

FOR IMMEDIATE RELEASE

OCTOBER 2, 1975

OFFICE OF THE VICE PRESIDENT  
(Washington, D. C.)

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REMARKS OF THE VICE PRESIDENT  
AT THE "CONFERENCE ON REGIONAL VERSUS  
THE NATIONAL INTEREST IN ENERGY"-LUNCHEON  
ARLINGTON ROOM, MADISON HOTEL  
WASHINGTON, D. C.

October 2, 1975

(AT 1:15 P.M. EDT)

Thanks, Mel. You sort of challenged me. I feel I maybe really ought to speak about New York State. The only thing I can say is that Mel Laird chose to leave Washington and go to New York State. So that has got to say something. We are awfully glad you are there, Mel. And we are awfully glad that the little magazine with you is there, too. That is kind of a nice stable institution to have.

I have to say about Pat Brown, that he did agree to hold off their population growth until I got through the election the second round so I wouldn't face this kind of stuff I just got now from Mel.

I appreciate, Mel, the opportunity of being here. I am delighted to be with this distinguished group of speakers which you have. I am sorry not to be able to listen to them, Pete and Mike from the Congress and two distinguished Governors from Oklahoma and Massachusetts, Bill Baroody, whose watch I borrowed so I would not run over, and to Mrs. Clusen who is President of the League of Women Voters, an organization for which I have always had the most tremendous respect, and who still loves New York and is very active in that State.

To all of you in this National Conference, thanks for letting me be with you. Let me just briefly outline the current situation regarding the concept of the energy corporation which really grows out of the realities of the times in which we live. Very simply, this country for many years was an energy exporter, self-sufficient, dynamic.

Then as our growth increased and as our consumption of energy increased, we became importers, and then net importers, and then dependent on imports.

The other producing nations joined together a good many years ago in an organization called OPEC. They made a few attempts to raise the prices but because of the component position of the United States, they were unable to do so until we got into this very strong net importing position.

Then with the blow up in the Middle East, we acted as a catalyst to dramatic action by the OPEC countries, particularly led by the Arab countries relating to the political situation. We saw the embargo and then the 500 percent increase in the oil prices in the period of two years which changed the whole world situation, both industrial nations and the developing nations.

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The President spent a great deal of time studying the situation last fall in a series of meetings on economy and energy. He then came up with a really comprehensive program for Congress which he presented in his State of the Union Message, based on the concept that this country must, for financial security reasons, for the strength and vitality of our economy, for the reactivation of economic growth, become self-sufficient in energy by 1985.

What I think has been missed by a lot of people is the fact that energy has traditionally been a free enterprise operation, a free market operation as far as the United States Government is concerned. That free market concept was not limited to the domestic area alone. The free market concept was an international free market concept. But the minute the President declared a national policy that self-sufficiency was our goal, this automatically cut across the basic free market structure and concept.

But our Government has not traditionally had the kind of relationships with private enterprise that countries like Japan has developed, where labor, industry, finance and Government have a capacity to work together.

They don't have the problem of anti-trust concepts that we do. Therefore, we have a totally different situation. Congress was posed with a very difficult problem, let us face it, of how to size up this question with international prices rising rapidly, a large domestic production which was then held to a fixed price and with a falling increase in production; and as a matter of fact, a falling net increase.

During the past eight months, nine months, ten months there has been no evident response in any dramatic form that was commensurate with the urgency and the scale of the problems we face as a nation by the Congress. Let's face it, it is difficult, complex and has many unattractive features in the sense that becoming self-sufficient involves higher costs.

That is a very unattractive thing, particularly in looking forward to an election year. So, there has been no effective action taken. Here we are now two years since the boycott. Instead of being dependent somewhat on imported oil, we are now almost 40 percent dependent. We are spending \$26 billion a year in imports, going out of this country, money that could be used for employment in the period when we have a very high unemployment, and now a 10 percent increase which will add another \$2,600,000,000, bringing us close to \$30 billion a year.

This country, on the other hand now looking at the good side of the picture, is blessed with unusual natural resources. We have in shale oil alone twice as much oil as the Mediterranean has in known reserves. We have five times as much coal as we have oil. Then there is the potential for extraordinary amounts of energy produced through atomic power plants.

