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NEWS CONFERENCE #142

AT THE WHITE HOUSE

WITH RON NESSEN

AT 4:37 P.M. CST

FEBRUARY 11, 1975

TUESDAY

(Topeka, Kansas)

MR. NESSEN: Here is what we are going to do basically -- let me run through my notes on what happened at the Governors' lunch and then Steve and the other poolers who are out there can fill.

Q We have some tape we are filing here, so the phone is going to be busy.

MR. NESSEN: We will relax the rules a little bit if everybody agrees.

Q That was only in jest.

MR. NESSEN: Let me run through my notes on the Governors' luncheon and, then, Steve or other poolers can come and fill you in on anything that I may have missed.

The President -- let me say this, generally, before we start. This meeting with the Governors was somewhat different than the ones in Atlanta or Houston, in the sense that it went into a good deal more detail about specific problems that the Governors wanted to talk about and it dealt with a wider range of subjects other than energy and economics, and you will see what I mean as I go through the conversation.

The President said his purpose, his whole purpose in coming here was to explain the energy and economic program, and he said he would like this to be a "frank give and take, and if you disagree, let me know." He then went into considerable detail on his economic program and his energy program, which I think you know and I don't have to talk about that.

He once again spoke strongly against rationing. He said, "It doesn't look very attractive." He also talked about allocation and said that would be the most damaging form of oil conservation to the economy.

Okay, then the Governors began to ask questions and make points. The first subject talked about was the highway funds that were released today, and Governor Kneip of South Dakota asked whether it would be possible to give up, or to waive, the requirements that the States put up 10 percent of their own money for the interstate system and somewhat more for secondary and primary road construction. The President said, "I couldn't do that today."

Governor Walker of Illinois said his State didn't have the money to match the Federal grant, and then, Governor Walker said, Well, how about giving one cent of the Federal gas tax to the States? We are in a much better position to decide which roads should be built and what roads should be widened."

MORE

The President then talked about a proposal that is in the budget but may have been overlooked. It is a proposal to change some of these formulas for building highways and the legislation will be sent to Congress in about a month. It is somewhat complicated, but the main two provisions which were spelled out for the Governors would be that the Federal Government Government -- as you know, the federal gasoline tax is now four cents a gallon. The Federal Government would be willing to lower that to three cents a gallon if the States added the other penny to their state gas tax, and then they would have extra money to build their own roads.

The other part of that proposal, when it goes up in about a month, as it was outlined today, would give more money to the States as block grants to construct highways and let them decide which highways to use it for.

Q When is that going up, Ron?

MR. NESSEN: They were told today it would go up in about a month.

Then the President asked Paul O'Neill of the OMB to give more details of that, which he did.

Governor Walker said he was against dropping the one cent from the federal tax and asking the States to add one cent to their tax. He said, "I wish you would just give it to us." He said that he did like the idea of block grants; "Just give us the money, and we have the selectability to decide how to spend it."

The President replied, "That is right up our alley. I strongly believe in that concept. If you can help us, I strongly believe the decision-making should be in your ballpark."

Then Governor Exon of Nebraska, continuing to talk about highways, said, "We have got the money to match the federal money. We have got a road program ready to go. We can use it right away."

And Paul O'Neill of the OMB said that he had made a survey by telephone about a week ago. He didn't talk directly to the Governors, but he talked to officials in each of the States and administrations represented today, and he said he was told that each of the States there today did have the money to match today's release of federal highway funds.

Governor Lucey of Wisconsin asked how the $2 billion released today would be allocated and Paul O'Neill replied, "On the basis of those States which have contracts ready to go but still keeping within the allocation formula that is spelled out in the basic interstate highway law."

The President said, "We want this money to go to the States where they can use it most quickly and effectively."

Governor Anderson of Minnesota, who is the Chairman of the Democratic Governors' Caucus, said that some of the Governors had met before lunch and had formed a consensus on several issues they wanted to raise. One of these was help from the Federal Government to limit competition from foreign milk.

This is an example of the broader range of issues that was discussed at this meeting than has been discussed at previous Governors' meetings.

The Governor said that the Governors he had met with prior to the lunch felt that the tariff would cost families in their States too much money in higher energy costs.

