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THE WHITE HOUSE  
WASHINGTON

Ron:

Attached FYI are the conclusions of an FTC ~~study~~  
staff study on the effects of decontrol on competition in the petroleum industry.

JWH 9-6-75

THIS REPORT IS A STAFF REPORT OF THE BUREAUS OF COMPETITION AND ECONOMICS OF THE FEDERAL TRADE COMMISSION. IT HAS NOT BEEN ADOPTED OR APPROVED BY THE COMMISSION, AND IS NOT INTENDED TO BE, NOR SHOULD IT BE, CONSTRUED AS REPRESENTATIVE OF OFFICIAL COMMISSION POLICY.

FEDERAL TRADE COMMISSION STAFF REPORT  
ON THE EFFECTS OF DECONTROL ON  
COMPETITION IN THE PETROLEUM INDUSTRY

September 5, 1975

## V. Conclusions

It is difficult to be certain about the probable impact of decontrol on petroleum industry competition. The considerations are complex, and much depends upon how the leading companies choose to exercise their supply and pricing discretion. An economic analysis of the principal qualitative considerations suggests that non-integrated refiners are not likely on the average to experience severe crude access problems under decontrol, although exceptions can be anticipated. Similarly, even though the largest oil companies would have the power to set refined product prices so as to squeeze independent refiners, the balance of qualitative factors argues against such a strategy. Much of the evidence needed to reach more confident predictions was not available, and some -- such as a clear reading of major producers' intentions -- may be unattainable under any circumstances.

The survey of some 50 refiners revealed that more than half believed decontrol would reduce their profits, and several expressed some doubt as to whether they could remain in business following decontrol. While certain companies indicated concern about the immediate effects of decontrol on crude oil supplies, nearly all believed that they would not experience unacceptable crude supply problems owing to decontrol. Few of the surveyed companies favored the indefinite extension of controls, and most preferred either immediate or fairly rapid decontrol. Evidently, the long-run microeconomic risks of decontrol are perceived by the refiners surveyed as less weighty than the firms' general dislike of government controls.

It is also evident that the economic costs of the existing controls program are considerable. One of the most important costs is the depression of domestic crude oil and hence product prices relative to world price levels. Given limited domestic crude oil supplies, this increases the Nation's dependence upon foreign crude. Other costs include administrative and resource allocation inefficiencies and the tendency for smaller refiners' competitive instincts to be straight-jacketed by regulations and red tape.

We conclude therefore that the benefits from decontrol are likely substantially to outweigh any costs associated with injury to the vigor of competition. This of course is not a sufficient balancing to conclude that decontrol should (or should not) be effected and, if it is, how rapidly. Macroeconomic considerations touched upon only peripherally in this report must also be taken into account. The macroeconomic shock will probably be less severe if a staged withdrawal is adopted and if appropriate compensatory tax changes are implemented. This approach would also mitigate a principal residual risk of injury to competition -- the possibility that integrated oil companies would significantly squeeze refining margins to avoid being criticized as contributors to inflation. A disadvantage of gradual decontrol might be the temporary aggravation of crude oil shortages as producers hold back "old oil" production to amass more ample reserves for exploitation at fully decontrolled prices.

September 10, 1975

Q's and A's for the White House

How Can We Conserve Energy

Q. The Missouri Federation of Women's Clubs has been actively organizing voluntary citizen committees to conserve energy. Do you have any suggestions as to how the average American can help save energy?

A. We think that efforts like those mentioned can be valuable in helping to conserve and encourage the wise use of energy. As to suggestions, at this time of the year it is appropriate to mention preparing one's home for the winter.

Actions that can save energy and money in many homes include: adding insulation, storm windows, and doors; caulking; and weatherstripping. In addition, servicing one's furnace now -- before the heating season begins -- can often increase efficiency substantially.

SUMMARY OF SIGNIFICANT INFORMATION  
Week Ending September 12, 1975

Petroleum

- Apparent demand for all petroleum products for the 4 weeks ending September 5 averaged 15.80 million b/d, 6.4 percent below the same period in 1974. This level of demand was 7.3 percent below the comparable 4-week period in 1973.
- Motor gasoline demand was 1.3 percent below the 1974 level but 1.0 percent above 1973. Residual fuel oil demand, however, was down 18.7 percent from 1974 and 6.3 percent from 1973. Demand for distillate was off 1.5 percent from 1974 and was 11.3 percent lower than in 1973.
- Consumption of oil in the European Community is expected to average 10 million barrels per day in 1975, 4.7 percent less than in 1974 and 9.5 percent less than 1973. Consumption in 1976 is expected to increase by 1.7 percent.
- Ten barges carrying cargo essential to the development of the Prudhoe Bay field, which have been held up at Point Barrow awaiting a break in the ice, have finally reached the Bay. These barges contained large oil field modules which could not have been transported over land. As of September 10, however, prospects for the remaining 39 barges in the fleet to reach port are not good, but they can backtrack and ship their cargoes by railroad and highway.

Natural Gas

- Two beer companies are going into the natural gas business in New York State. The producers of Miller's and Schlitz are planning to drill hundreds of shallow, low-volume gas wells to meet their own needs. The area is underlain by sandstone at depths of less than 1000 feet. Wells drilled to this formation typically produce between 10 and 25 thousand cubic feet per day (roughly 1.8 to 4.4 oil equivalent barrels per day), quantities previously considered noncommercial.

The chairman of Consolidated Natural Gas says his company should be able to increase its sales of gas by 1977. These new sales would be based on the receipt of liquefied natural gas from Algeria in 1977. At a later date, the company expects to get 180 billion cubic feet per year of gas from two coal gasification plants to be built in the Appalachian region.

### Geothermal

The U.S. Geological Survey has released the first comprehensive report of geothermal resources, published as Circular 726. It is reported that the U.S. is potentially capable of producing 37,000 billion kw-hr of electricity from geothermal energy. This represents a potential generating capacity of 140,000 MW for 30 years which is the equivalent of 140 Hoover Dams or 140 average modern nuclear power plants. This potential electrical generation exists in the steam and hot-water geothermal resources. However, only 3,100 billion kw-hr are considered recoverable at current prices and technology.

- Current production, at the Geysers in California by Pacific and Electric, is just over 500 megawatts. They have plans to expand to about 1,500 megawatts by the mid-1980's.

### Coal

- U.S. coal exports for the first half of 1975 increased 20.9 percent from 28.0 million tons in 1974 to 33.8 million tons. Japan continues to be the leading importer of U.S. coal.
- Coal exports to Europe have increased due to a 1974 production decrease in European Economic Community countries, increased demand for coking coal, and the EEC desire to develop secure import sources. Also, importers have been replenishing coal supplies depleted during the 1974 U.S. coal strike.

### Electric Power

- President Ford met with officials of the Edison Electric Institute on September 10 for a briefing on EEI's recent

study "Economic Growth in the Future." The study examines a variety of energy scenarios, recommends a GNP growth rate of approximately 3.5 percent.

Several of the largest electricity consumers in Minnesota have attached time-of-day pricing in an intervention in a rate case pending before the Minnesota Public Service Commission. The consumers, represented by the St. Paul Chamber of Commerce, argue that more research is needed before the rate can be implemented.

### Nuclear

Brazil's first reactor, a Westinghouse design, is nearing completion near Rio de Janeiro, and the recent \$8 billion pact with West Germany including enrichment services, reprocessing facilities, and 8 Kraftwerk Union reactors, is slated to be completed by 1985. This implies that 55 plants will be built in the ensuing 15 years, an ambitious goal in light of predicted material and manpower shortages in the nuclear field.

September 15, 1975

SUBJECT:

COST OF REGULATION

Congressman Moss issued a press release last week questioning the White House and the President's statements that the cost per family of government regulation was \$2000 per family. Moss said that White House officials had no evidence to back up this figure.

What's your reaction to the claim by Congressman Moss that the White House has no evidence to back up the claim that federal regulation costs each family \$2000 per year?

