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OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE
OF

FRANK ZARB
ADMINISTRATOR OF THE
FEDERAL ENERGY ADMINISTRATION
AND

CLARENCE J. BROWN
REPRESENTATIVE FROM THE STATE OF OHIO

THE BRIEFING ROOM

6:55 P.M. EST

MR. NESSEN: The President has had the meeting with Republican Congressional leaders to discuss the status of the legislation to increase the supply of natural gas.

I think it would be fair to let Frank tell you exactly what he told the President and the Members as to his feelings toward this legislation, and then we have Congressman Clarence Brown of Ohio, who will be the Republican floor manager for the legislation, and he can tell you exactly what he told the meeting in terms of the outlook.

Frank?

MR. ZARB: Let me cover some very general points that I covered at the meeting, and then we might get to your questions.

I pointed out the issue here is, simply stated, our gas or their oil. It is either going to be our American natural gas or replace it with imported oil. The decontrol provisions that have been, one, passed by the Senate and, the other, being considered by the House, are both gradual decontrol of natural gas.

They have different characteristics, and one treats old gas different than the other, but both have gradual aspects to them and neither decontrol all gas or all oil at one time.

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In our calculations, by 1985 -- with continued controls -- we will be importing two million barrels a day of oil more than with deregulation.

Q Two million barrels?

MR. ZARB: Two million barrels of oil per day by 1985 more with continued controls as compared to deregulation at the wellhead.

It is important also, I think, to touch on the question of cost to the consumer. While deregulation over the near-term, over the first five-to ten-year period, has a modest increase in consumer cost as compared to continued controls, the highest it gets is about 50 cents per week, and then the lines cross and actually it is more expensive to have continued controls than deregulated at this point because the phenomenon that takes place is with continued controls our production continues to decline, and as it declines, we continue to bring substitute fuels, which are very expensive.

Some parts of the country are talking about importing LNG from some of the OPEC nations that already have very, very high costs and where other conversions can take place, the converse takes place with imported oil.

So, in terms of self-sufficiency and two million barrels a day, in terms of cost to consumers, in terms of keeping our own people at work in developing American energy, all the factors point toward deregulation as the right conclusion.

There is, in our view, no other approach to this particular problem that can work in the best interests of our energy problem in a long-term cost to the American people.

Believe me, over the last year we have been through all the possible scenarios.

Bud, do you want to add something to that?

CONGRESSMAN BROWN: First off, the first significant vote will be on the rule. Every effort has been made to keep us from having this legislation up for a vote in the House this year. The basic legislation was drafted in such a way that long-range deregulation would not be germane.

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We got a rule from the Rules Committee which would make it possible for the House to vote on this. The House, in any event, is going to have to go to conference with the Senate because the Senate has already passed a long-range deregulation plan.

After that -- and I think we can hold the rule, but it will be a very close vote -- we will go to three hours of general debate, divided between one hour for the minority, one hour for the majority and one hour for Mr. Krueger, who has the substitute which is like the Pearson-Bentsen bill which passed the Senate -- but slightly modified from that.

If that passes, there is a possibility we will get the legislation to conference very quickly. My guess is, however, that we will get every dilatory effort to slow up consideration of the legislation because the momentum of concern in the country seems to be expressing itself to those of us in the Congress in favor of deregulation.

MR. ZARB: Why don't we get your questions.

Q What was the 50 cent figure that you used? Fifty cents a week?

MR. ZARB: That is at its peak by 1985, when you look at the cost of deregulation as compared to continued regulation. The increase can be as much as 50 cents per week per household. It is a highly theoretical number but, nevertheless, it is a conservative number that says we are producing American gas to satisfy our needs in paying 50 cents per week per household using gas at that particular moment.

Beyond that, the lines turn the other way. A continuation of control starting now and going past 1985 actually has the effect of costing the consumer more because the replacement value becomes more considerable, either for imported LNG or imported foreign oil as a replacement.

That two million barrels a day begins to have its effect on the economy.

