The original documents are located in Box 1, folder: "Memoranda to the President, February 1975" of the Frank Zarb Papers at the Gerald R. Ford Presidential Library.

Date: 2-4

Office of the Administrator

To: John Hill

Would you handle this? make recommendations to Frank?

Tom N.

Federal Energy Administration

Room 3400 Ext. 6081

THE WHITE HOUSE

WASHINGTON

February 3, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: FRANK ZARB

FROM: JERRY H. JONES

SUBJECT: Naval Petroleum Reserves

Your memorandum to the President of January 18 on the above subject has been reviewed and the following notation was made:

> -- Shouldn't we get House and Senate Committee Chairmen and ranking Minority down? Should we include Hebert as well as Price, the Chairman? What do Jack Marsh and Max think?

Please follow-up with the appropriate action.

Thank you.

cc: Don Rumsfeld
Jack Marsh
Max Friedersdorf
Mike Duval
Warren Rustand

FEB 3 1975

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

The Federal Energy Administration has benefited from the experience of the Office of Minority Business Enterprise, the Small Business Administration and other Federal departments and agencies in ensuring assistance to minority business enterprises.

There is presently being established an Office of Small Business within FEA charged with the responsibility of representing the small and minority business point of view in the policy process and taking appropriate measures to assist small and minority businesses. Through this mechanism we hope to assure that the members of minority groups who own and operate businesses are not forced to bear inequitable burdens.

We have also decided that the FEA procurement goal for the coming year, including management assistance where required, will be ten percent of the contracts awarded.

These efforts are directly designed to promote a successful minority business community.

Respectfully,

Frank G. Zarb

Frank G. Zarb
Administrator

JLEANSE:nb:2000 M St.:254-3208

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

February 6, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB

SUBJECT: ENERGY LEGISLATIVE STRATEGY

BACKGROUND

The Congress is still strongly opposed to your import fee and tax proposals to cut energy use, but the major alternatives such as rationing are also being rejected by many Members. Starting to emerge is a desire to do nothing to cut imports in the near term or to achieve our conservation goals over a longer period of time. Import quotas and allocation seem to be the most favored techniques.

The House has already passed legislation to delay imposition of your import fees for ninety days and Senate hearings are scheduled next Monday on the same subject. While there is some chance that we can delay passage in the Senate or sustain a veto, it will be a close call at best.

There continue to be many appeals from the Congress and Senate officials to delay the fees while informal or formal groups evaluate the alternatives.

OPTIONS

There are only two real options available now:

1. Propose a delay while a bipartisan group evaluates alternatives and we negotiate a compromise.

2. Continue the current program and work to get additional support to force Congress to act or sustain a veto of the delay legislation.

RECOMMENDATIONS

We recommend we do not delay imposition of the fees at this time, because there is no assurance that we can make any progress with a bipartisan group from the House and Senate.

We would also recommend the following steps:

- Staff meetings with key groups to iron out remaining disputes on the facts.

- Quick decisions on modifications to your basic plan to swing key votes such as farmers, airlines and independent petroleum producers.

- Quiet, off-the-record meetings between key Senators and your senior advisers to determine what specificially would be given in return for action on your part to delay imposition of the \$2 and \$3 per barrel import fee.

FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

February 6, 1975

OFFICE OF THE ADMINISTRATOR

MEETING WITH DICK CHENEY, MAX FRIEDERSDORF, ALAN GREENSPAN, JACK MARSH, ROGERS MORTON, RON NESSEN, DON RUMSFELD, AND FRANK ZARB

Friday, February 7, 1975
11:30 A.M. (60 minutes)
The Oval Office

From: Frank G. Zarb

I. PURPOSE

To discuss the strategy for achieving our energy legislation.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: There has been considerable debate about the Administration's energy program. The House passed a resolution delaying imposition of oil import fees and the Senate is likely to do the same. Today's meeting is intended to review the current outlook for the energy package and discuss methods for resolving these differences with the Congress.

B. Participants: Dick Cheney, Max Friedersdorf, Alan Greenspan, Jack Marsh, Rogers Morton, Ron Nessen, Don Rumsfeld and Frank Zarb.