Gas is another field. Gas is an area that is very important. But gas is one that the Government has

regulated years ago. The price of gas, you all know. I don't have to get into that. The result of the regulation was a by-product where gas prices were held.

It is the most desirable for all concerns, for home or industry. It is the cheapest, by Government regulation. Unfortunately, at present prices it doesn't pay to produce the quantities that are necessary. Therefore, our production is falling off. If we have a cold winter we are going to have the most serious situation which is going to result in additional high unemployment in a dozen or 18 States in this country, which depend on gas and they can't get it.

So that we have got a lot of very complex problems. There was a very interesting case during World War II of rubber. I happened to be here and was a close friend of Jesse Jones and was very active in the Western Hemisphere picture trying to preserve the ceiling to provide the flow of rubber from the Amazon Basin, which was the last place we could get it.

The Government through the RSC went into what was known as the Rubber Reserve Corporation. This corporation under the able leadership of -- what is his name? You all know him. I will think of it in a minute. A very good friend of everybody's here, who is over 50.

(Laughter.)

He contracted with private groups to develop synthetic rubber. Five or six of those processes proved to be successful. The Government sold the processes in the plants. The successful ones had been recaptured. Thereupon, it created a new industry and the Government was the catalyst. There was no expense to the Government in the process and we became self-sufficient in synthetic rubber.

Through the ERDA which is doing research in fuels, they are developing in laboratories a wide range of potential sources right across the board, fossil fuels and atomic energy. But they don't have the authorization or the funds to translate those into commercial production.

Translating laboratory work into commercial production is very expensive and it is very risky. If you don't know what the price is then you are faced with a very difficult situation and the question is, under the present regulations, free enterprise has not been willing to invest the necessary money to develop these new sources of energy production and to meet the co-equal requirements in relation to ecology. They must go hand in hand.

I am totally confident that we can meet our requirements together. It takes research, capital investment and a risk. Therefore, the concept of the corporation is to accelerate the whole experimental operation, translating scientific and technical knowledge into commercial production, accelerate the independence of this country in terms of energy supply.

To give a few illustrations of the kind of thing that can be done, for instance, if it were possible to produce a C-2 production of oil from say, oil by drilling down, putting off an explosion, setting it on fire, taking the gas then formed out by pipe, condensing it, if that could be done as is estimated at a price between \$7.00 and \$8.00 a barrel, we are home free for a long time to come in oil.

But it is a \$200 million, at least, experiment and nobody is willing -- Occidental has done work in this field -- but nobody is willing to do it on their own. The same is true for gas and oil, same process, the cost can be approximately the same range.

Where if you make gas from oil after mining the coal, the gas runs \$24 a barrel, equivalent in oil prices or liquified gas is even more. So that we have got these experiments that need to be done commercially. This is in the gas, coal and oil field.

If you move over into atomic energy, some 70 percent of the atomic plants have been cancelled. The President said in his message in January that he wanted 200 new atomic oil plants. Seventy percent of those under consideration have been cancelled. One of the reasons is the risk involved in the capital. The problem relating to that is if you invest a billion dollars, which is approximately what a big plant costs, you can't get your money and your rate base until you are on line with the new ecological requirements that are there, the filing of impact statements and so forth.

It is now an 11-year process rather than a 4-year process. Therefore, to tie up \$1 billion until you get on line with an 11-year process is an impossibility. On a lendees, lease-purchase contract with a private company, with a contract with the Public Service Commission of the State, you could bill and be ready and then sell on a lease-purchase basis over a period of years. So that ten years, nine years, eleven years from now, we will have electric energy required.

Let's face it, we can't run an economy, an industry economy without adequate energy. You can have new jobs resulting in the opportunities for employment.

This is really a stimulant to the private sector to meet the needs of the country, domestically, out of our own resources where the President is to set the goal. The capital investment estimated to achieve this goal is between \$600 billion and \$800 billion in the next 10 years out of a total capital investment requirement estimated for the nation in all areas of about four trillion two.

I think that this will act as the catalyst that is necessary to get it off dead center. If we get the energy program off dead center with ecology going hand in hand, this is going to, I think, help very importantly get the economy as a whole off dead center and really rolling, which gives the opportunity for employment, the restoration of strength, the opportunity for production of goods and services that are necessary to meet our ecological needs, to restore what nature has given us and to provide the jobs which people want and to fulfill our responsibilities of the world.

