Digitized from Box 32 of the White House Press Releases at the Gerald R. Ford Presidential Library

FOR IMMEDIATE RELEASE October 6, 1975

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

REMARKS OF THE VICE PRESIDENT
AT THE ENERGY CONFERENCE
WITH BUSINESS EXECUTIVIES

AT 10:40 A.M.EDT

THE VICE PRESIDENT: I apologize for being late. I was on the phone raising money for the Capitol Hill Club. It is a worthy cause. I just got a prospect. They called in. So I had to stay for that call. If the Capitol Hill Club was foreclosed just as the President got going for next year, it would be kind of tough. Well, that is another subject. (Laughter)

I want to thank all of you very much for coming here today and for giving me a chance to visit with you,try to outline first briefly the conceptual thinking in back of this program and then answer or at least discuss your questions. I will do my best to answer them.

I think the legislation will go up this week. The subject is a complicated one and there have been varying points of view as you all know by reading the press. Therefore, it has caused some difficulty in trying to get the thing worked out so that it could be put in detailed language for the legislation and the message.

I hesitate to talk about the whole subject because I know everybody in this room is totally familiar with the subject, but let me just for the record give you a brief outline of the past and how it came about as to where we are now.

This country of course up to the 1960's was the major producer and exporter and had the reserves to export additional amounts if necessary and so when on two or three occasions other nations around the world tried to raise the prices of oil substantially, we just exported more and were able to hold the price.

Then as we got into the mid-60's OPEC had been formed and we became a net importer, didn't have the reserves to dominate world prices and therefore triggered by the conflict in the Middle East, the Arab countries finally moved and in two years raised prices 500 percent.

At that point, particularly the Eastern Seaboard of this country suffered quite a setback because of the boycott and the price increase. The boycott, let's face it, there were enough leaks and there were enough countries that didn't join it so that it really wasn't as overwhelming as it might have been.

I was at that point Governor of New York deeply concerned; but Libya allowed oil to go to one of the British Islands in the Caribbean and be refined there and come into New York for power and so forth which if they had really tightened down we would have been in a much more difficult situation.

MORE

The President, as you all know, spent a lot of time discussing the economics and having the summit meetings when he first took office last fall a year ago. One of the major subjects was this question of energy. He came out of those with a clear determination for energy independence as being essential for this country's national security; secondly, that this should be achieved by 1985.

He then worked out the details of legislation which would encourage private enterprise because energy has always been a private enterprise operation in this country except for Naval reserves, which would encourage private enterprise to accelerate production domestically.

I don't think we really have recognized quite as clearly as it seems to me the fact exists that this -- because there is a great deal of talk about the free market system -- that the free market system should do this and that they should be the ones that without Government intervention except through a framework of laws which would give incentive.

Allright. The framework of laws has never been achieved because one can speculate here -- but first it is a complicated subject and it was complicated when -- I have to again go back a second. It was complicated when the United States Government controlled the price of interstate gas at a very low price so that the most desirable fuel turns out to be the cheapest fuel. What it did was of course it really hit the coal industry over the head so that our greatest resource was least developed and had more problems and while gas when it was first controlled was a byproduct of oil and was being burned and therefore was in surplus. The price that was set was so low that as people shifted to gas they were unable to get the production, the increased production or even if they could get production -- like in the case of Texas -- they couldn't ship it on the interstate lines.

Now as you know --we had a meeting in this room, as a matter of fact, with a group of Governors who came in organized by Jim Rhodes of Ohio pointing out that they had lost 600,000 man days of work last year due to the shortages of gas and it was going to be a lot -- that was a warm winter -- worse next year and his people, the industrial groups in his State were willing to finance production of gas at higher prices if they could just get permission to move it on interstate pipelines and the concept of a common carrier be adopted rather than a regulated price.

That has been very slow in coming because the Federal Power Commission was afraid that if they made such a ruling that they would be challenged in the courts by the ecologists and that they would then be overruled. So they wanted legislation.

I only mention this because where government stepped in to regulate one phase of the energy industry it totally disrupted the industry and shows very clearly what can happen through government regulation. The President, as you know, has fought regulation and he has been for decontrol. He wanted an orderly decontrol on oil. He wanted 39 months. But then we go back to what has happened in Congress. He sent up a 500 and some-page bill.

