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THE WHITE HOUSE

PRESS CONFERENCE

OF

ELLIOT L. RICHARDSON, SECRETARY OF COMMERCE

JAMES T. LYNN, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

AND

FRANK G. ZARB, ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION

THE BRIEFING ROOM

AT 10:50 A.M. EST

MR. CARLSON: Good morning. This morning, the President is proposing legislation to establish a new Department of Energy. Here to summarize that legislation and answer your questions are Secretary of Commerce Elliot Richardson, Director of OMB James Lynn, and the Administrator of the Federal Energy Administration Mr. Frank Zarb.

SECRETARY RICHARDSON: Thank you.

Good morning, ladies and gentlemen. I might give you just a brief note in summary before we go to questions. You have, I trust, the report itself and a transmittal letter from President Ford to the Congress, dated today. The report is a result of work that originally began last May at the direction of President Ford recognizing that the FEA and ERDA had been in existence about two years and that the question of whether or not to extend FEA was under consideration by the Congress.

So when we reported to the Congress in conjunction with this pending extension legislation, the study was underway, the Congress then imposed a requirement on us to transmit the report to the Congress no later than December 31, 1976. We are a little late, but this is the report required by the Energy Policy and Coordination Act of August 1976.

We have had a situation as you know, of course, in which the Energy Resources Council has served as the principal policy coordinating body within the Executive Branch. It is a statutorily mandated body now. On the whole, it has worked very well.

Frank Zarb, as the Administrator of FEA, is the Executive Director of the Council. I have served as Chairman since I became Secretary of Commerce last February, but the problem remains that there is an excessive degree of fragmentation among the agencies that are concerned with energy-related functions and policies. So the report recommends legislation to create a new Cabinet-level Department of Energy.

This new Cabinet department would combine all of the functions of the Federal Energy Administration, the Energy Research and Development Administration, and the Federal Power Commission. It would also include the Bureau of Mines and the power marketing agencies from the Department of Interior and the Rural Electrification Administration from the Department of Agriculture.

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The Energy Resources Council would be abolished with its functions performed under a Cabinet and agency head level body established by the President by Executive Order in whatever manner he thought most appropriate.

As I mentioned a moment ago, our present energy organization arrangements are fragmented and difficult to coordinate. Some agencies, such as the Federal Energy Administration, were created in crisis and were conceived at the start to be temporary. Other energy agencies, such as the Federal Power Commission, had their origin many years ago when the national energy situation was very different from that of today.

Now that our energy goals and policies are perceived with greater clarity and are designed to meet current and future needs, it is appropriate for us to take a step which represents a permanent commitment to give high-level attention to the problems of securing adequate supplies of energy at reasonable prices to meet America's needs.

There are two features of the proposed organizational design that should, I think, get special mention. First, because of the impact of economic regulatory programs on the production and distribution of energy, it is important to the public interest that these programs be responsive to and compatible with national energy policy. For this reason, the economic regulatory programs of the FEA and the Federal Power Commission, FPC, have been included in the proposed department.

The second important feature is that the Department of Energy will not control or manage federally owned resources, but will be a claimant for their development to meet national needs. The national resources custodian will continue to control these resources so that competing claims can be weighed to permit the balanced use of Federal lands and property.

I would just like to call your attention to the fact that there is a complete summary of this study and the report at the beginning. There is a pie chart opposite page 1 which shows the amount of appropriations and the amount of personnel who would comprise the department and then on page 50, there is an organizational chart which shows the proposed structure of the department.

Finally, I would just point out that the legislation that would establish the department is included in the report on page 60. So, ladies and gentlemen, I would be very glad to answer any questions or refer them to counsel on my right.

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Q Would TVA come under this?

SECRETARY RICHARDSON: No. It wouldn't include any power generating resources which would remain in their present organizational status.

Q Are any of the Carter transition people being consulted on this point of view?

SECRETARY RICHARDSON: No. They have been informed that the study was under way. But they hadn't in fact formally been consulted.

Q You don't know how this would coincide with their plans?