C. Press Plan: None at this time.

III. TALKING POINTS

1. I understand that the Senate is likely to pass a similar import fee delay as the House.

2. I also know that several Senators and Congressmen have proposed a bipartisan working group between the Congress and the Administration to prepare alternatives.

3. The purpose of this meeting is to discuss our legislative strategy.

4. Frank, why don't you summarize where we are?

1

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

February 7,1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: Frank G. Zarb Frank G. Zarb

THROUGH: Rogers C.B. Morton

SUBJECT: Biweekly Status Report

Legislative Status

Your omnibus energy legislative proposal, the Energy Independence Act of 1975, was submitted to both the House and the Senate on January 29, 1975. This bill contained the entire set of legislation required to implement the supply enhancement, demand restraint and emergency preparedness measures contained in the State of the Union message with the exception of three supply bills (the Surface Mining Bill, the Nuclear Licensing and Siting Bill and the Nuclear Insurance Bill) and all tax proposals. The chart shown in Tab A will be used to indicate progress on all your legislative initiatives.

Status of Administrative Actions

A number of studies and other administrative implementing actions were also included in your proposals. The status of each of these actions is summarized in Tab B.

Status of One Million Barrel Savings Program

A monitoring system has been developed for periodic assessment of your one million barrels per day goal by the end of 1975. Charts indicating changes in import levels, consumption and production are shown in Tab C. The following trends are significant:

- Total petroleum imports for the four weeks ending January 17, 1975, were approximately 450,000 barrels per day less than your goals, although substantially above the volume for the corresponding period during the embargo of last year.

- Total domestic demand for petroleum products declined significantly in early January as compared to December. Actual apparent demand through January 17, 1975, was about 800,000 barrels per day less than your goal.

- The lower than expected demand is probably due to sharper than expected reductions in demand due to the economic slowdown and unusually warm weather.

- In December of 1974, the weather throughout the country was 10 percent warmer than normal. In the first three weeks of January, the observed weather was 14 percent warmer than normal. As a result, the U.S. has consumed an estimated 400,000 barrels per day less heating oil than forecasted since the start of the heating season.

- While demand was substantially below the goals set in your program, the goals should not be revised because an upturn in the economy and more normal weather will cause greater consumption again and increasing reliance on insecure foreign oil.

International Situation

There is a continuing downward trend in the production of crude oil by the OPEC countries. During 1974, OPEC produced 5.3 percent less crude oil than during all of 1973. A greater share of the decline (7 percent) was contributed by non-Arab producers; Arab members of OPEC decreased production by only 3.8 percent. Additional details are shown in Tab D.

This report will be transmitted to you on a biweekly basis in order to insure that you and the White House staff are fully informed on the progress in implementing the energy program.

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

2/13/75

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: Frank G. Zarb

SUBJECT: Your Meeting with Senator Javits Today

Senator Javits is attempting to find some basis for Congressional compromise with your energy program. He had a proposal of his own which called for a "phase-in" program depending largely on import quotas and allocation. In talking with him, I believe he now feels his plan may not be effective or equitable.

At your meeting today he is likely to propose a new compromise including the following:

(1) An agreement that you will not impose the second and third $1.00 increment in crude import fees or the $1.20 product fees. The $1.00 import fee on crude which became effective February 1 would be retained.

(2) The establishment of a task force consisting of three congressmen, three senators, and three members of your Administration to work out a compromise with your complete energy program.

Recommendations

While Senator Javits may agree to accept your program in total if it is phased in over a one to three year period, we are not certain that Senator Javits would deliver on any compromise which might be worked out. The notion of phasing in your program over a one year period may not be a bad compromise. You would still be able to accomplish the 2 million barrel savings by the end of 1977. However, it is probably too early to give on that point.

I suggest that:

(1) you ask for his help in sustaining a veto, indicating that you would be receptive to looking at a proposal which would implement your program over some <u>brief</u> phase-in period.

(2) that you indicate your willingness to consider a modification of the import fees schedule if meaningful progress is made with the Congress toward the implementation of your energy program.