It is big, okay. But it is less than 10 percent or it is a little more than 10 percent of the total capital investment. When people talk about diverting capital from other sources through Government channels, that has already been done. The President declared that as his objective.

I don't think I have any more to say about it, except answer questions. I have got lots of figures. I think we have got to remember a great many things in order to preserve the strength and vitality of a democracy, and do for our people as free citizens or provide the opportunity for them, which is the heritage we have been so fortunate to have for the past 200 years. So we will have the vitality in the next 200 years that we have enjoyed in the past.

Without going any further on this, I think I better answer any questions you all would like to ask. So, we go to questions.

I hope I didn't overwhelm them.

(Laughter.)

QUESTION: How is this then received by the Congress? What do you think the pragmatic possibilities are?

THE VICE PRESIDENT: Of course, the bill hasn't been sent up yet.

QUESTION: But you are reading it.

THE VICE PRESIDENT: I think, frankly, that as far as the country is concerned, labor is very enthusiastic about it. That has got some relation to Congress.

(Laughter.)

Industry, I think, is getting desperate for energy, particularly those who are worried about gas. I was at a Midwestern Governors' meeting and Governor Exon, of all people, asked me, "I don't think anyone really believes there is an energy crisis." He says there is plenty of oil around. I said, "Well, you summarized it. There sure is plenty of oil around because we are importing it. But if it is cut off we have had it."

Those of us who live on the East Coast are now between 80 and 90 percent dependent on imported oil. I think we could, if another war broke out in the Middle East and things really got out of hand, which I hope to God doesn't, then I think we could see a situation that would really bring chaos to the whole eastern seaboard. We went through a taste of it, but only a very small one.

I think that in industry, there are some who are opposed on the ground that this is capital allocation by Government. There are others who are opposed for any Government intervention. There are others who say this would be a first step to a take-over by Government, socialization.

I think that the only way our system is going to work is if we keep research and development in the application of that going to meet the needs of our people. I think the risk is so great here in this interim period that private enterprise is hesitant to make the investments which are essential to our national interests.

So when President Roosevelt said in the beginning or during World War II, "We are going to have 60,000 planes," and we ended up developing 120,000 planes, this shows this country can do anything it sets its mind to. We have

the resources, the capability, technical knowledge. We have got everything. We combine them. Government's role is to see that the peoples' needs are met. This is one of the needs. This is on a self-limiting basis for under a period of 10 years. After that, no new commitments will be made.

My personal feeling is despite what one sees, I think that this is going to be well received when it is understood and when the alternatives are seen. I think that the employment facet of it is a very significant one. It doesn't add to the deficit which is the problem that the President is facing in trying to hold down inflation.

QUESTION: Mr. Vice President, you compared the situation today to the situation before and during World War II, when we found we could build 120,000 planes, for example. But before Pearl Harbor, we found we had trouble building tanks and planes. We found that the answer was something like the War Production Board.

But Pearl Harbor had to create it. Right now we have a number of energies, allotments in energy and environmental fields all competing for one another. The poor person who is constructing an energy plant is bedeviled from one side or another. What is the solution?

THE VICE PRESIDENT: Absolutely. This law or the plan, calls for this agency acting as the clearing house for all regulatory agencies, both State and local, on any project in which the Government would be a participant. They would only be a participant in private capital if private capital could not do it alone. They would only act as a clearing house for all of these Government regulations.

Then to be in a position to make recommendations for legislative changes might facilitate both the social objectives for which the regulations are created and to facilitate an acceleration of getting the job done without the delays which are now inordinate and the uncertainties which are part of the job.

One of the reasons that things are not being done is people don't know if they invest \$100 million on the basis of their present calculations and present rules and regulations, whether those are going to be changed and therefore, their ability to make a profit is declined. Therefore, their tendency is not to make the commitment. You are right on target on this subject.

QUESTION: Some economists are not as enthusiastic about your plan as apparently labor and industry are.

THE VICE PRESIDENT: Some industry isn't either.

QUESTION: Some have suggested that your off-budget financing has played an insignificant or at least not a significant role as in New York. How do you deal with this kind of criticism within this context?