Governor Anderson said, "We are with you 100 percent on your goal of reducing dependence on Arab and other foreign oil, but why don't you do it by just limiting imports, even if that means long lines and shortages."

The President replied that to simply put a ceiling on imports would not provide any incentive for domestic production -- increased domestic production and developments of other domestic sources of energy.

Anderson said, "Well, what do we get if we pay this extra money for energy, for fuel," and Greenspan said, "What you get is a first step toward becoming invulnerable to foreign oil. Even the best government program of allocation is going to have a ten percent error or mistake factor, so some plant is going to lose its allocation or not get enough allocation, because of some bureaucrats making a mistake."

Under our system the economy will make the necessary adjustments; allocation cannot do that. Frank Zarb said that special steps will be taken in the northern tier of States to make sure that they don't pay any more for their oil than people elsewhere in the country do.

Frank said that to have the government make every decision on what plants can open, which plants can expand, how much the tourist industry needs to be cut back, our society cannot live with that kind of government interference in every decision.

Governor Exon said, well, he didn't think that increased prices had worked to curtail consumption and he pointed to the increase in Arab oil prices over the past several years, and the President rather forcefully said, "You are wrong." He said that consumption had been reduced three percent in a short period when the Arab oil prices first went up.

Zarb then made the point that if the price increases caused by the excise taxes do not reduce oil imports by a million barrels a day, the President will make up the difference with a ceiling on imports. And you know the example we have used: If the higher prices reduces imports by, say, 800 thousand barrels the President would reduce imports with a ceiling by the other 200,000 barrels.

Zarb continued by saying, "But remember how we got to where we are today, which was allowing foreign countries to determine the price and amount of oil America gets."

Governor Bennett of Kansas asked about the subject that the Southwestern Governors did yesterday, which is a plowback of windfall profits allowing the oil companies to keep some of their windfall profits if they used it to explore for new oil.

MORE #142

The President said when he considered that issue, it had been a close call on which way to go. He rejected it, as you know. He said the main reason for rejecting it is that it would reduce the revenues from the oil program by $4- to $6 billion, and mean that much less for the tax cuts he is proposing.

MORE

Q Four to six billion?

MR. NESSEN: Four to six billion, yes.

Governor Bond of Missouri said, "We know we are going to have to pay a price. There are no easy ways, even though Congress has tried to make some people believe there are.

"I support your adamant opposition to rationing. I would question your excise tax on domestic oil and gas. I think if you have a tariff on foreign oil and decontrolled domestic oil, that is enough to stimulate domestic production."

The President said, "If you don't put the excise on domestic oil and gas, you would lose a considerable amount of the $30 billion and families would have to pay more for oil but they wouldn't get as much back in the tax cut."

Q Which governor said that?

MR. NESSEN: That was Governor Bond who came out against the excise on domestic oil and gas. Kit Bond of Missouri.

Q What was the President's answer?

MR. NESSEN: "If you don't put the excise on domestic oil and gas, you would lose a considerable amount of the $30 billion and families would have to pay more for oil but they wouldn't get as much back in the tax cut."

Frank Zarb made the same point on plowbacks that he did yesterday, which is that Congress is holding hearings on the issue. The Administration would watch those hearings and see what information is developed and possibly may take another look at the plowback question.

Then the conversation turned to holding down government spending. I think you know all those arguments.

Governor Walker again spoke and talked about the need to get the Office of Coal Research and other government agencies going on coal gassification and other projects to use more coal so we can get a long-term solution. He said his state had money ready to match those programs.

Then Governor Walker said, "I would like to compliment you. Rarely have I seen a Chief Executive with such a grasp of the facts and statistics."

Governor Exon said, "You have been tremendous to come here and talk to us." And then he said, "Are you thinking of limiting imports of meat and poultry?"

The President said, "We already have a program in which there is a ceiling on those imports of about 7 percent and imports have not gone up to that ceiling."

Governor Exon said, "Will you ask for legislation to cut off imports of beef and poultry?"

The President said, "I can't go that far." He said he has adequate flexibility now. The power he has now, he could either reduce exports, set quotas, or lower the quotas.