DRAFT 2/19/75

Dear Senator Long:

During the series of meetings I have held with the Congress, with industry, and with the private sector over the past few weeks to discuss my energy program, I have heard compelling arguments favoring a pass through of a greater proportion of the crude import tariff to gasoline than to other refined products. This concept is presently being carefully analyzed within the Administration to insure that such a "tilt" toward gasoline would not impose an inequitable burden on any one segment of the economy.

Based on our analysis, I can state that it is my intention to pass along somewhat more than 50% of the tariff to gasoline, thereby reducing the impact of the tariff on other products. I am prepared to meet with you and with others to examine ways that this might be done most equitably.

Sincerely,

Honorable Russell B. Long
United States Senate
Washington, D. C. 20510

2/20 Jany, FZ

FEB 24 1975

FEDERAL ENERGY ADMINISTRATION

FEB 24 1975

2/10 PG, FZ
2/11 to Steve M.
to return per note from Gail
2/20 to Gail
original incoming in Pat's safe

MEMORANDUM FOR JERRY H. JONES

FROM : FRANK G. ZARB

SUBJECT : RESPONSE TO PRESIDENTIAL QUESTIONS RELATING TO THE AUTOMOBILE INDUSTRY

Attached are answers to the President's three questions related to the automobile industry. Most of the data regarding the location and size of motor vehicle facilities was obtained from the 1973-1974 edition of "Automobile Facts and Figures," published by the Motor Vehicle Manufacturers Association. Data on the location of major auto assembly plants and estimates of the total number of persons unemployed by automobile suppliers was obtained by telephoning directly representatives of Chrysler and Ford. General Motors declined to supply similar information.

I hope these answers satisfy the President's need for information regarding potential impacts of energy policy options on the automobile industry. I will furnish any additional information that may be required.

KKincel:lam:2-11-75/X6133/Rm 4110
Attachments

CC: chron reading file EC(2) Kincel KKincel 2/11/75
Pasternack Zausner

CONCURRENCES									
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FEA-F-47 GPO 882-088 OFFICIAL FILE COPY

Presidential Questions Relating to the Automobile Industry

Question 1: What would be the impact of gasoline rationing on the automobile industry?

Answer 1: A coupon gasoline rationing program designed to decrease gasoline consumption by one million barrels per day would severely impact the sales of new automobiles in the near term. It is estimated that in 1975 such a rationing program would result in a reduction in new car sales of 30% to 40% of the total projected sales. In 1976, the loss of new car sales would be expected to drop to 10% to 15% of projected sales due to the abatement of the psychological impact of the imposition of rationing, and the need to replace worn-out vehicles in the total domestic fleet. In 1977, new car sales would increase by about 3% over currently projected sales volumes due to a need to replenish the existing stock.

Question 2: The auto industry comprises what component of the U.S. economy?

Answer 2: Motor vehicles and associated industries accounted in 1971 for 185 billion dollars of a total GNP of 1.05 trillion dollars, or 18% of the total GNP. Private automobile transportation expenditures amounted to 101 billion dollars; freight movement expenditures consisted of 80 billion dollars; and 4 billion dollars was added from local and intercity passenger transport by buses and taxi cabs.

About 13 million jobs in the United States, one in every six, are dependent on the manufactures, distribution, service and commercial use of motor vehicles. A breakdown of these jobs by affiliated industry and State is attached. Motor vehicles and parts manufacturers accounted for over 800,000 jobs, or 6% of the 13 million jobs dependent on the automobile industry.

More than 800,000 individual businesses are dependent on motor vehicles, as follows:

° Automobile manufacturing	3,526
° Automobile wholesaling	65,698
° Automotive retailing	307,371
° Automotive services and msicellaneous auto enterprises	197,018
° Highway street construction contractors	14,713
° Motor freight transportation and related services	234,549
° Total	822,775

However, an estimated 50,000 firms supply materials, parts, components, and services to motor vehicle manufacturers. Automotive manufacturing and repairs accounted for 19.8% of the total domestic consumption of steel, 8.8% of aluminum, 49.2% of malleable iron, over 60% of rubber and about 33% of zinc in 1972.

