Draft OMB circular
sent to agencies for comment
November 4. Due date for comments
from agencies November 13. Re-
vised OMB circular completed (and
sent to agencies for final com-
ment--optional) November 18.
Circular procedures take effect
(all legislation, rules and

OFFICE OF MANAGEMENT AND BUDGET (cont'd)

ADMINISTRATIVE INITIATIVES

Current Status

Schedule for Implementation

\$300 billion spending target: determination of budget rescissions and deferrals to meet target.

Agency suggestions submitted to OMB on October 7. Staff review within OMB October 8-15. Policy review within OMB October 16-23. Compilation of proposed reductions October 23. Initial discussion of proposed reductions with White House staff October 24. Initial discussion of proposed reductions with the President October 25.

regulations submitted or printed for comment after November 30, 1974 will be required to conform to circular procedures) November 30. Designate responsibility within Executive Branch for follow-up procedures December 10.

White House decisions reached and communicated to OMB and agencies November 7. Draft legislation, rescission and deferral reports and other reduction proposals, prepared; reduction and "before" and "after" budgets analyzed; section on budget reduction drafted for Presidential economic message November 24. Final package sent to President November 21. Proposed reductions announced generally in Presidential economic message and transmitted in detail in separate report to the Congress week of November 25.



COUNCIL ON INTERNATIONAL ECONOMIC POLICY

LEGISLATIVE INITIATIVE

Trade Reform Act

Current Status

Passed House; pending in Senate Finance Committee and scheduled as first order of committee business when Congress returns November 18.

Schedule for Implementation

Maintain current momentum; should pass this year.



COUNCIL ON WAGE AND PRICE STABILITY

ADMINISTRATIVE INITIATIVE

Monitoring wage and price movements in private sector

A limited number of reviews have been undertaken in areas where there is great public concern over rising prices, to determine if any practical solutions can be found.

On October 31--November 1, the Council and the Department of Agriculture will jointly sponsor a public conference on productivity, costs, and prices in the food industry. On November 13 the Council will sponsor jointly with Mrs. Knauer's office a public hearing on the repricing of shelf inventories in supermarkets.

Monitoring government actions

A letter is being drafted to all major agencies in Executive Branch requesting (1) designation of person as point contact, and (2) identification of their programs, policies or activities which may have an adverse effect on costs and prices.

By November 30, Council will have a list of existing Federal programs to review. Inflation impact statements on new legislative proposals introduced by Members of Congress.

Identified motor carrier backhaul and circuitry restrictions, Jones Act Exemptions and Tariff Commission Rulings as possible Federal restrictive practices.

By November 30, report due on targeted Federal restrictive practices.

OTHER AGENCIES

ATOMIC ENERGY COMMISSION

LEGISLATIVE INITIATIVES

Nuclear plant licensing

Current Status

JCAE hearings have been held on Administration bill, but no bill has been reported.

Schedule for Implementation

Encourage Joint Committee to report the bill out for action this Congress.

ENVIRONMENTAL PROTECTION AGENCY

LEGISLATIVE INITIATIVES

Amendments to Clean Air Act

Some of desired amendments were included in PL 93-319 (Energy Supply and Environmental Coordination Act). Hearings on remaining amendments have not been scheduled.

Interagency meeting scheduled for November 13 to develop additional technical justification for the Administration's amendments.

FEDERAL ENERGY ADMINISTRATION

LEGISLATIVE INITIATIVES

Natural gas deregulation

Administration bill (S. 2048) bogged down. Working with Senate Finance, Interior, and Commerce Committees to achieve deregulation objective.

Determine position by December 1 for dealing with Buckley amendment in Senate to House-passed trade bill which achieves unqualified deregulation of field prices of new natural gas.

ADMINISTRATIVE INITIATIVES

Conservation within Government

Presidential directive to agencies on 1975 energy conservation objectives issues. Monitoring system established.

Presently reviewing FY 75 first quarter data. Results will be published by December 1.

FEDERAL ENERGY ADMINISTRATION (cont'd)

ADMINISTRATIVE INITIATIVES

Current Status

Schedule for Implementation

Incentives to secondary and tertiary petroleum production

Adjustments of current price controls to increase incentives to use secondary and tertiary techniques. Draft report completed.

Review of draft report to be completed by November 8. Proposed rulemaking targeted for November 15. Final regulations targeted for January 15.

Utility coal conversion program

Task force established and operating.

First draft due November 25. Report and schedule will be completed by January 8, including any legislative recommendations.

Voluntary conservation of 1 million bbls/day

Reporting system has been developed.

First report due December 1. Monthly reports thereafter.

WIN Program

Organization and preliminary implementation October 12--November 28.