GUIDANCE: In his Concord, New Hampshire, speech to the White House Conference, the President said:

"Although it is difficult to come up with an exact price tag on the cost of unnecessary and ineffective government regulation, some estimates I have seen place the combined cost to consumers of government regulation and restrictive practices in the private sector at more than the Federal government actually collects in personal income taxes each year--or something in the order of \$2000 per family--unbelievable. Even if the real costs are only a fraction of this amount, this is an intolerable burden on our pocketbooks...."

The President did not suggest that \$2000 was cost of federal regulation alone. Instead, he called attention to estimates that put the combined costs of government regulation (including State and local) and restrictive monopoly practices in the private sector at more than \$131 billion. When divided by 65 million families, this comes out to roughly \$2000 per family.

However, I would just point out that the President did say that even if the real costs are only a fraction of this amount, this is still an intolerable burden.

(Attached are some examples of the estimated costs and their source.)

JGC

<u>Example</u>	<u>Estimated Annual Cost</u>	<u>Source</u>
Quantitative Trade Restrictions (tariffs, quotas, etc.)	\$ 15B	Brookings
Surface Transportation	10-15B	Tom Moore, Stanford
Environmental, Health and Safety Regulations	50B	CEQ and OSHA
Labor (minimum wage, Davis-Bacon, etc.)	10B	DOL and GAO
State and Local Regulation	14B	Tom Kauper, DOJ
Monopoly Practices	80B	Dr. F. M. Scherer, FTC
Communications (Television)	8B	Roger Noll, Brookings
Fair Trade	2B	CEA
Maritime Restrictions	5-8B	OMB and Maritime Research Board

Hence, there is evidence which suggests that the total cost of regulation and restrictive practices could be well in excess of the \$131 billion collected by the Federal Government in 1973 personal income taxes.

*Put in  
Ron's briefing book  
when we get home*

September 16, 1975

**MEMORANDUM FOR:**

**FRANK ZARB**

**FROM:**

**DICK CHENEY**

Frank, attached is a compilation of all the President's meetings with Members of Congress this year on energy.

He plans to use it in his speeches, and you should feel free also to use it in talks with the press and in your own remarks.

**cc:** Ron Nessen  
Bill Greener

Attachment



THE WHITE HOUSE

WASHINGTON

September 13, 1975

MEMORANDUM FOR:

DON RUMSFELD

THROUGH:

JACK MARSH *Dom*  
MAX FRIEDERSDORF *M.F.*

FROM:

BOB WOLTHUIS *RKW*

SUBJECT:

Presidential Meetings with Members  
of Congress on Energy Between  
January 1, 1975 and September 9, 1975

Attached are two lists showing the meetings President Ford has held with Members of Congress on energy. This does not include, of course, the President's State of the Union Address on January 15, 1975 where he devoted considerable time to energy.

This also reflects the minimum number of meetings. I have not included any meetings or individuals where I could not verify it.

STATISTICS SHOWING THE NUMBER OF ENERGY AND ENERGY RELATED  
MEETINGS BETWEEN THE PRESIDENT AND MEMBERS OF CONGRESS  
JANUARY 1, 1975 THROUGH SEPTEMBER 9, 1975

1. Between January 1, 1975 and September 9, 1975, the President held 48 energy or energy related meetings with Members of Congress.
2. The President has met at least once with 51 of the 99 Senators.
3. The President has met at least once with 304 of the 435 Members of the House.
4. Combined, the President has met at least once with 355 of the 534 Members of Congress.
5. Cumulatively - including Senators attending more than one meeting - the President has met with 190 Senators.
6. Cumulatively - including House Members attending more than one meeting - the President has met with 547 Congressmen.
7. Combined cumulatively - including House and Senate Members attending more than one meeting - the President has met with 737 Members of Congress.

PRESIDENTIAL MEETINGS WITH MEMBERS OF CONGRESS ON ENERGY

<u>DATE</u>	<u>PARTICIPANTS</u>	<u>SUBJECTS</u>
January 10	The Speaker	Energy
January 10	Al Ullman	Energy
January 11	Hugh Scott/John Rhodes	Energy
January 13	Russell Long	Energy
January 14	GOP Leadership	Energy
January 15	State of the Union	Energy
January 16	Bipartisan Leadership breakfast	Energy and the economy
January 21	GOP Leadership Breakfast	Re: Energy and the economy
January 27	GOP Leadership breakfast	Re: Oil tariffs
January 27	Senators Scott, Fannin, Hansen and Dole	Energy (S.J. Res. 12)

1975

January 28 Bipartisan leadership Energy and the economy

January 29 Al Ullman Energy and the economy

January 31 Dinner meeting with 50 House Republicans Re: H.R. 1767 - deferring of oil tariffs for 90 days.

February 4 Dinner meeting in W.H. 100 Republicans Re: H.R. 1767

February 5 Dinner meeting W.H. 100 House Democrats H.R. 1767

February 18 GOP Leadership Re: H.R. 1767

February 18 Dinner meeting with Senate Wednesday Club Re: H.R. 1767

February 19 Breakfast meeting with Southern Senators Re: H.R. 1767

February 19 Senators Baker & Roth Re: H.R. 1767

1975

- February 28    Carl Albert, Tip O'Neill              Energy  
                 Jim Wright, Senators  
                 Mansfield & Byrd
- March 3        GOP Leadership                      Energy & the economy
- March 4        Breakfast meeting with              Energy  
                 Freshmen Democrats
- March 5        Senate GOP Steering              Energy  
                 Committee
- March 18       Herman Schneebeli, Bud              Energy  
                 Brown, Barber Conable
- March 19       Russell Long                      Energy
- March 23       Al Ullman                      Energy
- March 26       GOP Leadership                      Energy
- March 31       Tour U.S. Naval Petroleum Reserve No. 1  
                 Bakersfield, California  
                 Congressmen Ketchum and Bell
- April 4        Visit to geyser (Sonoma County, California)  
                 with Congressmen Don Clausen and George Miller

1975

April 30	GOP Leadership	Energy
April 30	Executive Committee of House Republican Study Group.	Energy
May 20	GOP Leadership	Energy/Strip Mining
May 21	Joe Waggonner	Energy
June 5	GOP Leadership	Energy/Strip Mining
June 12	House Bipartisan Leadership	Energy
June 13	Bipartisan leadership	Energy
June 18	Dick Bolling, et al (Breakfast meeting)	Energy
July 10	GOP Leadership	Energy
July 14	Bipartisan Leadership	Energy
July 21	GOP Leadership	Energy
July 22	Bipartisan Leadership on SEQUOIA	Energy

1975

August 29      Carl Albert/Mike Mansfield      S. 1849 - Extension of controls

September 3    Hugh Scott/John Rhodes          Energy

September 4    Bipartisan Leadership            Energy

September 6    Democrat Senators              Energy

September 8    GOP Senators/breakfast        Energy

September 8    Bipartisan Leadership            Energy

September 9    GOP Leadership                  Energy

September 18, 1975

SUBJECT:

HOUSE VOTES OIL CONTROLS

The House yesterday approved tough price controls on domestic oil. Prior to the final vote, the House rejected Republican amendment that would have stricken all price controls from the measure. The bill now goes to a House-Senate Conference to settle differences. The Senate-passed bill also holds old oil at \$5.25, but sets the ceiling for new oil at \$11.28, rather than the \$7.50 in the House bill.

What's your reaction to the House vote on continuing price controls on domestic oil?

GUIDANCE: I'm sure you are all familiar with the action taken by the House yesterday in establishing a four-tier pricing system. First of all, old oil will be priced at \$5.25 a barrel, with all new and stripper wells rolled back to \$7.50. Yesterday's legislation would set a \$10 price level for certain high cost oil, such as that above the Arctic Circle or tertiary recovery. And of course, imported oil will be at whatever the market price is, say roughly \$12.50.

Then, these controls would be allowed to rise. Old oil at \$5.25 would be allowed to increase at 1% per month over five years. New and stripper wells at \$7.50 per barrel would have that price frozen for four years, and then the price would be allowed to increase 8% per year thereafter. The \$10 hard to get oil would have that price frozen for 7-1/3 years and then the price would be allowed to rise 8% per year thereafter. One of the points I'm trying to make is obviously that this would be a very, very difficult program to administer.