CONGRESSMAN BROWN: Or the use of propane where it is \$2 and up currently. The important thing to remember here is if we are deregulating natural gas, we are affecting only 20 percent of the gas bill because 80 percent of the gas bill of the average consumer doesn't have anything to do with the gas cost at the wellhead.

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It has to do with the transportation of the gas and the other overhead costs that are being carried. Right now, those pipelines carrying natural gas from the Southwest up to the industrial heartlands of the country are running below capacity so the cost per unit of gas is excessively high.

If you fill those pipelines up 100 percent full, then the cost per unit of natural gas would be reduced of transporting the natural gas so, in effect, you have two balancing factors here.

Q Congressman, if this is such a great thing for the country, why is there so much opposition?

CONGRESSMAN BROWN: I think there is philosophical opposition to letting markets operate and sort of the advantage of control because that puts power in Washington and makes all of us in the Congress and everyplace else very important.

The fact of the matter is the arguments run the other way for the benefit of the average consumer. The argument, I guess, is a political one that says homeowner, I am holding down your prices. We have frozen the price of natural gas against profiteering or increases by the gas companies.

But, the fact of the matter is what you are really saying is I am making it very difficult for you to get natural gas for the industry where your husband works, and in some parts of the country that has begun to bite pretty hard. In my own part of the country last year the locker rooms and some of the plants had the heat turned off, and there were no hot showers at the factory and so forth before you went home.

In other parts of the country, production is actually being curtailed of the products made in those plants. Toledo, Ohio has to use natural gas to make glass, and if you don't make glass in Toledo, Ohio you have a lot of people out of work.

Q Mr. Brown, some of your friends across the aisle say your own Commerce Committee should be allowed to liberate maturely and send a natural gas bill to the floor, and you could then offer any kind of amendments then and the House would have a more reasonable bill to work with and that would be the usual and appropriate procedure.

What do you say to this?

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CONGRESSMAN BROWN: We have had a year of hearings on the deregulation of natural gas and oil. We have had over 1000 pages in those hearing books of the discussion on the supply, the price, the prospects of deregulation of natural gas.

We could go on thinking about the issue for some time, but unfortunately there will be another winter and the trend line of the production of natural gas under control has been down continually for the last 15 years and our reserves began running out in 1967.

So, if we continue to think about it, we may think about it until we have 50 percent, 100 percent curtailments of natural gas in industries around the country.

We are not likely to deal with this issue next fall because it is an election year and we will quit early. We need to deal with it now and need to deal with it on a long-term basis to try to reverse that trend of declining natural supplies that have been declining because of the frozen price.

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Q Could I follow that? The question, however, was on the wisdom of circumventing the House committee, though.

CONGRESSMAN BROWN: We haven't circumvented the House committee. We have brought the issue to the House Floor for a vote and it would have been prevented had the Rules Committee not allowed us to make in order consideration in the Full House of what the Senate has already acted on.

Now there was that effort. The Chairman of my committee made every effort to craft the legislation so you couldn't consider long range controls. As a matter of fact, his original bill was designed to allow purchases at market price until the 15th of April. Let's see, that is another two months off. I doubt we would have gotten anything in law in time to deal with the problem between now and the 15th of April and we still wouldn't have acted into the future.

Q This is a pretty unusual procedure, isn't it?

CONGRESSMAN BROWN: No, it is not unusual. It was done, for instance, when you had the depletion allowance passed by the House of Representatives. The Green Amendment, which made that possible, was made in order as a part of that bill. It was not germane to the tax law at that time but the Rules Committee made it in order just as they made the Krueger Amendment in order, and the Chairman of the committee, Mr. Ullman, opposed making it in order and they gave a chance for the House to have a vote on it anyhow.

We are following exactly the same procedure that was the case then. It has been done on several occasions where the Chairman has tried to prevent the House from working its will on a controversial issue.

Q Suppose Staggers tells the Democratic caucus tomorrow that the Commerce Committee will deliver a bill by April 1 or April 15. What would you say then?