November 28--July 4, 1976

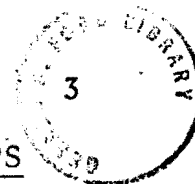
ENERGY INITIATIVES

Follow-up on Presidential Address on the Economy

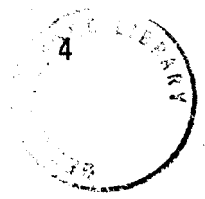
File [Nov. 1974?] Energy

<u>INITIATIVE</u>	<u>CURRENT STATUS</u>	<u>NEXT STEPS</u>
<u>INTERIOR</u>		
OCS leasing	Lease 10 million acres in years 1975. Develop capability to continue leasing at this rate should a decision be made to do so.	Secretary to meet with coastal state governors November 14. Tentative leasing schedule ready by November 15.
Coal leasing	Interior is developing coal leasing program and preparing programmatic EIS.	Final environmental impact statement will be completed by December 15. OMB to review proposed program in Nov/Dec.
Arctic Gas	Interior is initiating study of alternative gas line routes from Alaska. Interior with FPC is preparing EIS for El Paso and Arctic Gas gas line applications.	Feasibility study of alternative routes, and environmental impact statements, will be completed by April 15, 1975.
Oil, shale and geothermal leasing	Reevaluation and report to see if more rapid development of these resources is appropriate is being prepared for the President.	Reevaluation to be completed by January 8.
Surface mining bill	Legislation delayed in conference until after recess. Interior, Domestic Council and OMB are re-examining bill.	Continue to work with conferees (due to meet Nov. 19) to obtain passage this Congress of an acceptable bill.

<u>INITIATIVE</u>	<u>CURRENT STATUS</u>	<u>NEXT STEPS</u>
<u>INTERIOR (CONT'D)</u>		
NPR #1 and #4	Interior, Defense and Navy studying means to expedite development.	Study and recommendations to be completed by January 8 , <i>mil-Dec</i> , including recommendations for legislation if necessary.
Deepwater ports facilities bill	House and Senate have passed different bills. Conference expected after recess.	Review House and Senate bills and develop position for conference by November 18.
<u>DOT</u>		
55 MPH limit and traffic control measures	Legislation to make the 55 MPH limit permanent has passed Senate as part of comprehensive highway aid bill. Joint review with EPA of transportation control plans under the Clean Air Act is in progress.	Make specific recommendations on using Federal incentives for enforcing 55 MPH limit by January 15. Develop recommendations to state and local officials on traffic control measures and management and plan to monitor by Jan. 31.
Automobile fuel economy	Meeting with auto presidents held October 29 to get 40% mileage improvement program underway.	Meet with individual auto manufacturers by November 12 to discuss achievement of goals. By November 29, a firm plan to achieve the 40% target will be submitted to the President.



<u>INITIATIVE</u>	<u>CURRENT STATUS</u>	<u>NEXT STEPS</u>
<u>FEA</u>		
Natural gas deregulation	Administration bill (S. 2048) bogged down. Working with Senate Finance, Interior and Commerce Committees to achieve deregulation objective.	Determine position for dealing with Buckley amendment to trade bill in the Senate (has already passed House), which achieves unqualified deregulation of field prices of new natural gas-by November 18.
Conservation within Government	Presidential directive to agencies on 1975 energy conservation objectives issued. Monitoring system established.	Presently reviewing FY75 first quarter data. Results will be published by December 1.
Voluntary conservation of 1 million bbls/day	Developing targets to monitor system. Reporting system has been developed.	First report due December 1. Monthly reports thereafter.
Utility coal conversion program	Report to be submitted to the President in 90 days, including any needed legislation. Task force established and operating.	First draft due November 25. Report and schedule will be completed by January 8.
Incentives to secondary and tertiary techniques production	Adjustments of current price controls to increase incentives to use secondary and tertiary techniques. Draft report completed.	Review of draft report to be completed by November 1. Proposed rulemaking targeted for November.



INITIATIVE

CURRENT STATUS

NEXT STEPS

TREASURY

Request state and federal regulatory authorities to eliminate rate schedules which encourage excessive energy consumption

National conference of state regulatory commissions held September 13. Resulted in better climate for cooperation. Further initiatives suggested for consideration.

Initiatives and issues to be forwarded to ERD for consideration and assignment of lead responsibility on November 1.

COMMERCE

Industry conservation audits

Meetings with representatives of the six major energy consuming industries have been held. Long term, industry-wide voluntary conservation programs are being organized which will continue appropriate energy conservation goals and a system for reporting progress to the government.

Meetings with the entire business community to report the progress of these meetings are being scheduled. Dept of Commerce/Chamber of Commerce meeting with executive leadership of trade and industry associations will be held in Washington on November 1.

EPA

Amendments to Clean Air Act

Some of desired amendments were included in PL 93-319 (Energy Supply and Environmental Coordination Act). Hearings on remaining amendments have not been scheduled.

Interagency meeting scheduled for November 13 to develop additional technical justification for the Administration's amendments.

INITIATIVECURRENT STATUSNEXT STEPSAEC

Nuclear plant licensing
bill

JCAE hearings have been held
on Administration bill, but no
bill has been reported.

Encourage Joint Committee to
report the bill out for
action this Congress.