(More)

Also, I'd like to point out that this legislation as passed yesterday would be completely contrary to that which we are trying to achieve, which is a National Energy Program to reduce our dependency on foreign imports. The major points to leave you with are:

1. This legislation has an immediate adverse impact on domestic exploration and drilling (since it is a major price rollback).
2. It would definitely result in an immediate increase in demand (since there is a price rollback).
3. Some tertiary recovery obviously would be precluded (because of the \$10 ceiling).
4. By 1985, this legislation could impact production by over 1 million barrels per day.

September 18, 1975

SUBJECT:

FEA DEFERRED COLLECTION OF IMPORT FEES

CBS News last night reported that they had learned that the Federal Energy Administration was not collecting the import fees on imported oil. Therefore, consumers have been charged prices reflecting these higher costs and oil companies have been pocketing \$2 per barrel on all imported oil.

What's your reaction to the CBS report that FEA is not collecting the import fees and the oil companies are profiting?

GUIDANCE: On September 12, the Federal Energy Administration announced that the collection of the import fees incurred on imports in July and August would be deferred until September 30, 1975. The story you referred to is obviously old news and was contained in a press release put out by the Federal Energy Administration one week ago. It was also carried in most of the major newspapers throughout the country.

The reason for FEA's decision to defer collection of the import fee was because of the court case saying that FEA could no longer collect the fee, and because of the uncertainty in Congress. As you know, the President said that he would remove the \$2 import fee if Congress would sustain his veto, and there was a great deal of thought about making that retroactive to July 1st.

As to the comment that the oil companies are profiting unduly, I can assure you that the companies will not be profiting from the import fee, and in fact will not be left with any of these fees one way or the other. Either the decision will be made very soon to go ahead and begin resumption of the collection of the fees, or the oil companies in the months of September, October, November will be required to adjust their prices downward, so that even though they have received increased funds in July and August, they will have to charge lower prices in September, October, and November to offset the increases. No final decision has been made on which way to go, and we are watching to see what develops in Congress, but I would expect some action in the very near future.

(More)

How could FEA announce on September 12 that they were deferring the July import fee? Haven't they already collected the July fees?

GUIDANCE: The import fees for one month are not paid until the end of the following month. For example, July import fees would not be due until August 31, 1975.

(FEA news release of September 12 is attached)

# Federal Energy News

Federal Energy  
Administration  
Washington  
D.C. 20461



FOR IMMEDIATE RELEASE

SEPTEMBER 12, 1975

## FEA DEFERS COLLECTION OF IMPORT FEES

The Federal Energy Administration today announced that collection of supplemental import fees incurred on imports in July, 1975, originally due August 31, 1975, will be deferred until September 30, 1975.

On August 15, 1975, the President announced that he would indefinitely suspend the \$2 supplemental fees on petroleum imports if the Emergency Petroleum Allocation Act was not extended beyond August 31, 1975. Thereafter, the Federal Energy Administration announced that collection of the supplemental fees due August 31 for imports made during July were to be deferred for up to fifteen (15) days pending Congressional action on an extension of the Act.

Wednesday, the Senate sustained the President's veto of S. 1849, which would have extended the Emergency Petroleum Act for six months. However, because the Congress has under consideration several bills which would extend the Act for a short term to allow Congress time to adopt a gradual decontrol plan, a short extension is still a possibility. Pending resolution of this situation, FEA will further defer collection of July import fees until September 30, 1975.

-FEA-

Media Inquiries: (202) 964-4781  
Press Room: 964-3538

Media Contact: Ed Vilade

04840

E-75-303

September 18, 1975

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Then, these controls would be allowed to rise. Old oil at \$5.25 would be allowed to increase at 1% per month over five years. New and stripper wells at \$7.50 per barrel would have that price frozen for four years, and then the price would be allowed to increase 8% per year thereafter. The \$10 hard to get oil would have that price frozen for 7-1/3 years and then the price would be allowed to rise 8% per year thereafter. One of the points I'm trying to make is obviously that this would be a very, very difficult program to administer.

(More)

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1. This legislation has an immediate adverse impact on domestic exploration and drilling (since it is a major price rollback).
2. It would definitely result in an immediate increase in demand (since there is a price rollback).
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September 18, 1975

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FEA DEFERRED COLLECTION OF IMPORT FEES

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What's your reaction to the CBS report that FEA is not collecting the import fees and the oil companies are profiting?

GUIDANCE: On September 12, the Federal Energy Administration announced that the collection of the import fees incurred on imports in July and August would be deferred until September 30, 1975. The story you referred to is obviously old news and was contained in a press release put out by the Federal Energy Administration one week ago. It was also carried in most of the major newspapers throughout the country.

The reason for FEA's decision to defer collection of the import fee was because of the court case saying that FEA could no longer collect the fee, and because of the uncertainty in Congress. As you know, the President said that he would remove the \$2 import fee if Congress would sustain his veto, and there was a great deal of thought about making that retroactive to July 1st.

As to the comment that the oil companies are profiting unduly, I can assure you that the companies will not be profiting from the import fee, and in fact will not be left with any of these fees one way or the other. Either the decision will be made very soon to go ahead and begin resumption of the collection of the fees, or the oil companies in the months of September, October, November will be required to adjust their prices downward, so that even though they have received increased funds in July and August, they will have to charge lower prices in September, October, and November to offset the increases. No final decision has been made on which way to go, and we are watching to see what develops in Congress, but I would expect some action in the very near future.

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Wednesday, the Senate sustained the President's veto of S. 1849, which would have extended the Emergency Petroleum Act for six months. However, because the Congress has under consideration several bills which would extend the Act for a short term to allow Congress time to adopt a gradual decontrol plan, a short extension is still a possibility. Pending resolution of this situation, FEA will further defer collection of July import fees until September 30, 1975.

-FEA-

Media Inquiries: (202) 964-4781  
Press Room: 964-3538

Media Contact: Ed Vilade

E-75-303

04840

September 24, 1975

SUBJECT: HOUSE PASSES ENERGY BILL

The House yesterday passed an energy bill which calls for a five-tiered price control system on domestic oil. The bill now goes to a House-Senate Conference to settle differences. The Senate-passed bill also holds old oil at \$5.25, but sets a ceiling for new oil at \$11.28, rather than the \$7.50 in the House bill.

What's your reaction to the House-passed energy bill?

GUIDANCE: This legislation as passed yesterday would be completely contrary to that which the President is trying to achieve, which is a National Energy Program to reduce our dependency on foreign imports. This legislation would:

1. Have an immediate adverse impact on domestic exploration and drilling (since it is a major price rollback).
2. Definitely result in an immediate increase in demand (since there is a price rollback).
3. Preclude some tertiary recovery (because of the \$10 ceiling).
4. By 1985, impact production by over one million barrels per day.

I'd also like to point out that the House yesterday established a five-tiered pricing system. First of all, old oil will be priced at \$5.25 a barrel, with all new and stripper wells rolled back to \$7.50. The third level would set a \$10 price level for certain high cost oil, such as that above the Arctic Circle or tertiary recovery. For independent oil producers, the first 3000 barrels would be subject to a ceiling of \$11.50, while stripper wells producing ten barrels a day or less would remain free from price controls. And of course, imported oil will be at whatever the market price is, say roughly \$12.50.

(More)

Then, these controls would be allowed to rise. Old oil at \$5.25 would be allowed to increase at 1% per month over five years. New and stripper wells at \$7.50 per barrel would have that price frozen for four years, and then the price would be allowed to increase 8% per year thereafter. The \$10 hard-to-get oil would have that price frozen for 7-1/3 years and then the price would be allowed to rise 8% per year thereafter. The first 3000 barrels of oil from independent producers at \$11.50 would be allowed to rise 5¢ per month.

One of the points we are trying to make is that this would be a very, very difficult program to administer.