Also, automotive wholesale, retail and service establishments employ more than three million people and account for payrolls in excess of 12 billion dollars.

<u>Question 3:</u> How many states are affected by auto production layoffs and cutbacks?

<u>Answer 3:</u> The attached chart indicates the state locations of 95 automobile assembly plants, 204 parts plants, 200 parts depots, and 28 proving grounds. At least one of these four types of U.S. motor vehicle facilities is located in 37 of the 50 states. Supplier and distribution facilities are located in every state in the country.

Assembly plants generally incur the immediate impact of production cutbacks. The location of Ford and Chrysler assembly plants is shown below.

Chrysler	Ford
Illinois	Michigan
Michigan	Ohio
Delaware	Indiana
Missouri	Illinois
	New York
	New Jersey
	Virginia
	Georgia
	Missouri
	Minnesota
	California
	Kentucky
	Tennessee
	Oklahoma

However, the impact on direct suppliers to automobile manufacturers can also be significant. As of the end of December 1974, Ford reported that approximately 48,000 persons were unemployed by their suppliers as shown below.

Unemployed	
Michigan	10,000
Ohio	5,000
Tennessee	4,000
Illinois	1,300
Pennsylvania	4,000
Canada	3,000
Kentucky	2,000
New York	1,500
Georgia	1,100
Indiana	4,000
Other	12,100

Total: 48,000 at end of December 1974

Total: 22 states with more than 200 employees directly involved in producing supplies for automobile manufacturing, laid-off.

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

February 25, 1975

MEMORANDUM FOR THE PRESIDENT

THRU: ROGERS C.B. MORTON

FROM: FRANK G. ZARB /s/

The House and Senate Democrats are now drafting more comprehensive energy proposals. Although there is no agreement upon the final shape of these plans either within each body or between the House and Senate, the major elements of their plans are beginning to surface. (The attached chart indicates the key measures in each plan.) A broad comparison of these plans with the Administration's program is given below; a more detailed comparison will be provided as the plans become more specific.

General Analysis

- o Both plans in their current form would result in increased vulnerability (more imports) over the next three to five years.
- o Neither plan is very specific on the methods for implementing their suggested options.
- o Each plan contains portions of the Administration's program.
- o Both programs establish strategic petroleum reserves and authorize standby authorities.
- o Both plans exclude the oil import fee, crude oil excise taxes, and natural gas excise taxes.

Senate Plan

- o Drastically reduces short-term goals (has no targets in 1975-1977 period); yet establishes a stringent goal for 1985.
- o Only short-term conservation measure is an unspecified gasoline tax linked to unemployment levels.

- o Long-term conservation program is largely similar to Administration's program, with some additional mandatory industrial measures and small car tax incentives.
- o No modification of environmental standards.
- o Establishes National Energy Production Board and Energy Trust Fund.
- o Would set coal and natural gas windfall profits taxes.

House Plan

- o This plan is somewhat closer to the Administration's program, especially in energy supply measures.
- o Sets less stringent goals of 350,000 and 1,000,000 barrel per day import reduction in 1975 and 1977 respectively.
- o Would utilize 8¢ gasoline tax for 1975 (increasing to 12¢ in 1976 and to 16¢ in 1977) and 6 percent cutback in allocations, coupled with an import quota to achieve 1975 goals.
- o Adds new car excise taxes and rebates (depending on miles per gallon) and punitive taxes for increased use of electric power.

We will continue to monitor and update this analysis as more information becomes available.

Attachment

cc: Jack Marsh
Don Rumsfeld
Jim Lynn
Dick Cheney
Bill Seidman
William Simon
Alan Greenspan
Rogers C.B. Morton
Jerry Warren

