The original documents are located in Box C1, folder "Presidential Handwriting, 2/22/1974 " of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

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THE WHITE HOUSE

WASHINGTON

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JOHN O. MARSH
MAX L. FRIEDERSDORF

THRU: VERN LOEN VL

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: Democrat Economic/Energy Plan and Ullman Economic/Energy Plan

This afternoon Frank Zarb and I met with Congressman Jim Wright to discuss in strict confidence the preliminary plan being worked out by the Democrat Task Force. Also, I talked at length today with Dr. Larry Woodworth, Chief of Staff of the Joint Tax Committee, about the program being developed by Chairman Al Ullman for Ways and Means consideration. Both Wright and Woodworth asked that the plans be held in strict confidence, not be leaked and not be criticized conceptually as they are not due for release until late next week at the earliest.

I will discuss each plan separately.

Democratic Task Force

The underlying philosophy behind the plan is that the state of the economy is so delicate that any action taken with respect to energy should have a soft effect on the economy. The general attitude is that the President's program would be too traumatic. The elements of the plan are in general terms as follows:

(1) By taking certain steps (described below) oil consumption would be reduced by 350 million barrels per day in 1975, 650 in 1976 and 1 million by 1975.

(2) A gasoline tax would be imposed according to the following schedule: 8¢ in 1975, 12¢ in 1976 and 16¢ in 1977.

(3) A windfall profits tax with some plowback allowed for domestic investment by the oil companies.

(4) Repeal of the foreign oil depletion allowance (this was included in the Ways and Means tax bill last year which never went to the floor).

(5) A graduated tax on vehicles according to gasoline mileage. Any automobile with consumption below 18 miles per gallon would have a stiff tax (perhaps $1000), 18 mpg to perhaps 25 mpg a lesser tax (perhaps $500) and above that a lesser tax phasing out so as not to give inported cars a competitive advantage over U.S. produced autos. This would be started one or two years from now to give U.S. manufacturers an opportunity to redesign and retool.

(6) Oil would be decontrolled on a phased out basis and natural gas probably at once.

(7) A home insulation plan and tax credit similar to the President's.

(8) All proceeds from taxes would go to an Energy Trust Fund for research and development purposes in an effort to find alternative sources of energy.

These constitute the major elements of the package. Some others are still being worked on. One immediate problem with this proposal is that it does little to reduce our economic dependence and vulnerability to imported oil.

Ullman Plan

Al Ullman has established 8 task forces to develop an economic/energy plan. There has been continuing coordination with the Wright Task Force and Otis Pike a member of Ways and Means has served on the Wright group. The key elements of the Ullman plan are as follows:

(1) An import quota system which will decrease foreign oil by 1 million barrels per day over a two year period and will continue until 2 million barrel reduction is achieved (this means an approximate 400-500 million barrel per day decrease per year). There is a possibility of using a government purchasing unit which would sell the available oil by sealed bids.

(2) FEA would be given allocation responsibility and standby rationing would be authorized to the President.

(3) Establishment of a stockpile reserve of a 6 month supply to be achieved by the early 1980's. Possible resort to the Elk Hills reserve.

(4) A gasoline tax imposed according to the following schedule:

1976-10¢ per gallon
1977-20¢ per gallon
1978-30¢ per gallon
1979-40¢ per gallon

Also, a tax fefund allowance may be included up to no more than 2 drivers per family with 2 cars. It could be in the form of a tax cut. Woodworth estimated the gasoline tax would gross about $10 B and a tax refund allowance costing about $5 B would net the revenue out at approximately $5 B.

(5) An automobile tax starting in model year 1977 to allow for redesign and retooling to go into full effect over a four year period. Autos getting 17 miles per gallon or less would have a $1000 tax applied; 17 to 25 mpg, a $500 tax. This would be phased in at 1/4 of the amount per year over the four year period.

(6) Deregulation of old oil would be phased out over a period of years at $1 per year until the free market price was reached (currently it's about $11 per barrel).

(7) Straight deregulation of natural gas.

(8) A windfall profits tax with plowback which would be limited both to percentage of tax and type of investment. The windfall profits tax would be phased in according to the schedule of decontrol of oil.

(9) Creation of an Energy Trust Fund with the same intent as the Wright plan.

Woodworth estimates that the total program would raise approximately $12 B-$15 B although these are very soft revenue estimates. This also assumes oil depletion will be repealed. Some of this money might be used for pay for a tax reduction for individuals of a lesser degree than the President's.

Ullman is coordinating this plan with the Chairmen of the other respective committees and already has, I understand, a working relationship. He hopes to have the energy tax plan out of committee by mid-April.

cc: Secretary Simon
Bill Seidman
Frank Zarb
Paul O'Neill
Bill Kendall
Pat O'Donnell
Charles Leppert