This bill was complicated and the public I don't think has really since the energy crisis that they saw two years ago when there were lines waiting for gasoline -- has eased off. It was really sort of personified at a meeting of the Midwestern

Governors' where none other than Governor Exon asked me if there really was an energy crisis. He said, "How can there be an energy crisis when there is plenty of oil and gas around?" I said, "You have really expressed the whole thing right there. There is plenty of oil and gas around because we are importing now almost 40 percent of our consumption."

Domestic consumption is going down. So as long as we import it there isn't a crisis in the sense that you are thinking of it, but if the Middle East situation blew up again or if for some other reason other than price or through a boycott we could then find ourselves in the middle of a full-blown crisis which for certain parts of the country would be total...disaster. And I don't think anyone has really figured out how this country would survive a really effective boycott because we don't have transportation from the west to the east to handle the movement of energy in sufficient quantities to keep our operations going; our society going.

We just have seen a 10 percent increase take effect in the world oil prices and as I say Congress has not taken any effective action; little pieces of action, but no comprehensive action. Finally, the management-labor committee had some concepts as to how to encourage through incentive industry to invest more domestically.

That legislation hasn't gotten off the launching pad in Congress.

So as I view the situation we find ourselves in a free market industry, but the free market has been a world market. Now national policy expressed by the President is that we should be a self-sufficient, independent producer of energy. We have the resources. Nobody knows yet at what price. That is a national policy superceding a free market position because the free market was an international one. Then a great many people have felt that this OPEC price structure would break down as production increased.

Walter Levy who is one of the most sophisticated people in the business and many of you know him, has said right along there wasn't a chance; that they would do exactly what they did do. He predicted that six or eight months ago,or even longer maybe, that they would not decrease the price; they would not break the price; they would hold and they would increase the price. That is what has happened.

So when people say that the use of Federal funds through a structure that is in a sense comparable to the RFC conceptually, but not for bailouts, but for stimulating new industry or new production, and they say this is an allocation of capital and this is going to take it from a whole lot of other things, the answer on the allocation of capital is very simple. The President has said our national policy is self-sufficiency by 1985.

The estimates vary between $600 billion and $800 billion will be required to achieve that object. That is out of about $4 trillion $300 billion that has been estimated as industry's capital requirements during this ten-year period for meeting needs of the American people and our responsibilities in the world.

We will fall short of that as estimated -- again these are all estimates; therefore, they are just guestimates -- fall

short by about $600 billion.

So there is going to be a shortage. Nobody knows how much money will come back into investments from Arab countries where the accumulation of capital is taking place. But I would imagine that Saudi Arabia alone is up to about $7 billion now in investment in treasuries. These securities, were this corporation to be passed by the Congress on the $100 billion basis over ten years because that is the life of the corporation, would probably average out to about $10 billion a year. If this country moves towards self-sufficiency it would take $60 billion to $80 billion a year and so $10 billion is 12, 14 percent of the total that is required.

What would the conditions be in determining how this money would be used? The conditions are simply two basically: One, that it contributes to the self-sufficiency; two, that it would be used for financing through private enterprise just as the Military buys its equipment through private enterprise where those objectives, those investments cannot be obtained by private enterprise themselves; in other words, where they either can't get the money or for some reason are unwilling to; primarily can't get it, can't get it because they can't earn.

If you take a look at the utility industry -- what, 70 percent of the atomic power plants? -- and of course atomic power is the great potential we have in this country for energy. The others are important, but the long-term, major producer of energy is atomic for the time being; solar and thermal, out further.

I will come back to gas, coal and oil in a minute. But let's say these 70 percent or 70 percent of the atomic power plants that were planned were cancelled. There is a whole very complicated series of reasons as to why. Local regulations of the State Public Service Commissions where they can't get rate increases so they can't earn enough money to be able to borrow the money is one factor. Also you can't get the increase you are on line with your power. These atomic power plants, most efficient ones, cost about $1 billion. Therefore, you would have $1 billion up not for four years as it used to be, but now with all of the filings that you have to make on impact statements, the local suits, it is up to between 10 and 11 years. So you have $1 billion tied up for 10 or 11 years with no basis for earning. That is one very good reason.

