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The Ad Hoc Committee of the Senate Democratic Policy Committee has met and recommends a legislative program on the economy and energy with the following objectives:

- First: To restore in the shortest period of time a healthy economy with full employment, reduced inflation and increased output and productivity.
- Second: To prevent steep increases in the price of all energy and the pervasive economic adversities related thereto.
- Third: To expedite and mandate conservation and expanded supply programs leading to national energy sufficiency without import dependence.
- Fourth: To create the machinery to coordinate energy supply and demand so as to achieve energy sufficiency by diversifying the sources of energy and protecting against sudden supply curtailments.

GENERAL STATEMENT

With the concurrence of the Committee Chairmen, on January 24, the Majority Leader appointed Senator Pastore Chairman of the Ad Hoc Committee of the Policy Committee to develop an economic and energy program for submission to the Majority Conference. The other members of the Ad Hoc group include Senators Talmadge, Byrd, Muskie, Hart, Hollings and Bumpers. The Ad Hoc Committee has met formally on six occasions and from time to time elicited views of interested Chairmen and other Senators.

This report to the Policy Committee sets forth the elements of the program that emerged during these meetings. It is designed as a comprehensive response to the economic and energy needs of the Nation.

On January 13, 1975, only a little over a month ago, the President delivered his message concerning the Energy/Economic needs of the Nation. That program was more fully revealed in the Administration's budget of February 3, 1975.

The Ad Hoc Committee has reviewed the President's program and agrees that it contains many commendable aspects. However, the Ad Hoc Committee has rejected as economically intolerable the main tactics of the President's program--step increases in the price of energy coupled with step decreases in energy supply-- and has developed instead a program which adopts a variety of actions.



In his Energy/Economic proposal President Ford has called for an immediate \$40 to \$50 billion increase in the Nation's fuel bill. The Ad Hoc Committee rejects this action because it will terminate jobs, trigger inflation and still do little to save energy or increase its domestic supply. As an alternative the Ad Hoc Committee recommends restoring the Nation's economic well-being as a first priority and identifies several precise actions essential to that undertaking. Into that economic restoration process the Ad Hoc Committee has woven an energy policy designed to reduce oil import reliance while economic recovery is achieved. Under these recommendations a crash program mandating a host of conservation and augmented supply measures together with allocation quotas will be undertaken. Under this plan the economic recovery will be interwoven with a deliberate and planned adjustment of our Nation to new energy consumption predicates.

The Ad Hoc Committee finds that energy consumption can be cut through an assortment of conservation efforts. These efforts, it believes, should be undertaken on a crash basis in lieu of mandating supply shortages as recommended by the President. Manipulating a sharp cut in supply would only add to unemployment and choke off economic recovery. Although both the President and the Congress seek a long-term goal of energy sufficiency within the decade, the Ad Hoc Committee strongly believes that the Nation must guard against economic impairment en route to achieving the goal of sufficiency. To accommodate the economy responsibly and efficiently to the adjustment of declining imports, a management-allocation/standby rationing system is recommended.

To stimulate growth and business investment, this program recommends employing the idle industrial capacity and unused trained manpower in an effort of wartime intensity. On the energy side, it also calls for the imposition of a variable gasoline tax to raise revenues entrusted to pay for the far-reaching conservation and production adjustments required to make the Nation energy self-reliant within the decade commencing in 1975.

The Ad Hoc Committee has sought to deal with America's first concerns: unemployment and economic recovery. While in accord with many of the conservation and production recommendations of the President, this proposed Congressional program changes the overall priority of that proposal. If approved, the Ad Hoc Committee believes that this program will give the Congressional Committees the capacity to attain the overall objectives. This will be achieved by providing a basis for comparison and a blueprint for coordinating a multifaceted economic recovery and energy program.