	ADMINISTRATION PROGRAM	SENATE PROGRAM	HOUSE PROGRAM
GOALS	1975: Reduce imports by 1 MMB/D 1977: Reduce imports by 2 MMB/D 1985: Invulnerable (4-5 MMB/D)	1975- Variable depending on economic 1977: health 1985: Reduce imports to 10 percent of total energy consumption (less than 5 MMB/D)	1975: Reduce imports by 0.35 MMB/D 1977: Reduce imports by 1.0 MMB/D
MAJOR CONSERVATION MEASURES	Short-Term Tax & import fee program Decontrol of old oil Natural gas excise tax Voluntary program Windfall profits tax Long-Term Auto efficiency goals Appliances efficiency goals Auto & appliance efficiency labeling Thermal efficiency standards Thermal insulation tax credit Low-income conservation program	Short-Term Gasoline tax (gradual-phased with reduced unemployment-amounts unspecified) Windfall profits tax on oil, coal, and gas Long-Term Small car tax incentives Auto efficiency standards * Federal insulation & residential conservation program * Appliance & auto efficiency labeling * Thermal efficiency standards * Improved mass transit R&D to develop urban electric car Industrial conservation investment incentives Industry efficiency standards	Short-Term Achieve goals by import quota & matching conservation program Gasoline tax - 8¢/gallon in 1975; 12¢ in 1976; 16¢ in 1977 6 percent allocation cutback Windfall profits tax * Long-Term New car excise taxes (low mileage per gallon) New car rebates (high efficiency cars) Thermal insulation tax credit* Punitive tax for increased use of power Efficiency labeling of all energy consuming products * Prohibition on gas use in new power plants
MAJOR SUPPLY MEASURES	Short-Term Coal conversion (ESECA) Elk Hills (NPR-1) Long-Term Natural gas deregulation OCS development Clean Air Act amendment Surface mining Coal leasing Electric utility Facility siting Synthetic fuels program	Short-Term National Energy Production Board Coal conversion incentives (not environmental) Long-Term Enhanced recovery incentives * New natural gas deregulation with statutory ceilings Change OCS bidding system & initiate Federal exploration Repeal depletion allowance for major oil companies Surface mining * Facility & land use legislation Energy Trust Fund Coal transportation network Synthetic fuels program * Electricity transmission line financial incentives	Short-Term Coal conversion * Auto emission relaxation * NPR development * Long-Term OCS development (suggest govt. corp for exploration) Surface mining Eliminate foreign & most domestic depletion allowance Energy Conservation & Development Trust Fund Synthetic fuel program * Expedite nuclear plants Enhanced recovery incentives
EMERGENCY MEASURES	Strategic Petroleum Reserves Standby authorities	Strategic Energy Reserve (1 billion bbl) * Standby authorities *	Strategic Petroleum Reserve (amount unspecified) * Standby authorities *

* indicates similar program to Administration proposals

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

February 27, 1975

OFFICE OF THE ADMINISTRATOR

MEETING WITH CARL ALBERT, ROBERT BYRD, MIKE MANSFIELD, JACK MARSH, ROGERS C.B. MORTON, THOMAS O'NEILL, JOHN PASTORE, JAMES WRIGHT, AND FRANK ZARB

Friday, February 28, 1975
3:00 P.M. (60 minutes)
The Oval Office

From: Frank G. Zarb

I. PURPOSE

To discuss energy program with key Congressional Members.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: The leadership has indicated that it would like to discuss its approach to an energy solution as compared to your Program. Thus far, we have seen a simple five-page statement of policy which is not very detailed (copy attached).

We will be doing more analysis; however, our first reaction is that their program will not result in anywhere near the savings that they predict and well below the goals that you have established.

You may want to compliment them for developing a program. You should remain firm in insisting that as we go forward with negotiations that we mutually agree to two fundamental principles. First, that we must all be certain that the measures implemented will be certain to achieve meaningful reductions over the near term (2 million barrels per day by 1977) so that we do not expand our vulnerability. And second, that the program be fair to all sectors of the economy and all groups of people.

B. Participants: Speaker Carl Albert, Senator Robert Byrd, Senator Mike Mansfield, Jack Marsh, Secretary Rogers Morton, Congressman Thomas O'Neill, Senator John Pastore, Congressman James Wright, and Frank Zarb.

C. Press Plan: None at this time.

III. TALKING POINTS

1. I'm delighted to have you here today.

2. I understand you developed a joint House-Senate compromise energy program. While we have not yet had a chance to evaluate it, I have asked Rog Morton, Frank Zarb and the other members of the Energy Resources Council to evaluate it carefully.

