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December 2, 1974

SUBJECT:

PRESIDENTIAL ENERGY BRIEFING

When is the President going to have his briefing on the energy situation?

GUIDANCE: As you know, the staff work for Project Independence was completed just a few weeks ago. The Energy Resources Council staff is in the process of reviewing comments from federal agencies and the public. This work will be completed by the middle of December, at which time the President will be provided with a complete briefing along with specific options for decision. We have said that the President plans to have a completed national energy program after the first of the year.

JGC

December 2, 1974

SUBJECT:

FRANK ZARB GETS MIXED  
RECEPTION AS NEW ENERGY CHIEF

According to a story in this morning's New York Times, Frank Zarb has left both admirers and critics behind him during his New York rise on Wall Street. The Times mentions Mr. Zarb's role at the brokerage firm of Goodbody and Company, where he held a key executive position in the 1960's. The firm collapsed amid a welter of paperwork about a year after Mr. Zarb left in 1969. Other critics point to a fraud case involving one of his former Wall Street employers, then called Hayden Stone Inc.

Was the President aware of Mr. Zarb's role at Goodbody and Company and Hayden and Stone?

**GUIDANCE:** These are all old stories and it is my understanding that this goes back to the middle 60's.

I would just point out that Mr. Zarb has had at least two full field FBI checks, and possibly three, and this has been carefully covered and checked out by them. I think you'll also find that for every critic of Mr. Zarb's, there will be a dozen people who are ready to compliment him.

JGC

December 5, 1974

SUBJECT:

CANADIAN OIL IMPORTS

Isn't true that even though Canada has authorized the exports to the United States of some 900,000 barrels per day of oil, because some Canadian Provinces have already cut off oil exports to the U.S., we are actually importing much less oil than that from Canada?

GUIDANCE: It is my understanding that the U.S. is importing somewhat less than the 900,000 barrels authorized from Canada. I am told that the major reason for less oil being shipped from Canada is twofold: the first reason is that the Canadian oil prices are considerably higher than our domestic prices, and even higher in some cases than the Arab oil imports, and therefore many have shied away from importing Canadian oil because of the high price. ~~A second factor in the reduced amount~~ of imports from Canada is the fact that having anticipated Canada's phase-out of oil imports to the United States, and with the announcement on November 22, many refineries and users of Canadian oil began during the last several weeks searching for alternative sources of oil, and this again has resulted in a further reduction in the amount of oil imported from Canada. Therefore, these are the major reasons for the lower import figures than actually authorized from Canada, and I have no knowledge that certain Provinces within Canada have already begun cutting off U.S. imports.

*Next  
a Major  
factor*

*Refineries  
pull because  
Mild winter*

December 5, 1974

SUBJECT:

ENERGY CONSERVATION EFFORTS LAG

According to a story in this morning's Wall Street Journal, Ron Nessen yesterday conceded that voluntary energy conservation efforts probably would not achieve President Ford's goal of reducing oil imports 1,000,000 barrels per day by the end of 1975.

Did you say that we will not achieve the 1,000,000 barrel per day reduction, and if so, why?

GUIDANCE: The response I gave yesterday to a question was that the "Progress towards reducing oil imports is probably not as satisfactory as the President had hoped it would be."

What do your figures show regarding a decrease in oil imports?

GUIDANCE: Secretary Morton, Frank Zarb, and FEA are in the process of developing a new system of reporting oil imports, and the demand for petroleum products. The new system has been agreed upon and will become effective within the next week and made public at the same time. The President ~~will begin receiving reports using the old format, and~~ will in the next week, begin receiving reports under a more complete reporting system. Therefore, it is too early to see any trend in the amount of oil imports.

Does the President expect a reduction in oil consumption of 1,000,000 barrels per day in 1975?

GUIDANCE: The President still expects to reduce oil consumption 1,000,000 barrels per day over the projected consumption for 1975.

What is the projected consumption for 1975?

GUIDANCE: 17.6 million barrels per day

What is the consumption for 1974?

GUIDANCE: 16.6 million barrels per day  
JGC

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December 6, 1974

SUBJECT:

JACKSON BILL GIVES  
PRESIDENT AUTHORITY TO  
RATION GASOLINE

Senator Jackson has introduced legislation to authorize rationing and other emergency energy conservation measures. According to the stories, there is an apparent tacit endorsement from the White House.

Does the President want a stand-by authority to ration gasoline?

GUIDANCE: As you may recall, legislation was introduced March 10, 1974, the Special Energy Act, which would provide stand-by authority for mandatory conservation measures. Included in these conservation measures was the authority to ration gasoline. It is my understanding that Frank Zarb, when asked this same question at his confirmation hearings a few days ago, said that we would not object to having the authority to ration gasoline at this time, but felt that a better approach would be to ask Congress at the time we felt a rationing system should be implemented and explain to them the reasons for our feelings, and the method of implementation. However, if there is a rationing provision, we would not reject the legislation because of this.

Do you support Jackson's energy bill and who has he talked to here at the White House to get the endorsement?

GUIDANCE: Representatives of the Administration have discussed the stand-by energy bill with Senator Jackson from time to time. Yesterday afternoon, we received Senator Jackson's letter to the President which solicits the Administration's support for the bill which Senator Jackson introduced yesterday. We will now review that bill as soon as possible and respond to the Senator.

(More)

December 6, 1974

SUBJECT:

ENERGY BRIEFING FOR  
THE PRESIDENT

For Announcement

Secretary Morton and Frank Zarb will meet with the President tomorrow morning at 10:30 a.m. The purpose of their meeting will be to outline to the President the nation's energy problems, broad strategies for responding to these problems, and review the types of decisions the President will be faced with between December 7 and January 1. No decisions are expected to be made at this background briefing.

Who will attend the meeting?

GUIDANCE: It is my understanding that attending with the President will be Don Rumsfeld, Dr. Kissinger, and Secretary Simon.

JGC

December 6, 1974

SUBJECT:

ENERGY POLICY DEVELOPMENT

On Wednesday, December 4, a meeting was held in the White House with energy experts from OMB and approximately fifteen departments and agencies. Assignments were given for developing staff papers on various energy issues and policy options identified by the Energy Resources Council Executive Director and his staff.

These agencies are to complete most staff papers by Friday, December 13. These papers will provide the necessary information and staff work for a working meeting at Camp David.

On December 14 and 15, there will be a ~~short~~ ~~briefed~~ working session at Camp David for two days to assess the issue papers, evaluate the options, and develop a tentative set of recommendations. Mr. Frank Zarb, as Executive Director of the Energy Resources Council will chair the meeting.

