

Office of the Vice President  
(Washington, D. C.)

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REMARKS OF THE VICE PRESIDENT  
AT THE  
ATOMIC INDUSTRIAL FORUM CONFERENCE LUNCHEON  
PALLADIAN ROOM, SHOREHAM-AMERICANA HOTEL  
WASHINGTON, D. C.

(AT 1:10 P.M. EST)

John Simpson, I am very grateful for those generous remarks, but I must say you are a living testimony of the graciousness and what we would have called, "the smoothness of the Southerners" up in New York, and I loved every word of it, and I appreciate it. To Carl Walske, Commissioner Mason, Mr. Hill, and to all of you, I would like to thank you for including me and I cherish the opportunity of being with you, and I am deeply grateful for the support and concern you have regarding the future of our country.

While I do not discuss the subject of growth in my speech, I have to say, in my opinion, without growth we are like the fellow who said, "Pull up the ladder, mates, we are going to hell with the rest of them. (Laughter)

I feel if we don't have growth, we are not going to have opportunity. There are two million eight hundred thousand people looking for jobs right now. We need a million and a half jobs, or two million jobs a year for the young people coming along, and this is the greatest heritage of America. And without energy, we can't run homes, or farms, or industry. And I happen to be a strong advocate and strong supporter of doing, and to my way of thinking, are essential and basic to the future of our country.

In a recent public forum in Austin, Texas, a witness said, and I quote him, "If this country had responded to Pearl Harbor the way we responded to the energy crisis, we would all be speaking Japanese in the United States now." (Applause) The gentleman happened to be the head of the Navajo Tribe. (Laughter) It was a witty comment and also extraordinarily perceptive and fundamental concept.

The unhappy truth is, despite President Ford's recommendations to the Congress, the Congress has done nothing of significance to deal with the energy crisis since the Arab boycott of two years or two and a half years ago. There are political voices in Washington which tell us nothing will happen in Congress until after the elections next fall. The prospect for blaming the Administration for rising energy prices is just too tempting. There are those who want the issue rather than a solution to the problem.

Witness the bill finally enacted that reduces energy prices for this year until everybody is reelected, and then let prices start to rise after the elections. Witness the failure to act effectively on the deregulation bill to increase the supply of natural gas, so essential

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to keeping our factories going and Americans at work.

At the time of the first Arab boycott, we were importing less than 29 percent of our oil requirement, and yet it caused untold disruptions and a loss of about \$25 billion in gross national product. The President has recognized this situation, and he devoted his State of the Union address a year ago almost exclusively to this subject and the importance of achieving energy independence.

And I have to say that the time is overdue for this country to act boldly to restore the vitality and strength of our American enterprise system, provide needed jobs for the unemployed, and protect the security of our nation. President Ford has recognized this. It is now time that Congress recognized it and act promptly to pass the vitally essential legislation which the President has submitted. The nation can ill afford the current stalemate that exists between the Executive and the Legislature.

Since the embargo, foreign oil producing countries have raised oil prices 500 per cent with a resulting cost to the United States last year of \$25 billion. And this year we will have to import 40 percent of our oil needs at a cost of approximately \$30 billion. Under these circumstances, if a blow-up in the Middle East and another boycott, we would be faced with economic disaster on the East Coast alone. On the other hand, if this \$30 billion was spent at home to produce energy in the United States, it would provide jobs for at least a million two hundred thousand people, additional American workers, and get our economy rolling and remove a major vulnerability of our national economic and national security.

Let us take a look at the potential of domestically produced nuclear power to reduce our dependence on imported energy sources. I say this, simply taking this as one illustration, but it's one with which everyone in this room is familiar: therefore, I use the subject, and all of this relates to the President's Energy Independence Authority legislation which he proposed. It costs 33 mills to produce one kilowatt-hour of electricity with oil at world prices. It costs only 15 mills to produce a kilowatt from coal. And it costs even less, 12 mills, to produce a kilowatt-hour of power through nuclear generation, roughly a third of the cost with oil.