THE ECONOMY

TARGET: THE FIRST PRIORITY MUST BE FULL EMPLOYMENT AS SOON AS POSSIBLE. THIS CAN BE ACHIEVED THROUGH FISCAL, MONETARY AND PROGRAM ACTIONS DESIGNED TO PROMOTE ECONOMIC RECOVERY WITH A SUBSTANTIALLY REDUCED INFLATION RATE.

RECOMMENDATIONS:

- Accept but improve upon the anti-recession tax rebate/tax cut concept.
- Achieve the maximum reduction of imported oil during 1975 consistent with the economic upturn and a reduced unemployment rate.
- Reject massive energy price increases caused by import tariff, excise tax and decontrol.
- Add further stimulus to consumer spending and prevent the unwarranted reduction in funds to the poor and elderly.
- Increase the money supply and stimulate housing.
- Release impoundments to provide immediate employment in the public works and heavy construction fields.
- Assure adequate private and public employment in light of national need.

Does this mean increase?



THE ECONOMY

The Ad Hoc Committee has identified the following actions as essential for promoting economic recovery and reducing unemployment: (1) to bar massive energy price increases, (2) to increase consumer spending capacity through tax cuts, (3) to release funds already appropriated for public construction, (4) to increase money and credit to stimulate housing and other productive activity, (5) to reject unwarranted reductions in funds promised to the poor and elderly and (6) to provide an adequate public employment program.

How do these actions compare with the Administration's proposed Energy/Economic plan?

Impact of the Administration's Energy/Economic Proposals.

The cost of energy under the Administration's program will rise by over \$40 billion during the first twelve months (closer to \$50 billion by some analyses), an amount equal to the price increases caused during the Arab embargo. The Administration's program would add this new burden to an economy already well into the deepest recession since the 1930's, with unemployment over 8% and double-digit inflation lingering through its second year. (Fig. 1) Low and middle income households will be required by the Administration's program to spend up to 5% to 10% more of before-tax income to purchase energy under both of the President's plans: the one he seeks to implement independent of Congress and the program which he has asked Congress to enact.

As its goal the Administration seeks a reduction of energy consumption by one million barrels per day in 1975. To achieve it, energy prices would be greatly increased, first by taxing all crude oil and natural gas and then by removing the present controls on the market price of oil and gas.

The price of energy is not determined by free forces of supply and demand but rather by the governments of the nations that produce energy. The policy question is whether the U.S. or the OPEC governments will set energy prices in this country. The Administration wishes to decontrol old oil and natural gas, giving control of price to OPEC and letting U.S. energy prices follow the prices established by them. (Fig. 2)

As Figure 2 illustrates, if the price of all energy is decontrolled, it will move toward the price set by OPEC. The rate of movement depends on many factors but the direction is clear. If control is maintained and extended the price of domestic energy will be separated from the OPEC price.

The Ad Hoc Committee recommends that decontrol be rejected and that the price of all U.S. energy sources be separated from OPEC prices. Prices should be high enough to encourage maximum



production and eliminate wasteful consumption. However, the Ad Hoc Committee believes that a combination of price controls and windfall profits taxes are needed to insure an equitable sharing of the burden.

Over the long run the Administration hopes that the higher prices could be absorbed in normal economic growth but in the short run as well as the long run consumers would be required to adjust immediately by not being able to afford to consume or by being more efficient in their use of energy. The Administration's proposals attempt to achieve long-term energy goals in the short run (one million barrels per day this year, two million next year). In so doing, they threaten the Nation's economy by aggravating inflation, inducing a deeper recession and more unemployment.

Only one aspect of the President's program could be cited as addressing the question of national economic recovery: it is the tax-cut proposal.

The Administration's Tax Cut - Its Effect.

The President's proposal can be thought of in three parts:

- (a) a \$16 billion temporary tax rebate to stimulate the economy;
- (b) a budget moratorium of new spending programs; and
- (c) a \$40 billion-plus cost increase for energy in all forms, offset in part with \$27 billion in cash rebates to households, business and state and local government.