The work of this group will then be presented to the Energy Resources Council meeting on Monday, December 16. The Energy Resources Council will evaluate the recommendations and major alternatives to the recommendations and develop a final package of options to be submitted to the President.

December 17 through the 28, the President and his staff will review the recommendations. The decisions of the President will probably be made in the context of his State of the Union message.

~~Quote List of~~

JGC

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(More)

Didn't the Senator basically take your previous legislation and introduce it?

GUIDANCE: It is our understanding that the Senator did take basically our bill, but added various amendments to it. Some of the amendments need a more thorough review so we can have a better understanding of just what they mean. (For example, apparently one amendment calls for the establishment of a strategic petroleum stockpile. We feel this is not the time to be buying oil on the markets at today's prices in sufficient quantities to store enough oil for three years' use.)

Did the White House agree on this compromise legislation?

GUIDANCE: From reading Senator Jackson's letter of yesterday, the fourth paragraph begins with, "It is my earnest hope that your Administration will be able to support this measure." Therefore, I think this is self-explanatory.

December 9, 1974

SUBJECT:

OIL - 1969-1974

Domestic Production  
Domestic Consumption  
Foreign Imports

The figures listed below are the average number of barrels per day, for the years 1969 through 1974. The 1974 figures are the average, through August. The import figures for 1974 will rise somewhat when final figures for 1974 are in.

The figures below are in thousands (add three zeros).

<u>Year</u>	<u>Domestic Production</u>	<u>Domestic Consumption</u>	<u>Foreign Imports</u>
1969	10,828	14,137	3,166
1970	11,297	14,697	3,419
1971	11,156	15,213	3,925
1972	11,185	16,367	4,741
1973	10,925	17,254	6,202
1974	10,375	16,546	6,458

As you can see by the above, domestic production peaked in 1970 and has essentially declined since then.

Domestic consumption peaked in 1973 and has appeared to subside somewhat in 1974.

Of course, the figures show a steady increase in import.

JGC

December 11, 1974

FRANK ZARB

The Foster Idea

When Zarb said that we "are going to have to go down that road some distance" he was agreeing with the notion that we had to use the best combined talents of the private sector, academia, and government to get the energy job done. He certainly did not endorse a concept of contracting with the private sector above and beyond the methods and levels normally used by government.

Jack Anderson Story

1. During the last 6 years Zarb spent 3 years with the federal government and 3 years as a senior executive with Hayden Stone Inc, the Hayden Stone Company that is now in existence.
2. During the last 3 years Frank has had at least 3 full-field investigations as part of his clearance for various government posts. He has gotten good marks in each case.

Q. Was the Co-Chairman of the President's Citizen's Action Committee speaking for the President when he said gas rationing might start January 1?

A. We have been in contact with Mr. William Meyer who said that that was a prediction which he had made solely on his own and he thought he had made it clear that it was not a Committee prediction, and that he was not speaking for the Administration in any manner, shape or form.

Q. Is gas rationing under serious consideration as Mr. Meyer also said?

A. No recommendation has been made to the President. As you know, the Energy Resources Council is looking at a whole range of options and I understand that Secretary Morton said that gas rationing is one of the options. (FYI: Morton said, through his spokesman, that the President has already indicated that he will make his energy decisions and announce them sometime in mid-January which precludes the possibility of gas rationing starting January 1. Morton also was quoted on the Today Show as saying, in regard to an increase in federal gas tax, "I think we have to look at other alternatives first.")

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December 13, 1974

ANDREW GIBSON

Q. Why was Andrew Gibson at the White House?

A. As you recall, when the name of Andrew Gibson was withdrawn for FEA Administrator, the President indicated that the investigation into the allegations concerning Mr. Gibson's financial arrangements would go forward. Mr. Gibson was in Washington and came by the White House to check on the progress of these investigations.

(FYI: He saw Cheney and Areeda)

Q. When will the investigation be completed?

A. I have no specific date, but I can assure you it will be completed as soon as possible.

Q. Will the President give him another job in the Administration?

A. As the President indicated in his letter to Mr. Gibson, he would like to offer him a job in the Administration. However, no decision has been made on this.

(EXCHANGE OF LETTERS ATTACHED)

NOVEMBER 12, 1974

Office of the White House Press Secretary

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THE WHITE HOUSE

EXCHANGE OF LETTERS BETWEEN THE PRESIDENT  
AND ANDREW E. GIBSON

November 12, 1974

Dear Andy:

I have your letter asking that your name be withdrawn as a candidate for Administrator of the Federal Energy Administration, and I accept it with the deepest regret. As you recognize in your letter, the national interest requires that the Federal Energy Administration have new leadership as swiftly as possible. The energy problems we confront are of such a magnitude as to render unacceptable any undue delays in the nomination and confirmation process. It is therefore my intention to announce a new nominee for this important post very soon.

I want you to know of my continuing high regard for your abilities. You did not seek the post of the Federal Energy Administration Administrator; we sought you out because of your proven record as a superior government manager during your tenure at the Commerce Department. You agreed to serve, if nominated and confirmed, out of a spirit of patriotism and a desire to serve the public interest.

It would be unfair to you to leave unanswered the charges made against you. I, therefore, intend to have the FBI investigation, which was routinely begun on the date that you were announced, run to its completion and, when appropriate, to appoint you to another responsible position in government. We need people in public service of your ability and your experience.

With warm regards,

Sincerely,

GERALD R. FORD

(MORE)

November 12, 1974

Dear President Ford:

The existence of the agreement between myself and Interstate Oil Transport Company under which I resigned as President in April of this year has raised the question of whether this contract would impair my ability to discharge impartially my responsibilities as Federal Energy Administrator. A review of this contract will show that the obligations of the company to me are specific and unconditional and I therefore believe that this contract would not inhibit the discharge of my official responsibilities as Federal Energy Administrator. Nevertheless, because of its existence it seems apparent that any hearing on my confirmation will be a lengthy matter. Believing as I do that the energy problems facing our nation are critical and require prompt and effective leadership, I am reluctantly compelled to conclude that a lengthy confirmation hearing would not be in the best interests of the nation. Accordingly, I request that my name not be transmitted to the Senate for the position of Federal Energy Administrator.

Other questions have been raised with respect to the propriety of my conduct during the course of my tenure as Assistant Secretary of Commerce for Maritime Affairs. I have every confidence that the FBI investigation now underway will demonstrate the complete absence of any substance to such allegations. Indeed, were such allegations the only obstacle to my confirmation, I should feel quite differently about the withdrawal of my name. Therefore, I respectfully request that the FBI investigation continue and be completed promptly.