SECRETARY RICHARDSON: It is similar in many respects to the proposal that was put forward by President-elect Carter during the campaign. There are some differences. For example, certain functions not included in President-elect Carter's plan that would be in this proposed department from the Interior Department, the Bureau of Mines and the power marketing personnel; from the Agriculture Department, the Rural Electrification Administration.

There are some features of the Carter plan that are not included in this one, including functions solely related to Energy and Commerce, Treasury and certain relatively minor functions of the SEC, ICC and NRC. You could call it either way. But the most important thing, I think, that is distinguishable involved the Bureau of Mines and the Rural Electrification Administration because these would include some 10,000 staff years, not included in the Carter plan.

Q Mr. Secretary, over the past week, we have been led to believe there was a big in-house flap over whether to include the FPC. Can you comment on that?

SECRETARY RICHARDSON: I wouldn't call it a flap. It has always been recognized from the beginning of this study that the question whether or not to include the FPC was a tough call. The task force that has been working under OMB Director Lynn and myself has been on balance pretty firmly convinced that it should be done.

We so recommended to President Ford who agreed with that recommendation. The reason fundamentally for it is that a very large part of the FPC role really is deeply concerned with policy. We think, therefore, that it is important to get this policy-making function consolidated with the other policy-making responsibilities that would be within the new department.

That only leaves you then the question how do you insulate the adjudicated role that is now performed by the FPC. To do that we proposed that there would be hearings conducted by administrative judges and appeals from those judges to an appeals board, which would itself be insulated from any control or direction by the department head.

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Q There are some that say that the FPC is kind of overgrown, it needs some reorganization. Will you take the massive bureaucracy as it is and put it right into the new Department of Energy or will there be under your plan some reforming of those existing agencies before they are consolidated?

SECRETARY RICHARDSON: There would be the opportunity to review the staffing composition of each agency. There would be a consolidation in particularly top-level positions.

For example, we propose to cut the number of executive level positions from 41 to 23. We would require that the more than 600 super grade positions that will be transferred to the new department be reviewed by the Civil Service Commission with a new ceiling recommended to the President and Congress within one year. Of course, in the process of actually setting up the new department there would be the opportunity, specifically to scrutinize functions and make determinations as to the numbers of people needed. But generally speaking, here as in other consolidation steps, most of the people who are now in the government would be brought together and the process of shrinkage and so on would be accomplished by attrition.

Q Would there be any change under this system in the amount of time people have to go through it, the Federal Power Commission, for instance, to get a decision? Some people wait five or six years.

SECRETARY RICHARDSON: I would hope there could be an expediting of these decisions. For one thing, some of the toughest problems the FPC has are policy problems that are rolled into the adjudication process. If you had a single Cabinet Officer charged with energy policies such as the Presidential decision and normal processes of interdepartmental coordination, that kind of decision could be made more efficiently.

To some extent, FPC delays are attributable to difficulty the FPC has in getting data and analysis out of other Federal agencies and there would be some enhancement of the clout of the Cabinet department in getting cooperation as compared with the FPC's ability to do it.

Q Mr. Secretary, what reaction do you expect from Congress on this?

SECRETARY RICHARDSON: We haven't tried to, since we are not going to be in the position to try to get action on any such legislation. We haven't done very much with it. But the fact that it is so generally consistent with the approach that was outlined by President-elect Carter would, I think, make it likely that something very close to this will be enacted.

I think it makes inherently good sense for all the reasons that are set forth in the report.

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Q Is there any attempt consciously to coordinate this with the proposals that President-Elect Carter's energy people have made since it seems to have so many things in common?

SECRETARY RICHARDSON: There was no deliberate attempt to coordinate. I think there is good reason to believe that the coordination was accomplished by virtue of the availability of an earlier draft of the report to Carter campaign people. I don't think that the consistency of the approach is accidental.

Q Mr. Secretary, did you ever compare the total cost of the new Department of Energy with the total cost of all the agencies that would be going into it?