Taken by itself, the \$16 billion temporary tax rebate has a very minor impact on our \$1,500 billion economy because it is small and short-lived. Its real growth impact is about one percentage point in 1975 and 1976, and unemployment is reduced by about one-quarter percentage point in each of these same years. In other words, the President's \$16 billion tax stimulus might reduce a projected 8.4 percent unemployment rate to 8.1 percent. The impact of the tax rebate on inflation is insignificant.

If one adds the President's energy tax package which costs the consumer about \$40 billion, and takes approximately \$10-\$13 billion out of the economy, thus adding to the recession, it is likely that unemployment would get even higher and that inflation would be dramatically increased by about three percent. ~~The President's energy package is likely to make 1975 another full year of double-digit inflation.~~

In sum, the Administration package is both inadequate and contradictory: inadequate because it does not reduce the rate of unemployment below what would happen with no policy changes, and contradictory because it accelerates the inflation rate three percent beyond what it would be with no policy changes.

Until some decisive combination of tax reduction, expenditure



increase and monetary expansion takes place, the American economy will continue to decline or grow very slowly. The real growth of the economy declined at a nine percent annual rate in the fourth quarter of 1975. This decline will continue in the first half of 1975, with the promise of only a return to anemic growth in the second half of the year. For 1975, as a whole, real growth will decline at an annual rate of more than three percent if the President's budget assumptions are realized.

This economic decline is occurring because there is no sector of the economy with any significant economic strength.

The consumer sector is weak because consumers lack sufficient income or confidence to make purchases. Real consumer spending in 1974 declined for the first time since World War II--by about two percent--and is unlikely to improve in 1975.

In real terms business investment did not grow last year and may decline substantially this year.

State and local spending is likely also to decline this year as a result of inflation and recession.

Although the inflation rate advanced to 14 percent in the fourth quarter of 1974, wholesale price developments indicate that inflationary pressures are declining. If President Ford's energy package is not enacted, the rate of inflation could decline to the neighborhood of seven percent by the end of 1975.

The growth path of the economy in 1975 and 1976 will of course determine the rate of unemployment over this period. As it now stands, unemployment exceeds eight percent and is likely to average at least 8.5 percent for 1975 (more than 8 million people out of work). Although the economy may recover somewhat in 1976, real annual growth of about four percent will only be sufficient to absorb increases in the labor force. Consequently, unemployment will probably remain above eight percent (8 million) until the end of 1976 without new policy initiatives.

The above forecast is what a consensus of economists including those within the Administration call the most likely outcome. It is not difficult to construct a more pessimistic alternative. If there are no policy changes, consumer confidence and spending could deteriorate further, which would then lead businesses to cut investment still further. This could bring a six percent annual rate of decline in growth in 1975 and roughly a ten percent rate of unemployment in 1975 and 1976.



RECOMMENDATIONS OF THE AD HOC COMMITTEE TO ACHIEVE ECONOMIC RECOVERY

The recommendations of the Ad Hoc Committee are designed to stop the economy's downward slide and to begin a recovery that will provide millions of additional jobs above the Administration's goal without worsening or rekindling inflation. Recognizing the integrated nature of the energy question to the economy, this program would reduce national dependence on imported oil without deepening the recession or adding excessively to inflation.

To achieve economic recovery the Ad Hoc Committee has considered numerous suggestions relating to fiscal and monetary policy and program actions. We recommend in addition to the tax rebate/tax cut concept a combination of actions which include a rejection of the Administration's energy price increases, the release of impounded funds to create immediate employment, an increase of the money supply, stimulus for jobs in housing and elsewhere and an adequate public employment program.