I greatly appreciate the confidence you have shown in selecting me for the position as Administrator of the Federal Energy Administration. It would be an honor to have the opportunity of serving the nation in some other position.

Sincerely,

ANDREW E. GIBSON

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December 17, 1974

**CAMP DAVID ENERGY MEETING**

Q. When can we expect the President to receive the report from the energy people who met at Camp David over the weekend?

A. I would expect it to be delivered to the President sometime later this week.

(FYI: The report is scheduled to be given to the President by Zarb and Morton on Thursday. There is a chance they may see him earlier to give him a brief overview in advance of the full report.)

Q. Why the delay?

A. There is no delay. The group met over the weekend. They are in the process of putting their report together and getting it in final form for the President.

December 17, 1974

FRANK ZARB AND ENERGY QUESTIONS

- Q: Why was Frank Zarb sworn in quietly in an unannounced ceremony Friday night when he is going to have an official ceremony tomorrow?
- A: Zarb was sworn in on Friday so that he would be officially empowered to issue directives and sign other documents so that the Federal Energy Administration would continue to function efficiently.
- Q: What has he done since being sworn in?
- A: Among other activities, Zarb has appointed Eric Zausner who is an Assistant Administrator to the post of Acting Deputy Administrator. That was done today.
- Q: Will an Energy Option Paper, which was drafted at Camp David over the weekend, be presented to the President tomorrow?
- A: The President had asked for the report by the end of the week. I would expect it to be given to the President on Thursday. (See attached transcript of your Friday, December sixth briefing regarding the timetable.) (The report was originally suppose to go to the President tomorrow, but Kissinger could not be at the meeting because he is testifying so the meeting was postponed until Thursday.)
- Q: Could you tell us what is in the report?
- A: No, other than to say it will be a tough, balanced program which presents the President with a wide range of options.
- Q: When will the President make his decisions?
- A: Sometime between the time he receives the report and the State of the Union message. At which time I look for them to be announced. (Is this true?)

Q: Regarding the Camp David meeting last weekend, why were wives accompanying husbands if it was to be a working session?

A: It was a working session and I might point out that many of the officials working on this program have been working six and seven days a week and it gave them a chance to see a little more of their families than they would normally. They are billed for their meals and drinks. Although they are not charged for their accommodations because the officials would then be able to charge their agencies for out of town travel expenses.

PETROLEUM PRICES

Q. How much are gasoline and other petroleum products ultimately going to cost, and have you proposed any incentives other than price increases to conserve fuel?

A. Petroleum product prices will increase on an average of 10¢ per gallon. We have proposed regulations that would prevent refiners from passing through more than a proportional share of their cost increases on products like heating oil -- for which there are no alternatives. This means that gasoline prices might rise more than other fuel products but then heating oil increases would be less.

In addition to conservation by pricing, we have proposed legislation making thermal efficiency standards mandatory for new homes and new commercial buildings. Such legislation would save us an estimated half a million barrels of oil per day in 1985.

For existing dwellings, the President has proposed a 15% tax credit to every American homeowner who installs or improves insulation. This would save us over 500,000 barrels of oil per day by 1985.

Another conservation program is our agreement, to be monitored under public scrutiny, to increase automobile miles per gallon by 40% by the 1980 model year. By slightly modifying our auto emission standards, we can in this way save 1 million barrels of oil per day by 1985.

Finally, we will be working with major appliance manufacturers to develop a 20% average improvement in fuel efficiency in home appliances by 1980. This measure would save over half a million barrels of oil per day by 1985, and goes hand-in-hand with the President's proposal to enact a law to place mandatory energy efficiency labels on all autos and appliances.

COMPARISON OF ALTERNATIVE COST ESTIMATES 1/

<u>Action</u>	<u>Congressional Research Service Study</u>	<u>FEA Cost Analysis</u>
<u>Oil</u>		
Petroleum Fees and Excise Taxes	\$12.6	\$11.19
Decontrol of Old Oil	<u>11.0</u>	<u>13.01</u>
	\$23.6	\$24.20
<u>Natural Gas</u>		
Excise Tax	\$ 8.36	\$ 7.1
Deregulation of New Gas	<u>5.40</u>	<u>.7</u>
	\$13.76	\$ 7.8
<u>Coal</u>		
Price Increase	\$ 5.2	\$ 0.0
<u>Changes in Utility Accounting</u>		
Inclusion of Construction Work in Progress (CWIP) in Rate Base	\$ 6.8	
Inclusion of Pollution Control Equipment in Rate Base	<u>1.0</u>	
	\$ 7.8	\$ 0.0
	<u>508</u>	<u>308</u>

*DO NOT  
TAKE LONG  
TERM CONTRACTS  
INTO ACCOUNT*

*(Long term  
contracts  
already  
had big jump)*

1/ Calculations for both studies are contrasted in the section discussing the assumptions of the analyses.

QUESTION - What are you going to do about the energy program if the outcome of the Consumers and Producers meeting results in a drop in the price of oil to \$8 a barrel?

ANSWER - First, let me say that I would be delighted to see the price of oil drop to about \$8 per barrel. This figure is in the approximate range where we believe the price of oil will settle in several years. While I do not believe \$8 a barrel oil will create the necessity to formally establish a universal downside risk plan, the President's program does make provision for protection of domestic exploration and development in the Energy Development Security Act of 1975. We anticipate no interruption of our domestic plans if the price drops to \$8.

FURTHER - Title IX, (Energy Development Security Act of INFO 1975) of the proposed Energy Independence Act of 1975 takes into account the need for long term capital commitments for the development of petroleum supplies. The plan would authorize the President to adopt appropriate measures to prevent the prices of imported oil from falling to such levels as to substantially deter development of petroleum resources or to threaten to cause substantial increases in consumption.

1

COST TO THE "AVERAGE FAMILY"

- Q. You originally calculated that the average family would pay an additional \$275. per year under the President's program. Then you revised the figure to \$345 per year. Meanwhile, critics have charged that the average family will pay an additional \$800 per year. Why did you revise upward your own figure, and why are some saying that the cost will be nearly 2-1/2 times as great?
- A. That \$275 figure is still the most we feel the program will cost the average family in the first year. This includes a direct cost -- in petroleum products -- of \$171 and an indirect cost of \$104. The \$345 figure represents what we feel is the worst possible situation, with the highest possible number of indirect costs being passed through to the consumer. It represents an additional \$70 in increased costs that we don't think will ever reach the consumer's pocket. We are basing our figures upon historical data, which indicates that most businesses and industries -- one example is the auto industry -- do not pass through 100% of cost increases.