3. It is obviously essential that we move quickly to enact a comprehensive program. I hope that we can develop a mutually agreeable plan, and I would like to offer my cooperation to that end.

4. I would also like to stress that what is foremost in my mind is a program which does not allow our vulnerability to increase in the next three-five years and that by 1985 the United States can be invulnerable to foreign controlled oil imports.

   We should agree here today that our joint goals are to be certain that the National Energy Program should insure a savings of at least 2 million barrels per day by the end of 1977, which is the amount imports will increase if we do nothing. In addition the program should absolutely insure invulnerability no later than 1985.

   Finally, the burden of any program should not place an undue hardship on any sector of the Nation.

THE ECONOMY AND ENERGY
A CONGRESSIONAL PROGRAM OF ACTION

The comprehensive Congressional program on the economy and energy has the following objectives:

First: To restore in the shortest period of time a healthy economy with full employment, reduced inflation and increased output and productivity.

Second: To prevent steep increases in the price of all energy and the pervasive economic adversities which such increases surely would entail.

Third: To manage energy supply in the near term so as to reduce import dependence steadily and surely consistent with rapid economic recovery, providing standby protections against sudden supply curtailments.

Fourth: To expedite and mandate programs to conserve energy and expand domestic supply in order to improve our balance of payments and achieve national energy sufficiency in a timely and reliable way.

The nation faces two very basic problems -- the rapidly declining economy, and the predictability of future energy shortages. They are distinct but inextricably interrelated. The first is an immediate problem of crisis dimensions and must be treated as such. The second is of necessity a long-range problem which will yield only to effective long-range solutions. Both must be solved, and it is our purpose to set forth on behalf of the Congressional majority a definitive program of action to address both problems.

The most urgent national need is to revive the nation's economy and put Americans back to work. On January 14, the Democratic Steering and Policy Committee of the House announced a 14-point program of action. On February 18, the Democratic Policy Committee of the Senate and the Chairmen of the Standing Legislative Committees of the Senate endorsed a comprehensive economic/energy program formulated by an Ad Hoc Committee of the Democratic Policy Committee. Many of the economic initiatives recommended in these programs already are in the process of legislative implementation. Fully embracing the thrust of those programs, we reject President Ford's 5 percent ceiling on social security and call for the accelerated payment of benefits by the full 8.7 percent effective January 1, 1975. We recommend several additional economic initiatives, as well as a carefully coordinated program of action for energy sufficiency.

Faced with the worst economic recession and the highest unemployment levels since the great depression, we believe that a panic energy program which interfered with the priority task of economic recovery would be a severe public disservice. The plan recommended by the President would needlessly and massively depress the economy further, add to the cost of living for all Americans and place highly inequitable cost burdens upon such basic necessities as home heating, food production and clothing.

We reject the fundamental premise of the President's program that the only way to achieve energy conservation is deliberately to raise the price of all petroleum products to all American consumers by heavy indiscriminate additions in taxation. The $3 per barrel tariff on oil imports will not reduce imports; it simply will make them more costly to American consumers. It would add some $7.6 billion a year to the cost of living. Adding at least $30 billion in taxes on domestic oil and gas consumption proposed by the Administration would further burden the economy with such weighty impediments that any effort at economic recovery would be hopelessly foredoomed.

The President's budget acknowledges the probable results of the Administration program: yet another year of raging double-digit inflation, another year of declining economic output, and at least another full year of unemployment in the range of 8 percent. This is a prospect which America's families should not be asked to accept. We believe the country can do much better than this, and we are determined that it shall.

The Congressional economic program recommends fiscal and monetary actions at the Federal level that will create <u>over</u> 1 1/2 million more jobs by the end of 1976 than the President's program, while reducing the inflation rate by over 2 percent.

The comprehensive energy conservation and development program which we recommend for immediate adoption will be demonstrably less inflationary, stimulative to the economy, more selective in the areas of use to which we must look for major conservation, and more quantifiable in its results than the plan set forth by the President. It is fairer and more equitable to the American consumer. And it creates a specific mechanism to help finance an earlier realization of reliable alternate energy sources for the future.