If quickly implemented these recommendations will insure an end to the economic downturn and the beginning of a vigorous recovery during the year. Comparing this program to the President's program, our economy will be producing \$42 billion more goods and services in 1976, \$76 billion more in 1978, and a total of \$330 billion more over the 1975 to 1980 period. (Fig. 3)

This increase in goods and services will generate jobs, reducing the unemployment rate substantially from the Administration's projections. The proposed Congressional program will produce one-half million more jobs in 1976 and over 2 million more in 1978. In total, these recommendations, if implemented, will produce 8.3 million more job-years of employment between 1975 and 1980. (Fig. 4)

Under other circumstances the increase in economic activity might be inflationary. However, with the economy operating so far under its potential an increase in output is likely to increase productivity as firms spread their fixed overhead over an increased number of units. In contrast, the Administration's approach has the economy moving most rapidly years away as full capacity is approached and the inflationary risks are greatest. More immediately the Congressional alternative will avoid the inflationary effect of the Administration's energy taxes, tariffs, and decontrol, producing 2% less inflation this year and a total of 3% less by 1977. (Fig. 5)

Elements of the Recommendations in Summary.

Social Security and Supplementary Security Income. Reject President's Ford's 5% ceiling on social security; accelerate payment of benefits by the full 8.7% effective January 1, 1975, and mail out retroactive benefits checks in May or June.

Retroactive Personal Tax Reduction. Accept the concept of the Administration's reduction of 1974 taxes. Redesign the program in accordance with objectives recommended by the House Ways and Means Committee so that low- and middle-income taxpayers receive a much larger share of the benefits. Send out the payment in May or June in a single check that would provide a large boost to sagging personal income as well as a symbolic boost to sagging consumer confidence.

Permanent Personal Tax Reduction. Accept the approximate size of the Administration's proposed \$16 billion tax reduction but redesign consistent with House Ways and Means action. This reduction, which would apply to tax liabilities for 1975 and beyond, would affect withholding schedules by July 1 of this year. This tax cut, also targeted to low- and middle-income taxpayers would provide continuing support to consumer purchasing power.

Business Tax Reduction. Accept the Administration's proposal to raise the investment tax credit (ITC) to 10% or 12% retroactive to January 1, 1975. Reject the Administration's revision of ITC to the 7% rate in 1976 and keep the higher rate in effect until the economy reaches the full-employment zone (contingent upon enactment of tax reform) so that businesses can make investment plans with some certainty. Reject the Administration's proposed reduction in the corporate rate from 48% to 42%; such a reduction will not be necessary with rejection of the President's energy plan and the enactment of the alternatives recommended.

Tax Reform. Enact an initial tax reform package in 1975 to yield approximately \$5 billion in added revenue. Such reform would include repeal of the depletion allowance, strengthening the minimum income tax so that the rich pay their share, and eliminating foreign tax subsidies so that American capital is not encouraged to locate abroad.

Energy Taxes, Tariffs and Decontrol. Reject the Administration's package of excise taxes on oil and natural gas, tariffs on imported oil, and decontrol of old oil. Phase in a tax on gasoline to raise revenues for energy programs with maximum tax only in times of full employment. Increases in the gas tax would be triggered only when the employment goal for each year is achieved.

Public Works Employment. Assure that the Job Opportunities Program, the Economic Adjustment Assistance Program and the Public Works Impact Program (Titles X, IX and I of the Public Works and Economic Development Act) are fully funded



and implemented to meet their original purpose of providing short-term employment opportunities while constructing facilities of lasting value to the community. Reject recessions or deferrals or otherwise provide increased funding for short-term construction programs meeting urgent national needs such as water pollution control and transportation. This action would offer opportunities for increased construction and related employment, activities which have suffered real decreases in spending as a result of inflation. Provide any additional Federal assistance which may be necessary to allow state and local governments to make full use of increases in funding for public works construction programs.

Housing. Stimulate the homebuilding industry through a shallow interest rate subsidy program to enable low- and middle-income families to purchase homes at interest rates they can now afford to pay. Interest subsidies will be limited to low- and middle income families with phase-out triggered to economic recovery. Reject recessions and deferrals of appropriations for existing housing programs. Provide temporary aid to homeowners to prevent mortgage foreclosures.