The \$800 figure mentioned is based upon a different set of statistical data, some of which are either erroneous or irrelevant. For example, it premises its findings on there being 55 million households, when there are actually 70 million households. Also, it assumes that half of the coal required will rise in price equivalent to the oil taxes, when in fact 80% of coal is on long-term contract.

Table 2

Regional Distribution of the Increased Direct Energy Expenditures Per Household *of Y*

*President's program*

	<u>Gasoline &amp; Motor Oil</u>	<u>Heating Oil</u>	<u>Natural Gas</u>	<u>Elec- tricity</u>	<u>Total</u>
New England	\$ 95	\$56	\$14	\$15	\$180
Middle Atlantic	83	54	24	9	170
East North Central	107	19	44	4	174
West North Central	126	13	36	12	187
South Atlantic	118	10	14	12	154
East South Central	116	2	19	5	142
West South Central	116	0	27	42	185
Mountain	141	3	37	10	191
Pacific	102	3	30	16	151
Total U.S.	\$109	\$ 19	\$30	\$13	\$171

Tables 3, 4, and 5 give estimates of the effect of the energy program on different income classes. With the exception of the tax rebate data these statistics were obtained from analyses done by the Washington Center for Metropolitan Studies and are totally independent of the estimates made for the aggregate and regional impacts in Tables 1 and 2. However, close examination and comparison of Table 1 with Table 3 shows that the data are consistent. Specifically, the median income of families in 1972 was about \$11,000. Assuming that inflation has raised this to \$13,000 the \$969 total energy bill given in Table 1 is bracketed by the \$742 and \$1085 bills given in Table 3 for the energy costs of the lower middle and upper middle income classes. The other numbers in Table 3 are roughly consistent with Table 1.

Tables 3 and 4 illustrate that low income groups spend a larger proportion of their income on direct energy purchases than higher income groups. These tables also show that the tax rebate slightly offsets the average increase in energy costs of the poor and the upper middle income class,

THE ULLMAN PLAN

QUESTION: What do you think of the tax on business use of oil and gas passed by the Ways and Means Committee?

ANSWER: While I support the overall objective of taxing all parts of the barrel of oil and an industry tax that could accomplish that objective, the tax passed by the Ways and Means Committee is too little too late. It does not take effect until about 1980 and has little conservation impact in this decade. Further, the tax has so many exemptions that it is not fully effective.

THE ULLMAN PLAN

QUESTION: What are the shortcomings of the Ways and Means Committee's legislation?

ANSWER: Although we are still analyzing the impacts of the Ways and Means bill, I have several major problems with the legislation:

- \* The energy conservation achieved by the bill in the next few years is extremely small when our vulnerability is the greatest. The energy proposals I sent to Congress, on the other hand, address the conservation measures needed to solve the immediate crisis and also deal with the increase in energy production over the long term.
- \* The bill places an extraordinary emphasis on taxing gasoline while ignoring the other parts of the petroleum barrel. (The gasoline tax could be as high as \$10 a barrel)
- \* The bill contains an energy trust fund that is unnecessary and too restrictive.
- \* The bill is incomplete as a tax package bill without a windfall profits tax to accompany decontrol of old oil prices.
- \* The bill contains a number of unnecessary give-away provisions and the result is large revenue losses and small energy benefits.

QUESTION

Rog Morton said this morning that the President's oil tariff could be "self defeating" if the cartel increased its oil prices to this country. He further said under those circumstances that he would make a recommendation to the President to remove the tariff.

ANSWER

In making decisions related to his energy program, the President considered the various possibilities of world oil prices being lowered or increased by the producing nations. On this point, *if this is* the President does not agree with the Secretary of Commerce and has no intention of allowing this nation's domestic energy policy to be redirected by the possible actions of the producing nations. He is absolutely committed to a program which will reduce our consumption of imported oil and bring on additional domestic supplies so as to make this nation energy self-sufficient by 1985 and that includes the tariff portion of his program.

*what the  
SECY.  
SAID*

Question: Is it true that in your willingness to compromise with Congressman Ullman, you have accepted a more gradual approach to energy independence? Are you letting up on your goal of reducing imports by two million barrels per day in 1977? What about the goal of one million barrels in 1975?

Answer: We have not adopted a policy of gradualness in achieving our energy goals--the need to become energy-independent is even more urgent today than it was when we proposed our program in January.

We have attempted, however, to work with the Congress to develop a position acceptable to both of us. The need for tough action is urgent. We need to attain our conservation goals as insurance against possible disruption of our oil needs by foreign suppliers.

The Congress has come a long way toward understanding the energy problem. My energy advisors will continue to work closely with the appropriate Congressional committees. At the request of the Democratic leadership, I delayed my program for 60 days to give the Congress the time to pass comprehensive energy legislation. They only have about 40 days left to act.

I cannot, of course, accept any program which does not allow us to achieve the basic goals I set forth in my State of the Union address--I cannot gamble with the economic well-being of the Nation. The "gradualness concept" simply runs counter to those objectives.

# GAS Mileage

We have had a request for clarification of the President's goals with respect to automobile mileage increases. The President believes that an increase in automobile miles per gallon is a critical ~~to our~~ ingredient to any solution of our nation's energy problem. *Letters available*

Following an assessment by the Government's experts under the leadership of Secretary Brinegar, a conclusion was reached that a 40% increase in miles per gallon was achievable in the 1980 model year -- compared to the 1974 model year cars. The 1974 model year was used because that is the latest base year for which ~~there~~ mileage performance and sales mix is known.

The overall target for all <sup>1980 model year</sup> cars sold in the U.S. is 19.6 miles per gallon. This is a 40% increase over the 14 mile per gallon average for 1974 model years.

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The agreement that has been reached with the auto makers is confined to the big 3 domestic companies: Ford, GM and Chrysler, *American*  
Based upon estimates of ~~the~~ sales mix by company and auto size, the average miles per gallon would have to be 18.7X for the Big Three. That 18.7 figure ~~compares~~ compares to 13 miles per gallon achieved in 1974 -- or an increase of 44%.



ENERGY - OIL IMPORTS AND CONSUMPTION

THE "FAT" HAS BEEN ESSENTIALLY RUNG OUT OF FUEL CONSUMPTION NOT BY VOLUNTARY EFFORTS SO MUCH AS BY THE HIGHER PRICE IN THE PAST YEAR. NOW, AMERICAN FUEL CONSUMPTION IS RELATIVELY STABLE, NO INCREASE OR DECREASE.

HOWEVER, DOMESTIC CONSUMPTION OF FUEL IS DROPPING. THEREFORE, EVEN WITH A CONSTANT DEMAND, IMPORTS ARE INCREASING BECAUSE DOMESTIC PRODUCTION IS DECLINING.