September 24, 1975

ADMINISTRATION POSITION ON H. R. 7014

The Administration is strongly opposed to H.R. 7014 in its current form for the following reasons:

1. The oil pricing provisions, which roll back the price of new, released and stripper oil, continue controls on all oil indefinitely, and establish a 5-tier pricing system, are counterproductive and would make the Nation more dependent upon foreign sources.
2. The standby emergency provisions are too inflexible to provide the authorities necessary to respond to an embargo.
3. By indefinitely extending the Emergency Petroleum Allocation Act, the bill continues unnecessary regulatory intrusions into the marketplace, thereby inhibiting production and exacerbating present inequities under the Act.
4. The bill mandates a gasoline shortage that would cause gas lines, adverse economic impact and possibly force rationing.
5. The Federal oil purchasing authorities are unworkable, have been opposed by the Administration, and were previously defeated on the Floor of the House in connection with another energy measure.
6. The vesting of direct information gathering authority in the General Accounting Office duplicates accounting verification procedures created by the Securities Act of 1933. It also interferes with an existing program to achieve uniform accounting standards that has the backing of the SEC, the accounting profession and the business and academic communities.
7. Many other problems pointed out by the Administration were kept in the bill and some were even made worse, such as mandatory auto efficiency standards which do not take adequate account of emission standards.
8. Other poorly-conceived provisions were added during floor debate, such as rigid prohibition of certain mineral leasing joint ventures, and "banked costs" provisions, inappropriate in a statute.

October 2, 1975

SUBJECT:

MEETING WITH SENATORS ON NATURAL GAS

At 8 o'clock this morning, the President met with a group of Senators to discuss the short term and long term deregulation of natural gas. The meeting lasted about 50 minutes.

The Senate is now debating the natural gas bill, and at 3 o'clock this afternoon, there will be a vote on a Pierson/Bentsen Amendment which the Administration favors. This Amendment deals with the emergency situation facing us this winter and contains a long term solution for the natural gas supply problem.

The Administration is opposed to the Hollings/Glenn bill (S.2310) because this would extend Federal controls to the intrastate market. Therefore, the Administration is urging the enactment of S.2330 (the Pierson/Bentsen Amendment).

FYI: Most of the Senators at this morning's meeting were in the quote "undecided" category.

JGC

October 6, 1975

SUBJECT:

WHITE HOUSE TO PRESS PLAN FOR  
AIDING SYNTHETIC FUELS

According to the Washington Post, the White House has decided to go ahead with its \$6 billion plan to create a synthetic fuels industry in the United States. This would be independent of V.P. Rockefeller's \$100 billion Energy Independence Agency.

Is the Post story correct, and when will the White House send the synthetic fuels legislation forward?

GUIDANCE: On September 25, Frank Zarb, head of FEA, and Bob Fri, Assistant Administrator of ERDA, testified before the House Committee on Science and Technology. At that time, they stated that we are in support of the Synthetic Fuels Provision, with certain modifications in the ERDA Authorization Bill. The Synthetic Fuels Provision is already in the ERDA Authorization Bill, and that bill is now in a Senate-House Conference. Therefore, there is no legislation to send forward since this is already on the Hill and in Conference.

*Senate proposed.  
Not in  
the Bill*

Isn't it correct that you are supporting the Synthetic Fuels Provision because you recognize there is no hope for passage of your Energy Independence Agency?

GUIDANCE: No, that is not correct. We are pushing and supporting the Synthetic Fuels Provision because we would like this legislation in place as soon as possible. Obviously this provision is now in a Conference and so is further down the line in the legislative process. Assuming this Authorization Bill passes the Congress and is sent to the President, it could be signed and in effect in a few weeks, whereas the EIA will still have to go through the normal legislative process.

Why won't EIA and this Synthetic Fuels Plan be in competition with each other?

GUIDANCE: The Synthetic Fuels Plan is not designed to be competitive with EIA, but is merely a process to get this proposal rolling now. Once EIA is approved and a viable Agency, EIA will absorb synthetic fuels project.

(More)

Does the Synthetic Fuels Provision include loans and/or loan guarantees, and will it also allow ERDA to undertake projects by itself?

GUIDANCE: The Synthetic Fuels Provision does provide for loans and loan guarantees, but this authorizing bill does not provide for grants and/or ERDA undertaking projects itself. However, supplemental legislation probably will provide for this.

Is it correct that ERDA has reduced its goal of oil production by 1985 from one million barrels to 350,000 barrels per day?

GUIDANCE: In his State of the Union, the President set as his goal, the equivalency of one million barrels per day of oil from coal and shale by 1985. This is still the President's goal. What some people refer to is the provision that by the late 1970's, we can take another look at our synthetic fuels program and still reduce or stop the program without a tremendous outlay of funds. However, at this time, the goal is still one million barrels per day by 1985.

October 23, 1975

SUBJECT:

SENATE PASSES NATURAL GAS BILL

What is the President's reaction to the Natural Gas bill passed by the Senate yesterday?

GUIDANCE: The President believes that the action of the Senate on natural gas legislation represents a step forward toward helping to alleviate the unemployment and economic hardships that can result from predicted shortages this winter. It also provides the necessary legislation to begin the process of clearing away, to increase gas production over the longer term.

The President is hopeful that the House will act promptly to insure that a comprehensive natural gas bill, including both short and long term measures, can be placed on his desk for signature in the near future.

JGC

October 28, 1975

SUBJECT:

U.S. TO NEED MORE OIL NEXT YEAR

According to an industry report released yesterday, the United States will have to import more than 7 million barrels per day in 1976, about 900,000 barrels a day more than we are importing this year.

Do you and FEA agree with the industry report that the U.S. will have to import more than seven million barrels per day next year?

GUIDANCE: It is my understanding that FEA expects that we will need to import about seven million barrels of oil a day next year. This compares with an average in 1975 of an expected 6.1 million barrels per day.

This is just a further example of why the President has been pushing so strongly for his energy plan. Production is continuing to decline, and though demand has been down, demand is expected to increase as the economy continues to recover.

*1973 - avg per day demand 10.8 mb      1975 - avg per day demand 15.8 mb*  
August 1975 production was 8.2 million barrels per day, and August 1974 production was 8.7 million barrels per day. August 1973 production was 9.2.

If you believe in the theory that higher prices bring increased production, and we've had a doubling or tripling in oil prices, why does production continue to decline?

GUIDANCE: As you know, any oil produced from an existing oil field is considered old oil. Many, if not most, of our old oil fields, are in the declining stages, and in order to tap this oil, you must go to secondary and tertiary recovery methods. Since this is still considered old oil and prices are frozen at \$5.25 per barrel, it is just economically not worth the effort at these prices. In addition, as you know, additional oil wells put on existing fields is also classified as old oil, and therefore, is a disincentive to increase production from even easy to get oil.

November 3, 1975

SUBJECT:

ENERGY

Q. Several members of the Congress have indicated in recent days that you would be willing to compromise on oil prices to a significant degree. Is that true?

A. As I have demonstrated time and again this year, I am willing to compromise to achieve our energy goals. Frank Zarb has been working with the Conference Committee considering oil prices and tried to accomplish a compromise. Although I can compromise on the shape and format of the decontrol plan, I cannot and will not compromise on dependence of foreign oil and leave it grow unchecked. I am hopeful that we can reach agreement within these boundaries.

Q. Some energy provisions that you have previously imposed such as mandatory automobile fuel efficiency standards and mandatory industrial conservation reporting are now incorporated in the tentative energy bill that is in Conference. Would you accept these provisions if a compromise on oil decontrol can be reached?

A. The Administration is working very hard to modify all of the objectionable provisions in the bill being considered by the Conference Committee. I hope that when this bill reaches my desk, all of the provisions will be acceptable. However, I recognize that such an outcome is not likely and I plan to carefully consider every provisions of the bill in light of the overall program goals and objectives before its signing on whether to sign it.

November 6, 1975

SUBJECT:

CONFEREES REACH AGREEMENT  
ON OIL PRICING

Senate Conferees yesterday voted to roll back the price of old oil to \$7.55 with possible price increase for inflation of 10% a year. Controls would be ended after 40 months. House Democrats voted an even stronger roll back provision, pushing the average domestic price down to \$7.15 a barrel, with an inflation price escalator of 8%. Congress would review the program at 20 months. The Conferees hope to reach final agreement on the bill today.