Monetary Policy. Enact a Congressional resolution calling upon the Federal Reserve to (1) increase substantially the growth rate of the money supply during 1975, (2) maintain a longrun growth in the money supply commensurate with the economy's economic growth potential, and (3) consult with Congress at semi-annual intervals on the Board's monetary growth targets for the next six months.

Spending Reductions. Reject the Administration's \$7 billion energy equalization payment (as well as its companion energy taxes). Reduce other portions of the Administration budget-- defense, foreign aid, and elsewhere--by \$5 billion. From this \$12 billion, restore social security levels, reject food stamp cost reduction but undertake a review of the food stamp program to assure that the benefits are received by those most in need. Total spending for all programs should not exceed \$355 billion in FY 1976.

Adequate Public Service Employment in Light of National Need. A public service employment program could play a major role in bringing unemployment down. A public service employment program should give priority to hiring the heads of families. It should avoid displacing existing employment and create new jobs with adequate training and equipment to satisfy important social needs.



ENERGY

TARGET: IMPLEMENT A COMPREHENSIVE CONSERVATION PROGRAM THAT REDUCES SUBSTANTIALLY FOREIGN IMPORT DEPENDENCE WITHOUT AGGRAVATING THE NATION'S CURRENT ECONOMIC CRISIS. EXPAND DOMESTIC SUPPLY BY DIVERSIFYING ENERGY SOURCES AND ESTABLISH MANAGEMENT PROCEDURES IN THE EVENT OF ENERGY SHORTAGES.

RECOMMENDATIONS:

- Reject massive energy price increases.
- Achieve the maximum reduction of imported oil consistent with an economic upturn and a reduced unemployment rate.
- Manage current energy supply by extending allocation authority.
- Enact standby rationing authority in the event of drastic reduction of energy supply from abroad.
- Institute a tax on gasoline as the financial base for an Energy Trust Fund.
- Institute a crash program of energy conservation.
- Create a National Energy Production Board.
- Establish a Strategic Energy Reserve.



The reduction in imports is an abrupt change from the trend to greater energy dependence that began in the late 1960's. (Fig. 8) Thus, the proposed Congressional program does not slow the economy further in order to save energy. Instead, it achieves the midterm and long-term goals in a way that aids economic recovery. Through a gasoline tax and allocations it would manage a more gradual adjustment to energy shortages and import reductions in the short term without impairing the recovery of the economy.

Elements of the Recommendation in Summary.

Protection Against and Management of Shortages in the Shortterm:

The Ad Hoc Committee recognizes the vulnerability of the Nation to energy shortages. To weather any such potential adversity, pending a status of energy sufficiency with reduced foreign dependency and the emplacement of an oil reserve, the Committee recommends the enactment of a stand-by rationing legislation. Also it recommends the extension of the mandatory allocation program which could accommodate a gradual shift to reduced import dependence in the short term by managing and controlling any excessive rate of energy consumption. Allocation management procedures would be called upon immediately in the event that enacted policies do not lead to the previously stated goals and full-scale rationing could be employed in the event of a drastic reduction in energy supplies by an embargo of oil imports. These enactments would include the following steps:

- Direct the Executive immediately to prepare a system to ration gasoline and other forms of energy; the system to be activated on notice, subject to expedited Congressional review.
- Authorize the States to invoke more stringent mandatory conservation measures in any future curtailment and provide for the U.S. to meet obligations under the International Energy Program.
- Assure that any allocation/rationing program affords equitable treatment of regions, industries, classes of consumers and independent producers during an embargo or energy curtailment from other causes.

The Gasoline Tax and the Energy Trust Fund. The Ad Hoc Committee recommends the establishment of an Energy Trust Fund to finance conservation and expanded supply programs as follows:



ENERGY

The Ad Hoc Committee believes that this Nation has previously assumed an unlimited and cheap energy supply; the recognition that these assumptions no longer apply is the first step toward meeting the Nation's problem. The Committee has identified a series of actions designed to accommodate to new premises without undermining economic recovery.

