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THE FEDERAL ENERGY ADMINISTRATION
FEDERAL BUILDING
12TH AND PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20461

REMARKS OF THE HONORABLE FRANK G. ZARB
ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION
BEFORE THE

AMERICAN SOCIETY OF NEWSPAPER EDITORS
SHOREHAM-AMERICANA HOTEL

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Because we have only a limited amount of time together this morning, I am going to keep my remarks brief so I can take as many of your questions as possible.

Congressman Foley and Professor Adelman have already given you their views on managing the crisis of world resources.

As Federal Energy Administrator, my primary responsibilities and concerns center on the crisis in energy.

Today, I would like to address one aspect of the problem: the skepticism we run across on whether an energy crisis actually exists.

Last year, long lines at gasoline pumps and the sharp increases in fuel bills provided pretty convincing evidence.

In fact, the embargo and the higher prices that followed it combined with a mild winter and an economic downturn to produce the first drop in United States energy use since 1952.



Energy consumption in 1974 fell 2.2 percent below 1973 levels -- quite a decline considering that for years our national energy demand grew at an annual rate over 4 percent.

But now, all that's changing again.

Our oil consumption, for example, is back up to the same level it was before the embargo -- over 16.8 million barrels a day -- over half-a-million barrels a day more than was used during this same period last year.

Gasoline use alone has risen over 4 percent above first quarter figures for 1974.

Motorists who had to wait in lines for hours just to buy a few gallons of gas during last year's shortage are now being offered free glasses to lure them into the service stations.

It is no surprise that a lot of people are skeptical. They are still paying last year's high prices, but today's supplies are plentiful. There is even talk of a "Gasoline Glut," and people are asking what happened to the energy crisis.

But even though today the evidence of the energy crisis is not as dramatic or visible as last year's lines at the service stations, the crisis is still with us in the form of those high prices we are paying for imported oil.

In 1970, we paid \$3 billion for petroleum imports. That works out at a rate of less than \$55 for each American household.

Last year, that bill jumped to \$24 billion or \$425 per household.

If we abandon our conservation goals, as this year's first quarter oil consumption figures indicate we are, by 1977 -- just two short years -- the United States could be paying over \$20 billion for foreign oil.



and that translates into more than \$500 per household.

We cannot afford that kind of backsliding.

These aren't just figures on some abstract balance sheet that are putting the U.S. in the red in international commerce.

They mean that American wealth and American jobs are being exported in exchange for every barrel of high-priced foreign fuel we have to import.

In the plain language of our pocketbooks, it means less money for U.S. paychecks and fatter bank accounts for foreign countries.

It means less for payrolls in Pittsburgh and more for banks in Baghdad.

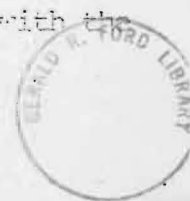
But this massive -- and increasing -- outflow of dollars reflects an even graver reality: with each additional barrel of oil we import every day, we become that much more vulnerable to another embargo.

The 1973-74 embargo involved only 14 percent of our national petroleum consumption. Yet it resulted in an estimated loss of \$10 to \$20 billion in Gross National Product and half-a-million American jobs.

Without a continuing and serious conservation effort, by 1977 we could be dependent on overseas sources for almost half our petroleum consumption.

If even half of these imports were cut off during a future embargo, the loss in GNP could exceed \$30 billion with millions of American workers thrown out of their jobs.

If the American people lived with these figures and realized the potential dangers that lie ahead for American employment, the American economy, and America's ability to formulate its national policies -- both foreign and domestic -- free from the threat of foreign economic reprisals, then they would embrace the Administration's conservation goals with the same vigor that we have shown here.



That is where you come in.

We have heard much -- pro and con -- about the power of the press. The working press in the United States represents the public's best source of objective information on what is going on in this nation and throughout the world.

For this very reason, a national crisis affords the press its finest hour, because it is at such times that the American people must understand what is happening around them. And, as I said, we are still in the midst of the energy crisis.

As I've suggested, the facts of the crisis are more elusive than they were in the winter of 1973-74. It is tougher to get a headline out of an imbalance of payments than it is out of an oil embargo. And that fact makes the Press' role all the more important today.

I ask you to look objectively at our energy situation; look at what a continued and growing reliance on oil imports from unreliable sources can mean for this nation. Look at the facts; and at the implications of those facts. That is what the American people must know. And you are their most important source for this information.

I am convinced that your conclusions will coincide with ours and that responsible reporting on the need for energy conservation -- and the subtle, but continuing existence of the crisis -- can renew the public drive for conservation.

We cannot afford to let the temporary surpluses of petroleum supply hinder our national effort for reduced energy consumption.

Summer and the time for vacations is fast approaching which means even greater increases in gasoline use.



The economic recovery estimated to begin next Fall is also sure to cause renewed oil demand.

Neither our climb back from recession nor those well-deserved family vacations need imperil our drive for energy conservation if that conservation is practiced by every citizen in every-day life.

Now, I'd like to end my remarks with just a few words on the continuing investigations that FEA is making on regulatory enforcement.

In the past 15 months, our enforcement efforts have resulted in consumer savings of \$580 million through refunds, price reductions and claim cancellations that would otherwise have resulted in price increases.

We have improved our investigative force and will continue to pursue violations -- both administrative and criminal -- to the fullest extent.

This makes good copy, and the news media certainly have a responsibility to pursue these stories and report them to the public.

That is your job.

Ours is to make sure that the laws and regulations are obeyed.

But we can both fulfill these responsibilities without becoming obsessed with a search for scapegoats to blame for energy problems.

Our investigations thus far have shown that, in a vast majority of cases, failures to comply with regulations were neither willful nor fraudulent. They resulted either from ambiguities within the regulations themselves or from simple, unintentional errors.

Unfortunately, there is a tendency to lump all violations together under an umbrella of criminal intent.



Let me assure you that those individuals and companies that are responsible for criminal practices in energy pricing will be investigated and prosecuted to the fullest extent.

And, FEA will continue to investigate and require that all overcharges in cases of administrative or non-criminal regulatory violations be refunded to the public.

When willful, criminal price gouging is found, vigorous prosecution by the authorities and vigorous reporting by the press will serve notice on other potential violators of the penalties that await those who would use a national crisis to cheat the public.

But, if the stigma of criminality attaches to every violation, then the public will become convinced that the energy crisis is nothing more than a massive hat trick or shell game being performed by giant corporate hucksters.

Above all, we must avoid the notion that high energy bills are just the result of overcharges or other violations of the law. We must resist the idea that, if the relative handful of violators were put in their place, those bills would come back down and the energy crisis would go away.

That is simply not true.

There are a few bad apples in every barrel, but that doesn't make the whole barrel rotten. And the overcharges of those few -- willful or otherwise -- have contributed very little to our higher energy costs.

In short, there are no simple answers or singular villains. There is, in fact, plenty of blame to go around for the past mistakes of both government and the private sector.



Our concern now should be not to compound those past mistakes with future ones.

Both the FEA and the press have a responsibility to make sure the public knows the facts -- the complex facts -- of our energy problems.

If the American people do not understand the realities of the energy crisis, they cannot be expected to support the programs necessary to solve it.

And that consequence would be just too costly for any of us to consider.

Thank you.

-FEA-