The performance of nuclear energy today, despite what some people say, establishes it as a safe, environmentally sound and economic source of electricity. In 1975, 56 nuclear plants were generating electricity in this country. Most of that capacity had been installed only in the preceding five years. And those 56 plants produced an amount of electricity equal to the total amount of electricity generated throughout the entire country in 1940.

In the State of the Union message a year ago,

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as I already mentioned, the President called for 200 nuclear power plants in the U.S. by 1985, as part of his Energy Independence Program.

Yet, in 1974, the utility companies deferred or cancelled plans to construct 92 more nuclear generating units. And a major reason why so many of these plants were put on the shelf was because of the financing problems due to uncertainties. And the capital requirement to reach a total of 200 plants by 1985 would be well over a hundred billion dollars.

Not only is capital needed for building additional plants, but for supporting facilities requiring heavy investment, also an estimated \$15-20 billion dollars for uranium mines and mills, enrichment plants, fuel fabricating plants, reprocessing plants, waste treatment plants and waste storage plants.

As it now stands, from the day a company decides to build a nuclear power plant until the day that plant begins to put out power, requires a median of ten years. One of the major factors in this long lapse of time are the various ecological requirements, environmental impact statements, the hearings, the rulings and lawsuits. I believe this procedure can be appreciably expedited.

Presently, when you file an ecological statement, someone has to read it and evaluate it in the light of certain criteria. Instead of having the utility companies and manufacturers file separate statements of the proposed facility's ecological impact, in order to simplify and speed up the process, and save time and money, why couldn't the government spell out the criteria and let the utility companies and manufacturers work within these standards, and then have them issue a statement of full disclosure as to how they are living within the criteria.

But obviously, simplifying the regulatory complications is not the only problem. Another major hurdle to raising the capital is the fact that the cost of the new facilities cannot be reflected in the rate base until it is producing the electricity. If it is a billion-dollar plant, for instance, and takes ten years to complete, it makes it almost impossible for the average utility company to get financing.

Yet, increased nuclear energy production has to play a significant part in our achievement of energy independence. This kind of uncertainty and financial risk apply to the various other areas essential to energy independence.

We were talking about this at lunch. Oil, coal, coal gasification, solar energy, geothermal, they all have the same problem. And when private capital cannot be obtained, only government, in the national interest, can afford to take those risks essential to the private sector's achievement of domestic energy independence.

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That is why President Ford proposed the creation of the Energy Independence Authority last October, to break the logjam in obtaining capital financing, and get us off dead center in achieving energy independence for the United States.

First, let me say how this authority would work. The Energy Independence Authority would operate very much as the Reconstruction Finance Corporation did during the Depression era, and the Rubber Reserve Corporation did during World War II.

It would be a self-liquidating authority to the maximum degree possible. It would only make investments in energy-producing projects in which, first, contributed to energy self-sufficiency. Second, it could not raise private capital for all or part of the undertaking; and, third, which will involve private financing to the maximum degree possible. In other words, this is the same kind of thing we had in Rubber Reserve where the government moved in to help, and when a project was finished and successful, sold the project directly to private investors.

No new investments could be made or would be made after seven years. And the life of the Authority would be limited to ten years. After that, all investments would be liquidated as rapidly as possible.

Total capital authorizations for the Energy Independence Authority would be \$100 billion: \$25 billion in equity; and \$75 billion in authorized borrowing capacity.

The Energy Independence Authority would have the powers to one, guarantee loans; two, make loans; three, make investments, with all facilities absorbed by private investors, and for undertaking construction of plants under a lease-purchase contract with private utility companies.

That latter one, to me, has tremendous potential, because with the present situation, particularly in the atomic field as far as utilities are concerned, there is inability for some to get financing. If they could sign a lease-purchase contract, then they get a rate increase and start paying, and the whole thing is under contract. And as soon as they paid the final lease-purchase payment, the plant is theirs. And the government rendered a function in anticipating a need and taking the steps before the crisis hits instead of after. And very few things of major importance can be done in a short time. Therefore, one has to plan ahead, work ahead, and figure out what needs to be done is pragmatic and sound.