In recommending the rejection of the President's proposal for energy price increases, the Ad Hoc Committee has found that the President's plan reflects a serious lack of perception of the integrated nature of our economy. The adversities that would be produced by its implementation must be avoided in favor of developing an urgent program designed to build into the American economy greater efficiency in the consumption of energy and an enlarged and more diversified energy production capacity. The Ad Hoc Committee has found no justification for impairing economic recovery by inducing immediately a steep oil import reduction. Recommended instead are a series of actions which, if implemented, will produce both national energy sufficiency and a substantial reduction in dependence upon foreign energy sources. A tax on gasoline at the pump, fully compensated to low- and middle-income consumers through reductions of taxes on incomes would provide funds for energy conservation and production programs. This gasoline tax would incrementally increase only as economic recovery occurs and along with allocations would help manage current energy supplies more effectively to reduce import dependence now without greatly inhibiting economic recovery efforts.

The creation of a National Energy Production Board is recommended to mobilize and coordinate on an urgent basis our energy resources in order to increase domestic production. A wide range of conservation actions at both state and national levels are recommended to achieve an overall reduction in the growth rate commencing in 1975.

The proposed Congressional program mandates procedures for reducing consumption; the Administration mandates procedures for reducing supply.

Both plans seek to reduce energy imports to approximately 10% of energy consumption by 1985 from the approximate 20% of 1975. (Fig. 6) The Ad Hoc Committee's recommendations would tolerate greater quantities of imports in the short term, but require much lower prices over both the short and long term.

The ultimate reduction of oil imports is a result of domestic energy supply increasing more rapidly than consumption, 2.8% versus 2%. Moreover, the composition of energy sources reducing the share of energy provided by natural gas and oil changes the reliance on resources subject to near-term depletion. (Fig. 7)

- A tax on gasoline would raise revenue to pay for the urgent program of conservation and production. The Energy Trust Fund would be similar to the Highway Trust Fund. The tax would be increased gradually as unemployment recedes. The increases would be synchronized with the concurrent reduction of the income tax rates on low- and middle-income wage earners to compensate for the loss of this consumer income.

- Additional revenues would be derived from energy taxes on inefficient uses of energy and by dedication of part of the funds paid for leases to the Outer Continental Shelf.

To assure fair prices for the consumer, the Ad Hoc Committee recommends the following:

- Adopt a temporary moratorium on the President's authority to impose a new oil import tariff in order to permit the enactment of permanent statutory standards for Presidential quota and tariff authority.
- Limit President's authority to raise price levels or lift price controls from domestic oil production without Congressional concurrence.
- Strengthen the antitrust laws to promote free enterprise and to encourage greater competition.
- Change bidding system for Federal leases to permit greater participation by smaller companies.
- Reform and simplify natural gas regulation, but continue price controls on old natural gas, and establish a statutory formula ceiling on new gas that reflects both cost of production incentive costs and the cost of alternative fuels. This will assure that the price is high enough to encourage maximum domestic production but is still below the OPEC cartel level.
- Give consideration to aid poor people who cannot pay for the current price of heating oil, natural gas and utility service.

In connection with tax reform in the energy area, the Ad Hoc Committee recommends that special attention be devoted to the following areas:

- Recover windfall profits on oil, gas and coal resulting from the abrupt rise in world oil prices.



- Repeal depletion allowance for major oil companies.
- Provide reduced depletion allowance, with appropriate tax adjustments, for small-producers.
- Abolish tax credits for payments to foreign governments that are not taxes on profit. Policy in this regard should support national objectives with regard to the OPEC cartel.

The Ad Hoc Committee recommends a policy for protecting the environment which includes the following:

- Enact the Surface Mining Control Act.
- Enact land-use legislation which recognizes the interests of states in the siting of power plants, refineries, etc.; provides planning mechanisms for regional planning in which states participate and decisions can be made in a timely fashion so that necessary facilities can be built.
- Establish machinery to recognize and resolve concerns of Coastal, Rocky Mountain States and others concerned with damage to the quality of life from potential exploitation of their regions and to provide adequate time and funding to minimize detrimental secondary effects.