CONGRESSMAN BROWN: He has refused to say that up to this point and, in fact, has said quite the opposite, that he doesn't know when a bill like that will come up and that he personally is opposed to long range decontrol. So we are going to go ahead and vote on it. I don't think you have to have more hearings. You have had hearings in the Government Operations Committee. You have had hearings in two subcommittees of the Commerce Committee. You have had hearings and debate on the issue in the Senate and we will have full-scale debate on it in the House.

The issue is not an unknown issue. It is an issue that has been kicking around this Congress for a year actively.

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Q Has the Full Committee marked up basic amendments, permanent amendments to the Natural Gas Act?

CONGRESSMAN BROWN: I am sorry --

Q Has the Full Committee had a markup?

CONGRESSMAN BROWN: We have a bill before us which the Full Committee marked up but not long range amendments because it was crafted in such a way that we couldn't do that, but we had a 19-19 vote in the Full Committee on long range decontrol, a tie vote on which the issue lost. This is one of the reasons the Rules Committee saw fit to allow the House to speak to the issue because, in any event, the House will have to go to conference with the Senate on the issue and the House deserves the right to express itself on this issue.

The fact is the Chairman has made an effort to prohibit the House from expressing itself one way or the other.

MR. ZARB: I want to add one point -- two points. First, the President proposed deregulation of natural gas a year ago last January as part of a comprehensive energy program and to the extent we have to continue to suffer procedural delays, which are just tactics, without coming to grips with some of these questions, we are going to delay completion of our total energy program.

I want to go back to Phil Jones' question earlier as to why this is controversial. There are a couple of misconceptions that appear not to be accurate. In the first instance, it said this will have an abrupt and considerable increase in prices at the consumer level. That is not true and by no means accurate. They neglect to point out that, if we don't take this step, in the long term Americans will be paying a lot more for imported oil than domestic gas.

The second point that is often made is that some evil spirit is hoarding excess amounts of gas and as soon as we can exorcize that evil spirit, our energy problem will be solved.

To base the solution of our energy problem on that kind of an argument is simply too thin. I am not here to say there are not one or two creative entrepreneurs somewhere who might have a well that is not being completely produced, but I am here to say we are not going to satisfy our natural gas shortages by finding some hidden supply somewhere that simply does not exist.

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CONGRESSMAN BROWN: Let me say the pipelines have the right to sue any supplier that is not living up to its contract; also the people who have the land on which the mineral rights or if somebody is not removing those minerals at a rate they think is appropriate to their opportunity to make money, they can also sue to force them to go ahead and live up to their contract. The fact of the matter is that just hasn't been done and the withholding thing is largely a canard.

Q Congressman Brown, do you think you would have been able to by-pass the committee if indeed --

CONGRESSMAN BROWN: We haven't by-passed the committee. We are dealing with a piece of legislation that came out of that committee but where the committee refused to consider long-range decontrol by parliamentary maneuver by its leadership.

Now what is your question?

Q Would you have gotten your rule if the Speaker of the House were not from Oklahoma?

CONGRESSMAN BROWN: The Speaker doesn't serve on the Rules Committee and it came out of the Rules Committee on a 12 to 4 vote. You don't have that many people from oil or gas producing States on the Rules Committee. I think there are a lot of people who are concerned about the impact on jobs of a 60 percent curtailment of natural gas.

I have no producers of oil, gas, or any other kind of energy in my district but I do have people that were threatened with being out of work because there were insufficient amounts of natural gas to fuel those places of employment.

MR. ZARB: I want to add to that. Don't forget we had a room full of Governors in the Cabinet Room some months ago, most from consuming States, who later reported that they had 31 Governors, mostly from consuming States, supporting a deregulation provision. They were talking about a similar kind of program to Krueger but with a five-year time fuse, but nevertheless they were endorsing that kind of an approach and they didn't all come from Oklahoma.

Q Can you explain, Frank, why we don't have the crunch this year that had been anticipated?