Also uncertainties are another and all kinds of regulations from Washington. The labor-management recommendations were to encourage and allow for a greater accumulation of capital by corporations.

Of course, the bill was immediately tagged by the opposition as being just a special interest bill for big business and big industry and for capital rather than for the people which is an easy, cheap shot politically, but it isn't going to help the country.

So that bill hasn't gotten off. The real question has to be first how does government when it has set a national policy that cuts across a free market operation work with the industry in trying to work that out; in this case domestic production?

The first approach the President has was this very comprehensive legislation.

One has to ask is it that the Congress going through this evolutionary change that all of our establishment institutions have gone through is unable with such an overwhelming majority by the opposition to the Executive Branch -- in other words, the Democratic Party as distinct from the Republican Party -- is it unable to organize itself and does the committee structure of 300 different committees which the Congress has in both Houses, is it so cumbersome and does it involve so many committees when you have a comprehensive piece of legislation of this kind, does this make it impossible for the Congress to act effectively and rapidly in the national interest through jurisdictional disputes, et cetera, et cetera and within the House the Caucus which is in conflict with the committees?

Or does one come to the conclusion reluctantly or just as a suspicion even -- not a conclusion -- that there would be those in Congress in the opposition party who would just as soon have the issue or would just as soon see us run short of energy, have the President take off controls because they lapsed and not be able to work out an orderly extension and then have perhaps chaotic conditions in 1976 and maybe this would be politically advantageous?

One hesitates to even think that anyone for political purposes would be willing to see the Nation run the risks which we are running and have the people suffer in a way that they might suffer very easily were such a chaotic situation exist. But one can' eliminate that possibility entirely.

But whatever the situation is, there is no action. Therefore, we are in a stalemate. The problem is getting worse and we are up to now close to $30 billion with a 10 percent increase in foreign exchange imports. Luckily our farmers have been tremendously productive. So they are producing a major new source of foreign exchange. Other areas have been able to export. So our balance of payments is reasonable at the moment, but with consumption going up, with production going down, with the depletion allowance taken off, with the old oil still under control -- it is not under control at the moment but possibly under control -- nobody can afford to put the money into the secondary retrieval of oil because it falls under old oil.

So that we have the situation where as I say our production is declining and our consumption is increasing and nobody thinks there is a crisis.

Let's go to the areas that this corporation might serve. The best illustration is rubber reserve under Bernie Baruch in World War II which did a heck of a job. They contracted with six or seven private companies to develop synthetic rubber production and of that group I think four or five came through with processes or variations of a basic process which were successful. They sold the company, the plants and the process and we have a new industry in the United States. It was a self-liquidating operation.

This corporation, the concept of this corporation is a self-liquidating corporation to finance those risks, which private enterprise cannot or will not undertake at the present time to contribute to self-sufficiency and do it to the maximum degree possible with private capital participation and through private industry and then sell it as rapidly as possible.

Let me take three or four different areas. First,

we have ERDA. Some people say what do you need this for if you have ERDA? ERDA's powers go to labaratory experiments relating to energy. But they do not have the funds or the authority to take those labaratory experiments and take them out onto a full commercial production. Of course, here you move from a limited expense to a much larger expense. The commercial production is essential in order to find out what the cost of energy would be.

For instance, gasification of coal is being done and so is liquefaction of coal in South Africa. It comes out between $30 and $40 a barrel equivalent energy. But it does produce gas. It is essential.

There are new methods that can come up that would take a little longer to go down the line which might reduce it to $20 a barrel equivalent of oil or even down to $11, plus the fact that there is then the possibility of In-Situ, drilling a hole down in the deep coal mine, setting off an explosion, setting it on fire; the heat does the same thing underground that is done on top and you would draw up the gas that is created by the burning of the coal underground.

There are those who feel that this will be a far cheaper method but an experiment like that would cost $200 million to find out.

