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Date February 26, 1976

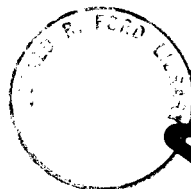
To Pat Zarb

This is probably the best speech that Frank has ever given. It was interrupted 13 times by applause. There were 3,100 people in the audience. Following Frank's speech, the master of ceremonies came back to the microphone and said that, in all his years at the SAE annual conventions, he had never heard a spokesman as articulate as Frank. It was really a proud moment.

Bob
Bob Nipp

Attachments - speech and press release

**Federal Energy
Administration**





REMARKS PREPARED FOR DELIVERY BY
THE HONORABLE FRANK G. ZARB, ADMINISTRATOR
FEDERAL ENERGY ADMINISTRATION, BEFORE THE

SOCIETY OF AUTOMOTIVE ENGINEERS
COBO HALL, DETROIT, MICHIGAN
WEDNESDAY, FEBRUARY 25, 1976, 10:00 PM, EST

It is a pleasure for me to join you here at your annual meeting.

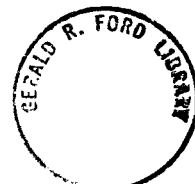
The press and most public officials often carry on love affairs with what they call the "issues." And, in a sense, it sometimes seems like a real love affair.

If the issue is new, and perhaps a little mysterious, it gets a lot of attention. It's pursued by the press; it's courted by the Congress; and the public follows its progress with a passion. When you think of it in those terms, it's not surprising to find issues described as having sex appeal.

And from October of 1973 to December of last year, the sexiest issue around was energy.

But with issues, as with humans beings, the glamour seems to evaporate when you settle down to a long-term relationship. And, after awhile, you start wondering how you ever got involved in the first place; you long for the simple, uncomplicated past; and, finally, you just start ignoring the issue as much as possible.

The public -- to judge by some of its representatives -- is beginning to experience that same sense of weariness and apathy in regard to our energy problems. They're seeing signs -- like temporarily lower gasoline prices -- that are making them wonder if they can't divorce themselves from the energy issue.



But, if I have a message tonight, it's an urgent warning: the United States can't walk out on her energy crisis that easily. It's no casual, passing affair. We're married to it, whether we like it or not.

Now, it may have been a shotgun wedding in the Fall of 1973 when the Organization of Petroleum Exporting Countries imposed the embargo. But OPEC still holds the shotgun, and it's loaded with the threat of more price increases and another embargo.

Let's have no illusions about the cartel's power, and -- equally important -- let's not deceive ourselves into thinking that a temporary phenomenon -- lower gasoline prices -- can mean a return to a happier, more carefree past.

OPEC has proved its staying power, and, despite recent drops in the price of gasoline at the pump, the trend of all energy prices is . . . up. That trend is the inescapable result of the relationship of supply and demand to price. And the state of domestic energy supply is not encouraging.

Oil production in this country is roughly a million barrels a day less than at the start of the embargo. And with the economy building up steam, demand for imported petroleum in the next two years could grow from the present six million barrels daily to as much as eight million barrels. Half of that would come from the Organization of Petroleum Exporting Countries, as suppliers such as Canada phase out their exports.

And, of course, that's just the beginning of it:

The natural gas problem continues to grow. Our reserves in the lower 48 states are at their lowest level since the mid-1950s. And since 1973, curtailments have tripled -- they now amount to three trillion cubic feet. The situation this year could have been worse -- mild weather cushioned the shortage. But how much longer can we afford to base a natural gas policy on the whims of the weather?

Of our fossil fuel sources, only the coal industry increased production last year. And it was only five percent higher than the year before -- up to roughly the level of the 1940's.

Finally, for a number of reasons, almost seventy percent of all new nuclear power plants scheduled for operation between now and 1985 have been either deferred or cancelled. And roughly one-third of all other power plants scheduled for that period have met the same fate.

But, even though the energy picture remains pretty bleak, we've begun to make some progress and there is plenty of hope for the future. To use an historical analogy, the embargo was like Pearl Harbor: late in 1973 -- as in 1941 -- Americans suddenly woke up to the fact that we had a new, menacing enemy on our doorstep.

Our plan of attack was spelled out by President Ford in his State of the Union address in January of last year. Since then, some elements of it have become operational with the energy bill signed by the President last December.