Conservation and Supply Programs.

As to the energy conservation and supply programs, a series of actions is recommended by the Ad Hoc Committee which, if implemented on an urgent basis, will achieve energy self-reliance within the decade.

Conservation.

In the transportation area:

- Immediate incentives for the purchase of new cars with good fuel efficiency.
- Performance standards to require better mileage in future cars with a thorough review of all environmental standards in the light of developing an effective energy policy consistent with economic recovery and including the relation of emission standards to better mileage. Also, disincentives



should be imposed on poorer mileage cars to become effective with 1977 models.

- Major funding for public transportation.
- Major increase in funding for improving rail transportation to encourage energy efficiency in transportation and to develop a reliable coal transportation network.
- An R&D effort to develop a safe, highly efficient, low-emission automobile by 1985, including an urban electric car.

With regard to the Industrial use of energy, including electric utilities:

- Special investment incentives exclusively for conservation (in addition to those required for economic recovery) applicable to any capital investment in the next two years for retrofitting investments made exclusively to save energy or to switch from oil and gas to coal. (with appropriate ceilings).
- A federal requirement for an energy conservation program (efficiency standards) in each industry designed to economically feasible conservation targets.
- A research and development program for new energy saving industrial processes designed to save 40 percent in key industries over the next decade.

In the Residential and Commercial area:

- A major federal loan guarantee, grant and/or tax credit program for residential and commercial consumers for insulation and other energy-saving modifications. A principal objective of the program would be to upgrade over 10 years some 40 million existing homes presently in need of thermal protection improvements, such as ceiling insulation, storm windows and doors, caulking and weatherstripping.



- A program that will facilitate and provide the necessary funding to revise building codes at federal, state and local levels to improve energy efficiency.
- A Truth-in-Energy law to require labeling of energy content and cost of all appliances, homes, automobiles, etc.
- Performance standards for major appliances to conserve energy.

Federal Agencies:

- All agencies should give energy conservation the highest priority in all purchases, planning, policies and regulatory actions; specifically mandate the ICC, CAB and Maritime Administration that energy wastage be cut out in railroad, airline, truck and marine transportation; establish Federal standards for utility rate design in the pricing of electricity and natural gas to encourage energy conservation.

State Government:

- States should be encouraged to develop mandatory conservation measures. Provide Federal funding for such activities, with renewal of grants contingent on success of state programs.

Supply.

- An increase in domestic energy supply is as essential as energy conservation in the proposed Congressional program. At the core of the recommendations of the Ad Hoc Committee is the creation of a National Energy Production Board. It would mobilize unutilized and underutilized private and public resources to increase domestic energy production on an urgent basis. The National Energy Production Board would be patterned after the War Production Board of World War II and, subject to Congressional review, would have authority and funding to break energy bottlenecks, and to take actions necessary to accelerate the production of domestic fossil fuels, particularly on the Outer Continental Shelf and in the Naval Petroleum Reserves. The costs would be funded out of an Energy Trust Fund.
- A national system of oil strategic reserves and storage is recommended. The program would create a stockpile that could supply 3 million barrels per day for six months by 1980 and for a full year by 1985. Part of