A gasification plant, surface plant is about $1 billion. There is a need for 18 to 24 surface gasification plants, traditional, known, proven style right now for the next -- having to be built right now if we are going to meet the gas supplies and this is what the gas industry is looking for. There right away is $18 billion to $24 billion tp produce gas the most expensive way.

Some may have to be produced. Laws change. We can get them changedso that gas can be purchased in another area, surplus gas and piped through the interstate gas system. It is complicated. But that is one area.

Coal, of course, gets tied up with the whole ecological problem. I visited out in Wyoming,Gillette, one of the most fascinating mines where they took off 23 feet of surface, then 70 feet of coal, clay underneath; they took the topsoil off first, stacked it; then took the rest off, put it behind where they are digging the hole and then end up by putting the topsoil back on, making six lakes, 6,000 acres. The only difference you will find is you will have lakes which you never had before.

The growth will be as good if not better and the only other differenceis it will be 123 feet lower than it was before. But I was there. The antelope were grazing still right around where the mining operation was going on. This whole mine which produces 20,000 -- I guess 20 million tons a year, has 55 people. Everything is automated, the whole thing. It is a superb operation. In other words, it can be done. But they had to build their own railroad to get it to the main line. They are servicing midwestern cities. If you want -- let's say if as a nation we decide or it proves to be feasible -- to produce low-sulphur coal in the west and the ecological problems are worked out and this whole thing has got to be done so that we don't get our energy at the expense of our environment. I am confident we can do both together and the research can be done together.

But then you come to the problem that a lot of railroads

can only move coal cars at the rate of ten miles an hour because of the condition of the roadbeds. There is about $11 billion of roadbed work to be done in this country.

It is also conceivable that this corporation could loan, but I don't think the railroads can borrow money. Therefore, they might buy preferred stock in a railroad to give them the funds or to invest the funds to fix up their roadbeds which could then be earned out of coal; all of this being contingent upon a conversion of eastern power plants from oil to coal.

If they do, they have got to have coal. The coal has got to be produced. It has got to be transported so that you have got to have the government in a position or somebody in a position to be the catalyst, the fallback position where private enterprise cannot or will not finance the effort to achieve this independence.

All of it then could be sold. No loans are made after; no commitments made after ten years.

Oil, we have got twice as much oil in shale as you all know in this country as the Arabs have oil in the Middle East in known reserves. The problem is to get it out. You can mine the shale. You can cook the oil out. Then you end up with what I call talcum powder which isin a much larger volume than the shale you have mined because it has been cooked and so it is not disolved. There is very little water where the shale is. Therefore, what do you do with the stuff? You could fill a valley but if you have a heavy wind, this stuff is going to blow all over the west.

Again, you can do an experiment for $200 million of trying to develop In-Situ production of shale oil, drill down, put off an explosion, set it on fire, draw off the gas, the gasified oil and recondense it..

The Livermore Labaratories have done some work on this with Edward Teller and they feel, although nobody else is willing yet to agree with them, that this might be produced at the rate of between the cost of $7 and $8 a barrel.

If it were that, this would be one of the great bonanzas that has happened to this country. It would be fantastic.

The Occidental company is the only company that I know that has done any major work in the field but they can't afford this kind of an experiment.

Many of the companies bought I think over $1 billion in leases out in Colorado for shale, but they were going to do surface mining. None of them have gone ahead because of the uncertainties and the ecological problems. So that is another area.

Then you come down -- I have covered the coal, oil, gas; not covered it but mentioned them -- to the question of electricity through atomic.

One of the standard methods of financing, whether it is airplanes or a lot of other things in this country, is the lease purchase operation where somebody finances an airplane and the company purchases it. It is perfectly conceivable that an

atomic power plant costing $1 billion could be financed by the government under a contract with a private company for lease purchase with a contract with the Public Service Commission that as and when it comes on line the rates will be such that this company can earn whatever is necessary to pay back.

The President in his message to the Congress in January said we need 200 atomic power plants by 1985. We now have maybe 60. The remaining ones, 70 percent were cancelled. California has the proposition next June banning all atomic power plants in California; and Oregon on Friday; they have got one of the same.

If this country bans atomic power plants and we don't move in these other fields, we are going to be totally in a situation which there are some ecologists who would like to see a no-growth society. A no-growth society means no jobs for the young people that are coming on because our whole society has been geared to increased employment based on increased productivity.