That legislation, if properly implemented, will increase oil production from new fields, and existing fields can become more productive with the use of sophisticated recovery methods. New conservation initiatives will further curtail wasteful consumption. In fact, if the Congress does not block a number of administrative actions we intend to take, this nation will realize half of the goals outlined by the President a year ago.

Eventually, as the rest of the Administration's program is brought into play, we will be able to satisfy a larger and larger share of our needs from domestic sources.

The responsibility for legislating a complete national energy program now rests with the United States' Congress. But, even with prompt Congressional action, it will not happen in just a few years. It will be a slow, gradual, painstaking process that will make heavy demands on capital, manpower and material, and perhaps heavier demands on our ability to resolve apparent conflicts between economic, environmental and social issues.

It is those demands that make energy conservation such a vital part of our total strategy. Without conservation, our vulnerability will continue to grow until new resources can be tapped. And, as engineers, you know better than most of us that building power plants and oil refineries takes time, as does the development of every energy source. Conservation can buy us that time.

Conservation can also enable us to develop those resources deliberately, with the least possible environmental or economic disruption. It will let us balance all of our national goals so that none is sacrificed in pursuit of another.

As I suggested a few moments ago, the newly enacted energy legislation should enable us to realize half of the goals that President Ford spelled out in his 1975 State of the Union address.



But half a plan will be only half-effective. In World War II, we didn't use just the Army, or just the Air Force, or just the Navy. We combined our forces and fought until we succeeded.

Likewise, now, we must get the rest of our strategy into action, using all of our energy reserves -- oil, natural gas, coal and nuclear power. And we have to pursue our objectives on two fronts -- resource development and energy conservation.

Just as much as during World War II, we need a complete program. That coherent strategy for our economic and energy survival was proposed last year by the Administration, yet half of it languishes in a legislative limbo -- unattended, unauthorized and unfunded.

And that is tragic, because we are continuing to lose American wealth and American jobs -- at an annual rate of \$27 billion. But just as important, we are threatened with a gradual loss of control over the energy base essential to any industrial society, and with it our security as a free and independent nation -- a nation stable at home and strong abroad.

The threat is more subtle, more insidious, and, therefore, more obscure. As a result, our response -- especially in government -- has too often been fragmented and fitful -- politicized and plagued by special pleading.

That response has resulted in the kind of policies -- or non-policies -- which created our present dilemma, and prompted us to sell out to cheap foreign oil in the first place. And it is the kind of make-shift, piece-meal policy-making that must come to an end.

Too often the government has adopted standards in one area with insufficient regard for their effects in another. The result has been to transform apparent conflicts between energy, environmental, and safety goals into real conflicts -- conflicts that defy resolution within acceptable economic bounds. That has been particularly true of federal policy affecting the automobile industry.

The time has come when our objectives -- for fuel economy, auto emissions and safety -- must be balanced. The time has come for standards to be formulated in ways that promote the coexistence, not the collision, of these goals. The time has come for Washington to formulate rational, coherent policy so that Detroit can build the cars America needs.

That is the kind of approach which is needed at the Federal level. It would enable federal action to reflect less of a patchwork and more of a predictable pattern of policies. But recognizing a need is one thing; action is another. And it's action that's necessary to make emission standards and fuel economy goals more compatible.

So far, I've been talking about what the government has done and should do. But another critical question is: what should the industry do.

Washington can pass all the laws imaginable, but industry, particularly the automobile makers, have proved that the most effective laws, almost always, are those enacted in the marketplace.

No law required the automobile industry to increase fuel efficiency over the last two years by more than 26 percent. The marketplace called for it, and you responded.

Over the next five years, we expect Detroit to keep responding. After all, you still have some catching up to do. I don't need to remind you that foreign-made automobiles have tripled their share of the U. S. market during the past decade -- from less than six percent in 1965 to more than eighteen percent last year.

If a temporary decline in gasoline prices has slowed the trend toward small cars in this country, I assure you that condition won't last.

You can produce cars that meet -- and even beat -- the fuel efficiency standards set out in legislation. And you can do that not because they are mandatory, but because, in a free marketplace, they will satisfy a need and earn a profit -- and those are still legitimate words in the American vocabulary.

But I may be oversimplifying the magnitude of the task. It is, in fact, colossal.

We use almost sixty percent of our oil in transportation -- practically fifty percent of it on the highway. In fact, from July first to July eighth, of last year -- in little more than a week -- Americans used about as much oil as all of our armed forces in 1944 -- the most active year of World War II.