- the oil stored would be purchased on the world market under secret bid to encourage competition. The remainder could come from Naval Petroleum Reserves, the Outer Continental Shelf and the marketplace.
- Coal conversion incentives of major proportion are recommended that are designed to implement a national policy requiring new baseload fossil fuel fired electrical plants and heavy industrial boilers to burn coal rather than oil or natural gas, and the conversion of existing plants over the next 10 years where feasible. Capital equipment incentives, manpower development and engineering technology should be encouraged. Coal should be mined and burned only in compliance with environmental standards and in compliance with the Federal Coal Mine and Safety Act. Strong measures to encourage the conversion to environmentally sound coal use, e.g. tax credits, loan programs, or fuel taxes to finance the cost of conversion should be enacted.
 - At the same time should be undertaken commercial demonstration of new synthetic fuels with an ultimate production goal reaching the equivalent of 500,000 barrels of oil per day. These technologies, together with oil shale, geothermal, MHD, solar and others, would be developed on a contract or joint venture basis with industry. Sufficient Federal financial support is recommended to proceed immediately. From this initial experience, a better assessment could be made of environmental and social as well as economic costs.
 - The Outer Continental Shelf Act should be revised to accelerate exploration by establishing a direct Federal role in exploration. This revision will assure coastal states of environmental protection, establish a public knowledge bank on available resources, mandate production under leases so that available resources will not be kept from the Nation's supply by private speculation and require disclosure of geological and engineering data that pertain to these national resources.

In accordance with the President's proposal, the Ad Hoc Committee recommends that the Naval Petroleum Reserves in Alaska be rapidly developed and necessary transportation facilities created to make the estimated 10-40 billion barrels available as needed for storage or commercial use.

- In order to maximize current production and ultimate recovery from existing oil and gas reserves, and to facilitate secondary and tertiary recovery, tax



incentives should be provided along with Federal authority for mandatory unitization of fields (harmonizing the production of wells into a common field) and production at maximum efficient rates with authority exercised by states where state laws and regulations meet Federal standards.

- The oil price control program should be modified to create sufficient incentives to produce all oil that can be recovered economically through secondary and tertiary recovery, substantially increasing the amount of oil ultimately produced from the average field.
- To exploit fully our natural gas potential, the Federal Power Commission must be mandated to provide price certainty at levels high enough to reflect future costs, (but keeping controls well below the OPEC cartel level) and to eliminate regulatory delays; reducing the incentive for withholding gas because of the uncertainty over government pricing policy.
- Financial aid should be provided to improve electrical transmission lines and to make better use of existing generating capacity. Financial aid should be afforded as well to the utilities in order to facilitate construction of transmission lines that could take advantage of diversity in demand and thus enlarge the capacity available for each utility to meet peak loads without building as many new power plants. In return; utilities should be required to redesign rate structures so as to encourage energy conservation by all consumers.
- Incentives should be provided to facilitate expansion of nuclear power by funding accelerated efforts to resolve the safety, safeguard and solid waste problems.
- Procedures to shorten needless regulatory delay in energy production should be adopted. This should include expedited consideration of a natural gas delivery system from Alaska and cover speed-up of certification and regulatory procedures by FPC and State Utility Commissions with regard to both electricity and natural gas.



Assessment of the Proposed Congressional Energy Program in the Light of the President's Recommendations.

What the energy conservation and expanded supply programs indicate is substantial bipartisan agreement on the primary goals of U.S. energy policy--eliminating U.S. dependence on insecure sources of supply as rapidly as possible. The Ad Hoc Committee also agrees with the Administration's strategy for bringing this about--reduce the growth rate of consumption, increase production, switch from oil and gas to coal and other sources, and build standby storage capacity. Our disagreement is over tactics and the coordination of energy policy with economic policy.

The Administration wants to tax all energy at the source; the Ad Hoc Committee recommends taxing gasoline at the pump. The Administration wants to put the entire tax on at once; the Committee recommends phasing in the gasoline tax as unemployment recedes. The Administration recommends mileage standards; we agree, but supplement the standards with a large excise tax on poor mileage autos and on offsetting subsidy for efficient cars. Most importantly, the Administration relies on its tax to accomplish its goals while the Ad Hoc Committee backs up its recommendations with authority to manage supply and allocate--or even ration if necessary--to meet the goals.

CONCLUSION

The Ad Hoc Committee requests that the Senate Democratic Policy Committee evaluate its recommendations, recommend changes or modifications deemed necessary, and if approved, that it prepare the recommendations for ultimate presentation to the Majority Conference as a proposed Congressional program designed to meet the Economic and Energy needs of the Nation.