What's your response to the action taken by the Conferees on oil prices yesterday?

GUIDANCE: The plans approved by the Conferees do not appear to be within an acceptable range. A review of the plans is underway, as is an effort to work with the Conferees to achieve substantial improvements in their program.

FYI: The pricing plans approved by the Senate and House Conferees yesterday are unacceptable. This has only been related to the Conferees at the staff level. Frank Zarb has made no public announcements to that effect. Zarb is continuing to work to achieve a better plan, and any press statements are being restricted to the above.

JGC

November 10, 1975

SUBJECT:

ZARB TO RECOMMEND VETO OF  
ENERGY CONFERENCE BILL

On Friday, Frank Zarb said that he would have to recommend a veto of the House Senate Conference Energy bill, unless further modifications can be made.

Does this mean the President will veto the legislation, and if not, what further modifications could be made to make the legislation acceptable?

GUIDANCE: The major problem with the Conference agreement is that it continues to rely heavily on imported oil and would continue to lead to increased consumption and reduced production over a period of time. In no way does this legislation allow for proper inducement for high cost technologies. With respect to the pricing section alone, we are attempting to get the Conferees to put in sufficient flexibilities to allow the pricing mechanism to recognize higher priced oil that will be required in the future, such as Alaskan oil and in some areas of the Outer Continental Shelf.

The President has asked Mr. Zarb to continue working with the Conferees to see if an acceptable formula allowing proper flexibility can be achieved.

There have been rumors that the President will send up a new energy compromise this week. Is that correct?

GUIDANCE: If all negotiations break down and if the bill the President receives on his desk is not acceptable, one possibility is for the President to send up an Administrative initiative. However, I think it would be premature to discuss that as long as Mr. Zarb and the Conferees are still meeting and talking.

JGC

November 11, 1975

SUBJECT: ARAB BOYCOTT

Why will Secretary Morton not divulge the list of names  
in the Arab boycott list?

GUIDANCE: The confidentiality provision under Section 7C of the Export Administration Act pledges to the business community that information required by the Act to be reported to the Department will, when submitted in confidence or deemed by the Department to be confidential, not be discussed with any third party unless the Secretary of Commerce personally determines in that particular instance that continued confidentiality would be contrary to the national interest.

It is Secretary Morton's determination that to maintain confidentiality that the names of exporters and the details of individual transactions would not be contrary to the national interest. The Department, must, of necessity, obtain from individual exporters, a considerable amount of commercial information on particular export transactions that is obviously of a very serious nature. Indeed, there are occasions when given the fact that a particular company is involved in an export transaction could, if available, to the applicant's competitors, cause that company serious economic harm. Moreover, the mere fact that a U.S. company is identified as trading with a particular company could subject that company to domestic pressures and economic reprisal. This may occur, even though such trade may be perfectly legal.

JGC

Rn

November 12, 1975

SUBJECT:

PROGRESS ON ENERGY  
CONFERENCE LEGISLATION

The Conferees are expected to finalize a comprehensive energy bill today. Frank Zarb said that he would recommend that the President veto the bill, unless certain modifications were made.

Does it appear that the Conferees will make the required modifications so the President can sign this legislation?

GUIDANCE: The opportunity for agreement is there. There seems to be enough give on both sides.

I have talked with Frank Zarb this morning and he advises me that the Conferees have agreed to reopen the price issue and they are discussing some other changes, so we are still hopeful that an agreement can be reached.

Should the Conferees finalize their work this afternoon, will you have more to say on this subject later today?

GUIDANCE: If the Conferees do finish their report today, I would expect that the President would meet with Mr. Zarb tomorrow and get a complete rundown on the final legislation and Mr. Zarb's recommendations. Until the President and Mr. Zarb have reviewed the final energy conference report, I would have nothing more to say.

JGC

November 21, 1975

SUBJECT:

HOUSE SUBCOMMITTEE APPROVES  
NATURAL GAS LEGISLATION

The Energy and Power Subcommittee has approved legislation to allow some wintertime emergency sales of natural gas by distributors at prices far above Federal ceilings. The measure, effective only to next April 15, would permit any interstate pipeline which the Federal Power Commission designated "distressed" to buy natural gas not otherwise available at prices above the Federal ceilings for gas sold across state lines.

Do you have any reaction to the legislation passed by the House Subcommittee reference natural gas sales?

GUIDANCE: The House Subcommittee action was a positive step toward dealing with this winter's natural gas shortage, but falls far short of the type of comprehensive legislation that we need to deal with the overall longterm natural gas problem.

The full Senate passed legislation about a month ago which not only would help alleviate the shortterm natural gas problem, but the Senate also implemented a phased deregulation of natural gas prices.

To this point the House Subcommittee has not been willing to consider deregulation and we feel this is absolutely vital in order to avoid a continual increase in natural gas curtailments over the next several years.

November 26, 1975

SUBJECT:

ARAB BOYCOTT

In a letter to Congressman Moss on Monday, Commerce Secretary Morton agreed to provide to Moss's Subcommittee on Oversight and Investigations, the documents they requested, provided he was given adequate written assurances on behalf of the Subcommittee that access to these documents and the information contained therein would not be disclosed to anyone other than the members of the Subcommittee and its staff.

Does the President support the position taken by Secretary Morton?

GUIDANCE: It's my understanding that the Counsel's office has been working with the Counsel from Commerce Department, and in addition, Secretary Morton has talked directly with Mr. Phil Buchen on the subject. Mr. Buchen and the White House supports the decision of the Secretary of Commerce and has relied on the legal opinion of the Attorney General. However, to my knowledge, the President has not been directly involved.

It appears that Congressman Moss will reject Secretary Morton's offer of receiving the material in confidence. What is the next step?

GUIDANCE: I don't think I should prejudge or anticipate what Congressman Moss and his Subcommittee will do, but it's my understanding that in the letter sent to Congressman Moss by Secretary Morton, he stated that this dispute or disagreement should not be resolved in a political forum, and reiterated that since this disagreement is strictly a legal issue, it should be decided by the courts.

December 12, 1975

SUBJECT:

\$6 BILLION PROGRAM FOR  
SYNTHETIC FUELS DEFEATED

The House yesterday defeated a program which would provide \$6B in Federal loan guarantees for synthetic fuel development. This provision was part of the ERDA Authorization Bill. The Conference report was accepted by the Senate Tuesday, but this provision was turned down by the House yesterday. The legislation would have authorized ERDA to make loan guarantees to finance construction and start-up costs of commercial facilities that would be built to make synthetic oil and gas. The defeat of this legislation could prove a setback for the Administration to achieve commercial production of 350,000 barrels per day of synthetic fuels by the early 1980's.

What is the President's reaction to the defeat of the \$6 billion synthetic fuels program in the ERDA bill?

GUIDANCE: Frank Zarb indicated that unless we have a vehicle to expedite the development of important syn-fuels, there is no way we are going to reach our goals for ultimate energy independence. We have got to find a way to reconcile these differences with Congress or this nation will not develop an effective energy program. We cannot continue to refuse to face realities of our needs.

We hope that the Senate will reaffirm the Conference report and send it back to the House for reconsideration.

JGC

January 9, 1976

SUBJECT:

NATURAL GAS SHORTAGES

There was an unconfirmed wire story this morning that said six states have reported shortages of natural gas.

Has the report been confirmed and if so, what is the Administration doing about it?

GUIDANCE: There have been some normal interruptions or curtailments in the distribution of the gas and some technical problems, but no shortages per se have been confirmed.

We have said all along that even with normal weather we are still expecting about 1 TCF of curtailments this winter. It is still a growing problem although it looks better now than it did last summer.

ME

A NR.  
1/30/76  
January 30, 1976

MEMO FOR THE PRESS OFFICE:

The President today accepted the resignation of John M. Teem as an Assistant Administrator of Energy Research and Development, effective January 31, 1976.

His responsibility has been "Solar, Geothermal & Advanced Energy Systems."