Reducing that consumption will require -- without exaggeration -- a war-time effort. Assuming a reasonable consistency in government policy, your industry can mount



that effort, relying on the same assets that brought World War II to a successful conclusion: an incomparable industrial base and a wealth of technological expertise unmatched anywhere in the world.

Those words aren't just platitudes; they are facts supported by history. Within six months of the attack on Pearl Harbor, American industry was producing more war materiel than all the Axis powers combined. And, by the end of the war, the automotive industry had turned out more than 86,000 tanks and roughly five million trucks. Almost 80,000 ships, large and small, were produced in the same period, and nearly 300,000 aircraft had come off the production line by the conclusion of the war.

That's the kind of effort that this country needs today, and it's the kind of effort that must come from industry.

Such an effort will help to satisfy the legitimate desire of your industry's shareholders for dividends. It will help to satisfy the urgent national need for greater self-sufficiency in energy. And, finally, it will help to satisfy a growing public demand for responsiveness from the corporate community.

And I will close with just a few observations on this last point.

In recent years, public confidence in the leadership of America's major institutions has declined dramatically. According to polls by Louis Harris, faith in the leaders of major companies has dropped from 55 percent ten years ago to 19 percent last fall. (Admittedly, confidence in the federal government -- both Congress and the Executive Branch -- fell from about 40 percent to 13 percent over the same period.) Now, widespread disaffection with large corporations is being fed almost daily with disclosures of activities that are, at best, unethical.

It is conceivable -- indeed, inevitable -- that significant attempts will be made to alter the scope and size of American corporations. Behind these growing efforts is the conviction that concentrated economic power is inherently wrong, regardless of how it is exercised.

In fact, those efforts are already underway in the form of proposals for major restructuring of the oil industry.

Regardless of the merits of such efforts, their ultimate thrust and impact will depend, to a great extent, on the public's perception of large business institutions. It makes little difference that most American corporations and businessmen have clean hands and honest operations. The important thing from their standpoint is that public faith must be restored.

No amount of money can accomplish that; nor can the most energetic public relations staff. It will take performance: plain-dealing and productivity.

Productivity, to quote Henry Ford, "is the measure not of how hard we work, but of how well we use our intelligence, our imagination and our capital." And the use of those assets must, as never before, be directed to the needs of the American people.

But, I would emphasize that the plain-dealing and productivity must go hand-in-hand. And that has not always been the case. The automobile industry, for example, has at times described certain goals as unattainable, and then gone on to attain them.

Thus, in a way, the industry has become a victim of its own abilities. First, the Congress and the people hear cries of "impossible." And, when the new models arrive, it's done.

And every time something like that happens, it chips away that much more at industry's credibility. Eventually, it comes to the point where the people -- and their representatives in Congress -- view the industry as capable of anything -- of building, at the same time, fuel-efficient cars, safe cars, non-polluting cars -- all at yesterday's prices.

Now, an engineer can recognize the impossibility of meeting those specifications. But, while there are 286 lawyers and 162 bankers and businessmen in Congress . . . there are only four engineers. The point is that, for its own good, the technical side of the industry must play a positive role in developing public policy.

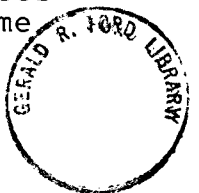
If the battle is being fought along the banks of the Potomac, it's pointless to dig in on the shores of Lake Erie. And if the gulf between corporate institutions, on the one hand, and the public and its representatives, on the other, is to be narrowed, you cannot afford the luxury of smug or defensive isolation.

If that seems to you like a warning, it is. But that warning is contained in a louder alarm that I hope everyone in this nation will hear: Don't be lulled to sleep because the energy crisis seems remote: Don't be appeased by a momentary concession in prices.

In 1941, we courted disaster by ignoring the world's troubles because the danger -- an ocean away -- seemed remote. In the 1970's, we will invite equally appalling consequences if we ignore an issue as vital as energy, because this time the danger is already ashore.

Thank you.

S-76-054





FOR IMMEDIATE RELEASE

FEBRUARY 25, 1976

ZARB URGES ALL-OUT DRIVE FOR ENERGY INDEPENDENCE

DETROIT--The responsibility for legislating a complete national energy program now rests solely with Congress, Federal Energy Administrator Frank G. Zarb said tonight.

At the same time, Zarb cited reports of a trend toward larger, less fuel-efficient cars and warned Americans not to be deceived by lower gasoline prices because "the trend of energy prices is up."