NATURAL GAS - A SPECIAL CASE.

January 3, 1975

SUBJECT: MEETING WITH SCHLESINGER, ZARB  
AND MORTON

Why are Schlesinger, Morton and Zarb meeting with the  
President?

GUIDANCE: On October 8, the President directed the Secretaries  
of Defense and Interior to develop proposals and  
recommendations directed toward the exploration  
and development of Naval Petroleum Reserve #4. (Alaska)  
They are meeting today to present those proposals & options  
to the President.

✓ Pet #1, Elk Hills,  
Calif.

Hebert.

Pet #1 - 1-2 Byn Barrels  
Pet #4 - 30-40 Byn Barrels (est)

January 6, 1975

SUBJECT:

OIL, CHEMICAL AND ATOMIC  
WORKERS MAY STRIKE

The Oil, Chemical and Atomic workers contract expires at midnight, Tuesday, January 7. There is a very likely possibility that no agreement will be reached and the workers will strike. The OCA is involved in refinery production which could have serious effects on oil production.

Will the Administration intervene to prevent the OCA from striking?

GUIDANCE: We feel the collective bargaining process is working, and we'll have no further comment at this time.

FYI: The President received a memo from Frank Zarb on this in which Zarb recommended we avoid any comment and express confidence that the collective bargaining process works. END FYI.

JGC

January 10, 1975

SUBJECT:

GOVERNORS FEEL GOVERNMENT SHOULD  
CONTROL OFF-SHORE OIL EXPLORATION

Coastal Governors and their representatives met this week and called for revamping off shore drilling plans. They believe that off-shore oil exploration should be placed under the control of the Government, rather than industry.

Is the Administration considering putting off-shore oil exploration under the control of the Government?

GUIDANCE: It is felt that the Government should not be involved in oil exploration. Such a move, according to Administration officials could greatly delay getting the oil, and also be extremely expensive.

We feel we can meet the state's legitimate concern with close cooperation between the states and the federal gov't.

JGC

January 10, 1975

SUBJECT:

OIL REFINERY WORKERS UNION  
REACH AGREEMENT WITH GULF

Officials of the Oil Refinery Workers Union said they have reached a tentative agreement with Gulf Oil with a contract calling for a 27% wage increase over the next two years.

Does the President consider the 27% increase agreed to by Gulf and the Refinery Workers as inflationary?

GUIDANCE: Since the contract agreed to between the Oil Refinery Workers and Gulf covers only 3,000 out of some 60,000 employees, I think it would be premature and improper to comment on the agreement at this time.

Did Bill Usery participate in these negotiations?

GUIDANCE: It's my understanding that Mr. Usery did not personally participate, but other members of the Federal Mediation and Conciliation Service did participate.

JGC

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JGC

January 17, 1975

SUBJECT:

ERDA

The President met this morning with Dr. Robert Seamans, the new head of the Energy Research and Development Administration (ERDA), Rog Morton and Frank Zarb. They focused primarily on the longer range aspects of the President's energy program which will involve the new ERDA. The meeting was especially timely because the President has signed a couple of days ago an Executive Order which activates ERDA effective this Sunday, January 19.

As you know, the creation of ERDA means that, for the first time, we will have centralized in one agency the major Federal energy research and development programs. ERDA will work on technology for energy conservation (such as advanced automobile engines and underground power transmission) and is increasing <sup>demonstrate</sup> energy supplies in all areas, including fossil fuels, nuclear fission and fusion, solar and geothermal energy.

Among ERDA's program which will have particular importance for the President's mid and longer term energy goals are:

- . Work on coal gasification and liquification technology which relates to the President's goals of producing synthetic fuels equivalent of 1 million barrels of oil per day by 1985.
- . Further work on advanced nuclear fission reactors, including the liquid metal fast breeder reactor which is a major program.
- . The nuclear fusion program which has been carried out by the Atomic Energy Commission and the solar and geothermal energy programs which are transferred from the National Science Foundation.

Dr. Seamans has been at work for the last few weeks getting ready for the "launch" of ERDA on the 19th.

January 20, 1975

SUBJECT:

GASOLINE

What will be the average increase in the cost of gasoline if the President's program is approved?

GUIDANCE: We have been saying that the President's program would increase on an average all petroleum products about 10¢ per gallon. However, as I mentioned last week, FEA is proposing changes to their price regulations which would limit the ways in which the refineries could pass through these increased costs. By these proposed regulations, refineries would be prevented from disproportionately loading the increased costs on to certain inelastic products, such as heating oil and residual oil. As a result of these proposed changes, there could be a disproportionate pass through on to gasoline. Therefore, gasoline might increase 12¢ per gallon while heating fuel would only increase 8¢ per gallon.

If gasoline is going to increase 12¢ or more per gallon, why not just add a gasoline tax of 15¢ per gallon?

GUIDANCE: It is our feeling and the feeling of the President's Economic and Energy advisors that each 10¢ per gallon increase in the cost of gasoline would achieve approximately a 250,000 gallon per day savings. Therefore, in order to achieve a million barrel per day savings, there would have to be an increase in the gasoline tax of approximately 40¢ per gallon.

We feel that in order to meet our objective of one million barrel per day reduction of imports by the end of 1975 and a two million barrel reduction of imports by 1977, there must be an increase in the cost of crude oil, and thus an increase in the cost of all petroleum products.

JGC

January 22, 1975

SUBJECT:

RATIONING

FOR YOUR INFORMATION

As it has been discussed under a rationing program, each licensed driver would receive 8 to 9 gallons of gasoline per week, or 36 gallons per month.

It is expected that if a person wishes additional coupons, one could purchase these for 80¢ to \$1.25 per coupon (one coupon equals one gallon). That individual would then take that coupon to the gas station where he would still have to pay the basic cost of a gallon of gas (approximately 55¢). Therefore, the basic price of a gallon would be the pump price (55¢) plus the coupon price (approximately \$1.20) or \$1.75 per gallon.

JGC

## PROBLEMS WITH GASOLINE RATIONING

- To save 1 million barrels per day, while assuring adequate fuel for business will mean
  - Limiting each licensed driver to about <sup>36</sup> 35 gallons per month, compared to current average of 50 gallons/month  
*Gas stations probably have to raise prices to stay in business.*
  - Restricting businesses to 10% less than their last year's use
  - Raising the effective price of gasoline (pump plus coupon price) to an estimated \$1.50/gallon for those who must buy more than their basic ration
  
- Gasoline rationing, while it may limit consumption in the short run, makes no contribution whatsoever to our mid and long term goals of energy independence.
  - Rationing provides no stimulus to increasing domestic petroleum supply or bringing on alternate energy sources
  - By concentrating exclusively on private vehicles, many other fruitful areas for energy conservation are not addressed - such as improved industrial efficiency, better constructed and insulated buildings, less wasteful use of electricity and natural gas.