He was nominated for this post on 3/6/75, confirmed 3/19/75 and appointed 3/24/75.

He cites "pressing personal reasons" as his reason for leaving.

A successor has not yet been determined.

Tom Jones

THE WHITE HOUSE

WASHINGTON

January 28, 1976

MEMORANDUM FOR:

THE PRESIDENT

THROUGH:

RICHARD B. CHENEY

FROM:

DOUGLAS P. BENNETT DPPB

SUBJECT:

Letter of Resignation.

Attached for your signature is a letter accepting the resignation of John M. Teem as Assistant Administrator of the Energy Research and Development Administration.

THE WHITE HOUSE

WASHINGTON

Dear Dr. Teem:

I have your letter of January 12, and it is with deep regret that I accept your resignation as Assistant Administrator of the Energy Research and Development Administration, effective January 31, 1976, as you requested.

In doing so, I welcome this opportunity to express my personal appreciation for the dedication and high qualities of leadership which you brought to your duties as ERDA's first director of the Solar, Geothermal, and Advanced Energy Systems. You have been an effective and inspiring advocate for our national programs in each of these areas and have played an integral role in the early success of ERDA.

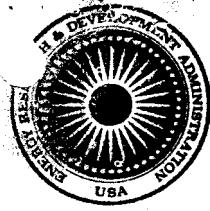
I particularly want to thank you for the outstanding contributions you have made in advancing the high energy physics programs within both the Energy Research and Development Administration and its predecessor, the Atomic Energy Commission. With insight and devotion, and I know at considerable sacrifice to yourself and your family, you have helped build a foundation upon which I am confident we can now make good progress toward energy independence. I hope you will always look back with a special sense of pride on this service to our Nation.

As you return to private life, I am pleased to know that you will continue to lend your vigorous support to the development of these important new areas of energy technology. You may be sure you take with you my very best wishes for the years ahead.

Sincerely,

**GERALD R. FORD**

The Honorable John M. Teem  
Assistant Administrator  
Energy Research and  
Development Administration  
Washington, D.C. 20545



UNITED STATES  
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION  
WASHINGTON, D.C. 20545

January 12, 1976

The President of the United States  
The White House  
Washington, D. C.

Dear Mr. President:

I submit herewith my resignation as Assistant Administrator for Solar, Geothermal and Advanced Energy Systems, Energy Research and Development Administration, effective January 31, 1976.

I am truly grateful for the opportunity which you gave me to serve in this position. I deeply appreciate your approval of large increases in the forthcoming year to our advanced energy systems research and development programs in solar electric, geothermal, and fusion energy, and also for your support of the new high energy physics facility, PEP. I believe that in all these areas we have instituted sound national programs for the long term.

However, for several pressing personal reasons, I feel the time has come to pass the reins to other hands. I will continue to urge even more vigorous Federal roles in the solar heating and cooling of buildings and related agricultural and industrial process applications and in solar information dissemination. I fear that without this stimulation the private sector will not achieve the early commercial market development of solar energy which is needed.

It has been an honor to serve my country under your leadership.

Respectfully,

A handwritten signature in cursive ink that reads "John M. Teem".  
John M. Teem  
Assistant Administrator for  
Solar, Geothermal and Advanced  
Energy Systems



February 3, 1976

SUBJECT:

NATURAL GAS COST INCREASES  
TO AN AVERAGE HOME

1974	\$170.00	Average cost of heating a home with natural gas for one year
1985	\$280.00	Average cost of heating a home with natural gas for one year if current regulations are continued.
1985	\$304.00	Average cost of heating a home with natural gas for one year if gas deregulated in 1976.

February 6, 1976

SUBJECT: NATURAL GAS

What's your response to the action in the House yesterday on natural gas?

GUIDANCE: The President has asked Frank Zarb for an analysis of the House action yesterday.

A preliminary report by Frank to the President at Senior Staff meeting this morning was that the action yesterday would set us back in our drive for energy independence and would actually cause us to import more foreign oil than if we stayed, with the present controls.

Frank will be meeting with the President at 4:30 this afternoon to give him a more complete analysis of the bill.

Will there be a briefing after that meeting?

GUIDANCE: We can look into that.

FYI: Frank would like to brief afterwards. END FYI

JGC

February 6, 1976

SUBJECT: NATURAL GAS

What's your response to the action in the House yesterday on natural gas?

GUIDANCE: The President has asked Frank Zarb for an analysis of the House action yesterday.

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Will there be a briefing after that meeting?

GUIDANCE: We can look into that.

FYI: Frank would like to brief afterwards. END FYI

JGC

February 6, 1976

SUBJECT:

ZARB MEETS WITH PRESIDENT  
ON NATURAL GAS BILL

What did Zarb tell the President in their 4:30 meeting?

GUIDANCE: Frank met with the President for about 40 minutes. He told the President that the House-passed bill would cost us more than two million barrels per day in imported oil by 1985. He also mentioned that the approach taken by the House toward the natural gas problem was so different than that of the Senate that he didn't see how they could ever reconcile their differences.

Frank Zarb mentioned to the President that he felt the House-passed bill was clearly unacceptable.

The President then directed Frank to do whatever he could to work with the Conference to get the Senate bill (Bentsen-Pearson bill) to prevail.

What would happen if the House bill prevailed? Would the President veto it?

GUIDANCE: It is my understanding that if the House bill did prevail, that Frank Zarb would recommend a veto.

JGC

Draft 2/1/76

No change in Administration position on the Nuclear Fuel Assurance Act submitted to the Congress by the President on June 26, 1975.

- A story by David Binder appearing on page 8 of the February 7, 1976, New York Times is incorrect. Specifically:
  - The second paragraph of the story asserts that "He [the Secretary of State] said that the Ford Administration no longer insisted on transferring expansion efforts to private industry, as President Ford had requested of Congress last summer."
  - Nothing that the Secretary said can properly be interpreted as suggesting a change in the President's position on his June 26th proposal.
- The President continues to support strongly the Nuclear Fuel Assurances Act which he submitted to Congress on June 26, 1975. The Administration is looking forward to early favorable action by the Congress on that proposal.
- The bill submitted by the President would:
  - authorize the Energy R&D Administration (ERDA) to enter into cooperative agreements with firms wishing to finance, build, own and operate plants that are needed to enrich uranium to make fuel for commercial nuclear power plants. Such agreements could provide for government cooperation and temporary assurances needed to begin the transition to a private competitive industry and end the current Government monopoly.
  - provide for Congressional review of any proposed cooperative agreement before it was signed.
  - authorize continued design and construction planning work for a government owned enrichment facility, in the event private firms were unable to proceed.
- Hearings on bill were held on December 2, 3, 4 and 9 during which the need for the bill was explained by ERDA Administrator Seamans, FEA Administrator Zarb, OMB Director Lynn and other Administration witnesses. Secretary Kissinger was the latest Administration witness testifying in support of the bill.
- A copy of Secretary Kissinger's statement, presented to the Joint Committee on Atomic Energy, is attached

THE WHITE HOUSE  
WASHINGTON

February 19, 1976

MEMORANDUM FOR:

RON NESSEN

FROM:

DAVE GERGEN

*DC*

SUBJECT:

Unemployment Figures

Recommend that if asked about the AFL-CIO charge, he defend not the figures themselves but the process by which they were determined. He shouldn't get into the formulas of readjustment.

Also, it is important to understand that even though we believe the figures to be accurate, Sindlinger reports widespread public disbelief. Therefore, the President has to make it clear that (1) he understands people still aren't feeling improvements in their lives; and (2) if any government employee is found to be misleading the public, heads will roll.

Attached is a Q&A.

cc: Dick Cheney  
Jim Shuman

GIMMICKRY WITH THE UNEMPLOYMENT FIGURES

- Q. The AFL-CIO has charged you with "gimmickry" in the way that the January unemployment figures were determined. How do you respond to that charge?
- A. The unemployment figures are determined, of course, not by the White House but by the Bureau of Labor Statistics. That bureau is a non-partisan, non-political group headed by a man of integrity, Julius Shiskin.