SECRETARY RICHARDSON: We really rolled out the total appropriation that now goes to the agencies constituting the new department. I take it you are asking in effect will the consolidation itself accomplish savings. I already mentioned the fact that there will be the opportunity to cut down on numbers, particularly of top level personnel as a result of reducing fragmentation. There will undoubtedly be other efficiencies that will lead to savings. But it is impossible to put any dollar figure on them.

Q Mr. Secretary, I think I noted in the report that the ERDA responsibility for nuclear weapons development was included in this Department of Energy proposal.

SECRETARY RICHARDSON: Yes.

Q What does that have to do with energy?

SECRETARY RICHARDSON: The reason for including it are essentially the same as the reasons for maintaining that function in ERDA now. There was thought given to this at the time ERDA was set up. It was concluded that this function which had always been in the AEC should be maintained. The kind of professional, scientific, technology expertise involved is essentially the same as that related to nuclear energy development.

I think it was felt, too, that it was desirable to separate this kind of technological process from the Department of Defense.

MR. LYNN: To some extent you will find that the ~~scientists that work~~ in the one area on the energy matters for civilian uses, domestic uses, are the same as the people who also do some work over on the weapons side.

It is very hard in many cases to divide up the kind of research that you have. They can head in either of the two directions. That is why it was thought that ought to be kept a cohesive whole.

Q How much of a role would this organization have on nuclear exports or export of nuclear power plants and nuclear expertise?

SECRETARY RICHARDSON: I am sorry?

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Q How much of a role would this organization have in the export of nuclear technology for power?

SECRETARY RICHARDSON: It would obviously have a role in giving its views, but it wouldn't control the licensing process which would remain in the Nuclear Regulatory Commission. There was consideration given specifically to the question of whether the NRC should be included.

The decision there was that it should not because its regulatory functions mainly concerned public health and safety. So, rather than put it in a department charged with energy developmental and promotional and policy roles, it was concluded it ought to be left outside.

Its licensing function would continue to be in the NRC, outside.

Q Would it have a specific role in reporting or making a statement of some sort at the time of any kind of export request?

SECRETARY RICHARDSON: The department?

Q Yes.

SECRETARY RICHARDSON: It could have, certainly. I don't think there is anything in the legislation that specifically requires it.

Q I have a question for Mr. Zarb. During the campaign, I believe you expressed some reservations about taking the FPC and putting it into a common agency. Could you give us your assessment of this plan and that aspect of it specifically?

MR. ZARB: It has always been a marginal call. It depends upon the form that the reorganization takes. My concern has always been based upon making the new agency too heavily a regulatory agency so it becomes a Department of Energy with extreme imbalance and a regulatory mode. That is one of the reasons I raised that question earlier.

But I am satisfied under this particular formula that the new agency can work with its adjudication features being separated from the political process and the economic policy applications put together under one roof which would have considerable merit.

Does that answer your question?

Q I think so.

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Q Can it really fulfill that role when the Secretary as a political appointee can overrule any decision of the appeals board? He can do that, can't he?

MR. ZARB: Yes, he can. I think there is some precedent, however, as to how that kind of thing can be separated. Within FEA, there hasn't been one regulatory decision that I am aware of that has been overruled by the Administrator in the two years I have been there.

You can separate it within the agency. The benefits of being able to combine the policy functions are enormous. FPC has a lot to do with natural gas, a great deal to do with it. FEA has a great deal to do with the other fields which must be substituted for natural gas when it grows short. The ability for this to be under one policy leader and to take care of any allocation systems that take place within the same system can be enormous if it is structured correctly. I think this is the correct structure.

MR. LYNN: I might add, if the Secretary of the Department does decide to get into the kind of process that you are describing, that he must make his involvement public at the time. It seems to me that that being public will go a long way to remove dangers of the kind that you might be implying.

I think in today's world, a Secretary is not going to get into that kind of function unless he thinks he has a very good reason in the public interest. Of course, the public disclosure that he is in it will, it seems to me, ensure that what he does will be in the public interest.

Q Mr. Zarb, do you still expect President Ford to ask for decontrol of gasoline prices?