Governor Kneip said, "What about a temporary import limit?" And at that point, some of the other governors spoke up and said the limits on beef and poultry imports might hurt their own sales overseas, export sales of soybeans and other products.

Then there was a discussion of improving the mileage of automobiles by 1980 and that was the end of the luncheon.

It ran about an hour longer than expected, as you saw.

Q Can you clarify the part about O'Neill saying they had checked out all the States and that they all have matching funds?

MR. NESSEN: He said he made a phone survey of all the States represented today.

Q Did Walker then counter that?

MR. NESSEN: No, Walker came first and O'Neill came along and said that he had not talked directly to the governors but that people in their State governments had told him that they all had money available for matching highway funds.

MORE #142

Q Did Walker answer that?

MR. NESSEN: No.

Q Some of the Governors mentioned they would have extreme difficulty finding funds.

MR. NESSEN: That was addressed to the President by two or three of the Governors.

Q You said Zarb said special steps will be taken in the northern tier States to make sure they don't pay more than other sections. Was there any explanation as to how that would be done?

MR. NESSEN: He did not spell it out. He is around, though.

Q Is this something that is not now in the program?

MR. NESSEN: It is in keeping with the original promise of the President. The President used the expression -- reminded the Governors in his original proposal -- he said that no geographic area or industry will have to suffer more than any other.

In that context Frank said there will be special steps for the northern tier, but didn't spell out what they were.

Q I don't understand. Is this something that is already in the program or that will be?

MR. NESSEN: I will have to check. He didn't spell it out.

Q Would you repeat what Exon said about the cattle?

MR. NESSEN: He asked the President whether the President would ask for legislation to ban imports of cattle and beef, and the President said, "I can't go that far." Then he explained that he already had authority to reduce imports if necessary.

Q Ron, I remember during the campaign several stops along the way the President said that he was going to take steps to curb foreign ---

MR. NESSEN: No, no. I think what he said, Gaylord, was that he was going to watch the level of imports and then if they reached a certain percentage level he would take steps.

Q Now he is satisfied they are not ---

MR. NESSEN: They are not at that level. They are less than seven percent.

Q Seven percent increase?

MR. NESSEN: No, less than 7 percent total beef and poultry supplies, that was the figure he used.

Q Thank you, Ron.

MR. NESSEN: I guess the news conference starts at 7:00.

Q I am sorry to ask another question, but was there any discussion about unemployment other than in the context of the highway funds?

MR. NESSEN: No.

Q Nobody brought it up?

MR. NESSEN: No, nobody brought it up.

Q I got the impression, talking to Governors, that for the first time, we may have a sort of partisan split in support of the President even though Bond went against one of the President's proposals. That is the impression I got, just from the Governors' meeting. Did you have that feeling in there today?

MR. NESSEN: I am not even sure which are Republicans and which are Democrats. When Governor Anderson said that they had a caucus beforehand and reached a consensus on certain issues, he didn't say that was a Democratic caucus; politics never came into it, and I didn't get a sense there was any division along party lines of the Governors today.

Now, on the news conference -- has everybody got their list of questioners in order?

Q Yes.

MR. NESSEN: The names were drawn out of a hat, as you know, last Saturday by Ann Compton of ABC, and the local names were supplied in order by the Kansas Press Association. So, I hope it works out all right.

Q Yes, Ron, except in the revised list, there was an abolishment of the rule there; you moved some people ahead of other organizations that already had one request, rather than put the repeats at the end of the list. That is not in keeping with the way it was announced. It is academic because it will never get down that far, but I wanted to clear it for the record.

MR. NESSEN: Let me take a look at it, John, and see if we can retrieve it before we get to the news conference.

Q What is happening now?

MR. NESSEN: I don't know. I have to go up there.

Q Ron, is the President seeing a nephew while he is here? A story in the local paper said the name was Werner. Can you find out if he is related?

MR. NESSEN: All right, I will.

Q Did you say one of the guys who talked to the governors would be able to pool?

MR. NESSEN: I think Steve -- there were a number of people out there and I think Steve is one of the people that was out there.

THE PRESS: Thank you.

END (AT 4:58 P.M. CST) #142