I happen to think that that is the hallmark of America. It is our strength. It is our success and that we can do the ecological side of this problem plus the development side.

You come to industry itself and energy. I don't know. There are close to 18 States that are going to be in a serious condition -- industries in 18 States -- if they don't get gas this winter. But here is how complicated this gets. If we have a cold winter, even if the interstate pipelines are allowed to be used, there is going to still be a shortage because there isn't enough gas being produced to sell.

That means that industry which depends on gas and gas is a small percentage, whether it is textiles in South Carolina or glass in Pennsylvania or what not,, they all need it, but it is a small percentage of their cost.

So they would then go in and probably buy up propane because they could come in and buy propane. But propane gas is what the farmers depend on to dry their crops and to heat their homes and they are small buyers. They are not big buyers. So the next thing you would have to have would be control of propane and it is just going to take this government one by one further and further into controls and the more government gets into controls in my opinion the more they distort the economy and make it difficult for us to get back on a sound basis.

Therefore, in conclusion, it seems to me that this idea of the government acting as a catalyst to get or to help get us off dead center in becoming self-sufficient as a nation across the board in all of these fields on a self-liquidating basis, that this is essential for our national security, to our industrial growth, to employment. That is a pretty good combination of the three.

If we don't do it, in my opinion, there are elements in this country and some of them in the Congress who would like to see industry fail and not be able to meet the needs of the country and then say, fine, we told you the system was no good; that capitalism doesn't work; that private enterprise doesn't work. Therefore, we have got to take it over. Then we will move as the British moved taking over one industry after another and of course the problems that grow out of that; then they start subsidizing; then unions demand far higher wages because they say the government has unlimited capacity to pay and, therefore, you get into the

most difficult situation and the most dangerous situation where you have neither a capitalist system nor a socialist system and you have the worst of both and nobody can make an investment because they don't know what the conditions are going to be, what the regulations are going to be, what the resources are going to be. Therefore, you have a plurality and we have higher unemployment and demand for more expenditures by the Federal Government which the President has had the courage to resist to a degree that is perfectly extraordinary and if he didn't, we would have more inflation.

This is then also I would say to you, those who study this question, that Fabian socialists like inflation because that is the quickest way to equalize capital that you can do in any country. You don't have to expropriate anything. Just people's values are gone because inflation just wipes them out and the Germans went through that and we know what happened from that.

So I would just like to say that while this has been opposed and we all know that because you all read it in the papers; because of allocation of capital it has been opposed because it says it would be a first step towards government takeover.

The President has already said we have to have an allocation of capital. He has asked private enterprise to do it. So it isn't a question of taking the capital from housing and all of these other areas that people talk about. There is plenty of money right now in the savings and loan associations. People haven't got enough confidence to invest in housing. So it isn't that.

Secondly, as far as a step towards socialism, I think it is exactly the opposite. I think it is government's showing their concern for the present system, free enterprise and capital and that they are trying to help stimulate and bridge over this period.

There is one other thing I forgot to say and then I will stop; that is, that this corporation -- it's an authority -- would have the responsibility of acting as the clearing house for all of the ecological and regulatory functions that government has at State and Federal levels, State, Federal and local levels.

So all of them would be cleared through this. They would then make recommendations to simplify these structures based on their experience. Any private operation which was investing in capital to achieve energy self-sufficiency could also use this corporation as the clearing house for all of its contacts with government.

So that they could get a system which would accelerate and maybe cut down on the time because with a loss of time due to the delays and the suits that take place. This is a very, very serious thing in terms of cost and expense.

I would also say the way the legislation is being drafted it would give the board the discretion, a five-man board the discretion so that there wouldn't be a basis for suits. In other words, you couldn't sue the corporation for a decision because all of the key decisions are left to the judgment of the board. Therefore, there aren't criteria and

therefore hopefully we can keep this from getting another -- I hope too many of you aren't lawyers because I don't want to cut down on the business -- but hopefully we can get this thing so that we can get it rolling and get action fast and decisions made the way they are done in private enterprise as distinct from the way they are done too often in government.