You may have seen TV clips of Mr. Shiskin's testimony before the Congress when he discussed the new unemployment figures. If you did, you heard him say that he himself was surprised when he learned of the large drop in unemployment and he had his chief assistants double check the figures. They reported to him they were accurate.

Then when the figures were sent to the White House, we too were surprised by the figures. We knew we were making progress, but the large size of the drop indicated that our economic momentum was even stronger than we ourselves thought. My chief economic advisers had the figures checked once again, and there were discussions about them in the Economic Policy Board. Once again, the figures checked out.

So, knowing the undoubted integrity of Mr. Shiskin and the thoroughness with which the figures were double checked, I am led to believe that they were reliable.

But let me add this word: I know that many Americans have yet felt improvement in the economy in their own lives. I can understand a certain amount of scepticism these days whenever the government has good news. And if I ever find that any people in the government are intentionally misleading the public, I can promise you: heads will roll.

David R. Gergen  
February 19, 1976

February 27, 1976

SUBJECT:

SOLAR ENERGY--  
JOHN TEEM RESIGNATION

The Wall Street Journal yesterday had a story saying that John Teem, former Assistant Administrator of ERDA for solar, geothermal and advanced energy systems, had disagreed with OMB over ERDA's solar budget and implied that his resignation was tied to the President's FY 77 solar budget.

What is the President's response?

GUIDANCE: First of all, that implication flatly contradicts Mr. Teem's remarks to the President in his letter of resignation, which I will make available.

Also, the President's budget does contain a proposal for greatly increased spending in solar for FY 77--35% on budget outlays over FY 76. In dollars, the President proposed outlays of \$116 million for FY 77, an increase of \$30 million over FY 76, just for solar R and D.

(Total non-nuclear R and D up 37% over FY 76, whereas total nuclear R and D up 42% over FY 76.)

(ERDA did initially present to OMB a budget figure higher than the final figure adopted by the President, but their initial request was out of line with the President's overall fiscal constraint policy for FY 77.)

ME

FEA GROWTH

- Q. The Wall Street Journal yesterday (3-9-76) had a front page story noting that the Federal Energy Agency, set up as a temporary agency to deal with the oil embargoes of 1973, has now become an entrenched bureaucracy which is expanding to duplicate the functions of many old-line agencies such as the Federal Power Commission. Why, when you preach cutting back government, have you allowed this agency to grow so far and so fast?
- A. In looking at the FEA, you have to realize that the oil embargo may be over, but the energy crisis is not. We need FEA right now to do such tasks as encouraging and promoting national energy conservation, and to administer the new national strategic petroleum reserve program.

As for specific budget figures, I have not yet decided how much money I will ask Congress to provide for FEA's proposed extension.

On the larger issue of growth of government, I think you should realize that many of FEA's programs, as are those of virtually all the executive branches, are mandated by Congress, and are not Administration programs.

The task ahead of us now is to look carefully at these programs and agencies and decide which are worth keeping. Our goal is to achieve reasonable government - large enough to meet the problems it can solve, but not so large that it is ineffective or that it curbs the individual freedom I have pledged myself to protect and expand.

April 7, 1976

SUBJECT:

OIL COMPANY DIVESTITURE

What is your position on the recent oil company divestiture bill approved by Senator Bayh's subcommittee?

GUIDANCE: I am very concerned about the thrust of this bill. It assumes that, by breaking up a major segment of the oil industry, we can lower prices and increase secure supplies.

I have not seen any evidence to indicate that these results would occur.

If it could be positively shown that divestiture would improve the delivery of secure volumes of oil at lower prices to the American people, I would favor it.

The advocates of the bill reported by the subcommittee have not made that case. There is a good chance that the bill would retard, rather than expand, domestic production and actually increase our vulnerability to high priced foreign sources.

Until it can be demonstrated that divestiture legislation would improve rather than worsen our energy situation, I must oppose such proposals.

OK'd by ERC

June 16, 1976

SUBJECT:

OIL DIVESTITURE BILL

Yesterday the Senate Judiciary Committee approved by a one-vote margin a bill that would force the 18 largest oil companies to break up. The bill would require the companies to decide in which single area--production, refining, transportation, or marketing--they want to continue as a major operation, and they would have to cut away their other interests. The vote sends the bill to the Senate floor.

What is the Administration position on the divestiture bill?

GUIDANCE: We have yet to see any justification for this piece of legislation.

If it could be positively shown that divestiture would improve the delivery of secure volumes of oil at lower prices to the American people, the President has said he would be in favor of it.

He is opposed to this bill because so far no proof has been given that it would help, rather than worsen, our energy situation.

ME

June 17, 1976

SUBJECT:

FEA EXTENSION

The Senate has extended the Federal Energy Administration for 18 months. The House previously extended FEA for 15 months. What is your reaction to the FEA extension?

GUIDANCE: We are pleased that FEA has been extended, but would have preferred the 39 month extension recommended by the Administration.

There have been some objectionable amendments added to the Senate and House bills, and we will work with the Conference to get these matters resolved in the Committee.

JGC

June 17, 1976

SUBJECT: FEA EXTENSION

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GUIDANCE: We are pleased that FEA has been extended, but would have preferred the 39 month extension recommended by the Administration.

There have been some objectionable amendments added to the Senate and House bills, and we will work with the Conference Committee to get these matters resolved in the Committee.

JGC

June 23, 1976

SUBJECT:

IRANIAN INVESTMENT IN  
OCCIDENTAL OIL

What's the Administration's reaction to the proposed investment by Iran in Occidental Oil?

GUIDANCE: The Foreign Investment Review Committee will be meeting to analyze this issue. Historically, we have not had problems with foreign investments in U.S. Corporations as long as it did not entail management control of a significant U.S. activity.

Who makes up the Foreign Investment Review Committee, and what are the likelihoods of disapproving this purchase by Iran?

GUIDANCE: The Committee is made up of Treasury, State, Commerce, FEA, and the NSC. This inter-agency committee is to review investments in the U.S. by foreign governments and then make recommendations to the Economic Policy Board. Until they have met and made their recommendations to the EPB, I think it would be premature to comment on what might or might not happen.

JGC

June 23, 1976

SUBJECT:

FEA EXTENSION

What's your reaction to the apparent deadlock of the Conferees on any extension for FEA? It appears to kill any extension.

GUIDANCE: We will continue to work with the Conferees to get an extension for the Federal Energy Administration. We prefer a 39 month extension, but would accept the 18 month extension as proposed by the Senate.

Why is it necessary to have a Federal Energy Administration?

GUIDANCE: We feel there is a need for a central agency for data collection, policy analysis, etc. And a central agency to implement all of the various on-going programs such as decontrol, etc.

Couldn't the various programs of FEA be spread out among the departments and agencies?

GUIDANCE: That certainly is a possibility, but no department or agency would have the capability to perform as complete and overall policy, economic, or international, analysis as done by FEA. It would not be centralized in one location and thus would not be as efficient as an FEA operation.

Is the Administration considering establishing the Federal Energy Office should the FEA not be extended?

GUIDANCE: That certainly is one option under review, but I should point out that we are still working with the Conferees to get an extension of FEA. Another option of course, is to spread those activities now at FEA among several departments and agencies.

JGC

July 9, 1975

SUBJECT: OIL SPILL LEGISLATION

For Announcement

As I mentioned yesterday, the President today is transmitting to Congress a Comprehensive Oil Pollution Liability and Compensation Act of 1975. This legislation would establish a domestic fund to cover claims for oil spill damages, create a uniform nationwide system of strict liability for oil spill damages and settlement of claims and implement two international conventions dealing with oil pollution caused by tankers on the highseas.

We have available the President's Message to Congress, a Fact Sheet, and copies of the legislation.

For those of you who want more information and have questions on the legislation, Admiral Owen Siler, Commandant of the Coast Guard, will hold a briefing at the Department of Transportation at 2:30 p.m. in Room 2232. DOT is located at 400 Seventh Street, S.W.

July 10, 1975

SUBJECT: FEA CONSIDERING OIL PRICE SHIFT

The Ford Administration is considering a change in its oil price regulations that would allow companies to increase gasoline prices by an extra 2¢ a gallon in some states.