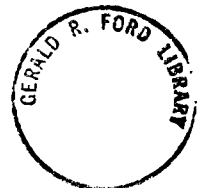
In a speech prepared for delivery to the Society of Automotive Engineers at its annual meeting in Cobo Hall, Zarb declared that the U.S. must not be weary or apathetic about its energy problems.

"If I have a message tonight," he said, "it's an urgent warning that the United States cannot afford to walk out on its energy crisis that easily. It's no casual, passing affair. We're married to it whether we like it or not."

The Energy Policy and Conservation Act recently signed by President Ford, Zarb added, will help the Nation reach half of the goals proposed by the Administration last year.

"But half a plan will be only half effective. In World War II, we didn't use just the Army, or just the Air Force, or just the Navy. We combined our forces and fought until we succeeded.

-more-



"Likewise, now, we must get the rest of our strategy into action, using all of our energy reserves -- oil, natural gas, coal, and nuclear power. And we have to pursue our objectives on two fronts -- resource development and energy conservation."

The FEA Administrator also said that in order to maintain its economic and energy independence, American industry must pledge the same total commitment to developing energy-efficient vehicles as it has in the past when faced by other threats to our national security.

Zarb urged the automotive industry to help turn our deteriorating energy situation around with your "incomparable industrial base and a wealth of technological expertise unmatched anywhere in the world."

The auto industry already has the technological skills, Zarb said, to produce the energy-efficient cars needed to achieve nationwide conservation goals.

He praised the auto industry for its effort in increasing fuel efficiency over the past two years but advised the industry not to rest on its laurels.

"Over the next five years," he said, "we expect Detroit to keep responding. After all, you still have some catching up to do. I don't need to remind you that foreign-made automobiles have tripled their share of the U.S. market during the past decade."

Zarb also told the engineers that "plain dealing and productivity must go hand-in-hand and this has not always been the case. The automobile industry, for example, has at times described certain goals as unattainable and then gone on to attain them."

He further reminded the auto officials that Congress and consumers have often heard "cries of impossible" which later proved to be untrue.

"Every time something like that happens," Zarb said, "it chips away that much more at the industry's credibility. Eventually, it comes to the point where the people -- and their representatives in Congress -- view the industry as capable of anything -- of building fuel-efficient cars, safe cars, non-polluting cars -- and all of these at yesterday's prices."

"The point is that the technical side of the industry must play a positive role in developing public policy," the Energy Administrator said.

"In 1941, he said, "we courted disaster by ignoring the world's troubles because the danger -- an ocean away -- seemed remote. In the years ahead, we will invite equally appalling consequences if we ignore an issue as vital as energy, because this time the danger is already on our shores."

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

SOCIETY OF AUTOMOTIVE ENGINEERS
COBO HALL, DETROIT, MICHIGAN
WEDNESDAY, FEBRUARY 25, 1976, 10:00 PM, EST

EMBARGOED FOR RELEASE UNTIL:
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If the issue is new, and perhaps a little mysterious, it gets a lot of attention. It's pursued by the press; it's courted by the Congress; and the public follows its progress with a passion. When you think of it in those terms, it's not surprising to find issues described as having sex appeal.

And from October of 1973 to December of last year, the sexiest issue around was energy.

But with issues, as with humans beings, the glamour seems to evaporate when you settle down to a long-term relationship. And, after awhile, you start wondering how you ever got involved in the first place; you long for



the simple, uncomplicated past; and, finally, you just start ignoring the issue as much as possible.

The public -- to judge by some of its representatives -- is beginning to experience that same sense of weariness and apathy in regard to our energy problems. They're seeing signs -- like temporarily lower gasoline prices -- that are making them wonder if they can't divorce themselves from the energy issue.

But, if I have a message tonight, it's a simple warning: the United States can't walk out on her energy crisis that easily. It's no casual, passing affair. We're married to it, whether we like it or not.

Now, it may have been a shotgun wedding in the Fall of 1973 when the Organization of Petroleum Exporting Countries imposed the embargo. But OPEC still holds the shotgun, and it's loaded with the threat of more price increases and another embargo.

Let's have no illusions about the cartel's power, and -- equally important -- let's not deceive ourselves into thinking that a temporary phenomenon -- lower gasoline prices -- can mean a return to a happier, more carefree past.