That I think is the summary. Any questions we can get into would develop details of the situation, but that in essence is the summary.

I should say perhaps what makes me think it will go through Congress. This is something that labor wants very badly. It is jobs through industry and not jobs through dole.

Therefore, I am pretty sure labor is going to give it very strong support. If industry at the same time feels it is desirable and worthwhile and gives it support, then I think its passage has got very great potential.

If industry is opposed to it, that will nullify labor support and probably nothing would happen. But I think it is a turning point for this country and if we don't have energy we are not going to have growing industry; if we don't have a growing industry, we are not going to have jobs and we are going to have a lot of problems. We have got them, but they will be worse.

Thank you.

Are there any questions?

QUESTION: Mr. Vice President, could you relate this program to the $6 billion synthetic fuel program that we read about recently? Is it part of it?

THE VICE PRESIDENT: The $6 billion synthetic fuel program is one that Senator Jackson has proposed. It hasn't passed yet. So what we did in the thinking on this was to just make a provision that they would be complimentary if that passes. In other words, of course, that is an outright expenditure. In other words, that is government putting the money in the budget expenditure. This other one is a loan or an investment or a guarantee of a loan and on a self-liquidating basis. So that is the difference. But if that one passes, fine. Whatever they do that wouldn't have to be done here.

So that they will be totally complimentary.

QUESTION: Mr. Vice President, you know there is a process of drafting in Washington whereby you can direct a piece of proposed legilsation that will go to a standing committee.

THE VICE PRESIDENT: Yes, sir.

QUESTION: My question is addressed to where would the thrust of this legislation lie so that we could determine what the standing committee would be or is it a multiple reference to the standing committees?

THE VICE PRESIDENT: You are obviously very well aware with the whole committee structure and the sensitivity of this

and of course there are the jealousies as to who gets what. So that is being analyzed very carefully by experts.

I don't personally know enough about the committees to know where this would be most effectively dealt with. It could be considered as a financial question. It could be considered as an energy question. There are two or three different ways it could go. I think the effort will be to find out where it could be most expeditiously dealt with. But if you had a suggestion, I would be very grateful.

QUESTION: Mine is a negative suggestion, Mr. Vice President. Don't make it so that it is a multiple reference.

THE VICE PRESIDENT: Absolutely; that we are all in agreement. If you want to tell me confidentially afterwards which one of the group, I would appreciate it.

Sir?

QUESTION: Mr. Vice President, you mentioned many of the traditional sources of energy but you hardly touched on solar energy. I wonder. Here is one that has few ecological problems and would it be participating in this program and how?

THE VICE PRESIDENT: Again, solar energy and thermal energy are very important parts. They are large scale producers of energy immediately, but they are very important parts of the program. Any group who has something, who wants to produce any new process or develop equipment or whatever it may be for solar energy would, if they can't get the funds themselves, be eligible for assistance in the way of a loan, a loan guarantee from this authority.

I should mention also that conservation is included in here. In other words, support for the conservation of energy if that can't get its own financing because you can save a lot of energy which would reduce the need to produce it; and that that is part of this, too. Pipelines are included in this as eligible if they can't get the financing.

Alaska could produce an awful lot more oil if they opened up more lands; five, six, seven million barrels a day. That would take four or five pipelines. So you are talking a lot of money and that has to be balanced out.

Sir:

QUESTION: Mr. Vice President, you had mentioned the government-owned, contract-type of plant such as the rubber plants in World War II. Is there any way you are going to insure that this legislation is so worded that someone of a different philosophical outlook cannot turn this energy independence agency into a Federal oil and gas corporation running the same way as TVA?

THE VICE PRESIDENT: It requires that everything be sold and that it be self-liquidating and it be done through private enterprise and with private enterprise participation. I think the private enterprise participation is one of the most important. For instance, if you build a power plant, atomic power plant under lease purchase contract with a contract with the Public Service Commission, you actually then have a contractual relationship so that the ownership, unless somebody abrogates the contract, is in the hands or will be in the hands of the

private enterprise. Nothing will be done where the government sets up some new form of TVA.