- Because of the inherent complexities of even the most carefully designed rationing system, and the dynamics of our society, a rationing scheme is limited to a useful life of no more than two years.

• There are many inequities in even the best rationing system.

- A divorced secretary with two children living in the suburbs who commutes 16 miles each way to work in a car getting 12 MPG will experience a <sup>68%</sup>~~70%~~ increase in her commuting costs, because she must purchase <sup>12</sup>~~18~~ additional coupons each month at an average cost of <sup>1.20</sup>~~\$1.00~~ each. This amounts to about <sup>\$245</sup>~~\$900~~/year. *in additional cost.*

- A blue-collar worker who owns a car that gets only 9 miles/gallon can drive just over <sup>320</sup>~~300~~ miles/month on his basic ration, and could not easily afford to purchase a new, more efficient automobile. On the other hand, an affluent neighbor can readily trade in his equally inefficient old car to purchase one getting better than 22 MPG. This allows him to drive over <sup>290</sup>~~750~~ miles on the same allotment of coupons.

- Substantial regional inequities exist. The average driver in some rural states such as Montana travels nearly 600 miles per month versus about 300 in less

rural states such as New York and New Jersey. Similar inequity exists between city dwellers and suburbanites.

- A family of 4 with two licensed drivers and one 15 MPG car which had to move from New York to California would have to use 2-1/2 months of its coupons to make the move. One out of every five families moves every year.
- A certain number of very poor persons, such as migrants, drive large distances each year. They can neither afford to buy additional nor are alternative methods of transportation available.
- The recreation and tourism industry *as well as the auto industry* is impacted far more heavily than any other sector of the economy.
- A rationing system carries with it an inescapable portion of bureaucracy and inconvenience.
  - Because coupons are transferable, they must be picked up by each driver in person bimonthly at post offices. Long lines and delays are inevitable.
  - Matching coupons and gasoline supplies is by no means assured. Spot shortages are inescapable, especially during the initial phases of the program.

- Gas stations, with limited quantities to sell, are unlikely to maintain more than the most limited service hours. Evening and weekend closings are almost a certainty.
  
- The government would be involved in many new aspects of our everyday life, adding burdens of complexity.
  - Gasoline Rationing can be implemented but it is complex, expensive, and at best a short term solution. It takes 4-6 months to implement, about 15 to 20,000 full-time people and \$2 Billion in Federal costs, uses 40,000 post offices for distribution, and requires 3,000 state and local boards to handle exceptions.
  
  - The government rather than normal market forces, decides which new businesses are eligible for an allocation of gasoline coupons, and how rapidly businesses can expand their gasoline use.
  
  - The government decides on a case by case basis if special circumstances warrant extra coupons (i.e., the handicapped, poor people who drive long distances, etc.).
  
  - Although low income people should be able to benefit by selling their excess coupons, it is not unlikely

that entrepreneurs, operating with better information, will buy large quantities of coupons from the poor at low prices in order to resell them at high prices to the more affluent. The potential income benefits of the rationing program will be garnered by those entrepreneurs rather than by the poor.

- Over time, people will tend to concentrate more on beating the system than saving fuel. This will lead to problems of collusion, counterfeiting and other illegal activities.

January 22, 1975

SUBJECT:

BREAKDOWN OF GASOLINE USAGE

Million Gallons Per Day

	<u>Present Usage</u>	<u>Usage w/rationing</u>
Private	205*	169**
Business & Commercial	57	51
Government	<u>8</u>	<u>8</u>
TOTAL	270	228

\* 125 million licensed drivers

\*\* 140 million licensed drivers

## Energy Program and Mass Transit

### Question:

Obviously, mass transit is a key ingredient in any energy conservation program. Why didn't the President address this problem in his energy plan?

### Answer:

The President's energy program very definitely does recognize the critical role of public transportation, especially mass transit within our cities.

First, if Congress enacts the President's energy tax and fee proposals there will be immediately created a special rebate which will help offset increased transit costs. This comes from the \$2 billion which has been earmarked to be returned to state and local governments to offset their increased fuel costs. These funds will be distributed under the general revenue sharing formula. Increased costs incurred by the state and local governments because of bus operations and other forms of transit would be eligible to for these funds.

Secondly, the President will rely heavily on the bill he strongly supported during the "Lame Duck" session of the 93rd Congress and which he signed into law last month. This provides \$11.8 billion over a six-year period for mass transit. For the first time this bill will permit federal funds to be used, on a limited basis, for operating expenses incurred by mass transit systems. Furthermore, this is the largest federal commitment in history to mass transit.

Under this new program the federal government will increase its funding level to over \$1.5 billion\* over the next fiscal year. In addition to this the states and cities can use a portion of their highway funds for mass transit projects. The President expects that federal funding for transit over the next year will be 100% greater than it was two years ago and this is a ten fold increase over 1970.

\* Exact amount \$1.7 billion -- to be released in budget.

M. Duval  
1/22/75

Didn't the Senator basically take your previous legislation and introduce it?

GUIDANCE: It is our understanding that the Senator did take basically our bill, but added various amendments to it. Some of the amendments need a more thorough review so we can have a better understanding of just what they mean. (For example, apparently one amendment calls for the establishment of a strategic petroleum stockpile. We feel this is not the time to be buying oil on the markets at today's prices in sufficient quantities to store enough oil for three years' use.)

Did the White House agree on this compromise legislation?

GUIDANCE: From reading Senator Jackson's letter of yesterday, the fourth paragraph begins with, "It is my earnest hope that your Administration will be able to support this measure." Therefore, I think this is self-explanatory.

January 22, 1975

SUBJECT:

OIL IMPORTS

For Your Information

Listed below is the average number of barrels imported per day into the U.S. since 1960.

\*Note that the U.S. was a net exporter until 1967.

	<u>MMB/D</u>
1960	1.8*
1965	2.5*
1970	3.4
1971	3.9
1972	4.7
1973	6.2
1974	6.1**
1975	6.6
1977	8.0
1985	12.0

\*\*This lower import figure for 1974 is because of the embargo. February 1974 imports were 5.2 mmb/d, while November 1974 imports were 6.8. December imports show: 12/6-6.8 mmb/d; 12/13-7.8, 12/20-7.3.