MR. ZARB: Sure, there are two reasons: One, we had a November and December that was somewhat milder. We had a fall that was not super wet where the farmers didn't have to go out and dry crops. We have had emergency purchases of some substantial amount.

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Bob Michel told me tonight, from Illinois, of the emergency purchases they have had up in that area. I was in Mississippi today talking to some textile people and cotton people and they have had to arrange for some emergency purchases.

So the combination of having the authority to go into the intrastate market and buy a quantity in one chunk and at the same time the dry fall and warmer early winter have combined to make it less difficult than we anticipated. But we are going to have less gas consumed this winter than we had last winter.

CONGRESSMAN BROWN: There is one other thing that ought to be said; that is, when the economy has been down you also have less consumption of natural gas. The fall in Washington was the warmest you have had in something like 20 years. The last 5 years have been warm. In Ohio natural gas is stored in underground caverns in anticipation of the winter. We have not had to dip into much of that so far. They are probably beginning to dip into it now. But you got enough through the pipeline to meet the situation early in the fall.

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Q Since we have not had a crunch, is that going to make it more difficult for you to get the votes you need in the House?

CONGRESSMAN BROWN: Yes, I think it will because there are a lot of Members in Congress who, like the grasshopper and the ant, think we may now be through the winter so why worry about it for the next year. But, unfortunately, that is pretty bad planning.

MR. ZARB: I can assure you if next fall we have a wet fall and go immediately into a very cold winter, we will have substantial interruptions in the gas-using communities. We have had a lot of curtailments. We have had a lot of industry put on standby for a cut-off and a number of industries that have converted in anticipation.

When they do that and have to use oil, which is typically a higher priced product, somebody pays the bill, and it is the American consumer. Those that think or claim they are holding down prices for the American consumer by keeping controls on and neglect to tell them they are paying higher prices for some of their products that used to use gas but are now using higher priced oil or imported LNG are really not telling the story.

CONGRESSMAN BROWN: Don't overlook one other thing. There has been a great deal of conservation by industry and by individual citizens this winter. I have one manufacturing plant in my district that I have been through where the reduction in use this winter--this year, really, because they started this process at the end of last winter--has been about 40 percent just by changing all their processes and trying, for instance, to use all of their waste product as part of their heating fuel. In certain areas, you know, not use gas, but use burned wood, for instance, from the packing crates that they used to put aside.

Q Frank, do you have any figures on how many workers have been laid off this winter as a result of industrial shutdowns?

MR. ZARB: No, to be honest with you, we took a shot at that and, because of the recession, it was impossible to really separate it and give you a creditable number. We did publish the numbers of employees by State that worked in industries that were primarily dependent upon natural gas as either a feed stock or as a power stock.

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That was the extent to which we could go. We get reports from Governors from time to time as to this plant or that plant or an accumulation of numbers, but we can't sort it out for you and tell you that is an accurate number because of the high unemployment we had last May.

Q What was the figure you got, those that depend on natural gas?

MR. ZARB: We have a chart there.

Ron, you may have it in your book there.

Q Do you have a mess chart?

MR. ZARB: No. This is a chart that is going to be a mess if we don't do something about it. We have a schedule by State which you are welcome to have, and we will get it for you.

Q Do you know whether any workers have been laid off in a situation directly related to the regulatory situation?

MR. ZARB: There is no question in our mind that natural gas has created some people not being employed who would be employed otherwise. The question is, when you start to determine numbers, how many are there.

MR. JOHN HILL (Deputy Administrator, Federal Energy Administration): We know of individual instances. People have called us unable to arrange substitute fuels and have actually shut their bakery down or shut their school down for a few days because their gas supply was shut off.

We haven't had anybody shut off for all winter, but there have been people losing days from work because there was no gas.

CONGRESSMAN BROWN: We have public schools in Ohio that last year, when the weather got below 20 degrees, closed school for the day.

Q Congressman Brown, besides yourself, who were the other members at the meeting with the President?