It happens that the Governor of Pennsylvania who is a declared candidate for the Presidency, Governor Schapp, has got a program he has been trying to get -- I don't know whether it has surfaced yet -- other Governors in the Eastern Seaboard to join in sponsoring which involves a TVA at the mine heads to produce electricty at the mine heads which would be owned by the government, mined and then distributed from there.

So that I think that we are on the verge. I flew to the coast Thursday night with a Senator who has introduced a bill to break up the oil business and have just producers, distributors, marketers, each one would be in a separate company. I only mention that. This is a Republican and it shows that people are looking in Congress for ways -- or political in political life -- of being responsive to the public but not, in my opinion, too clear as to what the impact would be on our system.

Sir:

QUESTION: Mr. Vice President, you indicated that this authority would be able to produce hopefully about 14 percent, I believe you said, of the energy needed?

THE VICE PRESIDENT: Capital.

QUESTION: Of the capital.

THE VICE PRESIDENT: Of the capital needed to meet the self-sufficiency.

QUESTION: Is there some way this could be helpful if private industry does not come forth with the other 86? Do you think there is any problem in that other 86 being raised during that period of time?

THE VICE PRESIDENT: Let's take a case in point. Let's say they invested $200 million in either an In-Situ gasification of coal or In-Situ gasification of oil project and it proved to be within let's say lower cost of present imported oil prices. I don't think you would have to worry about it because the government would not continue. They would sell, either sell the process or make it available, whatever the procedure would be, whatever they did in the rubber research type of thing. I think you would find then a tremendous amount of capital. Capital goes where it can get earnings. If capital can find attractive earnings in producing energy in this country for self-sufficiency, they will invest in it. If they can't, they will invest in the McDonald Hamburger stands, not that I am against them. I am for them. (Laughter) But they are not going to solve our energy problem. We have a free capital market. They go where the returns are. The question is can the government help point the way to good returns?

QUESTION: Sir, you mentioned in connection with the nuclear power plants a contract between the Federal Government and the State Public Service Commission. I don't think you will get many States that will willingly enter into such contracts, but if you do you could do that right now without having to have the lease-back arrangement and the Federal Government build the plants.

THE VICE PRESIDENT: Great. Then we wouldn't have to put

any Federal money in.

QUESTION: I would think that would be the place to look; is the Federal Government using its influence with the State commissions to get the rates up? That will bring the capital in and you won't have to build the plants through the government.

THE VICE PRESIDENT: There is only one flaw in your argument, if you will forgive me -- at least a political flaw; and, that is, as one who only two years ago left Governorship and who saw the beginning of the pressures due to, first, ecology on using non-sulphur fuels and the increased cost in getting the non-sulphur coal, non-sulphur oil; then the embargo and then the world price increase of 500 percent. These poor public service commissioners have had to take double and triple the cost of electricity to consumers, if not more.

Their problem is right now that they have gone through so many increases -- this is true because I was very close to the commission there and when I got a new commissioner, Chairman of the Commission, who had been a strong consumer advocate, I said, "Look, in your advocacy of the protection of the consumer do you include -- this is before I offered him the job -- the protection of the consumers'need for additional power in the future? If so, do you visualize that that is going to take higher rates and more money in order to get the capital in?" He said, "I read you. I agree with you and you have no problem." I took him on.

He did a superb job. He was pilloried by the public. He was sued by my own attorney general (Laughter) It was purely political. I love him, too, and he was sued by the city. In other words, these people have been in the most difficult political situations because every consumer of electricity -- I can only speak for New York, but I suppose it is very similar in other parts -- has just gone through the most unbelievable increase in cost.

So my reason for thinking what I say is they would be so glad to see something built that will protect the needs of the community but doesn't have to raise the rates until further down the road when they may not even be on the commission. (Laughter) They would be very happy, in my opinion -- this is a political judgment -- to sign a contract for the future whereas they could not go through another major increase now particularly as the people aren't going to get the benefit for 11 years. The alternative to this is, what is happening again in New York State where we had an authority which was created to develop hydro-electri power on the St. Lawrence with Canada. Each of us has a power authority. We run it jointly.