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Oil production in this country is roughly a million barrels a day less than at the start of the embargo. And with the economy building up steam, demand for imported petroleum in the next two years could grow from the present six million barrels daily to as much as eight million barrels. Half of that would come from the Organization of Petroleum Exporting Countries, as suppliers such as Canada phase out their exports.

And, of course, that's just the beginning of it:

The natural gas problem continues to grow. Our reserves in the lower 48 states are at their lowest level since the mid-1950s. And since 1973, curtailments have tripled -- they now amount to three trillion cubic feet. The situation this year could have been worse -- mild weather cushioned the shortage. But how much longer can we afford to base a natural gas policy on the whims of the weather?

Of our fossil fuel sources, only the coal industry increased production last year. And it was only five percent higher than the year before -- up to roughly the level of the 1940's.

Finally, for a number of reasons, almost seventy percent of all new nuclear power plants scheduled for operation between now and 1985 have been either deferred or cancelled. And roughly one-third of all other power plants scheduled for that period have met the same fate.

But, even though the energy picture remains pretty bleak, we've begun to make some substantial progress and

there is plenty of hope for the future. To use an historical analogy, the embargo was like Pearl Harbor: late in 1973 -- as in 1941 -- Americans suddenly woke up to the fact that we had a new, menacing enemy on our doorstep.

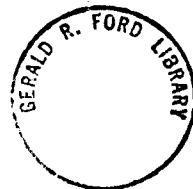
[Now -- today -- the initial shock is over; we've resisted the first assault; and we've begun to gather our forces for the counterattack. Now -- as then -- we know what our objective must be: to reverse -- gradually but steadily -- the tide that is running against us, just as we did a quarter of a century ago.]

Our plan of attack was spelled out by President Ford in his State of the Union address in January of last year. Since then, some elements of it have become operational with the energy bill signed by the President last December.

That legislation, if properly implemented, will increase oil production from new fields, and existing fields can become more productive with the use of sophisticated recovery methods. New conservation initiatives will further curtail wasteful consumption. In fact, because of the new bill, we are already in a position to realize half of the goals outlined by the President a year ago.

Eventually, as the rest of the Administration's program is brought into play, we will be able to satisfy a larger and larger share of our needs from domestic sources.

But it will not happen in just a few years. It will be a slow, gradual, painstaking process that will make heavy demands on capital, manpower and material, and perhaps



heavier demands on our ability to resolve apparent conflicts between economic, environmental and social issues.

It is those demands that make energy conservation such a vital part of our total strategy. Without conservation, our vulnerability will continue to grow until new resources can be tapped. And, as engineers, you know better than most of us that building power plants and oil refineries takes time, as does the development of every energy source. Conservation can buy us that time.

Conservation can also enable us to develop those resources deliberately, with the least possible environmental or economic disruption. It will let us balance all of our national goals so that none is sacrificed in pursuit of another.

As I suggested a few moments ago, the newly enacted energy legislation should enable us to realize half of the goals that President Ford spelled out in his 1975 State of the Union address.

But half a plan will be only half-effective. In World War II, we didn't use just the Army, or just the Air Force, or just the Navy. [And we didn't stop the counterattack at Okinawa -- just half way toward our goal.

We combined our forces and fought all the way. And we did it on two fronts.]

So now, we must get the rest of our strategy into action, using all of our energy reserves -- oil, natural gas, coal and nuclear power. [And we have to pursue our objectives on two fronts -- resource development and energy conservation.]



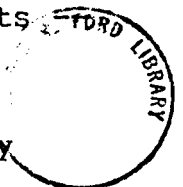
[Just as much as during World War II,] we need a complete [battle] program. That coherent strategy for our economic and energy survival was proposed last year by the Administration, yet half of it languishes in a legislative limbo -- unattended, unauthorized and unfunded.

And that is tragic, because [the danger this time is not bombs, shrapnel, smoke and casualties. Instead of shedding blood, we are shedding money -- at an annual rate of \$27 billion. But more importantly,] this time the danger involves the gradual surrender of control over the essential base of any industrial society: energy -- primarily oil.

The threat is more subtle, more insidious, and, therefore, more obscure. As a result, our response -- especially in government -- has too often been fragmented and fitful -- politicized and plagued by special pleading.

That response has resulted in the kind of policies -- or non-policies -- which created our present dilemma, and prompted us to sell out to foreign oil in the first place. And it is the kind of make-shift, piece-meal policy-making that must come to an end.