Motor fuel accounts for about 40 percent of the nation's present petroleum usage. Since only 42 percent of this amount is directly work-related, we believe it is practical, equitable and economically responsible to achieve most of our immediate reduction in petroleum consumption in the other 58 percent, but recognize that savings can be achieved in all categories of usage. We propose accomplishing this by:

(1) A combination of graduating excise taxes and rebates on new car sales, specifically geared to the fuel efficiency of the model purchased.

(2) Mandatory mileage performance standards for new automobiles.

If these and other conservation initiatives included in this program do not achieve sufficient diminution in imports, standby authority should be invoked to:

(3) Require Sunday closings, allocations down to the service station level, and controls on the use of credit cards to buy gasoline.

(4) Impose import quotas.

(Note: a mere five percent reduction in the total number of miles driven would save almost 350,000 bbls of oil per day; a 10 percent reduction would save nearly 700,000 bbls.

(Encouraging only one-fourth of America's drivers into cars that get just two miles per gallon better mileage would save an additional 230,000 bbls per day. When one-third of the driving population can be accommodated in vehicles that yield better efficiency by just 3 miles per gallon, the additional saving will be 470,000 bbls per day.)

Our program will achieve energy conservation not only in the transportation sector, but also in the residential, industrial and commercial sectors where longer-range savings are both achievable and quantifiable. We prescribe realistic standards in each sector. Fundamentally, we seek to reduce consumption by the elimination of waste -- not by the elevation of price.

Savings in the energy equivalent of almost 500,000 bbls of oil per day will result by 1980 from our recommendations to assist families and businesses in insulating homes and other buildings and making other energy-related improvements.

One key feature provides incentives to expedite conversion of electric power generating and other industrial plants from petroleum and natural gas to coal. This is the second largest area of wasteful petroleum usage, and while it is more difficult to hypothecate a precise saving without knowing how rapidly such plants can be induced to make the conversions, we believe it not unrealistic to anticipate additional savings from this source after the second year in the vicinity of 400,000 bbls daily in BTU equivalent.

A saving of 160,000 bbls a day can result from strict local enforcement of the 55-mile-per-hour speed limit. Other conservation initiatives contained in this program will produce additional savings.

The Congressional program also creates a strategic oil reserve and sets up a National Energy Production Board with authority to recommend import quotas, allocations and even rationing in event of emergency.

In all, we believe that our program will reduce domestic consumption of imported petroleum, at a very conservative estimate, by the equivalent of 500,000 bbls of oil per day in the first year, by 1.6 million bbls per day in the second year, and by more than 5 million bbls per day by 1980. Considerably more dramatic savings can be achieved in years to come.

We have seen no reliable data whatever to support a conclusion that the Administration's draconian tax increases actually would result in one huge round-figure savings he claims for them. Nor have we heard any impelling reason why the national reduction must of necessity reach one million bbls daily in the very first year. In any event, we believe it better to promise relatively less and achieve more than to promise grandly and achieve less than pledged.

We believe that the American people, as well as our friends in the international community, both the suppliers and the users of petroleum, will be more impressed by candor and performance than be roseate promises unfulfilled. We believe they will be more impressed by our frank determination to maintain a strong American economy. And we believe they will readily discern the superiority of a steadily increasing long-term commitment to long-term objectives over a single sudden surge upward in consumer prices.

Beyond conserving scarce fuels, we recommend a number of specific measures to encourage exploration for oil and natural gas and greater recovery from existing wells and fields. We recommend creation of an Energy Trust Fund financed initially by a 5 cent per gallon retail tax on gasoline and by yields from excess profits taxes. The fund is to be used to assist in the more rapid development of coal gasification, liquefication and other synthetic fuel plants and to achieve scientific and technological progress in oil shale, geothermal, solar, nuclear fusion and other energy fields.

Faithful implementation of the various facets of this program will close the growing gap between domestic energy consumption and production of all types and forms by the energy equivalent of some 11 million bbls of oil per day by 1985, and will reduce our energy imports by that year to 10 percent of our total consumption.

The Nation's impelling need is for a consistent and coordinated long-term plan. The Congress provides it.