THE VICE PRESIDENT: I think it depends on good management to be perfectly honest. You can't run anything

even a complicated Swiss watch unless you understand how the watch works and how to handle it. What you are referring to is the Urban Development Corporation. The Urban Development Corporation produced or is completing 30,000 units of housing in the State which desperately needed housing and did it in record speed. It had a cash flow problem which resulted from the lack of implementation of the plan which was the financial plan, when there was a change of administration between one Governor and the next, from one party to the next.

So that \$200 million of obligations were not purchased which were part of the plan. I have to think that when the new Governor came in and hadn't had much experience in New York State's problems that this was an organization of a previous administration which looked like it was going to have trouble.

He thought that might be a political plus. What I think he realizes now is this was a start of what turned out to be a very serious political minus.

UDC has now completed the sale of its long-term bonds and is in perfect shape and is back on its feet because its credit was good. So if you set up something that is complicated, you have got to have people who understand it and have the ability to manage it.

But I think Government's function is to do those things for people which they can't do for themselves, but to preserve the system.

QUESTION: Mr. Vice President, would this corporation have the authority to relax environmental restrictions on its project?

THE VICE PRESIDENT: No, sir.

QUESTION: Mr. Vice President, how would you respond to those who would charge that Government support which will in all likelihood go to many of the major energy companies who have in the past developed their domestic resources, that this kind of Governmental support to them for development is unconscionable because they are not provided with a good standing ground now?

THE VICE PRESIDENT: I understand what you are saying. Of course, it goes to the question of whether you believe in the private enterprise system. If you believe in it and you expect them to produce, and the risks are too great for them to make the investment through the production that is necessary, then the Government has got to step in and provide incentives.

If you believe in socialism, you might say, "Well, the Government should take the whole thing over." I don't think we have done too well in the management of some of the things we have taken over by Government. When it starts out, it is always going to be very simple. When you get into it, just like the railroads and other things, it becomes more complicated. So it becomes a philosophical question really. This country has chosen to buy its military equipment through private enterprise, while they are setting up a government complex.

You can make the same argument there. Why shouldn't the Government manufacture airplanes or guns or whatever it is, instead of contracting private companies? This is exactly the same thing. We are contracting private groups to accomplish an objective as a national interest.

QUESTION: Mr. Vice President, from a practical point of view, how would you go about deciding which companies actually cannot make the investment for themselves versus companies which might simply be seeking to have the Government subsidize the highest risk part of the venture?

THE VICE PRESIDENT: That is a good question. It depends on the capability of the management. There are two criteria. One is a contribution to self-sufficiency or independence in energy production. The other is, can it be financed by private capital? Both of those have to be met.

It has to be to the maximum possible self-liquidating. There is a risk in some of these. But it has to be sold afterwards, and to the highest bidder, which might be an existing company or it might be a group of private investors who joined together to buy it.

I think that that is a judgmental factor, which really if you talk to the bankers, you talk to the people who are involved, you can pretty quickly find out why something was not built. The truth of the matter is we are losing ground as far as self-sufficiency is concerned rather than gaining it. We are totally vulnerable as a nation from a security point of view. As a result of the position we are in, not only vulnerable, but also subject to blackmail because of the vulnerability which is the most subtle way of doing it.

QUESTION: Mr. Vice President, there are two phases to the shortage. One is supply. The other is demand. Do you have anything for any plan coming up for energy conservation?

THE VICE PRESIDENT: Yes. The President has sent recommendations to Congress for legislation that would encourage energy conservation by giving tax deductions to home owners who put insulation in the homes, for low-income families actually subsidizing insulation. The whole series is a very interesting complex series of legislative action.

My feeling on this particular direction is that the most important area, for instance, I mentioned both of them -- if you mine shale that has oil in it and then cook it and take the oil out, then they get what I call talcum powder. There is no water or very little water where the shale is. What do you do with talcum powder? So there is a very serious ecological and environmental problem.

However, if you grow it underground, then you have got no environmental problem. This is the kind of thing you have to take into consideration. The same is true of coal. If you go to gasified coal or liquified coal underground which would save a lot of environmental problems, I think these are discretionary questions that give great hope for things being done. But nobody is willing to take those risks yet.



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I think that is the role of government, to take some risks for the benefit of the people, in the broadest sense of the word.

I thank you all very much.

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(AT 1:45 P.M. EDT)