Is it correct that the Administration is considering allowing oil companies to increase gasoline prices another 2¢?

GUIDANCE: It is my understanding that Frank Zarb has confirmed that FEA is considering giving the oil companies more flexibility with the possibility of going to regional pricing of gasoline. At the present time, there is little or no flexibility for the oil companies to respond to surpluses or tight situations regionally because of the current price regulations. The proposed change would give the oil companies the capability to shift supplies between regions in different quantities.

However, I should point out that it would not allow the oil companies nationwide any increase in profit. If they raise prices in one area, or one state, they would have to lower it in another. At the present time when a refiner boosts gasoline prices in response to higher costs in one area, the increases must be the same nationwide.

I believe Mr. Zarb stated that no final decisions have been made.

July 19, 1976

SUBJECT:

ALASKA PIPELINE REPORT

The Wall Street Journal reported today that the Barnum task force to Alaska to check on welding flaws on the pipeline has concluded that the welding flaws in the Alaska pipeline are not serious enough to cause completion of the pipeline to be delayed. They found no evidence, according to the article, that more than 3,995 flaws (the number initially reported by the Interior Department) existed, as the preliminary Arthur Anderson report indicated.

What is the President's reaction to the report of the Barnum task force?

GUIDANCE: The President has not yet seen the report prepared by the task force. He is expecting to receive a copy of it tomorrow, at which time the Energy Resources Council will also receive a copy. It is my understanding that the ERC will then make a recommendation to the President on how to proceed, depending on the conclusions of the report.

Note: Barnum claims that there are substantive mistakes in the Garay story in the WSJ. In fact, Garay's basic conclusion that the welding flaws will not in themselves hold up completion of the pipeline is not accurate, according to Barnum.

ME

July 28, 1976

SUBJECT:

ARAB BOYCOTT TAX

As part of its multibillion dollar tax bill, the Senate has passed a provision to subject American business executives to a jail term and heavy fines for participating in the Arab boycott of Israeli and Jewish businessmen, or for participating in bribes to foreign officials to improve sales.

What is the President's reaction to passage of this provision?

GUIDANCE: You may recall that in November the President took Administrative action and proposed legislation to ensure against discrimination against Americans on the basis of race, color, religion, national origin or sex that might arise from foreign boycott practices. As for bribes to foreign governments to promote sales, the President, as you know, in March named a task force to investigate and consider all dimensions of questionable foreign payments abroad.

However, the Administration does not believe that the provision passed by the Senate, to impose sanctions through the tax system, is an appropriate way to resolve this serious problem. (In fact, the Treasury Department, which has testified against this provision, feels that it would be "unworkable and unadministrable.") We feel that there are more workable ways to handle this problem, through the regulations on foreign trade and the granting of export permits, etc. The Commerce Department, at the President's direction, has been working on this issue for some time, and we do not feel that one provision to a massive, multibillion dollar tax bill is the way to resolve the issue.

ME

July 28, 1976

SUBJECT: FPC RULING ON GAS PRICES

Yesterday the FPC ruled that producers can charge nearly triple the amount for sales of "new" natural gas sold interstate, which could raise the average homeowner's gas bill by about \$15.60 a year. The new ceiling price is \$1.42 for 1,000 feet of cubic gas brought into production since December 31, 1974.

What is the President's reaction?

Guidance according to FEA (who will probably issue a press release):

This action will cause production to rise above what we had originally estimated for the next few years. It will probably not increase production by as much as deregulation would, but it signals improvement over the current situation.

In the long term, we believe that the residential fuel bill will probably decrease, since people will be able to purchase natural gas instead of being forced to buy distillates and other forms of fuel because supplies of natural gas are no longer available.

ME

August 5, 1976

SUBJECT: COAL STRIKE IN WEST VIRGINIA

The AP reported yesterday that the wildcat coal strike by miners in West Virginia continued yesterday despite pleas by UMW union officials, coal companies and federal judges.

Is the President aware of the wildcat strike and is he planning to do anything about it?

Both Secretary Usery and FMCS Director James Scearee are monitoring the wildcat strike situation, and the White House is being kept informed. We hope that the miners, who have been gone since July 19, will return to their jobs ~~soon~~.

August 11, 1976

SUBJECT: FEA EXTENSION BILL

The House yesterday passed the energy conference report that the Senate had passed last week, which extends the life of FEA until 1978, and exempts price controls on stripper wells.

What is the President's position on the FEA extension?  
Will he sign the bill?

I understand that the conference report is over 100 pages long, and we have not yet had a chance to review it thoroughly. However, the President is pleased that several of his 1975 State of the Union energy proposals are included in the conference bill (including grants to people in the lower income brackets to help insulate their homes and new thermal standards for commerical/industrial buildings), and we will be looking closely at the whole bill as soon as it arrives.

ME

August 13, 1976

SUBJECT: INJUNCTION AGAINST N. Y. OFFSHORE  
LEASE SALE

Today Judge Weinstein, a District Court judge in New York, granted a preliminary injunction barring the sale of 800,000 acres of offshore drilling sites off the coast of New Jersey.

What is the President's reaction to this judicial snub of an important part of his energy policy?

GUIDANCE: From what we know at this point of the decision, we are disappointed. The President regards increased production of offshore oil an important part of his energy program.

However, I understand that the Interior Department plans to appeal the decision made today by Judge Weinstein.

ME

August 13, 1976

SUBJECT:

Alaska Pipeline

What does the President plan to do about the continuing problems with the Alaska pipeline that Secretary Kleppe announced yesterday?

GUIDANCE: The Interior Department has primary responsibility for assuring the integrity of the pipeline before any oil flows through it. Secretary Kleppe is following the matter very closely and, as you know, is making public the information about his concerns.

Several other agencies are involved and the ERC is coordinating their activities and making sure that all problems are being considered.

The President is looking to Secretary Kleppe and the ERC to make certain the problems are being addressed promptly.

I can't provide specific information about the number of problem welds or the like--or about the specific steps that may be necessary to correct problems. That kind of information is available from the Interior Department.

ME

September 20, 1876

SUBJECT:

SYNTHETIC FUELS BILL

The bill [HR 12112] contains the following key provisions:

- Authorizes a \$3.5 billion loan guaranty and a \$.5 billion price guaranty program in ERDA to demonstrate a critical number of synthetic fuel, renewable resource and energy conservation technologies to resolve current economic, environmental, regulatory and socioeconomic uncertainties that now block industry's ability to finance, construct and operate such energy projects.
- Requires that up to 50% (but no less than 20%) of the total \$4 billion guaranty authority be used to demonstrate renewable energy resource (including solar) and energy conservation technologies.
- Limits initial oil shale projects to "commercial modules" rather than full-scale commercial plants and authorizes "cost-sharing" agreements.
- Encourages maximum participation in program by small investors.
- Provides strong incentives to borrower(s) to privately re-finance the government-guaranteed portion of total obligation after projects are built and successfully operating.
- Mandates ERDA Annual Reports to Congress on all major aspects of the program including any significant potential adverse impacts which may result and all funds received and disbursed.
- Requires that all proposed projects costing over \$200 million be subject to Congressional review and possible veto.
- Requires competitive bidding procedures for ERDA awards.

JBS

October 21, 1976

From Frank Zarb

- Q. The President said yesterday that the chances of another oil embargo, "were virtually nil." Doesn't this conflict with what the Administration has been saying in the last year? Specifically, FEA Administrator Zarb said last month that the U.S. is economically and vulnerable to another embargo as noticed since 1973 and yesterday Secretary of the Interior, Thomas Kleppe said, "We have to destroy the myth that we are somehow safe from future oil embargos."
- A. The President has worked toward minimizing the possibility of another Arab oil embargo through diplomacy as well as his energy program. The Diplomatic approach tends to reduce political causes which could be the underpinning of another Arab oil embargo. His energy program has been pointed toward a reduction of a possibility of another embargo by making this country more energy self-sufficient through increased production, conservation and a stockpile system. Both of these initiatives make another Arab oil embargo less likely to occur.