What kind of projects would the Authority finance? It is estimated capital investment of between \$600 billion to \$800 billion in 1976 dollars will be required to achieve energy independence by 1985. Some of the projects to achieve this independence involve unknown risks and uncertainty, which will deter necessary

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private capital investment. Hence, the need for the Energy Independence Authority to overcome the capital problem.

And I would like to say, parenthetically, that there are those who I have to feel are not too concerned about the present situation or the failure of private enterprise to produce the needed energy, because if at a later date they can prove that it did fail, then they have a reason to say, well, we told you private enterprise couldn't do it and the government has to take it over. And we would take the same course as countries I don't need to mention.

And I think that would be a disaster, because I don't think we can have individual freedom without economic freedom. I think they are inseparable and one of the important things the Founding Fathers of this country uncovered in their original action, and which has been, in my opinion, the greatest strength and opportunity for the standard of living which has been created by the hard work of citizens in this country.

Let's take a few illustrations. For instance, the Authority would be involved in these areas: nuclear power; natural gas production; coal and gasification of coal or liquefaction of coal; shale oil production; geothermal power; solar power.

Three, the Authority could be involved in energy-related projects, railroads and other transportation. One of the problems of coal in the East is so many of the roadbeds in the East have not been maintained, and, therefore, the capacity to move coal, large amounts of coal at a rapid speed is just out of the question unless very substantial amounts are spent on roadbeds. Investment could be made in a railroad to permit them to have the funds for improvement of the roadbeds.

Pipelines, if there are pipelines that are required. Oil storage. I have to say that after two and a half years, for this country, the greatest free nation in the world, not to have developed oil storage on the East Coast all the way from Florida up to Maine, is just inconceivable. Here we sit, totally vulnerable.

Is this approach an unwarranted intervention by government on the free market system and the American enterprise system? My opinion, the answer is no. As far as the free market is concerned, the President has already stated that energy independence is a national objective. When the President said, "We want energy independence," he already had taken action to establish a barrier in the world free market system. And if you don't believe what he did, OPEC countries did the same. They moved into the free market system. So there isn't an international free market system. We are not kidding ourselves on that.

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Historically, our government has stimulated those economic activities by the American enterprise system which were important to the growth of our economy and well-being and security of the American people, and have always had strong public support.

For example, agriculture in this country. The credit structure was built by the government. The land-grant colleges were established by the government. The extension agents were paid for by the government.

The whole agricultural structure is supported by highway, railroad structures, which also has had strong government support. Take the railroads, it wasn't private enterprise that went across this nation and built railroads. The government gave land and then the railroad built the roads on the land they were given, and they sold land to towns, and villages, and cities, and that is how they got the money to do it.

As far as the automobile industry, one of the great industries in America, they just didn't do that by themselves. Federal, state and local governments spent hundreds of billions of dollars on roads, and that made the basis for the automobile industry.

Or aviation, it wasn't private enterprise alone that developed our aviation industry, but research by the military and development, millions and billions spent, which developed planes and converted to commercial use. And not many people in this country realize that the Wright brothers had a contract with the U.S. Army in connection with their development of the airplane.  
(Laughter)

I think we like to kid ourselves a little. I am a strong advocate and a strong believer in free enterprise, but I don't think we want to kid ourselves but that there has been the most effective cooperation between government and private enterprise, very intelligently developed, and this has been the extraordinary strength of our country.

The development of synthetic rubber, I have already mentioned. We got cut off by the War from the raw material in the tropical areas, and, luckily, scientists developed processes and contracted with five or six companies, and they developed synthetic rubber plants. They succeeded. And then the government sold these and made a profit and we had a new industry. And that is the kind of cooperation I am talking about here.