JGC

January 23, 1975

SUBJECT:

BREAKDOWN ON ONE MILLION  
BARRELS PER DAY SAVINGS  
ON PETROLEUM *our program.*

You are asking for an across-the-board cutback in all petroleum usage. How much of that will be in gasoline, heating fuel, etc.?

DEMAND SAVINGS

		<u>B/day</u>	<u>G/day</u> (millions)	
Gasoline	(40%)	400,000	17	<i>gallons.</i>
Heating Oil	(25%)	250,000	10.5	
Residual Oil	(25%)	250,000	10.5	
<i>Utilities, industries</i>				
Other	(10%)	100,000	4.2	
Jet Fuel				
Petro Chemical				
Feed Stocks, etc.				

(one gallon per week)

Under the President's proposal, all drivers would save four to five gallons per month, or use approximately 46 gallons per month versus 50 gallons now being used.

Under rationing, drivers would be forced to use 14 gallons less per month or 3.5 gallons per week.

*Rationing encourages violation  
Economic method encourages conservation and  
participation.*

January 23, 1975

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JGC

THE WHITE HOUSE

WASHINGTON

January 23, 1975

NATIONAL SECURITY RATIONALE FOR OIL FEE ACTION

In testimony before the House Ways and Means Committee today, Secretary Simon will present the national security rationale which allows the President to sign the oil proclamation without going through the lengthy process prescribed by law.

The attached two pages give that rationale.

MR. CHAIRMAN, I BELIEVE THAT A CLEARER CASE COULD NOT BE MADE FOR THE USE IN THIS CASE OF THE STATUTORY AUTHORITY CONTAINED IN SECTION 232.

NATIONAL SECURITY

THE TEST WHICH MUST BE MET UNDER SECTION 232 OF THE TRADE EXPANSION ACT OF 1962 IN ORDER TO AUTHORIZE THE PRESIDENT TO ACT, IS THAT PETROLEUM "IS BEING IMPORTED INTO THE UNITED STATES IN SUCH QUANTITIES OR UNDER SUCH CIRCUMSTANCES AS TO THREATEN TO IMPAIR THE NATIONAL SECURITY." IN MAKING A DETERMINATION UNDER THE STATUTE, THE SECRETARY OF THE TREASURY TAKES INTO CONSIDERATION A NUMBER OF FACTORS, PROBABLY THE MOST IMPORTANT OF WHICH IS THAT THE ECONOMIC WELFARE OF THE COUNTRY IS CLOSELY TIED TO THE NATIONAL SECURITY OF THE COUNTRY.

ANYONE WHO LIVED THROUGH THE 1973-1974 OIL EMBARGO AND WATCHED THE SEVERE EFFECT IT HAD ON OUR ECONOMY, AND ANYONE WHO READS IN THE PAPERS THAT OVER TWO BILLION DOLLARS ARE LEAVING THIS COUNTRY EVERY MONTH TO PAY FOR PETROLEUM IMPORTS, COULD HARDLY CONCLUDE THAT OIL IMPORTS DO NOT POSE A THREAT TO OUR NATIONAL SECURITY.

THE FOLLOWING FACTS, IN MY VIEW, AMPLY JUSTIFY THE CONCLUSION THAT OIL IMPORTS THREATEN TO IMPAIR OUR NATIONAL SECURITY:

- (1) PETROLEUM IS A UNIQUE COMMODITY, ENTERING INTO ALMOST EVERY FACET OF OUR ECONOMY, EITHER AS THE FUEL FOR TRANSPORTATION OF GOODS AND PEOPLE OR AS THE RAW MATERIAL FOR A MYRIAD OF PRODUCTS LIKE FERTILIZER AND PETROCHEMICALS.

- (2) WE ARE NOW IMPORTING ABOUT 40% OF OUR TOTAL PETROLEUM CONSUMPTION;
- (3) ONLY A SMALL PORTION OF THESE IMPORTS CAN BE DEEMED TO BE SECURE FROM INTERRUPTION IN THE EVENT OF A POLITICAL OR MILITARY CRISIS;
- (4) MOST OF THE COUNTRIES WHICH EXPORT THE OIL THAT WE IMPORT ARE ORGANIZED INTO A CARTEL WHICH HAS, AT THE PRESENT TIME, SUCCESSFULLY MAXIMIZED OIL PRICES AT A LEVEL FOUR TIMES THAT WHICH PREVAILED PRIOR TO THE EMBARGO;
- (5) THE OUTFLOW OF U. S. FUNDS AT AN ANNUAL RATE OF \$25 BILLION TO THOSE OIL-RICH COUNTRIES GREATLY ENHANCES THEIR ECONOMIC AND POLITICAL POWER AND WEAKENS OUR OWN AND THAT OF OUR ALLIES;
- (6) FINALLY, ALTHOUGH WE CANNOT AT THE PRESENT TIME, WITH SAFETY, STOP THE IMPORT OF ALL PETROLEUM TO THIS COUNTRY, THE CONSERVATION OF ONE MILLION BARRELS PER DAY IS BOTH NECESSARY AND DESIRABLE.
- (7) OVER THE LONGER TERM, AN ECONOMIC MILIEU MUST BE CREATED WHICH WILL WEAN US AWAY FROM RELIANCE ON PETROLEUM IMPORTS.

MR. CHAIRMAN, IN THE FACE OF THESE FACTS, THE ONLY CONCLUSION I COULD POSSIBLY HAVE REACHED WAS THAT IMMEDIATE ACTION WAS NEEDED TO REDUCE OUR RELIANCE ON IMPORTED PETROLEUM AND THAT A FAILURE TO TAKE PROMPT ACTION WOULD INDEED SEVERELY THREATEN OUR NATIONAL SECURITY.

January 24, 1975

SUBJECT:

FROM WHOM DO WE IMPORT PETROLEUM

TOTAL		6 Million
OPEC Countries		3,760 Million (63%)
Arab	964,000 (16%)	
Non-Arab	2,800,000 (47%)	
Non-OPEC Countries		2,240 Million (37%)

This is November data and is the most recent and most complete data available.

JGC

January 24, 1975

SUBJECT: COST OF THE PRESIDENT'S  
ENERGY TAX PROGRAM

Several reports say that President Ford's energy tax package could cost the average household an additional \$519 per year. The reports cite new figures released by the FEA.

Why has FEA previously estimated the cost per family at \$250-\$275, and now puts out figures stating the average increase per household is \$345?

*is refining it. Requires -*  
GUIDANCE: FEA has estimated the total average cost of the increased energy will be \$275 per year per household. This includes direct costs of \$171 and indirect costs of \$104.