Too often the government has adopted standards in one area with insufficient regard for their effects in another. The result has been to transform apparent conflicts between energy, environmental, and safety goals into real conflicts that defy resolution within acceptable economic bounds. That has been particularly true of federal policy affecting the automobile industry.



The time has come when our objectives -- for fuel economy, auto emissions and safety -- must be balanced. The time has come for standards to be formulated in ways that promote the coexistence, not the collision, of these goals. The time has come for Washington to formulate rational, coherent policy so that Detroit can build the cars America needs.

That is the kind of approach we are trying to take now in an thorough interagency study at the Federal level. Hopefully, it will enable federal action to reflect less of a patchwork and more of a predictable pattern of policies. But studies are one thing; action is another. And it's action that is needed to make emission standards and fuel economy goals more compatible.

So far, I've been talking about what the government has done and should do. But another critical question is: what should the industry do.

Washington can pass all the laws imaginable, but this industry, particularly the automobile makers, have proved that the most effective laws, almost always, are those enacted in the marketplace.

They are the mandates that elicit the most effective response. No law required the automobile industry to increase fuel efficiency over the last two years by more than 26 percent. The marketplace called for it, and you responded.



Over the next five years, we expect Detroit to keep responding. After all, you still have some catching up to do. I don't need to remind you that foreign-made automobiles have tripled their share of the U. S. market during the past decade -- from less than six percent in 1965 to more than eighteen percent last year.

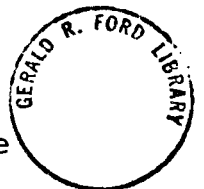
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Two other words that are still legitimate are: "national security." And for those among us who may have forgotten what "national security" means, it means reducing our dependence on foreign oil.

We use almost sixty percent of our oil in transportation -- practically fifty percent of it on the highway. In fact, from July first to July eighth, of last year -- in little more than a week -- Americans used about as much oil as all of our armed forces in 1944 -- the most active year of World War II.

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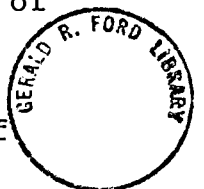
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In recent years, public confidence in the leadership of America's major institutions has declined dramatically. According to polls by Louis Harris, faith in the leaders of major companies has dropped from 55 percent ten years ago to 19 percent last fall. (Admittedly, confidence in the



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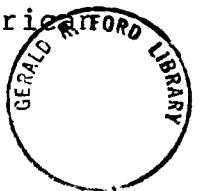
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No amount of money can accomplish that; nor can the most energetic public relations staff. It will take performance: plain-dealing and productivity.

Productivity, to quote Henry Ford, "is the measure not of how hard we work, but of how well we use our intelligence, our imagination and our capital." And the use of those assets must, as never before, be directed to the needs of the American people.



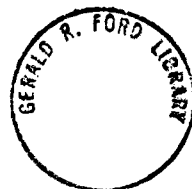
But, I would emphasize that the plain-dealing and productivity must go hand-in-hand. And that has not always been the case. The automobile industry, for example, has at times described certain goals as unattainable, and then gone on to attain them.

Thus, in a way, the industry has become a victim of its own abilities. First, the Congress and the people hear cries of "impossible." And, when the new models arrive, it's done.

And every time something like that happens, it chips away that much more at industry's credibility. Eventually, it comes to the point where the people -- and their representatives in Congress -- view the industry as capable of anything -- of building, at the same time, fuel-efficient cars, safe cars, non-polluting cars -- all at yesterday's prices.

Now, an engineer can recognize the impossibility of meeting those specifications. But, while there are 286 lawyers and 162 bankers and businessmen in Congress . . . there are only four engineers. The point is that, for its own good, the technical side of the industry must play a positive role in developing public policy.

If the battle is being fought along the banks of the Potomac, it's pointless to dig in on the shores of Lake Erie. And if the gulf between corporate institutions, on the one hand, and the public and its representatives, on the other, is to be narrowed, you cannot afford the luxury of smug or defensive isolation.



If that seems to you like a warning, it is. But that warning is contained in a louder alarm that I hope everyone in this nation will hear: Don't be lulled to sleep because the energy crisis seems remote: Don't be appeased by a momentary concession in prices.

In 1941, we courted disaster by ignoring the world's troubles because the danger -- an ocean away -- seemed remote. In the 1970's, we will invite equally appalling consequences if we ignore an issue as vital as energy, because this time the danger is already ashore.

Thank you.

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