The development of the aluminum industry did the same. I will again say, parenthetically, I had a visit from the Prime Minister of Trinidad, a good friend of mine, Sir Eric Williams, about two or three years ago. And he was very excited because somebody had discovered natural gas off his shores, and he had this very interesting idea to take the

bauxite from the neighboring islands and bring it to Trinidad and make aluminum with their cheap gas. He wanted to know what I thought, and I thought an exciting and tremendous concept, but have you looked into the question of what the cost would be to the United States to make aluminum out of sand and clay, which we have in unlimited quantities. He said, "I never heard of it." I said, "Before you make a big investment and take on this new undertaking, you better find out what that cost is."

I think the United States better find out what the cost is, too, because what we are talking here in energy applies to the whole raw material field. We have the same kinds of options for substitute sources at slightly higher prices for substitute material, but we need research and technology and cooperation between government playing the right role and the American enterprise system. There is nothing new about it. It's the greatest system in the world. I think we are going to keep it, but we want the government to do the kind of forward planning which you all do in the private system.

Then, would the Energy Independence Authority just add to the federal deficit? Questions that arise: cause more inflation; take capital from other areas; create a huge, new permanent bureaucracy; or add to the government red tape? None of these arguments are true.

First, the Authority would primarily make self-liquidating investments in America's future. It is not a big, new give-away program. Two, it would not cause inflation, but help hold down inflation by increasing production. Three, this is a national policy. But I could add to that. If we are going to achieve this, it's going to take six to eight hundred billion, and this is a hundred billion. Therefore, it is careless to take the high-risk areas on an investment basis and not on a substantive basis. It is a national policy to achieve energy self-sufficiency, and investment in this field has already been given top priority by the President in terms of our economic and social well-being and national security.

Four, the Energy Independence Authority will not create a permanent bureaucracy because its life is limited to ten years by the proposed legislation. The Energy Authority will not add to government red tape because the legislation specifies that all government regulations related to production shall be cleared through one central expediting agency in connection with this program, the Federal Energy Administration, for all projects in which the Authority becomes involved. And this could well set a new pattern and very interesting pattern, because one of the problems that private enterprise faces is there are government regulations and it's hard to get this reconciled in order to get action. If centered in one place and a government agency, they have the capacity then to see what the problems are and make recommendations through the

President to the Congress for simplifying them.

In conclusion, with your support, together with that of other business groups and organized labor, this program can be passed in the current session of Congress. Organized labor is already strongly in support of the legislation, and there is an encouraging growth of interest in the business community and among many members of Congress.

I urge you to study the legislation creating the Energy Independence Authority. In the Senate it is S. 2532; in the House it is HR 10267. And give it your strong support and let your representatives know what you want them to do or want them to do the same. Nothing is more important to the future security and well-being of this country. This is not a partisan issue. It is a national issue of the utmost importance to our future. And I have to say our vulnerability today is so great, if the American people really understood it, I think they would be really terrified.

And yet, we were talking at lunch, I will never forget speaking before a governors' conference and Governor Exxon asked if there is really an energy shortage or crisis, there is plenty of gas. I said, 'You summarized it right there. There is plenty of gas and oil; therefore, you don't see a shortage. The reason there is plenty of gas and oil, we are importing it and we are vulnerable, and, therefore, there is a crisis. It's as simple as that.' It's all right as long as it lasts, and as long as the farmers produce enough food so we can pay the \$30 billion. But let's not forget, ladies and gentlemen, that if it hadn't been for the farmer bringing in 60 million acres of new land, and increasing our exports of food from 5 million to over 20 million, we wouldn't be able to pay for this oil today, and we would have the most tremendous foreign exchange deficit, which would cause a catastrophe for this country. So you are just lucky, and we are also blessed by the fact we have the natural resources and the capacity and the extraordinary human resources in this country to undertake this.

Just because this is an election year doesn't mean we have to close up shop as a nation and not deal with the tough problems. The American people want action. They are going to judge Congress and individual Congressmen by their actions and not their inaction on this vital issue.

And I want to say, no group is more knowledgeable on the subject than you, or close to it in the sense you are the ones who can understand what can be done and aware of the importance of it. And I appreciate your invitation to speak to you. And if we all work, I have confidence this will be adopted as a national policy.

Thank you very much.

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(AT 1:35 P.M. EST)