CONGRESSMAN BROWN: There ought to be a list. I would be glad to try to recite them, but I am sure I would miss somebody.

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Q Is it safe to assume the President is in favor of Mr. Krueger's plan?

CONGRESSMAN BROWN: Yes, it is safe to assume it. He said it very emphatically and said he thought this was extremely important.

MR. ZARB: I really believe, and he does, too, that this is one of the most important energy votes we will have in the 1975-1976.

Q If a rule is defeated tomorrow, do you think that means that natural gas deregulation is through for 1976?

CONGRESSMAN BROWN: And the 1977 winter because we won't get through it before we adjourn the Congress this year. So, you will not only go through this winter, but you will have the problem next winter, and then you will have a new Congress convening. When will you get to it again?

Q Did I understand you to say earlier you thought it would be close, but you would win on the rule?

CONGRESSMAN BROWN: I think it will be very close on the rule.

Q But you think you will win on the rule?

CONGRESSMAN BROWN: I am always optimistic.

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Q You have gone over this but tomorrow what happens? I don't have it clear.

CONGRESSMAN BROWN: We have an hour of general debate on the rule and then we have a vote on the rule. The effort will be to defeat the previous question -- in other words, the previous question being shall we vote on the rule -- and, in effect, if we win the previous question then we have adopted the rule. Then we will have three hours of debate on the legislation, one hour to be controlled by whoever the Speaker recognizes under the rule to handle the legislation for the majority -- in all likelihood Congressman Dingell, who opposes the Krueger Amendment. There will be one hour for the minority, which is traditional -- that is the split of those two times -- and then one hour for the substitute proposed by Mr. Krueger, which is the usual procedure, too.

If somebody has a major substitute, or a piece of legislation which in effect changes the thrust of the legislation, he gets time to present his argument. After that, we go into the amendment procedure.

Q Congressman, were any other topics taken up at this meeting?

CONGRESSMAN BROWN: No.

Q Say you win the vote on the rule. Do you think it is likely you will get to a vote on the actual amendment?

CONGRESSMAN BROWN: No, I think tomorrow there will be every effort, as I indicated, by those who oppose us doing anything on the natural gas situation of a long-range nature to try to delay consideration of this legislation or of any legislation that would address itself to long-range decontrol. So I think there will be an effort to try to stretch this out and you will see some dilatory tactics in the House tomorrow, I think.

Q Mr. Brown, do you see a resolution this week?

CONGRESSMAN BROWN: If we are lucky. It depends on how the Speaker wants to schedule it after a couple of days. It is on the schedule for Tuesday and Wednesday and we ordinarily work on Thursday and it might even be nice if we worked on Friday.

Q Isn't it true that labor opposes this?

CONGRESSMAN BROWN: In some communities labor, I think, favors the legislation. If you are talking about the labor lobbyists here in Washington, I think some of them probably oppose it.

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Q Are you getting much heat on that? I guess you are a lost cause.

CONGRESSMAN BROWN: I guess I really hadn't noticed.

Q Are people back in your district really interested one way or the other?

CONGRESSMAN BROWN: We had 63,000 people sign petitions for the Congress and the President to come to some resolution on the energy problem. They are concerned. We have had people in our area say, "We will give up the gas that we heat our automobile showroom with in order to keep the factories operating in our area because, if the factories are operating somebody might come in and buy a car."

We have also had people write in to the newspaper and say, "Hey, we will be glad to cut our heat back in our house so that my husband can go to work. How can you arrange that so that our gas is cut down so that the factories can continue to operate?" The answer is yes.

Q 63,000?

CONGRESSMAN BROWN: 63,000 in one community, one county --

MR. ZARB: These are all Congressman Brown's constituents. I met with them and they were rather rigorous.

CONGRESSMAN BROWN: They met with the President and with the Vice President and, as a matter of fact, that is one of the reasons I was anxious to support the oil policy bill.

THE PRESS: Thank you.

END (AT 7:20 P.M. EST)