In yesterday's meeting with the Governors, FEA did have statistics available which showed that at the very worst, and the highest possible estimate, total energy costs could increase \$345 per year per household. This included direct costs of \$171 and, on their calculations, indirect costs of \$174; \$70 more than we feel will actually be charged. In other words, if all indirect costs were passed along, the estimates could go as high as \$345 at the outside. However, experience has shown that firms cannot and do not pass through every cent of increased cost. A good example of this is the auto industry.

One article I saw showed that direct energy costs would be \$345 and indirect costs would be \$174, for a total of (519). What that did not recognize was that the \$345 did include the \$174 of indirect costs.

JGC

January 24, 1975

SUBJECT:

MISCELLANEOUS ENERGY

Once the President's full program is in effect, how much will the price of gasoline increase? And what factors will cause the increase?

GUIDANCE: Gasoline will increase about 10¢ per gallon.

2¢ - import fee - crude oil  
3¢ - excise tax - domestic crude oil  
5¢ - decontrol of old oil

Without Congressional action on excise tax, how much will the President's program increase gasoline?

GUIDANCE: About the same - 10¢.

3-5¢ - \$3 increase in import fee  
5¢ - decontrol of old oil

What amount of oil do we expect to be importing in 1985?

GUIDANCE: About 5 million barrels per day, out of 21 or 22 million barrels, or slightly over 20%.

JGC

January 24, 1975

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JGC

January 24, 1975

SUBJECT:

PRICE OF GASOLINE AT THE PUMP

How is the price of gasoline at the pump determined?

GUIDANCE: FEA regulations allow a gas station owner to figure his cost as follows: cost plus ~~markup~~. Total markup nationwide, on an average, is 10¢. However, because of the soft economy, only about 7¢ to 8¢ is normally being charged. Therefore, in some areas, gasoline dealers could still increase the price of gasoline 2¢ or 3¢ and still be within FEA price regulations.

What is included in the markup?

GUIDANCE: The markup includes an individual's profit plus his expenses, and this would normally total about 7¢. FEA has then last year allowed an additional 3¢ to reflect other non-product costs incurred since May of 1973. These would be increased taxes, rent, new pumps for leaded gasoline, etc.

*In region, by special circumstances, etc.*

## Automobile Horsepower Taxes

Taxes could be designed to make the purchase of inefficient autos less attractive to consumers, such as by taxing horsepower, and thus reduce gasoline consumption. This is a legitimate proposal which received serious consideration by the Administration but which was rejected for the following reasons:

- taxing automobiles on efficiency misses the target; it penalizes consumers on the basis of potential fuel consumption rather than actual fuel consumption. Large cars are often used in an efficient manner, in a car pool for instance, while even the most efficient cars can be used in extremely wasteful ways. Likewise large cars can be tuned and repaired properly to maintain efficiency while small cars be allowed to deteriorate through neglect. Consumers who prefer larger vehicles, maintain them well, and use them wisely should not be penalized, while others who prefer smaller vehicles but disdain maintenance and drive them abusively go unburdened.
- a tax on big cars would provide little help for the Nation's current energy problems. Not until 1980 at the earliest would the majority of autos on the road be affected by such a tax, thus the benefits of greater auto efficiency would accrue only slowly and would not be fully realized for at least a decade. Our critical conservation needs are between now and 1980.
- A reasonable horsepower tax is not likely to work because the purchasers of big cars are the least sensitive to price.
- Some people have legitimate need for large cars for use in their business or for transporting large families. It is not fair to penalize them. Also, higher prices on new cars will force up the prices of used cars, thus penalizing lower income families.

Government policies are most effective when they specifically address the problem. Our problem is to reduce gasoline consumption. It is not to ban big cars. Thus the President's proposals -- to increase the cost of gasoline and require Detroit to make cars 40% more energy efficient -- will meet our energy conservation goals without inequities.

M. Duval  
1/27

January 28, 1975

SUBJECT:

WHERE DOES FEA GET ITS FIGURES?

In yesterday's briefing, you were asked where FEA gets its figures for the increased cost in energy if the President's program is enacted. Listed below is a breakdown used by FEA:

Gasoline: Consumption estimates have been derived from a Bureau of Labor Statistics (BLS) survey of gasoline use by region.

Heating Oil: Consumption estimates were obtained from a BLS survey in the same manner as for gasoline.

Natural Gas: The quantities and prices for natural gas were obtained from analyses that are being performed by the Office of Economic Impact, the Federal Energy Administration.

Electricity: Electricity costs increases were estimated by the Office of Data, the Federal Energy Administration.

The income distribution figures were obtained from analyses done by the Washington Center for Metropolitan studies.

After obtaining the base data from the above mentioned organizations, FEA then assembles the final figures.

JGC

1-28-75

Question - In your State of the Union address you said that the budget would have no new spending programs except for energy. If that is true, why are you proposing funds for the B-1 bomber and a new fighter?

Answer - Both the defense programs you mention represent continuation of developments begun earlier. When I refer to "new" programs, I mean totally new objectives. In the Defense Department and in other agencies as well, specific projects will be starting or expanding just as other projects will be disappearing.

~~1-28-75~~  
1-28-75

Question - In your State of the Union Address, you said that no new spending programs would be initiated this year except for energy. What do you mean by that statement?

Answer - When I refer to initiation of new programs, I mean programs that give us new objectives. Obviously, every budget must include individual projects which are starting or expanding, just as every budget shows that other projects are being completed. My reference was to new and major initiatives that would cause significant spending in the future.

January 28, 1975

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JGC

January 29, 1975

SUBJECT:

**DATE FOR TAX REBATES**

Eddie Heironimus, Director of the IRS Center at Andover, Mass., said that the earliest the computer system could start returning tax rebates would be August.

Is it true that the IRS will not be able to begin tax rebates until August? How does this date compare with the President saying tax rebates would begin in May?

GUIDANCE: It's my understanding that Mr. Heironimus was not aware of the special arrangements which have been made in connection with the tax rebate checks.

The plan is still as we have discussed previously. If the legislation on the tax rebate is enacted by April 1, the first rebate schedule will be sent to the regional disbursing centers of the Treasury Department by May 16. Approximately one week later, the tax rebate checks should begin flowing to the public.

FYI: The bulk of the rebate checks will probably not get out until June; however, the majority should definitely be out by the end of June.  
END FYI.

I might just further point out that it is to every one's advantage to file your income tax return as soon as possible. The IRS will process some 67 million returns, and the amount of the rebate cannot be determined until you have filed your return. Once you have filed, your name is placed on the IRS master file for the purpose of a rebate, so obviously the sooner you file your return, the sooner your name goes on the master file, and the sooner you receive your rebate check.

JGC