MR. ZARB: Did you hear the question?

Q No.

MR. ZARB: Good. (Laughter)

The question is do I still expect the President to submit decontrol of gasoline. The answer to your question is yes.

Q Do you have any idea when, for guidance?

MR. ZARB: No, I do not. There aren't too many days left. If you keep guessing, you are bound to be right sooner or later.

Q This proposal is the latest in the series we have had in the remaining days of the Administration. As you indicated, there is little hope it will be enacted prior to the end of this Administration. Can you shed any light on the timing of the submission of this proposal and in so doing, perhaps shed some light on why so many of these other things are going up to the Hill? Are they academic exercises?

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SECRETARY RICHARDSON: I don't think you can generalize. In this case, of course, we didn't expect to be leaving in January 1977. We knew we might. But at the same time we also had to operate on the basis that we could well be in a position of responsibility.

We thought we had a responsibility to look at the issues of energy organization as of May of last year and started doing that. As I said to you earlier, when we informed the Congress in the course of its consideration of FEA extension legislation that our organization study was underway, the Congress then put into the Energy Policy and Coordination Act, a requirement that the report be submitted to the Congress by December 31.

As this report identifies on its cover sheet, it is a report by the President to the Congress prepared and transmitted in accordance with Section 162(b) of Public Law 94-385.

I think it is a good report. I think it can stand on its merits and be used by our successors in the Executive Branch as well as by the Congress in considering what, in their best judgment, ought to be done to bring about a better organization and structuring of federal energy functions.

MR. ZARB: I would just like to add, because this same question came up when we sent the energy message up several days ago, I think the law being what it is, it is one element.

The other, I think, is that President Ford, as far as I am concerned from a public policy standpoint, put energy on the map and devoted a good deal of his Administration in the last two years to that particular subject.

Sure, there is a good distance to go. Sure, the argument is still open in many categories. But he started the debate and has brought the issue a long way from a public policy sense. It seems to me particularly appropriate for him to be leaving a legacy in the way of an energy message, in the way of reorganization proposals and following through on some of the tough initiatives such as decontrol that he began with in January, 1975.

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Q Does the fact that you did not consult the Carter people on this and several other little things along the way, indicate that the transition period which Carter and Ford met on and assured would be smooth is somewhat less than smooth and compatible and you are really not getting together as much as you would have the public believe?

SECRETARY RICHARDSON: No, I think the transition has been extremely smooth. I don't think that the Carter staff or the President-elect would expect to be consulted on a matter of this kind.

We have a responsibility as an Administration to develop our own judgment and submit it to the Congress. The mandate rests on President Ford and his advisors to do this. So, we are doing it.

The Carter Administration can decide what they think. They can go along with it or they can go along with it in modified form, as they see fit.

Q Could we address the same question of Mr. Lynn where there have been reports that the Budget Office has not been as cooperative as it might have been?

MR. LYNN: Sure. Let me say, I was a lawyer for quite a period of my life. This is one of the reasons why they don't allow hearsay evidence in the court, ordinarily.

I had a good time with Bert the other day when we saw an article in one of the magazines that indicated the kind of thing you are talking about. We both had a good laugh at it and I gave him an autographed copy that said, "To Bert, welcome to Washington; Jim." He has promised me an autographed one back.

I think if you talk to Mr. Lance or Mr. Cutter, Mr. McIntyre, the other people there, they will have quite a different answer. They will give you the answer that there has been cooperation.

Q When is there going to be a decision on the Executive pay raise? When can we expect Mr. Ford to make that public?

MR. LYNN: I will answer the last part of your question. Under the law the President is to make his recommendations as to what the pay should be, whether increased, the same or otherwise in the budget.

We will have a briefing on an embargoed basis on the budget at 10:00 o'clock on Saturday, to which you are all cordially invited. That will be for release at 10:00 o'clock on Monday.

Q You don't expect him to make that announcement of his views known?

MR. LYNN: I expect the decision will be announced at the time the budget is made public.

THE PRESS: Thank you very much.