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TALKING POINTS FOR THE HONORABLE FRANK G. ZARB
ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION
BEFORE THE

REPUBLICANS ALLIED FOR MUTUAL SUPPORT
THE CAPITOL HILL CLUB
300 FIRST STREET, SE.
WASHINGTON, D.C. 20003
FEBRUARY 13, 1975

OFF THE RECORD

I'm very glad to have the chance to talk things over with you today. Thank you for inviting me.

I've been on the Hill quite a bit in the past few weeks, chatting with Senator Jackson and his committee -- and others -- about the President's program.

At times it has taken real effort to get any sort of meaningful dialogue started. Some members of Congress have reacted to our explanations as if we were traveling salesmen of some sort.

So the first thing I'd like to say to you is that I'm not here to sell anything. The trouble that we're in now with energy and the economy makes selling of any kind pretty difficult, and I'd rather not try.



But I do have some opinions -- and some very strong ones, as I suspect you all know -- as to how we are going to have to go about getting ourselves out of the mess we're in. My role at the moment is to point out to the American people and to Congress the benefits and liabilities of every possible approach to the energy problem.

What I'd like to do with you today is to share what I've learned and compare opinions with you. Because, frankly, I need your help.

OPTIONS AVAILABLE TO THE PRESIDENT

°°Doing nothing at all

--We paid \$3 billion for imported oil in 1970; \$24 billion in 1974; and we will pay \$32 billion in 1977.

--We are 40 percent dependent on foreign oil now; by 1980 we will be 50 percent dependent.

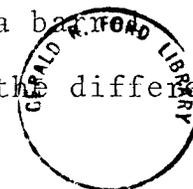
--In 1977 an embargo will be twice as effective as the first one.

°°Government Management--rationing, allocation, or a gas tax.

--We judged policy options by two criteria: effectiveness and fairness. These programs flunked both tests.

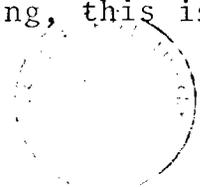
RATIONING

--Cutting back a million barrels of gas a day abruptly means cutting back 1 and 1/2 million barrels of crude, since gas is only 45 percent of a barrel of crude oil. We would have to import the difference in middle distillate and residual.



- Rationing does nothing to increase supply.
- Inequities between families and regions are built into a rationing system.
- Low-income groups would lose out
 - Inequities of white market
 - Local boards prone to political influences.
 - Cost of rationing would be close to \$2 billion for the first year; 15 to 25 thousand new government employees would be needed to run the program, and 3,000 local boards would be set up to hear grievances. Six months would be needed to get the program in gear.
 - It would fall apart in two years because Americans would tire of it.
 - The World War II experience worked as well as it did because:
 - the war effort led to willing sacrifices
 - car production had fallen off
 - even so, there were over 100,000 pieces of litigation in the courts at the end of the program.

ALLOCATION

- We would create a shortage, and then attempt to manage it.
 - Economists say that, along with rationing, this is the most economically disruptive approach.
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- The embargo forced allocation. During the embargo the GNP went down \$10 billion, and unemployment rose. There were gas lines.
- Under allocation, everyone would have to petition the Government for oil
 - Decisions would have to be made between the needs of agriculture and airlines, etc.
 - Lobbying in Washington would force out the little man.
 - A vast bureaucracy would be needed.

GASOLINE TAX

- Again, the tax would require Government administration with the same fine-tuning problems as rationing and allocation.
- Again, it would do nothing to increase supplies.

°°The Market Approach -- The President's Program

- It is comprehensive -- it promotes conservation and encourages supply.
- It is the least disruptive economically of all the alternatives.
- It provides for the poor and attempts to see that all parts of the country get equitable treatment.
- ITS GOAL IS TO MAKE THE ECONOMY RE-ADJUST TO THE ENERGY SITUATION.



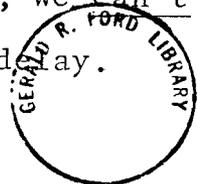
THE PROGRAM

- Import fees and excise taxes
 - one million barrels a day saved by 1975 and two million by 1977
 - \$30 billion revenue returned to economy through tax credits and rebates.
- Lighting and thermal standards for new buildings
 - 1/2 million bbl/day saved by 1985
- Tax credits to homeowners making energy efficiency improvements in existing homes
 - 1/2 million bbl/day saved by 1985
- Low-income energy conservation program with direct subsidies to low-income and elderly homeowners for energy-conserving improvements like insulation.
- Agreement with Detroit - 40% improvement in car engine efficiency by 1980.
- Agreement with appliance manufacturers to set energy efficiency goals for their products.
 - another 1/2 million bbl/day saved by 1985.

IMPORTANCE OF ACTION

°°Willingness to compromise with Congress

- But until Congress offers an alternative program, all we can compromise is our principles and goals.
- Until the various positions are established, we can't compromise. That's not compromise, that's delay.



°°We have to move to convince OPEC of our backbone.

--If we are going to lead the consumer nations, we have to act like a leader.

°°The Kennedy-Jackson Resolution will provide 90 days for rhetoric.

°°The President's program has sufficient time-delays built in for the purposes of Congressional debate.

--The \$1 tariff won't be felt until March.

°°Danger that every Congressman going off to develop his own program will result in polarization and no action at all. This is the worst possible disaster.

°°FEA is ready to proceed and capable of making energy decisions. Effective coordination has been arranged with ERDA through ERC.

°°It is important that the President be left the authority to guarantee the results of his program through administrative action.

WE MUST HAVE GOP UNITY ON ENERGY POLICY, TO COMPELL THE OTHER PARTY TO PUT FORWARD VALID ALTERNATIVES, OR ACCEPT THE PROGRAM.