This power authority now being the only one that could raise the money has already built one atomic power plant. It is now going into a second atomic power plant. It has built the grid to connect it and the first thing you know you are going to see this same thing happen that government is going to come in to meet the demands. I just think if you believe in private enterprise, if you believe in the capitalist system, you have to stand up and see what does it take to help that system work? You have got the very simple and right answer. If government would just get off their backs, then we wouldn't have any problem. But this is a democracy. Government is the creation of the people and it has got politicians like myself in it and they may not be always as totally objective in their views of what is needed because of these political pressures. Therefore, I think here is a possibility

If we can do what you say, perfect. They will try. But we talked about shortcutting some of the environmental requirements. If you did that, the legislation would be killed. So we have got to live within this, but let's have a central point where we can clear all of this stuff and where you develop perhaps standard forms and so forth and to the degree we can get what you suggest, wonderful. Then no money would be needed.

Thank you.

Sir; way in the back?

MORE

QUESTION: Mr. Vice President, I am wondering about the effect of this plan on competition within the LNG industry. For example, if one small project were to be given substantial Federal help or one Alaska pipeline, what would the effect be on other applicants who didn't get help?

THE VICE PRESIDENT: There is a very interesting thought here and that is I think -- don't hold me on this one -- but I think it will be in the legislation that no loan would be made below the rates of what a prime producer of energy can get in the open market.

In other words, the government won't come in and take a weak company -- this is not a bailout. This is not going to be for the bailing out of a defunct company. This will only be to produce energy to achieve these goals. But the rate of the loan would not be lower than what the prime rate would be for a successful company.

Most companies will not want to borrow from the government, I imagine, if they can get it from private.

Sir?

QUESTION: What provision is made, Mr. Vice President, in the event that loan is in default?

THE VICE PRESIDENT: I think the plant, the operation, whatever it is, would be completed and the property sold. They take a loss. If you are in this business of trying to produce risk or go into risk areas, you are going to have some major successes and some failures. I think that is why 25 percent of the capital or 25 percent of the $100 billion will be equity and 75 percent loans.

I hope that they will make enough successes which they can sell at a profit to overcome the losses which would be at a loss, you know, where there would be a default. But then they have just got to sell it. This is specifically stated not to become a government operation.

Sir?

QUESTION: Mr.Vice President, please detail a little more of this clearing house concept. What authority would that have? Is it advisory primarily? Is it in the ecology field only? Or oould it spread to other areas of agencies?

THE VICE PRESIDENT: Any clearances that would be a division of this authority which would specialize in government clearances, of all types, and so if there is a project which contributes towards energy self-sufficiency, financed or not financed, partially or not by the government, they would be eligible to have all of their clearances done through this division.

This could very well lead to recommendations -- I think it will be so stated in the legislation -- as to simplification of clearances. To me the most interesting case, a friend of mine who is a lawyer in New York tried to set up a corporation for the seven utility companies in New York State last year, which

would be a financing construction company. The credits weren't strong enough to do it themselves so they wanted to set up a joint company.

He said there were, I have forgotten, 14, 17 different regulatory bodies, State and national, which were involved. He could not devise a corporation which could meet all of those, including Antitrust, and so forth and so forth. So they finally had to give it up.

If there is a central group and you get some very able people who understand the law, the ecology, production, and so forth, I think this unit could become an extremely efficient unit.

I am not sure why in many cases these things can't be standardized. Why do you have to spend a great deal of money each time you file an impact statement, starting from scratch? The impacts can't be that different. There are certain criteria that go into them. I have a feeling, I don't know, I have a feeling this could be a very interesting and useful step.

Thank you very much. I apologize for having to go, but I go to open the Senate and I am not allowed to speak there. That is why perhaps I talk so long here. I can't speak up there without unanimous consent, which I don't get very often.

I would love to follow up. If any of you have questions as time goes by on this, of course, you get the legislation shortly, but I would be delighted to see them because to me this has got to be the heart of our future strength and vitality as a nation; our ability to meet our people's needs; to provide employment; to be secure and to meet our responsibilities around the world.

I think we have got to get rolling as far as this economy is concerned if we are going to stay the leader of the free world or if the free world is going to have a leader. Let me put it that way.

Thank you very much, indeed.

END (AT 11:35 A.M. EDT)